

OFFICIAL REPORT OF PROCEEDINGS**Thursday, 14th November 1974****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, MBE
THE HONOURABLE THE COLONIAL SECRETARY
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP
THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, CMG, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, JP
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP
SECRETARY FOR THE ENVIRONMENT
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE LI FOOK-KOW, JP
SECRETARY FOR SOCIAL SERVICES
THE HONOURABLE DAVID AKERS-JONES, JP
SECRETARY FOR THE NEW TERRITORIES
THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP
SECRETARY FOR SECURITY
THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, JP
DIRECTOR OF EDUCATION
THE HONOURABLE IAN ROBERT PRICE, TD, JP
COMMISSIONER FOR LABOUR
THE HONOURABLE WILLIAM COLLINS BELL, JP
DIRECTOR OF PUBLIC WORKS (*Acting*)
DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, J-P
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP
THE HONOURABLE PETER GORDON WILLIAMS, JP
THE HONOURABLE JAMES WU MAN-HON, OBE, JP
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP
THE HONOURABLE LI FOOK-WO, OBE, JP
THE HONOURABLE JOHN HENRY BREMRIDGE, JP
DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP
THE HONOURABLE MRS KWAN KO SIU-WAH, MBE, JP

THE HONOURABLE LO TAK-SHING, JP
THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR KENNETH HARRY WHEELER

Motion

**Address of thanks to His Excellency the Governor
Resumption of debate on motion (30th/31st October 1974)**

MR BELL: —Your Excellency, I should like to follow the example of my predecessor in office when speaking about the Public Works Department at the opening session of this Council last year, by referring first to that most precious commodity, water.

The aim of the Waterworks Office is to provide a continuous supply of potable water to the public at reasonable and economic prices. The enlargement of the total storage capacity consequent upon the completion of the work on raising the level of the Plover Cove dam last year, coupled with above-average rainfall in 1973, resulted in Hong Kong being able to enjoy a full supply for the sixth consecutive year. However, as we are dependent upon rainfall as our primary source of supply, this year's below-average precipitation up to September resulted in an unfavourable storage position and, as everyone is aware, it was necessary to impose restrictions to ensure that the necessary minimum amount of stored water would remain in our reservoirs by the beginning of the next wet season.

The late advent of typhoon "Carmen" and tropical storm "Elaine" have however dramatically transformed the situation, and it is now possible to retain full supplies throughout the winter. However, by virtue of this relaxation it should not be construed that we are now out of the woods. The continuing increase in demand leaves no room for complacency and work is well under way on two projects planned to augment our resources in the latter half of this decade. These are the 40 million gallons a day desalting plant at Lok On Pai, which is expected to commence production in early 1975 and reach its designed

output by mid-1976, and secondly the High Island Water Scheme, with a storage capacity of 60,000 million gallons, which will become progressively more and more useful to us during the period 1976 to 1978.

The critical period is therefore the winter or dry season of 1975-76 and very careful stock will have to be taken of our position in the summer of 1975. To minimize the possibility of further restrictions during this period, therefore, each one of us can play an important part in reducing consumption by using less water.

Looking further ahead, the means of meeting still further demand for water arising from population increases and further industrial development have been, and will continue to be, the subject of close examination and include the possibility of further major desalting plants, although due to the increase in oil prices early this year, the unit cost of water produced by this method has increased substantially. Further consideration is therefore being given to the development of local conventional resources which may now be economically feasible. The contribution of these, although useful, is not considered likely to obviate the need for large scale desalting plants in the 1980's.

While plans to provide water resources to meet future demand can be viewed with some degree of confidence, little progress has been made in providing an acceptable standard of service to our 592,000 Customers. A lack of accounting staff has curtailed our efforts to improve procedures and frustrated an attempt to introduce a more comprehensive consumer service in Kowloon.

On the brighter side, however, as the result of a special study on the uses of computers within the Public Works Department, it has been agreed at the technical level that the waterworks accounts should be computerized. As soon as the Data Processing Division is up to strength at the Project Manager Level (and I understand recruitment is now in process), the Finance Committee of this Council will be asked to accept the financial commitment involved. It is expected on the implementation of a computerized system—which will in itself be a substantial task—the new accounting and billing system should provide the information necessary to deal with customer queries and complaints, and also provide information to enable more accurate forecasts to be made of demand for water.

Turning now, Sir, to private building development, I must refer to the extraordinary measures taken last year in order to reduce the backlog of work that had built up in the Buildings Ordinance Office following the disastrous 1972 rainstorms. These measures included a

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less detailed checking of plans submitted for approval and the employment of consultants for the checking of structural calculations. I am happy to report that, with very few exceptions, building plans are now being processed within the appropriate statutory periods. However, it has not yet been found possible to return to the situation where all general building plans receive detailed checking although the use of consultants to check structural calculations has recently been discontinued. A steady programme of inspections of building sites where work is in progress has been maintained and to date, despite the lack of detailed checking at the planning stage, no buildings have been found to contain major divergences from the Buildings Ordinance. This, I think, Sir, reflects an increasing sense of discipline in the building industry.

Many of the problems facing the Buildings Ordinance Office result from the fact that it is still considerably under strength in both the Building Surveyor and Engineering grades and until the vacancies are filled, I can foresee little possibility of dealing with the complex problem of illegal works which blights the buildings of Hong Kong. It is still only possible at present to deal with those unauthorized works which represent a serious risk to life.

Whilst the amount of private building work in progress has fallen off during the year, there are now encouraging signs that this decline is levelling off. The rate of submissions of new building plans at some 150 a month is now very steady and represents a healthy potential workload for the building construction industry.

The Architectural Office of the department, Sir, continues to deal with the planning and implementation of building items in the Public Works Programme. On the public housing front alone work for the Housing Authority is in progress on 43 domestic blocks in 7 estates together with one village housing development which when completed will house over 165,000 people. Another 15 blocks in a further 4 estates are under active planning and will provide accommodation for a further 71,000 people.

With the establishment of the new Housing Department, the Architectural Office's involvement in building public housing will gradually run down over the next few years, and it will therefore in future concentrate more on providing the community infrastructure services required for both the existing urban areas and the new towns — that is the hospitals, clinics, secondary schools, markets, police and

fire stations, *etc.* Significant amongst the works currently in hand are modifications and extensions to the airport at Kai Tak, staff quarters to serve the newly completed Princess Margaret Hospital and a future mental hospital to be located nearby, and a medical specialist clinic to serve the eastern part of Hong Kong Island. Other notable projects under construction include the new General Post Office in Central, a new Prison and Maximum Security Training Centre at Pik Uk and the new railway terminus building and multi-storey car park at Hung Hom.

May I now, Sir, turn to engineering. To meet the population growth and Government policy in providing more land for development, engineering investigations into the feasibility of land formation continue to be one of the priority functions of the Civil Engineering Office. Areas under investigation include the Kowloon Foothills, Tat Chee Avenue and La Salle Road in Kowloon Tong, and at Tai Hom and Kwun Tong.

Recent site formation works have provided some 12 acres of terraced sites at Ho Man Tin for Government, educational, residential and other community uses, while reclamation at Kowloon Bay and Gin Drinkers Bay have made available some 60 acres and 10 acres of land respectively for industrial development. Several other reclamation works are in hand including those at Chai Wan, Aldrich Bay, Central and Sham Shui Po to name a few.

The problem associated with the disposal of refuse and waste continues to attract a considerable amount of staff effort in both the Civil Engineering and Electrical and Mechanical Engineering Offices. Since the introduction of controlled tipping at Gin Drinkers Bay in June 1973, some 700,000 tons of refuse have been treated. This technique is proving to be a very effective and satisfactory method of dealing with solid waste treatment and additional sites are being planned.

In parallel with progress on controlled tipping, works for expanding our refuse incinerator plants are continuing. These include the construction of Hong Kong's largest plant at Kwai Chung which when completed in 1978 will be the largest and most sophisticated plant of its type in the world.

In the field of sewage treatment, the pilot sewage treatment plant at Shek Wu Hui was commissioned in June this year. Completion of the experimental stage will provide information as to how best to treat local sewage. Investigations into long term sewage treatment and disposal for Sha Tin New Town and the North West Kowloon have

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also been completed. These studies provide recommendations which will allow us to anticipate the needs of the growing population in these two critical areas.

I should like now to say something about the Public Works Department's efforts in the fields of communications and transport. At Kai Tak the extension to the runway by 2,800 ft. was brought into use on 1st June this year. This together with the associated aircraft sequencing area and two new high-speed turn-offs will not only enable aircraft to operate with greater take-off weights but also increase the aircraft handling capacity of the airport. Other associated civil engineering works in hand include the construction of an additional parking apron, a new taxiway and the surfacing of the apron services complex, all of which are progressing well.

I have already mentioned the new railway terminus building at Hung Hom. The railway works themselves are also proceeding at a rapid pace and the new terminus will be ready for use in 1975.

The planning of a double track railway between Kowloon and Sha Tin has been completed and work is expected to commence soon, whilst the extension of this scheme to Tai Po Market is under investigation.

Although the airport and the railway have important roles in our communication system, it is to our roads which we must look for continuing mobility, and it is essential that improvements keep pace with new development. The existing network of highways continues to be expanded and improved with increased emphasis being placed upon new areas of development on Hong Kong Island and Kowloon as well as providing adequate communications with the new towns, whilst the provision of flyovers on major traffic routes to eliminate or reduce congestion, particularly in the urban areas, is being expedited as fast as resources permit.

As an indication of progress in this field some 26 highway schemes were completed during the year, including the Lion Rock Interchange, whilst 16 other major projects were put in hand. These included major intersection improvements along Lung Cheung Road, the extremely complex junction at Argyle Street/Waterloo Road/Princess Margaret Road and the superstructure of the Lai Chi Kok Hospital interchange.

The Hong Kong Comprehensive Transport Study, which will form the basis on which future road construction and improvement programmes

will be compiled, will be completed early in 1975. Other parallel studies completed included the Island Eastern Corridor Scheme, which involves a high capacity link as an extension of the Waterfront Road through North Point to Shau Kei Wan and Chai Wan, and the West Kowloon Corridor Scheme designed to provide a fast new traffic artery linking the Cross Harbour Tunnel approaches in the east to the container facilities at Kwai Chung in the west. The first contract for this scheme—the section Gascoigne Road to the Yau Ma Tei multistorey car park—was let, whilst tenders for a second contract to extend the road through to Tong Mi Road will be invited fairly soon. Another major project likely to be recommended to the Public Works Sub-Committee for upgrading to Category A of the Public Works Programme as soon as financing arrangements are completed, is the Aberdeen Tunnel and associated approaches.

Three things, Sir, about the past year are particularly worthy of note. The first was lack of rain—resulting in minimal damage to roads compared with previous years. The second was the signing of the largest single highway contract (at a value of \$222 million) for the construction of Stage I of the Tuen Mun Road linking Tsuen Wan and the new town of Tuen Mun. The third, and perhaps most controversial, was the implementation in April of the traffic management and bus priority scheme for the Mid-levels of which my Unofficial colleagues are only too well aware. I am hopeful that next year will see the start of further road improvements to ease traffic conditions in this area.

In readiness for the start of the construction of the mass transit railway next year, plans and schematic layouts for the necessary traffic diversions are nearing completion. In fairness to the public at large, however, I would like to sound a cautionary warning that, despite this advance planning, congestion leading to considerable delays is inevitable in many areas where the railway is to be constructed. It will be our aim however to keep these to an absolute minimum.

Having mentioned the mass transit railway in connection with the effect its construction will have on our roads, I should like, Sir, to refer to one other particular aspect. Much has been said and written already, Sir, on the question of the provision of special facilities for handicapped persons to use the mass transit railway, but I am grateful to my honourable Friend Dr FANG for affording me the opportunity of again stating the facts. This matter was very fully considered by a group of no less than five Unofficial Members of this Council and two Unofficial Members of the Executive Council in June this year. My

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colleagues the Commissioner for Transport and Director of Mass Transit Studies and myself held a very full discussion with these Unofficial Members, who concluded that the provision of such special facilities could not be supported. In reaching this conclusion, as much consideration was given to the feelings of the handicapped persons as to the cost of providing special facilities for them. There is little doubt that on the mass transit railway it will be "rush-hour" an day long, there being only an 8% reduction forecast in the number of persons using the railway in the "off-peak" periods, such as they will be. Trains are scheduled to stop for 20 seconds only and their doors will open automatically and shut quickly. There will be surges of passengers on to and off of the trains. Inside the carriages there will be seats for only 20% of the passengers, the remainder having to stand. In these circumstances, it is considered unlikely that truly disabled persons will want to use the railway. I say "truly disabled" because I think that Dr FANG's estimate of (and I quote) "some 300,000 people of restricted mobility" (unquote), (which is in itself some times ten times the Government estimate based on the 1971 Census) includes a large number who are capable of walking, even with the aid of a stick. For those disabled persons who can walk, the staircases and escalators which will be provided will be adequate.

For disabled persons who cannot walk, I suggest the provision of special facilities on the mass transit railway is not the answer. There would remain the problem of them getting from their homes and places of work to the mass transit stations where they would have to face the problems I have already mentioned. The provision of ramps for wheelchairs at every station is quite out of the question because of the additional platform lengths and the extra land required. The cost of providing passenger lifts for wheelchair-bound persons would probably be greater than the cost of providing specially designed surface transport for the truly disabled. I must add that the cost of providing such special facilities would have to be a direct charge against Government and could not be borne by the Mass Transit Railway Corporation. I must therefore endorse the Unofficial Members' conclusion that the provision of such facilities on the mass transit railway cannot be justified.

However, the Government fully appreciates the importance of providing surface transport facilities appropriate to the special needs of the physically handicapped. The provision of such facilities would make a major contribution to the integration of the handicapped into

our society. I understand from my colleagues, the Secretary for the Environment and the Secretary for Social Services, that a working group, chaired by the Commissioner for Transport, has been set up to investigate what can be done about this.

I should now, Sir, like to say something about land—the basic necessity for any form of development. It is in short supply in Hong Kong and its acquisition is therefore a continuing problem. I am pleased therefore that the approval of the Lands Tribunal Bill 1974 will enable a lands tribunal, as a part of the Judiciary, to be set up. This centralized body will hear all claim cases and rating appeals that formerly had to be dealt with by a variety of compensation boards and tribunals under other and various pieces of legislation. Another advantage is that the decisions of a permanent tribunal will be consistent, and a fundamental experience and knowledge of valuation matters will be established which will enable cases to be disposed of quickly and efficiently. Although the appointed day for this ordinance to come into effect has not yet been named and the tribunal has not yet been set up, both will have to take place soon in order that the lands tribunal can hear claims arising from the construction of the mass transit railway.

You will recall, Sir, that last year a new organization, the New Territories Development Department, was formed within the PWD to undertake development associated with the Government's ten-year housing programme, much of which will be concentrated in the three new towns at Tuen Mun, Tsuen Wan and Sha Tin. Since that time a lot of essential ground work has been done in the preparation of detailed plans and in devising development programmes, including the co-ordination of the programmes of all other departments and agencies involved in these vast undertakings. It will be appreciated that the preparation of a programme for the development of a large new urban community entails a tremendous amount of work. Any ambitious project such as one of the new towns must be based on economics, practicalities and realism. The problems of the urban community can only be approached comprehensively. One must deal with all aspects of the community, its economy, its people, and its physical, social and recreational needs, all at the same time. All the various aspects are interrelated and must be jointly considered; it is these problems which the New Territories Development Department has been tackling in the planning and programming processes.

While good foundations for future operations are being laid, actual construction work in the three new towns has been going ahead at a

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steady pace. Sites are being formed for public housing, Government, institutional and community use and for private residential and industrial purposes. At the same time, essential engineering infrastructures such as roads, drains, sewers and water supply are being built. Some 1,340 acres of land are, or will shortly become, available in the three towns, while the impetus of current building projects is being maintained with 175,000 units of public housing currently under construction. In addition, proposals are well advanced for private developers to form some 240 acres of land, retaining 64 acres for private housing and handing the remainder back to Government for public housing, community facilities and other uses.

The future development of the New Territories is limited only by the resources available, and I use the term "resources" in its widest sense. It is on the aspect of resources that the practicalities and realism which I have mentioned must be the guiding factors when programming our works. In this context, finance is only one, although, an ever important one, of the resources to be considered and the planning and programming done so far indicates that finance is less likely to be the constraining factor than other practicalities such as the rate of increase of the pace of construction and the rate of physical migration of people from the main urban areas into the new towns.

To sum up, Sir, the past year has been one of continuing endeavour and much has been achieved. As to the future, public works will continue on a broad front. Much has been said about cuts in the Public Works Programme; this is simply not true although a reassessment of priorities has resulted in a rephrasing of certain projects. As evidence of the magnitude of the capital works in the Public Works Programme I anticipate expenditure in the current fiscal year will be about \$1,500 million which is some 50% more than that spent in the previous year. Even allowing for inflationary trends and higher costs of construction, this sum still represents a formidable increase. I cannot in all honesty, Sir, apologize for speaking at such length. The Public Works Department spends more of the funds available than any other, and it is only fair that you, Sir, and honourable Members and the general public should be given a comprehensive account of its stewardship.

Sir, I have much pleasure in supporting the motion.

SECRETARY FOR SECURITY: —Sir, it goes without saying that the Police Force under the command of the Commissioner is very much aware of the concern which pervades the community (and to which four honourable Members referred) regarding the level of crime, its increasing violence and the ruthlessness with which, in some cases, it is committed. That many other communities are facing the same problem is no, or small, comfort.

You, Sir, spoke of the three main thrusts in combating crime:

First —more well-trained and deployed policemen; and in that I would like to emphasize "the need to secure the greatest possible coverage by and output from individual police officers";

Next —to improved techniques, organization and procedures; and

Third —mobilization of the people and public opinion to assist the Police.

I now want to go into a little more detail about the re-organization of the Force and to do so against the sombre background of major crime statistics in October which were higher than any month before. In the Kowloon District, where the majority of crime is committed, the CID was restructured in July. The aim of the re-organization has been to improve efficiency in the collating of criminal intelligence and the detection and prevention of crime. This re-organization involves, at both district and divisional levels —

the provision of more investigation teams, to undertake investigation of serious or complex crimes;

the establishment of CID patrol and support squads for crime prevention action;

more efficient methods of collection, collation, assessment and dissemination of criminal intelligence;

and at the district level an ability to conduct case research, and the establishment, also, of a unit specializing in juvenile protection and missing persons under the age of 21. Though it is too early to assess results, the restructuring is already seen to be an improvement on the previous arrangements and its introduction into Hong Kong district is now underway.

On the operational side mention must be made of the proposed Beat Radio Scheme. Good progress has been made with the planning of this scheme which envisages that every policeman on the beat should

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have a personal radio thus forming a vital link in the Force's communications and crime fighting capacity. With the proposed introduction of personal radios the greatest possible flexibility can be achieved to give better deployment of resources, faster incident response times, more efficient processing of information and more effective control. The Commissioner of Police is giving proposals concerning the introduction of this scheme very high priority, since he expects it to be a major operational breakthrough.

These changes and plans, together with those to which Your Excellency referred, should begin to show some results in improving detection rates and I trust in discouraging thugs. But, complementary to what the Force is doing, the greatest other single improvement would be achieved by the increasing co-operation of, and assistance from, the public. You, Sir, outlined the concept of neighbourhood policing and also referred to mutual aid committees. Another innovation is the Police Community Relations Officer Scheme which was introduced in March. It involves the introduction into divisions of Community Relations Officers whose task is fourfold:

- to establish and maintain close contact and liaison with community organizations such as mutual aid committees, kai fong, schools and so on;
- to project a good police image and to offer advice and guidance to the local community;
- to train and brief police personnel in all aspects of community relations; and
- to advise Divisional Superintendents, in general terms, of local public opinion of the Force, its service and duties.

Eight of these officers are now at post in divisions and three further appointments will be made shortly.

There is, Sir, no complacency in the police or in the Government over the serious state of crime or the need to protect the society, poor or rich. Honourable Members and the press have pointed out that the crime figures are not likely to fall much, but the Police Force is mobilized and committed in its fight against this scourge. The Commissioner and his officers will do all that they can to ensure that the Force is geared to meet the threats to the public, as a whole, and to meet the demands made upon it. They will modify their organization and techniques and make such changes as are needed as the fight against crime develops. They do, as has been said, and as must be reiterated

constantly, rely heavily upon the support of the public to bring incidents to notice, to report crime and to uphold the forces of law and order.

I should now like to turn to another department with which the Security Branch of the Colonial Secretariat is concerned: the Prisons Department. This department is not only facing the problems of an increasing prison population but, equally important and demanding, it now has to provide facilities for a much greater number of tougher, younger and more truculent prisoners serving longer sentences. This poses disciplinary and security problems which the Commissioner and his officers are meeting with determination, despite the difficulties that shortage of accommodation imposes. Apart from security improvements in certain institutions, consideration is being given to proposals for a more effective radio communication system and financial approval has been given to construct a refractory block for the better enforcement of discipline in Stanley Prison.

Site formation work has also started as a preliminary to the construction of a new Kowloon Reception Centre for those on remand. This centre will eventually relieve the overcrowding and unsatisfactory conditions in the Victoria Reception Centre in Hong Kong. Ways and means for Ma Po Ping to revert to its original role as a prison are also being devised.

In order to rehabilitate the inmates in the various institutions by cultivating good working habits and promoting more trade training, a survey of prison industries has been carried out to provide for expansion and to secure greater productivity. In view of the pressures, however, on accommodation and for security reasons it seems unlikely that the Commissioner will be able to provide for those in his charge to develop some of the undeveloped islands in the territory or keep public places clean as was suggested by my Friend the honourable Wilson WANG.

Although the physical resources of the department are at full stretch, the level of staffing of the prison service is better than it has ever been. Since the prison service pay revision, announced in May this year, there has been a welcome and progressive reduction of vacancies at all levels in the staff of the service. During the last 12 months 970 vacancies arising from expansion wastage and retirements have been filled and this month the strength of the uniformed service was 2,200 compared with 1,600 a year ago, a 37% increase.

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As honourable Members know the Prisons Department is in the forefront of the treatment of drug addicts. The work at Tai Lam and Ma Po Ping is widely recognized as of very high order and with modern facilities for medical and psychological treatment, a work programme and a full range of welfare and after care services. As I have said we shall have to find other accommodation for the treatment centre at Ma Po Ping so that we can release it for its planned role as a prison and a possible alternative is now being examined.

And this, Sir, brings me to the question of drugs. To my mind there is obviously a definite connection between crime, corruption and drugs and I share the widely held view that to control crime and indeed reduce it the illicit drug trade must be smashed and the treatment of drug addicts expanded and developed. Government is acutely aware of the very real and justified anxiety of all decent people regarding drug abuse and solutions to the age old problem of drug trafficking and addiction are being pursued vigorously.

In this Council we debated the White Paper on Narcotics earlier in the year and I then gave some facts about the successes of the Narcotics Bureau of the Police and the Preventive Service. These continue and further big seizures of drugs have been made and the higher echelons of the syndicates are being harried and pursued. The law enforcement agencies in Burma, Thailand and elsewhere have also achieved notable successes which indirectly help our position. Clandestine heroin kitchens here have likewise taken a serious beating. Never have heroin and opium been in such short supply in Hong Kong and never have they been so expensive.

But what about the thousands of addicts in Hong Kong who constitute the vast and lucrative market for the illicit traffic? Unless treatment can be extended to all who need it—and there are an increasing number of those seeking it—then obviously, as I have said before, the illicit traffic will continue. Demand inevitably produces supply, despite the risks.

The Action Committee Against Narcotics is now considering an outline phase one treatment and rehabilitation programme which, subject to the provision of the necessary finance, aims to increase the treatment facilities fourfold—that is, from about 4,000 per annum to, say, 16,000. It is, Sir, too early to go into detail but I know honourable Members will support these plans as they unfold. They should certainly have a major effect on the drug scene.

In conclusion, Sir, my honourable Friend the Attorney General, my friend the Commissioner of Police and the Security Branch, whom I represent, are currently working in the closest co-operation on long term planning for the development of the forces of law and order to ensure that all the facilities necessary are available to deal with and eventually, I trust, reduce the levels of crime.

I support the motion, Sir.

MR JORDAN: —Sir, you concluded the section of your address in which you discussed the state of our economy on an optimistic note. While, as you said, Hong Kong cannot hope to avoid some of the consequences of a slowing down in world trade, we are, thanks to the basic soundness of our economy, the enterprise of our merchants and manufacturers and the efficiency of our workers, better placed than are many others, to cope with difficulties and to maintain our overseas trade, on which everything else we need to do in Hong Kong depends.

In the Commerce and Industry Department we are all conscious of the fact that our job is to support the efforts of the private sector—to control and interfere as little as possible so that enterprise and efficiency have free rein to earn the profits which will benefit us all.

If I may say so, I think that our action to control re-exports of some plastic raw materials is a good example of our basic attitude.

If we were to lose or seriously damage Hong Kong's reputation as a free port, the effects could be far-reaching. Re-exports are still a very important part of our total trade—indeed, despite Hong Kong's growth as a manufacturing centre, and the enormous growth in our total trade, re-exports are still around 25% of our total exports.

And people who are in this trade have legitimate interests which must not be injured by a precipitate imposition of control to benefit another sector of the economy. When calls are made for the Government to intervene in this sector or that, I think it is often forgotten that Government intervention alters the balance of commercial advantage. We should therefore do it only when we are sure that an imbalance needs to be altered in the interests of the community as a whole.

So we first put plastic materials under export licensing to monitor exactly what was going on and it was only when we were satisfied, by reference to the normal pattern of trade, that re-exports of certain materials had increased at a disproportionate rate, that we imposed a

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quantitative control. The quota we issued was more than enough to allow the normal pattern of trade to continue.

But the most important point I want to make is that, as soon as the supply situation returned to normal and it was clear that there was no need to maintain our controls any longer, we dismantled them entirely.

The oil crisis itself I think provided another example. When things looked really black we set up the Oil Supplies Unit, which took away the most of the department's Industry Division, including the Assistant Director in charge. But as soon as the emergency was over we dismantled this operation too and the Industry Division and its Assistant Director resumed their normal work.

Industrial Development

In the industrial sector, performance over the past year has of course been uneven. Two of the hardest hit industries have been textiles and plastics—industries which were already facing strong competition from overseas. More recently the electronics industry has suffered—but some sectors of it remain strong. A similar picture recurs in other industries too.

In boom conditions everybody can operate successfully but once demand slips below capacity (and the swing can be quite a small one) the effects can be traumatic for some. The difficulties that some industries have faced this year have been considerable but they have, I think, also brought about a valuable re-appraisal by the manufacturers concerned of the future of their industries.

I don't intend by saying that to imply that previously our manufacturers were just sitting back enjoying the boom. Hong Kong's industrial success story has not come by accident: it is due to the bold and far-sighted investment decisions taken by our entrepreneurs.

It is because they too see that Hong Kong must keep moving forward if it is to stay ahead of its competitors that they are anxious to see an oil refinery and petrochemical plant established here; that they have welcomed the modification of land policy that facilitates the establishment of large-scale high technology industry; and that they are eager to see our first industrial estate in operation.

I suspect that the department's contribution to the development of these policies is too well-known to both Unofficial and Official Members of this Council to need or indeed to bear repetition this afternoon.

The department has continued its efforts to promote the development of higher technology industries. Of course, the present international climate isn't too favourable. Many people are deeply concerned with their own immediate difficulties.

We are in addition competing world-wide with other developing countries for overseas industrial investment and several countries in Asia may indeed be competing for essentially the same kind of industries.

We have already, under the modified land policy, provided two large American companies with substantial industrial land sites for completely new projects. We are considering the establishment of an oil refinery and petrochemical complex (it should not be too long before further detailed proposals by the competing consortia are with the Government for further consideration) and we are dealing with several other possible industrial ventures which are in the same general category, that is, land and capital intensive projects which would require special arrangements for the provision of land. How many of these will eventually become established industries in Hong Kong I can't say. It is in the nature of industrial promotion work that some of our efforts succeed and some don't. But I can say that there is interest both here and overseas in setting up new projects which fit our developing land policy.

My honourable Friend the Financial Secretary will be speaking on this subject later in this debate so I will confine myself to one point. I know that some honourable Members—and others outside this Council—are concerned that the private sector should be, as my honourable Friend Mr TIEN Put it, "brought directly into the system by which industrial land policy and industrial promotion policy are formulated and administered".

The Commerce and Industry Department is represented on all the groups that are working on different aspects of this subject and it is certainly my intention to continue to keep informed and to consult the Trade and Industry Advisory Board or its Industrial Land Committee. Unofficials are in the majority on both these bodies.

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Once an Industrial Estates Corporation is established, and we are on the way to having available for potential investors a fairly comprehensive range of possibilities in the way of land and factory accommodation, we shall, I am sure, need to reconsider and re-organize our arrangements for the promotion of industrial investment and I am sure that the Trade Development Council and the department, which at present share responsibility in this field, will need and welcome unofficial advice on the formulation and implementation of these arrangements.

The Trade Division of C. & I.

Partly in order to enable the Industry Division of the department to concentrate on its job in the field of industrial development and promotion we "hived-off" a new Trade Division in January this year. This brings together under one Assistant Director all that part of the department's work that is connected with the necessary controls that we exercise except for control of textile exports which remains the responsibility of the Commercial Relations side of the department.

The Certification Branch's job is pretty unspectacular, but in the course of a year it issues over a quarter of a million certificates of various sorts, and is constantly trying to simplify certification procedures. But our prime concern must be to preserve the efficiency and integrity of the system and to make sure that we discharge our international obligations.

During this year Her Majesty's Customs and Excise in the United Kingdom have agreed to a helpful simplification of Commonwealth Preference procedures. It is no longer generally necessary for factory costings and undertakings to be prepared by approved accountants and transmitted to London. The division has assumed full responsibility for the approval of claims to preference. We have also succeeded in obtaining agreement to simplification of Commonwealth Preference certification procedures for some other countries.

I am sure we should not so readily have obtained agreement to these improvements if we didn't have a reputation for reliability in these matters.

Another unspectacular effect is in "trade facilitation", which used to be called "simpler trade documents". The Trade Division services the Trade Facilitation Committee, which organized the International Trade Facilitation Seminar currently being held in Hong Kong.

I have also recently transferred responsibility for the Rice Control Scheme to the Trade Division but those honourable Members who sat through my speech in the budget debate will be relieved to know that I don't intend to say anything more about rice today. The price is coming down and like the stock market, the subject has lost its glamour. (*Laughter*).

For the future the Division, which is already responsible for our liaison with the Consumer Council, expects its work to grow as we move further into the field of consumer protection.

The Preventive Service

The Trade Division and the Preventive Service are the two law-enforcement arms of the department. Though they have often worked together, the Preventive Service also has of course its own particular fields of operation. The collection and protection of the revenue from dutiable commodities is, like the Trade Division's work, generally unspectacular (but very necessary). More spectacular is the anti-narcotics work, though even here of course the spectacular raid is normally the outcome of a long and painstaking investigation.

During the past year the Service seized 380 kilograms of dangerous drugs, with a retail value of about three and a half million dollars, and it made 4,389 arrests. We have also at last had some success in action against the illegal importation of acetic anhydride, which honourable Members will know is an important chemical used in the manufacture of heroin. We have seized over 2,000 kilograms of this substance. This quantity would have enabled the drug traffickers to manufacture over 1,600 kilograms of heroin.

The Service has also been instrumental in drastically reducing the number of opium and heroin divans which flourished previously. They were successful in destroying the syndicate which had for so many years operated in the notorious Ma Shan area, and in smashing the heroin syndicate which had operated in the Sheung Shui area for a considerable period of time.

I think that the combined efforts of the many agencies and Government departments involved under the new Action Committee Against Narcotics are beginning to pay off: that we are getting somewhere at last with this hitherto intractable problem.

The Preventive Service will continue to play its part and we shall be better able to do this now that we at last have our own training

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school, which was opened on 13th June by my honourable Friend the Colonial Secretary, as Acting Governor. We are all very glad that it hasn't proved to be an unlucky date for us or for him—yet.

Another way in which we hope to improve our capability is by re-organizing our Marine Sub-Division. We intend no longer to duplicate the Marine Police patrol effort but to replace our expensive cruising launches with smaller launches and inflatable boats with outboard motors. We've got one of these already and it is proving its worth.

External Relations

In the external field too we have been fairly busy and expect to continue to be. In order to enable those who are responsible for the conduct of Hong Kong's commercial relations with our overseas trading partners to concentrate on the external aspect of their work, we have brought together into a new division of the department the internal administration of all our textile agreements. These agreements have become increasingly complex and it seemed a sensible move to give one Assistant Director overall responsibility for their implementation. This also makes it easier to ensure that our systems and services are standardized as far as possible across the whole range of our controls. It may give honourable Members some idea of the present scope of these arrangements if I mention that in the current year we expect to issue over half a million textile export licences.

In our actual external negotiations and consultations we have during the year concluded a three-year textiles agreement with the United States of America, and less comprehensive agreements with Sweden, Australia, Austria and Canada. We also held negotiations with Norway.

We have also continued our efforts to persuade various countries to remove or reduce the discrimination against Hong Kong in their Generalized Preferences Scheme. We have held discussions with Japanese, Swiss and Austrian officials on this and as honourable Members are aware, the Japanese Government has further improved the arrangements for Hong Kong in its scheme.

However, it is naturally difficult to persuade other countries, particularly in Europe but outside the EEC, not to discriminate against Hong Kong, when the United Kingdom is itself obliged to discriminate

against our textiles and footwear exports by its adoption of the EEC's Preferences Scheme.

We have therefore concentrated a large part of our efforts on the struggle to have this particular discrimination removed. In order to facilitate this concentration we made another small re-organization, under which the division responsible for our relations with the EEC and the GATT was relieved of responsibility for commercial relations with other countries in Europe.

However, since the European Commission published—in June—its proposals for 1975, we have had another cause for serious concern. As honourable Members are aware, the total quantity of any one product that may be imported into the Community under the scheme is limited; and not more than a certain percentage of that quantity may be imported from any one "beneficiary" country. That percentage is, this year, generally twenty or thirty *per cent*.

A very few beneficiaries, of which Hong Kong is one, have shown their ability to supply what the Common Market wants by shipping right up to this percentage in some products. (Goods can still be imported beyond the limit of course but not under the scheme. The full duty has to be paid.)

It was proposed that next year the percentage limit should be generally raised to fifty *per cent*, that is to say, that up to half of the Community's imports of any one product under the scheme could come from any one beneficiary. But this improved opportunity would not apply to imports from any beneficiary which had shown it could supply the goods by taking full advantage of the opportunities under the present scheme. Access for imports from these countries would be generally frozen at the current level, while for everyone else the tariff quota would be larger and the limit for any one supplier raised to fifty *per cent* of the enlarged quota.

If the tariff quotas were being filled, if one or two beneficiaries were monopolizing or taking a disproportionate share of the benefits available under the scheme, we would of course agree that the scheme should be modified to ensure that everyone had a fair chance.

But this is not the case. Everyone has a fair chance already. Some—and Hong Kong is one—can make use of it. Others cannot. They just don't make the right things. Our relative success does not in itself deprive them of anything. These proposals would only penalize Hong Kong and one or two other successful suppliers: they would

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not make other countries any more capable of taking advantage of the opportunities they are at present unable to use.

During this year we have therefore emphasized to the British Government our concern not only with the removal of the present discrimination against Hong Kong in this scheme—the exclusion of our textiles and footwear—but also our serious concern at the discriminatory effects of the proposals I have just described. In addition to the normal flow of letters and telegrams, I have been twice to London to put our case before senior officials. Our representative in Brussels, assisted by an Assistant Director from Hong Kong, has called on and had lengthy discussions with officials of the European Commission and also with officials in the capitals of all the Member States of the Community, and I had similar discussions with the Consuls-General in Hong Kong of all the Member States. In June, Mr CALLAGHAN, the Secretary of State for Foreign and Commonwealth Affairs, and in October Sir Michael PALISER, the United Kingdom Permanent Representative in Brussels, reminded their fellow-members of the Community that Britain believed that substantial improvement in Hong Kong's position under the scheme was needed—and justified. There has however been considerable opposition to any such improvement. It has been suggested that the position of Hong Kong in the preference scheme was definitively settled in the negotiations for Britain's entry into the Community and that therefore although the scheme is subject to annual review—which could of course add to the discrimination against Hong Kong—Britain was not entitled to seek any improvement for us by the removal or lessening of the discrimination against us.

This subject was discussed at another meeting of the European Community's Council of Ministers two days ago, at which the British Government was represented by the Secretary of State for Trade, Mr Peter SHORE. The decisions reached by the Council of Ministers were announced yesterday.

The Council agreed that the discrimination against Hong Kong's footwear should be removed except in respect of leather footwear, of which in fact we export very little.

The Council was unable to agree that the discrimination against our textiles should also be removed or reduced, but it did agree to record in its minutes that "the case of Hong Kong will be reviewed when the Community's scheme for 1976 is drawn up".

At the same time the Council accepted the latest version of the special proposals for the so-called "super-competitive" countries. These are the proposals, which I have already described, for freezing access under the scheme for those that can actually deliver the goods. Although they are theoretically non-discriminatory in that the targets are not named, they will in practice hit only a small number of beneficiaries, of which Hong Kong is one. We cannot yet assess the likely effect on our trade of this decision though because we do not know precisely what is involved in the latest version of the proposals.

It may seem to honourable Members that we have, with a great deal of effort, achieved very little. The department, with the support and assistance of the British Government, has been pressing for many months for improvement in Hong Kong's position in the scheme. We have now met with only a small measure of success in the removal of a small part of the existing discrimination, but we should not have achieved even that without the very strong efforts that have been made by the British Government on our behalf particularly in the last few weeks.

The door is not open yet but it is at least ajar, whereas before it was firmly shut. The clear—and to us very important—corollary of this is that the argument—to which I referred earlier—that the "Hong Kong Case" was definitively settled in 1971—has been abandoned.

Nevertheless we must reconcile ourselves to the fact that the major part of the discrimination against us will continue into 1975.

During the coming year, therefore, the continuing struggle for the improvement of our position in the Community's Preferences Scheme will continue to be one of our principal concerns in the external field. However, I take some encouragement from the fact that the Council of Ministers also agreed that there should be a thorough-going review of the whole scheme and that this should start early in the new year. I take this to mean that we—and no doubt other critics of the recent proposals—have succeeded in convincing at least some of those concerned that there may be a case for more radical modification of the scheme.

Other external matters that will be on our schedule for 1975 will be the negotiation of a bilateral agreement on our textile exports to the Community; and the GATT Multilateral Trade Negotiations. If the United States Trade Bill is passed before the end of this year, then this Negotiation will really get started in 1975. Our principal interest is in the subject known as "Safeguards", that is to say, the application and

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possible modification of Article XIX of the GATT, which permits member countries to take action to limit imports where these imports are causing or threatening to cause serious injury to domestic industry.

The United States Trade Bill also provides, as my honourable Friend Mr TIEN has pointed out, for the establishment of a preferences scheme for the United States, I can assure him that we shall be watching developments here very closely. We are of course already aware of the general provisions of the scheme but in the actual implementation of it a good deal of discretion would be given to the President to determine, for instance, the list of products that will be included in the scheme and also the list of "beneficiary developing countries".

In our examination of this scheme, in any discussions we may have, in any representations we may seek to put forward, we shall continue to be guided by the basic philosophy that has determined our attitude to all these schemes. We seek no special benefits for Hong Kong. We prefer to stand on our own feet. We seek only to avoid or remove any special discrimination against us.

Sir, I support the motion.

SECRETARY FOR THE ENVIRONMENT: —Sir, not for the first time in a Legislative Council debate, much attention has been focused on speeding up our land procedures, and it may be opportune for me to restate some of the reasons behind the land policy and the land procedures at which so much criticism has been directed. Land is Hong Kong's main natural resource and there is very little of it. We have to seek a compromise between exploiting the land which we can get at quickly and ensuring that, in the long term, the best use is made of the whole and that the general environment does not suffer. These considerations lie behind the careful checking and research which precede each land grant and I am satisfied that this careful approach has preserved Hong Kong from the wastage of its resources which would have resulted from indiscriminate land use.

However, I am also sensible of the delays and indecisions, in some cases inexcusable, which have in the past hampered and frustrated valuable enterprises, and placed individual land-owners at a disadvantage. We mean to streamline procedures and to reduce these delays to a minimum. This is particularly essential at the present time when

we must do all we can to encourage employment, to attract capital investment and to prepare our building industry for the next period of economic expansion.

I believe that in the past much of this delay has arisen from a failure to distinguish between the important and the less important projects and aspects of land work. I have therefore devised a priority system to ensure that those projects which will be most beneficial to Hong Kong should go ahead as fast as possible and that our efforts should be concentrated on those projects for which finance is available. Such priority will in fact be granted sparingly, and only for very major projects, and by a committee under my chairmanship. I must emphasize that Government is fully aware that whenever there is a priority system, there will be allegations of corrupt practices, particularly from those who do not receive priority, and our procedures are being planned with this in mind.

Once a scheme is placed on the priority list the land authorities must treat it with urgency and automatic priority will be given by the Building Authority and the Fire Services Department to any building plans submitted in respect of it. Generally an inter-departmental team will meet to ensure that there are no hitches and I must be kept informed personally about any delays or obstacles encountered.

In addition, a further scheme to avoid delays in routine projects, which are ready to start, is being introduced by the Buildings Ordinance Office and Fire Services Department. Under this scheme the plans of developers who can show that they have the resources to start development, will be accorded priority. We shall safeguard ourselves against accusations of favouritism by requiring an endorsement by my branch of the Secretariat of any award of priority status.

Oil Refinery /Petrochemical Plant

I agree with my honourable Friend's statement that there is a need to take an early decision on the oil refinery/petrochemical plant proposals and that environmental standards have to be weighed against economic and social benefits. I can assure him that Government has not been dragging its heels but that, for the very reasons given by him, the proposals have had to be considered very carefully both by Government and the consortia involved.

Honourable Members will be aware that the preliminary proposals put forward by the two applicants have been appraised by Government, With the help of consultants. The consultants advised that, with proper

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controls, the environmental impact of an oil refinery/petrochemical plant would be acceptable. But in the meantime the original proposals were overtaken by the world oil crisis and there has been an obvious need for the two consortia to re-assess viability of the scheme, the potential sources of crude oil and the markets for their products.

They are preparing new detailed proposals covering all aspects of the project and I hope to receive these soon. By soon I mean within the next month or so. Their proposals will have to be checked against the previous findings of our consultants who may have to be re-employed to do this check and to consider details not included in the preliminary submissions.

A working group, comprising the Secretary for Economic Services, Secretary for the New Territories and myself, has been set up to consider the detailed proposals when these are received, to resolve land and any other problems, and to negotiate with the consortia. We on the working group are aware of the considerable benefits that an oil refinery/petrochemical plant will have for Hong Kong. We shall not apply excessive or unreasonable pollution controls and conditions on this or any other new industry wishing to set up in Hong Kong. Nevertheless, pollution must be kept within tolerable bounds and it is far easier and cheaper to take measures to prevent pollution than to deal with it after it has been allowed to build up. From my discussions with the consortia it is clear that they are well aware of this and that, with modern technology, they will have little difficulty in meeting the standards of environmental protection which we would feel it necessary to impose.

Environmental Pollution Legislation

I have emphasized the need for proper controls in order to keep pollution within tolerable bounds. This applies not only to pollution from new industries but to all types of pollution of the land, air and water, and to excessive noise. Our existing pollution legislation is fragmented and old fashioned. It is not geared to conditions of dense population and traffic, and intense industrial and agricultural development. Sir, I have put forward proposals for the employment of consultants to help with the preparation of comprehensive legislation and to advise on the establishment of an environmental pollution control agency. Considerable preparatory work has already been done by my staff and the several departments involved, and I am indebted to the

Advisory Committee on Environmental Pollution (EPCOM for short) which has provided me with so much advice that will be of considerable value to the consultants.

Advisory Committee on Environmental Pollution (EPCOM)

EPCOM is about to complete a most successful first year and I am glad to have this opportunity to pay tribute to its members. It was established to review the state of the environment and pollution and to advise me on the appropriate measures which might be taken to combat pollution. Under the very able chairmanship of Mr John MARDEN, three sub-committees were formed to deal with "air", "noise" and "water and land" pollution. Mr Walter SULKE, Mr Henry LITTON and Mr Gerry FORSGATE have chaired these sub-committees, which have considered a variety of difficult problems. All three sub-committees have adopted a positive approach, conducted their business in a most energetic fashion and have bombarded me with firm recommendations and a wealth of information on matters affecting the environment.

The members of the committee represent a good cross-section of those interested in, or affected by, pollution control. This is reflected in the well balanced and practical recommendations made by the committee and I hope this news will dispel the fears of the honourable Mr TIEN that we may go overboard in our quest for a better environment.

Airport

May I now turn to comments made about the airport. The honourable Mr LOBO, made three criticisms of Kai Tak, namely: —

the unfriendly attitude of officials checking health certificates;

passengers being fleeced on exit; and

the transport situation.

I will deal with the last two of these, leaving it to the Colonial Secretary to reply on the first. (*Laughter*).

I assume that my honourable Friend is referring to requests for tips by porters at Kai Tak. These will never be eliminated but, in the past twelve months, only three complaints have been made to the Hong Kong Air Terminal Services on this score. Porters have been warned that if they demand tips they will be dismissed and it is proposed

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to put up notices asking passengers to report any incidents of porters demanding tips. "Tipping Not Obligatory" notices have already been erected in porter service areas and, as porters must display numbers on their uniforms, there is no problem of identifying offenders. Nevertheless, I am sure that tips will continue to be offered and accepted as they are at other airports throughout the world.

There is no doubt that unsuspecting incoming tourists, and others, do suffer from the present transport system. We intend to change the present location of the public car hire rank and the taxi rank early in 1975, when a start is made on the Airport Terminal Building Extension. The ranks will be resited in a more spacious area in front of the existing Terminal Building, where police control should be more effective.

I understand from the Commissioner of Police that the Police Triad Society Bureau will investigate an allegation of racketeering in the taxi trade at the airport and surveillance of ground transport facilities will be increased. It must be remembered, however, that the first priority for police personnel at the airport will continue to be security of air passengers.

Discussions are in progress between the Commissioner for Transport, and the two franchised bus companies on a public bus service from Kai Tak to Tsim Sha Tsui and, possibly, Central District though at present it is thought that the service would provide transport for airport staff and well-wishers rather than air passengers with luggage.

Finally, the Commissioner for Transport is investigating, in conjunction with the Airport Manager, the introduction of another hired car service with set charges under the control of the Government. The Government can exert no control over the charges made by the present limousine car service, for which the charges, as for any public car service, are determined by a contract between the operator and the hirer. While these limousine cars provide a useful service for some, they may be too expensive for others.

My honourable Friend, Mr BREMRIDGE, has said a lot about the airport which he feels has been unreasonably, indeed dangerously, starved of funds in recent years. But he appears to ignore the large sums which have been spent on this facility in recent years including the costly extension of the runway, improved navigational systems and Phase III of the Terminal Building. In the five financial years beginning 1970-71 and ending with the present year 1974-75, a total of some \$350 million will have been spent on capital works at Kai Tak.

As regards airport revenue however this is only just beginning to produce a surplus on past expenditures, and new commitments will of course add further to expenditure. We are planning capital works valued at \$320 million in the next four years and this expenditure plus a reasonable return will have to be recouped through charges for using the airport. Nor must we under-estimate the investment already put into the airport. The value of buildings, engineering works and equipment at cost stands on getting towards \$450 million, without including the value of the land the airport occupies. This is a considerable investment hardly indicative of "financial parsimony"—and my honourable Friend surely exaggerates conditions at the airport when they are viewed against the delays in landing and take-off which take place at many airports because they are incapable of handling the necessary aircraft operations.

But there is little point in dwelling on the past. What I wish to stress is that while everything within reason—and by "within reason" I mean in the context of pressures to spend public funds on other important fields—is being done to improve both the passenger and cargo services, this will have to be paid for by those who use and benefit directly from Kai Tak Airport. I am therefore relieved to have Mr BREMRIDGE's implied acceptance of an increased charge in airport fees in the near future. (*Laughter*).

Now coming to his comments on the Hong Kong Air Cargo Terminal, while the franchise and land grant may have been long in gestation, there is no evidence that any action of the part of the Government has in any way held up the development of the new air cargo terminal. On the contrary, the Government sponsored this development and is a shareholder in the new company. If the franchise and the land grant are not yet issued, this is largely because the company is disputing the terms of the franchise and has not been clear about the exact area of land it requires. But neither of these alleged failures have held up development, which has gone ahead on the basis of a firm letter of intent from the Government.

To sum up, I do not believe that there has been "fiscal interference with the planning proposals of sensible experts" though, of course, proposals for the airport have had to be weighed against alternative uses for Government money. I suggest that the honourable Member agrees with me, as he has said that the sensible experts' opinions on the ultimate needs of the airport, which envisage a capital expenditure, at present day prices, of the order of \$5,000 million, are in Cloud Cuckoo Land.

With these remarks I support the motion.

Motion

SECRETARY FOR HOME AFFAIRS: —Sir, my honourable Friend Mr CHEONG-LEEN'S call for a 3-year programme to promote the formation of more mutual aid committees underlines the impact and success which these committees have had so far. Since the first MACs were set up last year with the active encouragement of the Home Affairs Department the idea has caught on very rapidly, and they are now an established feature of urban life. It is certainly the Government's policy that more committees should be formed and as quickly as possible. Experience has however shown that people in multi-storey buildings hesitate to approach each other to form MACs and that a catalyst is necessary. The catalyst in this case is the permanent and part-time staff of the Home Affairs Department. Although a 3-year programme with specific goals is an attractive idea, I believe that real progress in this field must depend on the capacity and staff resources of the department and that it would not be desirable to set precise numerical targets at this stage. The problem must be approached with a certain degree of flexibility to ensure that numbers are not achieved at the expense of quality. I can assure my honourable Friend that the MACs are a form of organization considered to be of great value to city dwellers and that we aim to set up as many MACs in the next few years as the capacity of the Home Affairs Department allows.

The proposal made by my honourable Friend Mr LOBO for a speakers corner where anyone could go and hold a meeting provided he obeyed the rules has been made before. Orators worth their salt already find they can tell stories or hold forth on most subjects in the various poor men's night clubs in the streets round town.

I doubt whether there is much demand for simpler arrangements to authorize public meetings. The present arrangements are not onerous but even so few such meetings take place. If there were a place where anyone could start an impromptu meeting I suspect it would only attract cranks. Nobody out to create a stir would use such a place for a moment. My honourable Friend might put himself in the shoes of an agitator anxious to attract attention. Would he not still persist in making a great show of applying for permission to hold a mass meeting in Morse Park—and draw out the process with fearsome denunciations of any refusal? London experience is drawn on to argue the case for a speakers corner but no really worthwhile rally takes place in Hyde Park-Trafalgar Square, by special permission, is the place to go.

I thank my honourable Friend Mr WILLIAMS for his suggestion to bring first-class coaches in a variety of sports to Hong Kong. We may not yet be able to afford a Pele or a Spitz, but it would be exciting to have a few coaches who, though less glamorous, are nevertheless top-class by world standards. The Education Department's Recreation and Sports Officers in conjunction with the sports associations have in fact recently brought in a number of coaches from overseas to conduct crash refresher courses for our own coaches to impart better coaching techniques and skills which will in turn lead to a general improvement of the standards of our athletes, players and swimmers. The courses have been successful, and it is likely that more such courses will be organized. But good coaches are expensive and both the Government and the associations have to work within their financial limits.

While I am sure the Council for Recreation and Sport will keep this suggestion for coaches in mind when considering future expansion of sporting activities I believe myself that it is much more important to create more opportunities for more people for more recreation of any sort however rough and ready than spend too much time on a few stars. If we had a hundred times as many football matches as we have every week now I dare say the stars would emerge but in the process many more people would have had a chance to play. Here I am afraid I am all in favour of quantity even at great cost to quality. We have just launched the recreation and sports scheme in six districts and they started immediately by involving as many people as they could in swimming galas. They may not have broken any records but even the October typhoons did not damp the enthusiasm of the young people who took part.

My honourable Friend Miss Ko asked for some interim measures for children aged 12 and 13 who are not at school. There is an inherent inconsistency in calling for such a programme for what these children need is schooling and if schools cannot be provided then neither can any other programme—call it what you will—that amounts to schooling.

Nothing short of the Education White Paper could be of any real use in dealing with the problem in its historical form. Now school places at last will no longer be a problem. In about two years from now there should be enough places for all—all primary school leavers if we include the private schools. Since financial difficulties are not one of the important reasons deterring such children from continuing schooling the White Paper has dealt with this problem once and for all.

[SECRETARY FOR HOME AFFAIRS] **Motion**

We did not know this a year ago when the Inter-Departmental Committee on Youth Problems was set up so we devoted a good deal of study of the problem of children in this 12 to 13 age group who are not at school. The problems we found will not be solved by more school places.

Most children of this age who are not at school are engaged in some light usually legal form of work perhaps at home. This type of child would welcome schooling and for these children the White Paper with its promise of greatly increased numbers of school places will come as good news.

But those who are not at school and who don't work do for the most part present a different problem. Most of them are little terrors who have no desire to be at school—or have been expelled—and the straightforward provision of school places will not solve their problems. To use more euphemistic jargon these children with behaviour problems need proper guidance. As like as not many of them will become delinquent and they will come to notice when they are old enough and tough enough to finish up in the courts. This is a tragedy and clearly society would be much better served if their energies—and they have got plenty—could be diverted to more constructive ends.

We do not know yet what is likely to be the best form of rescue operation for such children on the path to delinquency. Ordinary school places will not do. My honourable Friend Mr TOPLEY has already spoken about how the school system should be able to help. And we have other pilot projects outside the school system that have been launched.

There are not many of these children and they are not easy to find. In the Social Welfare Department's Project Chai Wan they have interviewed every family in the housing estate with children of this age, and they followed up the cases of children not at school and not at work and are half way through a year long study of the problem. In another attempt to find these children scouts have organized a camp for which the CDO and CYO in Wong Tai Sin rounded up as many children as they could through all the organizations they knew of—and they believe they have found about 60% of the number a statistical survey suggests must be in the area. The Social Welfare Departmental also plan a pilot youth guidance project with the help of experienced youth agencies. Finally, I think the handicraft training courses like those run by the Boys' and Girls' Clubs Association and Caritas could

be expanded to help these children and other agencies could put on similar programmes once we know more about the need for them and scale of the problem.

The 12 and 13 year old problem in its traditional form is solved by the Education White Paper. What a relief this is! With adequate school places for normal children in these age groups a different problem comes into prominence. This is that of children unable to take advantage of normal schooling or unwilling to go to school at all. Several means for dealing with this problem are now being examined.

My honourable Friend Mr T. S. Lo spoke about gambling. He called for a more practical and less doctrinaire approach to gambling legislation and proposed a working party. Let me first say where I believe we are on common ground.

First, I agree that some forms of unlawful gambling are widespread and that those indulging in these forms of gambling do not regard themselves as doing anything wrong.

Second, these wide-spread forms of unlawful gambling must, I agree, give rise to contempt of the law and of authority, to corruption and to protection. This applies not only to gambling but to any offence which is so wide-spread that it is not regarded by the ordinary man as a crime.

Third, I believe we all agree that there are two ways in which such a situation can be met. Either law enforcement can be intensified or the law can be changed so as to conform more closely to practice.

Having agreed these premises most people take up one extreme or the another—either they say that all that is required is honest law enforcement or that all gambling should be legalized.

But we are not dealing with a black and white situation. Those who advocate more rigorous enforcement should remember that the Police Force is short of men and it is faced with an unprecedented level of violent crime, that police action against triads and gangs generally has become a priority task and that there are obvious difficulties in a Government seeking to enforce ruthlessly legislation which is regarded by a substantial part of the population as unreasonable.

If more rigorous enforcement is required a substantial revision of legal powers and considerable additional resources would be required.

[SECRETARY FOR HOME AFFAIRS] **Motion**

I find it difficult to believe that this Council would be prepared to pass draconian legislation to deal with gambling, yet without some strong and probably arbitrary powers without the provision and application of penalties severe enough to deter, and without substantial new resources which would have to be diverted from other uses, I doubt whether much further progress can be made in this direction.

While I do not believe it is practical in the climate of liberal thought prevailing in Hong Kong to eliminate all unlawful gambling I do not accept that it follows that all gambling should be legalized.

Not all forms of unlawful gambling are wide-spread. The forms of gambling are legion and the ingenuity devoted to the pastime is quite staggering. Some are carried on in a hole in the corner way, raided frequently, pursued from place to place—not very profitable, not involving a great many people. Whether or not such forms of gambling should be controlled or remain criminal offences is not the major issue. It is the forms of gambling which are pervasive that concern us.

Customs, practices and values change. Legislation of all gambling would not generally be acceptable now—not even to my honourable Friend who believes it is the duty of the Government to protect people from its worst effects. But changes in licensing and control methods from time to time are acceptable. When I moved the Betting Duty (Amendment) Bill a year ago authorizing the Jockey Club to accept bets on its races at premises other than at the race course, there was no voice of dissent either in this Council or outside yet a similar bill five or ten years ago would have aroused great controversy.

In these circumstances and in a time of changing social attitudes the best policy seems to be one of gradualism. A working party might well be appropriate if it seemed necessary to take some drastic steps, whether to devise tough law or to abandon all control.

The Government does not consider present circumstances justify any radical change of course. Rather it is considered wise to move cautiously by the elimination of the worst abuses now found in this field. A periodic consideration of the problem with carefully considered changes taking into account changes in public opinion are a better way of proceeding than the appointment of a working party.

Sir, I do not claim that the present position is satisfactory—indeed I have already said it is thoroughly unsatisfactory. A start at reform

has been made in the last twelve months and I believe the right way to proceed now is to continue this process steadily and purposefully in a way that will find acceptance in the community.

Sir I support the motion.

THE ATTORNEY GENERAL: —Sir, I support the motion and in a brief contribution to the debate I want to touch on just three matters.

Anyone, Sir, who reads the report on violence and sex in children's magazines, prepared by the Rotary Joint Interact Council and the Hong Kong Social Workers' Association, will be impressed by the care which has gone into its preparation and the balanced way in which it is presented. The factual accuracy of the report is accepted and it confronts the Government and the community with a disturbing problem. The honourable Miss Ko is to be commended for bringing the issues before this Council.

Many people urge that the potential of publications such as these to do harm is beyond question. Why then has Government action not been more effective? The particular examples contained in the report are in my opinion shocking, but one reason why action has not been more effective is that in general, opinion as to whether any particular publication of this kind is legally objectionable as the law stands is no more certain than it is in the case of pornographic literature which is aimed at a different age group. This has meant that action has not been taken in the case of quite a number of magazines which have been submitted to my office by the police with a view to prosecution.

But, Sir, having spoken of the uncertainty of legal opinion in this field, I think it fair to say that the uncertainties are not just lawyers' fancies. Legal opinion is no more uncertain or divided than the community conscience (to use the words of a Hong Kong judge) to which the law seeks to give effect. But I have to admit that, particularly in the case of publications aimed at children and young people, we have been slow in looking to see whether the law should be changed so as to impose more stringent rules. Greater stringency might not be altogether acceptable in relation to literature aimed at older people but I have no doubt from this report and public reaction to it that there will be general support for firmer laws in relation to material aimed at children. The next move clearly lies with the legislature and Miss Ko has suggested one area for legislative action.

[THE ATTORNEY GENERAL] **Motion**

She also urges that more resources be devoted to the prosecution of offenders in this field. If the present deficiencies in the law can be cured to some extent, and I believe that they can, I am bound to echo the timely reminder which the Secretary for Home Affairs has just given that, in the face of the level of criminal activity now prevailing, the Police Force has a priorities problem. It cannot devote much time to the suppression of undesirable literature without withholding resources which are committed to dealing with other kinds of crime. The improved controls which we shall propose will still not be simple and enforcement of the law relating to undesirable publications cannot be left to be handled by inexperienced officers. It cannot in particular be left to any constable to sweep up publications such as these from stalls and other premises as he passes by. And this is an appropriate point, Sir, at which to sound a note of caution to those who may be disposed to follow the suggestion in the report that, failing action by the Government, members of the community should bring private prosecutions. The Commissioner of Police is well aware of the measure of public concern and it is hoped that facilitation of Police actions by changes in the law will make it quite unnecessary for anyone to contemplate such a course. And, Sir, having spoken of police priorities, it remains for me to emphasize that police action against pornographic literature is continuous, though the resources which can be made available are limited. It often passes unnoticed however and there is undoubtedly a great deal of dubious material in circulation.

I shall not elaborate today on the proposals for legislative action which we have in mind, in addition to the increase in penalties suggested by Miss Ko. The main suggestion will be the introduction of a presumption that a publication depicting the commission of crime or acts of violence or cruelty is *prima facie* objectionable if it is aimed at children and young people. Another proposal will extend the range of offences by prohibiting the possession for the purposes of trade or business of publications of this kind.

Sir, the report is a most useful one, which has brought home sharply the extent of a problem which has not been appreciated as fully as it should have been.

I now want to turn briefly from the portrayal of violence and vice to its actuality. The honourable Mr WU referred to sex peddlers and hoodlums whose activities destroy the lives of young girls. This is not only a grave problem in itself but it also brings in its train a great deal of violence arising from struggles between rival gangs for control

of these activities. Mr Wu's reference to this was mainly in the context of corruption. I want to deal with the problem itself. We are in fact working with the Commissioner of Police in preparing a new bill dealing with sexual offences and related crimes. The work is now at a fairly advanced stage, and subject to the advice of the Governor in Council, a bill will be introduced into this Council this session. We shall be proposing markedly increased penalties, but more importantly, we have in mind changes in the substantive law which will, I hope, enable the police to tackle this problem with increased effectiveness.

Sir, the honourable Mr WANG raised again a subject which I know is dear to his heart—community service orders as a punishment for crime. It is some time now since I answered a question from him on this subject, when I said that the Government had sought advice as to the success of such a scheme in England. We have had some preliminary advice, but it has not enabled the Government to take a firm decision one way or the other, and we now await a report which is being prepared on the English scheme. However a major difficulty, which could prove insurmountable for the time being, is that such a scheme is viable only if comprehensive supervisory services are available. At present, this seems unlikely and I can only be somewhat pessimistic about the likelihood of such a scheme being introduced in the near future, assuming that it is otherwise feasible to do so in Hong Kong's circumstances.

4.10 p.m.

HIS EXCELLENCY THE PRESIDENT: —Perhaps at this point Members might like a short break. Council will resume in fifteen minutes.

4.25 p.m.

HIS EXCELLENCY THE PRESIDENT: —Council will resume.

THE FINANCIAL SECRETARY: —

Budgetary strategy

Sir, virtually all the points made by honourable Members in this debate relating to budgetary strategy, I at least touched upon in my budget speech earlier this year. To summarize what I said then: the object of our budgetary strategy is to finance an acceptable rate of expenditure without drawing on our reserves except to finance unexpected or, at any rate, unavoidable shortfalls of revenue. Given predetermined policies—and, of course, it is policy which determines the level of expenditure—I then went on to outline how this might be done.

[THE FINANCIAL SECRETARY] Motion*Cost effectiveness*

First, I suggested, we should tighten financial control to ensure cost-efficiency, modest standards, minimum overheads and elimination of waste and extravagance. This is very easy to say; and I am grateful to my honourable Friend Mr Q. W. LEE for an opportunity to give, as it were, a mid-term report on what we are actually doing about it. We have re-organized the Finance Branch, for the second time in the past 4 to 5 years; and I shall be circulating to honourable Members through the UMELCO Office, a chart explaining the new organization. One of the objects of the re-organization is to bring all aspects of an area or head of expenditure together under one Assistant Financial Secretary. Hitherto, such different aspects as staff, other recurrent charges, special expenditure, public works and cost investigation were dealt with by different Assistant Financial Secretaries. Such a functional organization had its merits. But the size and complexity of the Government's expenditure now requires us to take a much more careful look at expenditure as a whole. To do this effectively we need to inter-relate all the various aspects of an area or head of expenditure more closely.

To meet the point raised by my honourable Friend Mr Hilton CHEONG-LEEN, the closer association of the Organization and Methods Group with the rest of the Finance Branch should assist towards more effective use of staff in the public service as a whole. For although the O. & M. Group must never be used as an instrument of financial control as such, productive areas of work for the Group can be derived from departments' requests for additional posts and for extra funds for other purposes. And to meet one of the points raised by my honourable Friend Mr Q. W. LEE, we hope shortly to reinforce the reorganization of the Finance Branch by seeking the approval of the Finance Committee of this Council to two more posts of Treasury Accountant for investigating costs. But, as my honourable Friend hinted, creating posts does not fill them. So we are trying to attract more accountants into the public service. Honourable Members recently approved the abandoning of the two bottom points of the scale for Treasury Accountants. Even with the minimum point raised in this way, the Accountant General tells me the response to his efforts to recruit accountants in Hong Kong has not been all that enthusiastic. So we may have to do more—but only within the limits of what is reasonable in the context of the public service as a whole.

If these moves are successful and we can get the staff we need, we should be in a better position to examine expenditure in the way I said we should in the budget speech. And I would add here in parenthesis that I would hope my Official colleagues will be as critical of the relevance of present policies as the Finance Branch will be of present expenditure. For I am sure there must be areas of misdirected expenditure.

I should also add that the Government is not the sole spender of public funds. This year well over \$1,000 million is being handed over to subvented organizations for spending in the public interest. So I was much heartened by what my honourable Friend, Miss Ko said. Although she was referring specifically to welfare services, her words have a general application. May I quote her, Sir:

“Self evaluation and assessment of the existing programmes and the ways in which the programmes are being run in social welfare organizations are very important as the results may serve as a guideline to decide what forms of services are valuable, which are out-dated, what should be cut or changed in order to be more effective . . .”

I hope these words will be taken very seriously by those concerned with the running of our many and various subvented services.

Public utilities

Another way in which I said we should seek to finance an acceptable rate of expenditure was to manage our public utility undertakings in a commercial manner without allowing ourselves to be unduly influenced by political and social considerations.

I am grateful to my honourable Friend, Dr S. Y. CHUNG for endorsing this view. He specifically mentioned the Waterworks, the Railway, the Airport, the Printing Department and the Post Office. He suggested that these departments should have an independent system of accounting so that their operations are properly costed, their profit and loss accounts correctly drawn up and their balance sheets accurately prepared. The short answer is that we either have introduced such systems already or have put ourselves in a position to do so as soon as we can get the staff. The Waterworks accounts appear each year as an appendix to the printed Estimates. The General Manager, Kowloon-Canton Railway, and the Director of Civil Aviation publish the accounts for the railway and the airport in their respective annual reports. An accounting system for the Printing Department has been designed; and

[THE FINANCIAL SECRETARY] **Motion**

Members approved the posts necessary to introduce it over a year ago. Implementation is being delayed by lack of accountants. For the Post Office, my predecessor in 1969 asked the Postmaster General to set up a system of commercial accounts. This project, also, has run foul of the difficulties we are experiencing in getting the accountants necessary to set up the accounting system. The Postmaster General is now exploring the possibility of getting an accountant from the General Post Office, in Britain—and last year the Finance Committee approved a supernumerary post to help him towards this end.

The object in devising these accounts is, as my honourable Friend rightly pointed out, to assess their profitability and to enhance it as necessary. So I would claim that there are arrangements within the Government to ensure that profitability is assessed regularly and charges changed as necessary. We must ensure that we use these arrangements more effectively in the future than we have in the past.

There is also the question of the Government's policy towards public utilities in the broadest sense, that is to say utilities run by the private sector as well as by the Government. People somehow take a different attitude to public utilities than they take to ordinary business. There is no great outcry if the ordinary trader or shopkeeper or industrialist covers his costs and makes a reasonable profit; and it is accepted that prices of goods in the shops can go up when import prices increase or costs rise. But, in the case of public utilities, it seems to be expected that prices and charges should remain stable for long periods, if not for ever, regardless of what happens to costs. And when prices do have to rise as a consequence of past cost increases it is, alleged, quite unfairly, that this is only adding to inflation.

Of course, some public utilities are, by their nature, monopoly organizations and this is why a degree of Government control over their charges has long been exercised in order to prevent them exploiting their monopoly positions. But the corollary of this is that, if the costs of such enterprises rise unduly for reasons outside the control of their managements, the Government must permit increases in charges to keep them viable. And this applies whether they are private or public undertakings. Certainly, unless we were, most unwisely, to modify our present fiscal policies, we could not contemplate subsidising public utility undertakings for the purpose of keeping charges down. So I would say to my honourable Friend Mr Hilton CHEONG-LEEN that it does not help to fight inflation if charges are maintained at unviable

levels when costs rise. For the real cause of inflation is the rise in costs, not the subsequent rise in prices. To believe otherwise is bad economics and a recipe for financial bankruptcy.

Direct taxes

I also made a guarded reference in the budget speech to our reserves of direct tax taxability. I was, therefore, a little surprised and a little sorry that my honourable Friend Mr Hilton CHEONG-LEEN referred to and I quote our "badly-hit middle class salary earners" in spite of the figures I quoted in my speech winding up the budget debate to show how favourably they stand in Hong Kong in relation to taxpayers in other countries and territories in the personal tax league table. My presently rather bruised colleague, the Commissioner of Inland Revenue, has been in correspondence in the press continuously since April on the question of provisional salaries tax. What all this correspondence seems to me to boil down to is this: no one likes paying tax, though often the most vociferous complainants are the very same people who call for expanded public services. But, as I said, no one likes paying tax and the introduction of a current year basis of assessment with provisional tax has provided taxpayers with an opportunity to vent their dislike of their tax obligations—and I, too, needless to say, have had my fair share of abuse. What has happened is that salaries increased so significantly last year that, for many taxpayers, provisional tax assessments were appreciably lower than the final tax payable on last year's incomes. The prudent had made allowance for the increase in their incomes; the imprudent hadn't.

So some of our critics have been led to advocate a PAYE system. This I find quite incomprehensible. With the relatively simple system of salaries tax in Hong Kong and the literature that the Commissioner generally and freely provides for taxpayers, it is so easy for taxpayers to operate their own PAYE system and to earn interest on the amounts they set aside. For those who cannot organize a system of regular fixed deposits with their banks, the Government offers interest bearing tax reserve certificates. I cannot believe that taxpayers are really so ready to start meeting their tax liabilities from the beginning of each year and give up this additional income.

The other points of significance raised in recent weeks and months I shall deal with, one way or another, in the forthcoming budget speech.

[THE FINANCIAL SECRETARY] **Motion***Borrowing*

My honourable Friend Mr Oswald CHEUNG elegantly adjured me to finance the Government's capital expenditure—I imagine he really meant the deficit on capital account—from borrowing and not from recurrent revenue. Even if this were possible, I doubt if it would be wise; although borrowing does form a part of our declared budget strategy. Nor am I entirely clear as to his argument, for I find his analogy between Government and industrial financing elusive. While I accept that we could do more, much more, to study the cash flows generated by our capital works projects had we the staff to do so, I am afraid that the differing objectives of the Government and the private sector would make the results, in many cases, difficult to interpret. The fact is that many projects considered "worthwhile" in the public sector would not necessarily be considered "worthwhile", in the way my honourable Friend means the term, in the private sector. And that is why so much development has devolved upon the Government.

Frankly, I am a little surprised that my honourable Friend seems to have forgotten that the cash flow criterion was explicitly taken into account in recent months when we were determining priorities for capital works projects. When the results of the first exercise on priorities for items in the Public Works Programme were put to the Public Works Sub-Committee in June, the Sub-Committee were informed of the various criteria used to determine them. For roads, the second priority was given to projects designed to open up land for industrial development (the first being to projects required for the mass transit railway). For engineering, the first priority was given to projects providing the infrastructure for urban development. Both sets of projects are revenue producing and in due time this fact will be reflected in our five-year revenue forecasts. But, to repeat, our objectives in undertaking specific development projects must give full weight to social as well as economic and financial considerations and so the cash flow criterion cannot be too rigidly applied.

I agree that the revenue earning potential of development projects needs to be identified, particularly, as I have said many times, when we contemplate using borrowed funds. Before negotiating loans we must be absolutely certain that we can identify projects which not only generate cash flows but which also have a priority in their own right in the Public Works Programme. Once we have done this, we can use

these projects and the sums of money which we would, in any case, have spent on them to form a limit to the amount we should borrow each year. Whether or not we should strictly tie the amounts we can actually borrow to such projects will depend on the circumstances and conditions surrounding the loans. Maybe the self-liquidating projects we have chosen will not prove attractive to institutional lenders such as the Asian Development Bank. But if social projects which are not directly self-liquidating have greater appeal to these institutions, I see no reason why we should not use borrowed funds for these projects and use the general revenue so released for the self-liquidating ones. In either case, the overall result will be the same: a limit will be set to the rate at which we incur debt.

In other words, the important point is that the use of loan finance should be within our overall budgetary strategy. This means first, and most important, that borrowed funds should be used to help finance the \$2,400 million at 1974 values that I think we can afford overall in each of the next few years for capital expenditure. Secondly, borrowed funds must be spent on projects that are ready to proceed anyway ill terms of priority. Thirdly, borrowed funds must be relatable, directly or indirectly, to expenditure on projects which create directly a readily recognizable cash flow.

If we do not proceed in this way, borrowing will get out of hand. We shall then inevitably saddle our successors with debt service charges they have difficulty in meeting, an inheritance our predecessors mercifully did not pass down to us. Furthermore, we could well then be tempted to proceed with projects whose priority was questionable; and, in the absence of self-imposed limits, over spend in the public sector, thus placing a strain on the economy. As I said during the budget debate, the rate of growth of public expenditure must not be allowed to damage the rate of growth of the economy.

Lotteries Fund (including Welfare Stamps)

Sir, I would now like to pick up a point made by my honourable Friend Mr LOBO on the Lotteries Fund. While it is true that income from the Lotteries Fund was around \$6-7 million in the four years up to 1973-74, there was an increase by 38% to \$9 million in 1973-74 as a result of the net proceeds from the auctioning of special car numbers.

But quite contrary to what my honourable Friend has claimed, I am very pleased to be able to report that the Government lotteries have been particularly successful this year and I agree with my honourable

[THE FINANCIAL SECRETARY] **Motion**

Friend the Secretary for Social Services that the Chairman and Members of the Lotteries Fund Management Committee deserve our congratulations. About 9 million tickets were sold (an increase of 2.7 million or 44% over 1973-74); the gross proceeds were \$17.9 million (a 44% increase over 1973-74) and net proceeds estimated at \$5.4 million (an increase of 39% over 1973-74). Running expenses have increased only from 8.8% of the gross proceeds to about 10% this year. This increase is due mainly to an increase from seven to ten in the number of lotteries held. So Government lotteries do seem to be increasing in popularity to the benefit of the projects financed from the Lotteries Fund.

My honourable Friend also mentioned the possibility of selling special stamps as a means of raising additional funds for welfare projects. This is a new suggestion which I shall look at with some sympathy in consultation with my honourable Friend the Secretary for Social Services.

Industrial land and industrial estates

I should now like to say something about land for industry, with special reference to industrial estates. Needless to say, I recognize the importance of a healthy and competitive and developing industrial sector for the well being of our economy; and I recognize that, as Hong Kong faces increasing pressure in our traditional markets from our competitors who usually have lower wages and lower living standards, we can only keep ahead by upgrading the quality of our products and increasing the productivity of our labour force by the introduction of more capital investment and more capital intensive industries.

I know that many have argued that industrial land in Hong Kong is expensive and that more land should be made available. With our limited space and hilly terrain formed land, together with the necessary services, such as water supplies, drainage and roads of access, is costly to provide and these costs must be met. Unless honourable Members wish to see a drastic revision of our traditional fiscal policies, these costs cannot be met from general revenue, except initially. And we must make sure that the land we have is put to the most productive use: this means accepting the discipline of the price mechanism and not deluding ourselves into believing that the bureaucratic decision making process would be a safe substitute.

Nevertheless, I am a protagonist of deliberately making more land available for industry, provided it can be disposed of at a price which meets the cost of formation and development and with due regard to existing asset values.

What then is the Government seeking to do? First, we aim to increase the availability of general industrial land near the centres of population, and especially in the New Towns. Secondly, we have recognized that some industries, which could be of considerable benefit to our economy as a whole, cannot establish themselves in high buildings because of the weight of their machinery and so on. When we receive applications from firms in such industries, we now examine them on their own merits and, where justified, land is made available, either by restrictive user tender or by private treaty grant. Finally, an official working group is now attempting to formulate a coherent policy for the establishment of industrial estates.

As I understand the concept, an industrial estate is a relatively extensive area of land, formed, divided up into plots and with basic services provided. It is thus available for sale or letting at predetermined prices or rents for the immediate establishment of factories. In Hong Kong's environment, such an estate will also be located somewhat away from the large centres of population. Land so made available will, therefore, be ideally suited for more capital intensive industries.

The cost of formation and the provision of services has to be financed, prior to sale or letting; and thus an organization will have to be established to run the estates. The working group has come to the tentative conclusion that, in the initial stages at least, the finance will have to be provided through Government auspices. If so industrial estates will necessarily have to be fitted in with the Government's overall commitments on capital account. I accept, of course, that industrial estates, by their very nature, ought to attract loan finance and such finance will be sought, subject to the competing needs of the normal Public Works Programme and the mass transit railway.

As regards the organization to run the estates, our present feeling is that this should take the form of a public corporation under Government auspices, with suitable support from the private sector.

Industrial Development Bank

I think that deals, Sir, with a number of points made by several honourable Members and I turn now to the remarks made by my

[THE FINANCIAL SECRETARY] **Motion**

honourable Friend Mr Q.W. LEE about the need for an Industrial Development Bank. My honourable Friend was his usual persuasive self. But I must ask for time to consider the case he put forward. I am not convinced that there is a gap in the range of banking services available to industry. Our financial sector is now diverse and sophisticated and I believe that, one way or another, if a worthy project appears it will not suffer from want of the necessary financial backing, but I think this could well apply to the Industrial Estates Corporation. Incidentally, I should say here that I hope to be making a statement shortly on the three related issues of bank licensing policy, the regulation of finance companies and the protection of the small depositor.

Tourism

Not surprisingly, my honourable Friend Mr BREMRIDGE mentioned tourism. I am conscious of the contribution which the tourist industry makes to our economy and of the valuable promotional work being carried out by the Hong Kong Tourist Association. As my honourable Friend has indicated, we have just completed an examination of the finances of the Association and I hope we shall be able to arrange a new basis of subvention to enable the Association to expand its efforts in the face of the more competitive climate which now prevails in tourism in the region.

Mass Transit Railway

My honourable Friend Mr LOBO helpfully drew our attention to the recent public comment on the mass transit railway project. Some, who only a few years ago were berating the Government for not proceeding with this project, are now asking whether we can afford it. What we cannot afford is these short term and up and down views of our affairs and the inconsistencies of those who with one breath bemoan our traffic congestion, and with the next criticize a project designed to keep the population moving in a period in the future when congestion is inevitably going to get worse. The fact is that, after the most careful consideration, the Government took a deliberate decision to proceed with the mass transit railway project for we believe and still believe it will bring considerable benefits to our transport system.

But when we took that decision we made it abundantly clear to all concerned that the terms and conditions of the contract would have to be such as to enable the railway to pay its own way. The railway will not be built if it has to be subsidized from general revenue. I

can assure my honourable Friend that the quite sophisticated financial projections we have undertaken show that the railway can be afforded if it can be built at a given price and if the Mass Transit Railway Corporation is free to manage the undertaking on a commercial basis. I would not pretend incidentally that in the course of construction, as my honourable Friend the Director of Public Works has just said, there will not be some inconvenience to the public, but every effort will be made to keep this to a minimum. And this inconvenience will be relatively small affair compared with the inconvenience that we shall have to endure from traffic congestion in the 80s if the railway is not built.

The economy

Finally, Sir, I must mention briefly the state of our economy and of our economic prospects. Because we in Hong Kong are so dependent on exports for our livelihood the short term prospects for our economy rest largely on developments in our main overseas markets over which we have no control. The increase in world prices for oil has reduced demand for other goods entering world trade and if there is a serious world recession we cannot avoid being affected by it: real incomes will decline though the flexibility of our cost/price structure should minimize the impact on employment. Indeed, because of the absence of internally generated inflation in Hong Kong, our competitive position is presently strengthening as the cost/price structure adjusts downwards in response to a falling off in orders from abroad. Meanwhile, our overall balance of payments position and, with it, the Hong Kong dollar, remains strong.

Nevertheless, we have to accept that Hong Kong is in a different position from a few years ago in that, in many respects, we are more, rather than less, open to influences from the outside world. This was recognized by my honourable Friend Mr Q. W. LEE. A few years ago our economy, although as externally oriented as it is now from the point of view of exports, was curiously isolated from outside influences in a number of respects. And even our export trade was given a special buoyancy of its own, and was less dependent than now on trends in world demand, as a result of Hong Kong's position as the pioneer of large scale manufactured exports among the developing countries; and from the mid 1960s we enjoyed a sustained favourable shift in the terms of trade.

Now the position is different. We are beginning to face much stronger competition from our rivals, not only in this region but elsewhere;

[THE FINANCIAL SECRETARY] **Motion**

not that our exporters fear free competition. We no longer benefit from Chinese produce sold at steady prices, frequently below world price levels, and hence we have to endure, like other importers of foodstuffs, the pressures of world inflationary forces. Our interest rates are no longer determined internally in isolation, but have to adapt to the trend of interest rates world-wide. Our stock market is no longer as parochial as once upon a time for prices are clearly now influenced by the state of equity markets and general economic conditions elsewhere. And the Hong Kong dollar is no longer simply an extension of sterling, but is linked to the US dollar and has to find its own level, therefore, in relation to other currencies. So in our financial and monetary affairs, as well as in our visible trade, we have to adapt even more quickly to developments in the outside world.

And we are doing so as my honourable Friend Mr TIEN said in his thoughtful intervention. Our economy is sound, precisely because the cost/price structure has the ability to adapt to downward as well as upward fluctuations in world demand for our exports and to shifts in the terms of trade and we have resisted any self-defeating temptation to damage this ability. Indeed, the fact that we are flexible downwards in this way, even if it means tightening our belts a little in the short run, gives us our essential strength and the platform from which we can move forward again at greater speed when the time comes.

Sir, with these few fragmentary remarks on a miscellany of subjects, I beg to support the motion.

THE COLONIAL SECRETARY: —Sir, this is the ninth year in which I have taken part in the annual debate on the Governor's address and I do not recall any other occasion on which the speeches of Unofficial Members were based on so much careful thought and research and contained so many valuable comments on our problems and on their solution.

It has become customary in recent years for the Colonial Secretary to confine himself in his reply to those matters which do not properly fall under the jurisdiction of any of his Official colleagues. The introduction into this Council of several Secretaries would have left him, on this basis, with little to talk about, except the Public Service. However, this year, I shall not so confine myself, but will comment also on some of those matters which appear to have caused most anxiety to honourable Members.

Economy

Inevitably, this year, the debate has been dominated by our financial and economic circumstances. I think it is fair to say that between 1968 and 1973, we concerned ourselves more with the manner in which we would apply our resources, than with the methods by which we should husband or increase them. I detect among honourable Members a growing awareness, which I can assure them is fully shared by the Public Service, of the need for economy, if we are not to be prejudiced in the carrying out of our long term plans for the betterment of the living conditions for our people.

Yet it was encouraging to note that Members, guarded though they may be about the future, are deeply anxious, in spite of the difficulties, that we should not be diverted from the fulfilment of our aims, as far as their attainment is consistent with the resources available to us.

Because we live by trade we are subject to outside forces over which we have no control. This means that any assessment of our prospects for the future is necessarily highly speculative. Nevertheless, it was consoling to hear the cautiously optimistic line taken by Unofficial Members, with their very wide combined experience of Hong Kong's manufacturing and trading activities and of the pattern and potential of world commerce.

It would obviously be rash and unrealistic to expect Hong Kong, or any trading nation (other than the oil exporting countries) to enjoy a good year in 1975. But it is not unreasonable to predict that Hong Kong will do better than many other countries, provided that we retain our competitive edge. Our ability to do this will depend, more than on any other factor, upon the maintenance of the admirable relationship between employer and worker which has characterised the Hong Kong industrial scene for many years. The patience, adaptability and good sense of our work force have been vital factors in Hong Kong's success as a trader. The measures which the Commissioner for Labour has outlined should demonstrate the Government's recognition of the fundamental importance of continued good industrial relations and of its resolve to do all that it reasonably can to foster and preserve them.

Crime

Of all our internal problems, that which causes the greatest anxiety among Unofficial Members is the control of crime. In this respect,

[THE COLONIAL SECRETARY] **Motion**

I am sure that they accurately represent the fears and uneasiness of a high proportion of the population. The volume of crime has increased alarmingly during the past three years or so. What makes this even more regrettable and more difficult to accept, is that not so long ago the rate of crime in Hong Kong was considerably lower than in almost any comparable big city for which statistics were available.

It is still probably true that there is less lawlessness in Hong Kong per head of population than in most other large urban areas. But this is little consolation to a population which has a long and honourable tradition of obedience to the law and of peaceful cooperation among neighbours and suddenly finds itself subject to a wave of crime and particularly to a surge of offences involving violence.

There are no quick or easy solutions to a problem which baffles most administrations throughout the world. I can only assure honourable Members, and the public generally, that the Government regards this with the utmost seriousness and will continue to use every reasonable device at its disposal until it is brought under control, and citizens can conduct their affairs without fear of molestation by criminals.

During the past year, the Secretary for Security has told us that there have been several developments of some importance in the struggle against crime. The number of auxiliary policemen on the streets has risen substantially. The Police Force has been overhauled, particularly with a view to achieving a more effective detection of crime. Mutual aid committees, one of the objects of which is to further neighbourhood schemes of protection, have been formed in large numbers. Many heavy sentences of a deterrent nature have been imposed by the courts. We have recruited a large number of police officers of good quality.

I believe that these examples show that we are tackling crime vigorously and that they justify a cautious hope that matters may improve before long, though we cannot be said yet to be doing more than holding our own. Progress will inevitably be slow and it may be some while before we can feel, not only that we are containing crime, which, I hope, we are within sight of doing, but that we are reducing it.

I am heartened by the extent to which members of the public are increasingly prepared to report offences to the police and to put themselves to considerable inconvenience to prevent or report crime. Even more admirable is the sheer courage shown by so many of our citizens,

who have tackled armed thugs, often at great physical risk. In the long run, I believe that the combination of an outraged community and an augmented and effective police force, must and will reduce crime once more to an acceptable level.

Education

I was much reassured by the favourable reception given to the Education White Paper inside this Council because I realize how deep an interest Unofficial Members take in the development of education in Hong Kong, and how extensive is their experience of the subject.

An immense amount of expert time and thought was devoted to the preparation of the Green Paper, to the consideration of public comments on it, and finally to the preparation of the White Paper. Surely this now gives us a framework which is both firm enough to form a basis for planning and sufficiently flexible to allow for change as secondary education expands in accordance with it. This room for flexibility may be valuable in particular with regard to curricula, to the language of instruction and to the type of test or examination to be taken at the end of the junior secondary course.

Much of the criticism of the White Paper has centred round the Junior Certificate of Education. I should like to underline what the Director of Education has said about this, because there seems to be some risk that this issue will give rise to unnecessary division, when we should be concentrating our attention upon the principal task, which is to provide secondary education for all our children up to the age of 14 as soon as possible. It is the main theme of the White Paper and an objective on which everyone is agreed.

The Junior Certificate of Education will serve very practical purposes. It is surely reasonable for there to be some record of a child's educational attainments on leaving school; and some method must be devised to sift those who will remain at school after the age of fourteen.

However, this examination will not be taken by anyone for several years. During this interval, there will be time for further consultation and reflection as to the form which this process of recording and sifting should take, and we shall remain open to advice and suggestions as to how best these purposes may be achieved.

I hope we shall not allow ourselves to be diverted by an issue which lies so far in the future and that we can devote our energies to mobilizing our schools to undertake with enthusiasm the task of providing three years' secondary education for all.

[THE COLONIAL SECRETARY] **Motion**

Land Policy

A constant thread which ran through Unofficial Members' speeches was their anxiety that our limited amount of land should be put to the best possible use.

While recognizing the need to guard against it being unwisely squandered, they saw it as the duty of the Government to make a reasonable amount of it available at all times for commercial and industrial purposes, as well as for housing, schools and other community projects.

From time to time, it is asserted that we have lost the opportunity of establishing important industries from abroad, because we were unable to guarantee to an interested party a sufficient area of land at short notice. Such a loss could only really be avoided if, at all times, we kept a bank of formed land, available but unused. Perhaps it may be possible to achieve this in a small way if industrial estates are established, but I am sure that Members will agree that it is not sensible to prepare, and then sterilize, substantial areas of land in the hope that overseas bidders might emerge, while local interests are crying out for further space in which to expand their activities.

As the Secretary for the Environment has said, we are conscious that we have been too cautious and slow in the past in dealing with some land matters and sometimes insufficiently imaginative. We hope that the new procedures which we have devised will enable projects which are likely to be of significant importance to our economy to go forward much faster in the future.

Constitutional Reform

I have noted with interest the honourable Dr CHUNG's wise remarks on the composition and functions of this Council.

It is desirable for us to reflect from time to time on whether the constitutional arrangements which have served us well in the past should be adapted so as to equip us to deal more effectively with the challenges of the future.

As honourable Members will appreciate, the Royal Instructions would have to be amended before any increase in the number of Members could be introduced and such an amendment involves consultation with Her Majesty's Government.

In these circumstances, I hope that honourable Members will forgive me if I do not comment further today on the proposals put forward by Dr CHUNG, until we have had an opportunity to carry out the consultation to which I have referred.

This does give me, however, an opportunity to say how deeply the Government appreciates the willing and helpful way in which Dr CHUNG and his Unofficial colleagues have accepted a greatly increased volume of work. The community is indeed fortunate to find so many men and women who are prepared to devote a high proportion of their time to public affairs, often at considerable personal inconvenience and financial loss.

Population

More than one Member referred to a population policy, which he saw as an essential element in any well ordered programme for the future betterment of our society. In our circumstances, we must take whatever measures we can to discourage the growth of population, even more so because the dramatic advances made in medicine in the last generation have distorted the age pattern of the community by prolonging the life of the average person. Fortunately, by world standards, our rate of natural increase is satisfactorily low, due to the sterling work of the Family Planning Association and more recently, of the Medical and Health Department, which has launched its own programmes of control.

An encouragement of family planning, however, is not enough by itself. It is necessary for us to limit as best we can unrestricted immigration into Hong Kong. It thus becomes increasingly important that we should return to their countries of origin immigrants from other countries who would like to live in Hong Kong, but whom we cannot afford to receive in our crowded conditions. We know what disappointment this causes to friends and relations, but we cannot avoid it if we are to save ourselves from a flood of immigrants who would drown the housing and community services which we are struggling so hard to provide for our own swollen population.

I can assure honourable Members that we are fully alive to the need to keep down our numbers. We have established a working party which expects to present a paper to the Governor in Council in the fairly near future containing proposals as to what our approach should be to the formulation of a population policy.

[THE COLONIAL SECRETARY] **Motion**

Civil Service

Some Members have emphasized the need for increased productivity in the Civil Service. This is an important objective as the Civil Service continues to expand and to absorb such a high proportion of our recurrent expenditure.

During the past few years, there has been a very rapid expansion of the Service, which has grown to meet the heavy demands made upon it by a striking increase in the services provided and the programmes undertaken by the Government.

To meet the additional demands made upon us, we have increased the number of civil servants and have managed to absorb the consequent expenditure without over much difficulty. We must now concentrate our attention upon increasing our efficiency, on streamlining our procedures and husbanding our manpower resources more vigorously.

One of the main features of the McKinsey report was its insistence on getting the best value for money from all our resources, including the Civil Service. The method recommended for achieving this is the annual operating plan, the object of which is, simply expressed, to impose cost effectiveness by relating expenditure to results. Such a plan includes performance targets for each of the major activities of the department, provides a basis on which the annual estimates can be prepared and gives reference points for periodic reviews of progress by department heads and by the appropriate Policy Branch Secretaries. It is designed to ensure that cost effectiveness methods are applied to the activities of Government departments in roughly the same way as they are applied in commercial life. Because Government is not a commercial concern, and must provide a wide range of services, it is not possible to discontinue a service merely because it is highly expensive. Nevertheless, the annual operating plan system should help to ensure that it is provided as economically as is reasonably feasible.

The technique of preparing these plans is not an easy one. They are derived from a programme plan covering the same area in a more general way. We are only just beginning to embark upon the preparation of a few annual operating plans, of which ultimately there would be a large number. I am doubtful of our ability to achieve really significant results for another year or two, but we shall push ahead with the preparation of these plans as best we can.

Heads of departments will be under increasing pressure to look at their activities from a productivity point of view in future and we are considering what form of central Government organization should be developed to monitor the work of departments to make sure that they are giving value for money.

Civil Service Speed

An important objective of the re-organization of the Central Government machine, which has been taking place during the past year, was the speeding up of the process of decision taking.

It is generally acknowledged that there is a tendency for any organization, as it becomes larger, to take longer to reach decisions. This is not surprising since the more it grows, the higher the proportion of decisions which have to be taken at a lower level, unless senior officers are to become overburdened and delays thus increased.

Junior officers, however, are often reluctant to take decisions, since they fear that, if they make mistakes, they will be subjected to severe criticism. There is a strong temptation to continue to refer matters of difficulty to the level to which they were sent when the organization was smaller and senior officers had the time to deal with them.

The re-organization of the Secretariat, and the creation of a new grade of Secretary, have made it possible for the most senior officers of the Government to delegate work thus enabling decisions by them to be reached more quickly. However, I doubt if this acceleration has yet had any significant effect on the middle and lower levels of the Government, where too many decisions still take too long.

Sometimes delays are due to a shortage of staff, yet the additional cost to the public revenue of providing enough officers to achieve a more efficient service may not be justified. But I suspect that decisions are often delayed because of a combination of inadequate procedures and an insufficient sense of urgency. It is not always easy for a civil servant, whose efficiency depends more upon his ability to do his job accurately than upon the speed with which he deals with his work, to fail to appreciate the needs of the business community, where any delay usually means financial loss and long delay may bring disaster.

In a civil service the size of that of Hong Kong, it is inevitable that some parts of the machine will creak, however smoothly other parts of it may run. I can only assure honourable Members that

[THE COLONIAL SECRETARY] **Motion**

we do realise that the service which we provide can be improved and that we are not ignorant of the problems which our failure to decide things more quickly imposes on members of the trading and business community. As evidence of this, the Secretary for the Environment has already told you of the efforts which he is making to speed up the processes for dealing with land.

Civil Service Attitudes

The honourable Mr LOBO has commented on the attitude of Government servants towards the public. I have to admit that anyone who has frequent dealings with Government departments will, not only here but anywhere in the world, from time to time, meet with coldness of unfriendliness or, occasionally, with rudeness.

Even making allowance for the fact that many members of the public fail to maintain towards public servants the high standards of invariable courtesy which they demand from them, I agree that there is room for improvement.

The man who is received in a Government office with courtesy and understanding will have his whole attitude towards the administration favourably affected. An off-hand reply, a cold response, or an unfriendly personality will seriously prejudice him against the entire Government, unfair though this may be.

I agree with him, in particular, that it is important that there should be a cordial reception of visitors arriving at Kai Tak. I shall ask the new Director of Immigration, as I have done his predecessor to emphasize to his officers the degree to which a tourist's impression of Hong Kong is affected, for good or ill, by the way in which he is received on his first arrival here.

As usual, there is another side to this. Many members of the public only come across a Government servant when they are in trouble, when they require a licence or permit for something which they think they should be allowed to do anyway, or when they are required to pay a bill, debt or charge of some kind. On these occasions, the citizen is likely to be aggressive and well below his best. (*Laughter*). He is all too ready to find unfriendliness, whether it genuinely exists or not. While I accept the need for a greater measure of courtesy on the part of Government officers and admit that the standards of all of us are not as high as they should be, I believe that

the majority of us remain reasonable, helpful and courteous, often under great pressure and in trying conditions.

The public service in Hong Kong has grown dramatically in the past few years, as it has been required to shoulder the heavier responsibilities which have grown from the social and economic programmes on which we have embarked. That so much has been achieved must in large measure be attributed to the efficiency and devotion of our public service, in which we may justifiably feel a measure of pride. Of course, we are sometimes slow; sometimes we are inefficient; and regrettably, some of us are idle and lack initiative. But the achievements of Hong Kong's Civil Service since the war have been remarkable. Many sectors of the community can fairly claim that their success has been outstanding, but they could have achieved little without a competent public service which has been largely responsible for the efficient running of an industrial city of daunting complexity.

Government Decision Making

The honourable T. S. Lo has discussed the principles which should govern the changing of Government policies and decisions. He argues, in his usual persuasive manner, that a Government should be ready to alter a decision either where it is satisfied that it was wrong or if conditions have so changed that the decision was based on assumptions which are no longer valid.

Any Government, other than one which is insensitive to social justice or to the opinion of its citizens, has a narrow and dangerous path to tread between rigidity and vacillation. A sound measure must not be abandoned without explanation merely because there is strong criticism of it, or opposition to it. In general terms, I agree that a Government should change its policy because it is right to alter it, not merely because of the noisy opposition of a section of the community, which may be urging a limited interest which is by no means identical with that of the public as a whole.

Nevertheless, there are circumstances in which the very volume of criticism and the degree of discontent engendered by it, become such powerful factors of themselves that they must influence the course of action of a sensitive administration, whatever the merits of the policy against which the opposition has been directed. Sometimes, distaste for an official decision acquires a momentum of its own and a genuine risk arises of a dangerous breach between government and governed. No sensible government welcomes wide-spread discontent and it will

[THE COLONIAL SECRETARY] **Motion**

be ready to go a long way to avoid it—surely rightly so, if the true object of government is to ensure a better and more contented life for its citizens.

Hong Kong has a long tradition of reasonable government. It has been able to maintain this because it is inhabited by reasonable people. If this desirable relationship is to be maintained, and it is essential for our happiness and prosperity that it should be, the Government must be prepared to listen, and sometimes to modify, its policies in accordance with popular demand.

Clearly there is a risk that a change of decision or policy, following upon, or impelled by, public agitation, will be seen as weakness and may encourage other divisive groups to attempt to achieve their ends by similar pressures. Because we believe in a free society, in which opinions may be openly expressed, such pressures are inevitable. Indeed, I suggest that they are to be encouraged, since those who cannot air their grievances openly are likely to plan subversion in secret

But, if this kind of liberal society is to continue, there must be limits beyond which the citizen should not seek, and must not be permitted, to go. It is right for him to hold public meetings under properly controlled conditions, and to make the fullest use of newspapers and other mass media for the dissemination of his views. But he must never go beyond peaceful means and persuasive processes. Nor must he adopt measures which endanger or inconvenience his fellow citizens. Nor must he be allowed to think that he can change Government policy by threats, illegality or violence.

I believe that the limits within which a citizen can properly operate in this community are well understood. I believe that most people accept that it is right for the Government to change its mind where it is satisfied that it was wrong or to postpone or alter a decision which was right in theory but has turned out to be inexpedient or ill-timed. And I am sure that it is equally well understood that this Government will not tolerate conduct which endangers the stability of our society.

Conclusions

It has been a difficult year in Hong Kong, as it has been in most parts of the world.

Hong Kong has survived and prospered because its trade and industry, and indeed its Government, have been run by realists, who

are able to see things as they are rather than as they would like them to be. This quality of realism, and the flexibility of response which accompanies it, enables us to profit more quickly than most countries in good times and to weather bad ones with less damage. Above all, we must retain our sense of proportion. Hong Kong is going through a period of transition and changes are occurring on a scale which will dwarf our present difficulties once the immediate impact of the present recession has passed.

We are subject to much criticism from abroad. Some of it is malicious, much of it is ill-informed. A fair measure of it is based on envy of our achievements. Of course, I concede that, despite these achievements, there are many grave deficiencies in our society. In some respects we have a long, arduous road to travel.

But, whatever our faults may be, I have no doubt that our objectives are right. I like to believe that the people who live here are satisfied, however often they may assert that the Government is short-sighted, is less than competent or is misguided, that it has their true interests at heart and that it is their welfare which is its prime consideration at all times.

Sir, I beg to move.

Question put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: —I should thank Members for their courteous motion. In accordance with Standing Orders, I now adjourn the Council until 2.30 p.m. on Wednesday the 27th of November.

Adjourned accordingly at half past five o'clock.