

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 8th October 1975

The Council met at half past two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, KCVO, MBE
THE HONOURABLE THE COLONIAL SECRETARY
SIR DENYS TUDOR EMIL ROBERTS, KBE, QC, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, CVO, JP
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, CMG, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE LI FOOK-KOW, CMG, 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
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP
THE HONOURABLE PETER GORDON WILLIAMS, OBE, 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

ABSENT

THE HONOURABLE THE FINANCIAL SECRETARY
 MR CHARLES PHILIP HADDON-CAVE, CMG, JP
 THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP
 SECRETARY FOR THE ENVIRONMENT
 THE HONOURABLE DAVID WYLIE McDONALD, JP
 DIRECTOR OF PUBLIC WORKS
 THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
 MR KENNETH HARRY WHEELER

Address by H.E. the Governor

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HIS EXCELLENCY THE GOVERNOR:—Honourable Members, first of all I wish to thank you for your courtesy in acquiescing in the postponement of this address. The circumstances were patently beyond my control, but they have caused me to ponder on how many things in this world are affected by one leg more or less (*laughter*).

Introduction

Honourable Members, the year which we have passed through has been one of very great difficulty for Hong Kong. It has been a year in which few have been spared anxiety, many have suffered a drop in living standards, and there has been some real hardship. More recently, to our great relief, there has been some alleviation. But in these hard circumstances Hong Kong has certainly once again shown its mettle, and earned widespread admiration for the spirit in which it has faced the problems that beset it.

Now that the situation is beginning to improve, however slowly, knowledge of what we have withstood can strengthen confidence in our ability to succeed in the rather easier circumstances that I believe now lie ahead. But, though we are not quite out of the wood yet, let us not in easier times lose the cohesion and enterprise, realism and good sense that have brought us through the last eighteen months.

[HE THE GOVERNOR]

The year has been made memorable by the visit of Her Majesty The Queen and His Royal Highness Prince Philip. Hong Kong was greatly encouraged by this mark of confidence and interest; and by a happy auspicious coincidence the visit occurred just when the economic tide began to turn. I think that all of us took a new pride in our city from the open-hearted reaction of The Queen and Prince Philip to Hong Kong at its most human, colourful and informal best.

One thing which has afflicted other communities but which Hong Kong has been spared during this difficult period has been further inflation in the cost of living. Indeed the index has risen only 1% in the course of the last twelve months. Hong Kong has been fortunate in being able to obtain consumer goods and foodstuffs and in particular rice at favourable prices from China. Indeed I am sure that the excellent state of Anglo/Chinese relations and the friendly and practical way in which it has been possible to deal with any matters affecting Hong Kong has contributed to stability and confidence here during the year.

In spite of economic difficulties and disappointments we have made solid progress in many ways. Inevitably, reduced resources have prevented your Government from doing all it wanted to do, or all it believes that Hong Kong requires. The main theme of my address to you today will be to consider what we have done, where we have fallen short, and what the possibilities and the priorities now are. Some of the most important of these areas are the major programmes of social development in housing, education, social welfare and health. But I deliberately leave these till later, and start with some others of equal, perhaps, immediate concern to our community.

Law and Order

I am well aware that crime and fear of violent crime are two of the issues which most concern the population at this time. Let there be no mistake about it, this concern is very well founded. In the seven years to the end of 1974 reported serious crime increased by two and a half times and robbery by seven times. A fearsome phenomenon. Moreover during the last year there has been an increasing sophistication shown in certain crimes, and an increasing use of firearms or objects looking like firearms.

The three main ways in which your Government would attack this problem were announced at the time of the Fight Violent Crime Campaign and since campaigns may not always be in the news, and indeed

we would become heartily sick of them if they were, I should like to recapitulate what has been done. The three main lines of attack have been: first an expansion of the police force and the improvement of its conditions of service. Secondly, a thorough overhaul of police organization, techniques, procedures, deployment, and in particular of their relations with the public. Our aim is to achieve a more modern force with a larger C.I.D. and with specialized units to strike at special problems such as narcotics, triads and special crime. Above all we aim for a much greater uniformed presence in the streets, with police officers acting in closer co-operation with the people of the neighbourhood in which they operate. The third line of attack has been the mobilizing and organizing of people in neighbourhoods to help each other and the police to deter crime.

The effort put into these measures by the police, the Home Affairs Department, the mutual aid committees, area committees and kaifongs and their members and supporters has been immense. Let me give you some examples. From the start of the recruitment phase of the Fight Violent Crime Campaign in November 1973, until the end of March 1976, the net strength of the force will have been increased by 3,450 men and women—in itself a remarkable achievement—and this includes 541 civilians whose recruitment releases trained policemen for more active duties. Seven more police stations have been opened to make the police more accessible to the public, and in addition 47 reporting centres have been established. A start has been made with neighbourhood policing units of which there are now 11. There are over 1,600 mutual aid committees and 78 area committees. And don't forget that $2\frac{1}{2}$ years ago there was none of this.

Well, how far have we got? As I told you, in the seven years ending December 1974 the graph of reported crime rose steadily and steeply. However, from the beginning of this year it has begun to level off and the numbers of reported serious crimes have slightly fallen. But I must warn you that this means only that a situation which had become intolerable has not, in the last nine months, grown worse. Our object is to reduce crime drastically, and your Government cannot claim to have even started to do this. Nevertheless the way in which this new slow-down in the growth of reported crime has coincided with the approach to fruition of the widespread measures I have described does encourage me to believe that the measures chosen are correct, that under the able leadership of the police they are beginning to take effect, and that with support and expansion they will in the end prevail.

We therefore propose to build on them. As part of the measures to hold down the growth of the public service, you will remember that

[HE THE GOVERNOR]

this year expansion of the police was limited to 930. However in view of the special importance of the fight against crime this limit has been relaxed and we aim to increase the net strength of the force by 1,430 during the present financial year. I hope this step will commend itself to honourable Members, and that I may count on their support for a further expansion of the force in the next financial year. In view of the reorganization and expansion that have occurred, and also of our better understanding of the dimensions of the problems the force now has to face, a thorough review of the whole establishment has now been put in hand.

The mutual aid committees have proved that they fill a need with the public and that they are of real value to the police, and it is apparent that they have become an acknowledged part of the community life of Hong Kong. Your Government has now commenced a further expansion of their numbers and the Home Affairs Department will ensure that the back-up and support necessary for the new committees will be available.

The Police Cadet School started two years ago as an experiment, and it has proved a great great success. The first 150 cadets to take the full 2-year course graduated in August. The calibre of these young men is impressive, and I am sure that a promising way of improving the quality and efficiency of both the constabulary and the inspectorate is the expansion of this school and I am sure that this is something we should do as soon as funds permit.

I should like to say a word about the Royal Hong Kong Auxiliary Police. Over the last two or three years while the regular force has been so badly under strength they have been expanded to fill the gap, and they are now providing 1,300 men for duty each day, and an excellent example this is to all of us. At the moment the auxiliaries are filling in for the regulars, but as the latter's strength increases I see auxiliaries fulfilling a vital role of their own as a link between the public and the regulars, particularly in connection with the expansion of police neighbourhood units. Meanwhile our thanks are due to them for the admirable work they are doing.

I feel that the time has now come to involve the community more directly in the central co-ordination of the fight against violent crime. This co-ordination is done at present in the Fight Violent Crime Committee under the chairmanship of the Secretary for Home Affairs. Since it was set up in 1973 it has consisted of the officials directly involved. I now propose to introduce an unofficial element both to

bring in new ideas and to help spread special knowledge of all the work that is being done.

Before I leave this subject I would like to say very frankly that we must not delude ourselves that there is any easy or quick solution to this problem. It will no doubt prove as intractable in Hong Kong as it has in the other great cities of the world. On both the professional and civilian sides the forces of law and order are steadily expanding and becoming more effective and better organized and it will be a top priority of your Government to ensure that this continues. But it is the courage and determination and support of the public that in the end will be decisive. One of the most encouraging features of the last year has been the growing extent to which these have been forthcoming.

I.C.A.C.

The Independent Commission Against Corruption has been in existence now for just over $1\frac{1}{2}$ years. Although it is still a long way from its full strength, I am sure that honourable Members will agree it has already made a substantial impact.

Its first task has been to instill amongst the corrupt a real fear of detection and its consequences. Thus the Operations Department has had first call on resources, and recruitment and the training of its staff both in Hong Kong and overseas have been undertaken with all possible urgency. An important addition has been the engagement of experienced police officers from Britain. This arm of the Commission should approach a strength of 450 by the end of the year.

The ability to detect and bring to justice the corrupt at all levels is the first task of the Commission. Until this capability exists, and is seen to exist, neither the corrupt nor those on whom they prey will take the Commission seriously. But once it is realized that this capability exists or is being created with determination, and the credibility of the Commission is thus established, the way lies open for it to use other and more positive measures aimed at the discouragement and prevention of corruption rather than at its punishment, and to do so with some prospect of success.

It is therefore becoming urgent that the Commission should be provided with the necessary funds to develop the corruption prevention and community development departments along the lines that honourable Members have approved.

This cleansing of public life is something over which we cannot afford to loiter. Momentum must be steadily built up and maintained until the back of the problem is broken.

[HE THE GOVERNOR]

The reputation and confidence which the Commission has inspired is high. Nevertheless it has not escaped all criticism, and indeed it would be surprising if it had done so. There is one specific point I should like to refer to, namely, the alleged effect of I.C.A.C. on the morale of the police. Naturally the police, like other branches of the public service, are worried about the existence of corruption in their ranks and about the effect of corruption on the Force itself and on the public. Those who are corrupt are no doubt worried on their own account and a very good thing too. But this is quite a different thing to alleging that the Force as a whole has been demoralized by I.C.A.C. activities to root out corruption. I am satisfied that this is not the case, and that both the police and the public have kept in perspective the measures that have been taken and the necessity for them. Indeed it is clear that the Force has responded in a mature and sensible way to the activities of the I.C.A.C., and far from being demoralized it is steadily becoming more effective, more professionally efficient, and on better terms with the public and indeed itself.

I am well aware of the need for extreme care in the exercise of the wide powers which were conferred on the Commission by honourable Members, just as I am also aware of the need to use those powers if the Commission is to achieve the results expected of it. But I have appointed men of the highest calibre, experience and integrity to direct the Commission and I have complete trust in their judgment and discretion. I have also associated with them unofficials of the highest standing and experience who are consulted about the Commission's investigations. This is obviously of the greatest importance because public knowledge that a man is the subject of an investigation could well have wider reaching consequences for him, even if the Attorney General, with whom rests the authority, subsequently decides not to prosecute.

Broadly speaking I am well satisfied with the progress the Commission has made, which is greatly to the credit of its officers. Theirs is a vital task, but let no one suppose it is a pleasant one. I am sure that honourable Members would wish me to assure them of the support of the Government and, I believe, of our whole community. We all wish to remove the taint of corruption from public service. We have set up a first class organization to do it. Now I am sure the sooner the job is done the better.

Prison Service

Honourable Members, the prison service is an essential part of the fight against crime, and as the fight is progressing the prison population has increased by 44% in the last three years and now stands at 8,140 in all our fifteen penal institutions. In addition, a further 3,250 ex-prisoners are being supervised and helped under the prisons after-care programme.

Your Government has been extremely concerned at overcrowding and all that it implies, particularly at Stanley. However there are at last prospects of fairly early improvement. Security works at Stanley Prison have progressed satisfactorily. Work has also commenced on a new block for 80, and the Preventive Detention Wing is nearing completion.

With an improved staff/prisoner ratio and the various measures that have been implemented over the past two years it is now possible to apply the full effect of rigorous imprisonment on those prisoners for whom it is necessary.

The maximum security institution at Pik Uk, planned for 400 young male offenders, is expected to become operational at the end of this year. In addition to its function as a training centre it will also be used as a prison and this will provide much needed alternative accommodation for most of the young offenders now held in Stanley. Also at Pik Uk a minimum security Prison has been opened for 600.

Work is continuing on the reception centre at Lai Chi Kok and when this is completed in 1977 it will provide accommodation for 950 remand and convicted prisoners and will at last ease the overcrowding at Victoria Remand Prison.

The provision of Hei Ling Chau for use as a new drug addiction treatment centre has enabled the prison service to expand its treatment facilities and also to reduce the number of persons who would otherwise have been sent to prison. Its current success rate, over a period of three years following treatment, is 42%, one of the highest in the world.

So as you see, things are moving in the right direction. Detention centres have continued to prove most effective in dealing with young offenders. Since the first one was opened in June 1972 a total of 1,660 young male offenders, mostly convicted of violent crimes, have passed through them. The success rate so far of 87% indicates that these are being planned and administered on sound lines.

[HE THE GOVERNOR]

The question of release under supervision is being looked into. There is merit as well as danger in such a scheme and it will be necessary to examine the proposal from every angle before arriving at any firm recommendation.

Finally a wing for geriatrics has been opened in Ma Hang Prison. All this represents substantial progress and much hard and successful work. It is a credit to the prison service and an indication of its high morale.

Narcotics

The past year has seen considerable successes in our war against narcotics. Major seizures of drugs have been made by both the police and the Preventive Service, and the heads of several major drug syndicates were arrested and sentenced to long terms of imprisonment. In addition, a number of heroin factories and stores have been neutralized and many heroin chemists and store keepers have been arrested. The break-up of the traditional drug syndicates was followed by the disruption of drug supplies, and the Government quickly opened two new methadone maintenance clinics to try and wean addicts from their addiction.

But now new personalities have taken the place of those imprisoned. The new trafficking organizations are smaller, more security-conscious, and more dispersed, and this has given rise to new problems for the law enforcement agencies. And so the fight goes on.

In addition to continuing efforts on the international level to attack the supply of drugs from the Golden Triangle, we are doing our utmost to reduce demand by the treatment and rehabilitation of addicts, and by education and publicity among those groups, including young people, who are held to be particularly at risk.

In 1974 a Narcotics and Drug Administration Division was established within the Medical and Health Department to work with the Action Committee Against Narcotics on the medical aspects of addiction and rehabilitation.

During the year, Dr NEWMAN, an American expert in the treatment of drug addicts, visited Hong Kong for two months and advised us on our overall treatment and rehabilitation efforts. One of his recommendations which has been accepted is the establishment of detoxification clinics for those who do not wish to be maintained on methadone.

We hope to have the first of these established as an experiment within the next few months. A working party is also examining possible alternatives to current methods of dealing with minor drug offenders by fine or imprisonment, and a report will be made by the end of this year.

This is a long slow fight and although there has been some outstanding success during the year, the problem is still with us. It can only be solved by relentless pressure on the international source of supply, on the criminal distribution network here, and by the provision of cheap and convenient cure and rehabilitation for addicts. On all these fronts your Government will persevere.

Small Claims Tribunal

We are all aware of the success that has attended the establishment of the Labour Tribunal. Its simple procedure and informal atmosphere have made it a popular forum for dealing with wage claims and claims for severance pay usually for relatively small amounts.

For some time your Government has been studying the possibility of establishing a similar tribunal for the recovery of small debts, arising from contract or tort.

I am aware of a widespread demand for a simple, inexpensive and quick-acting forum for recovering small debts. It has been particularly vociferous among management committees of multi-storey buildings and mutual aid committees, which are experiencing difficulty in recovering contributions from co-owners and others towards common costs. So a bill to establish a Small Claims Tribunal, having jurisdiction to hear monetary claims involving not more than \$3,000, will be published this week and introduced into this Council shortly thereafter. I trust this bill will commend itself to honourable Members. I believe that there is a long felt need which should be filled.

Labour

Much has been done in recent years to improve working conditions and terms of employment. Employers and employed have together made a major contribution to this. But an obligation lies on the Government to ensure that Hong Kong's working population is appropriately cared for and protected.

Since 1967 there has been a steady programme of legislation on this subject including 102 items, some of the most notable of these were passed during the last session of this Council.

[HE THE GOVERNOR]

Pride of place goes to the Labour Relations Ordinance, which sets up formal procedures for resolving labour disputes. These procedures rightly avoid imposing compulsory settlements. But the ordinance does provide for voluntary arbitration, or the appointment of a board of inquiry. To safeguard the general interests of the community, reserve powers are also available to impose not a settlement but a cooling-off period, but I cannot imagine the use even of these limited powers except in circumstances that were wholly exceptional.

Hong Kong has a good record of industrial relations but I believe that in dealing with any difficulties that do arise, this legislation provides a framework within which the Commissioner for Labour and his conciliation services will be able to play an even more helpful role. It also sees an end to the old Trade Disputes Ordinance and more importantly the Illegal Strikes and Lock-outs Ordinance which has for so long been both unused and a target of criticism.

The Employment Ordinance was further amended to make it clear that workers whose services are terminated in certain circumstances are entitled to receive a sum equivalent to their wages for the statutory period of their notice.

The permissible annual overtime for women and young persons was reduced from 1st January this year from 300 to a maximum of 250 hours. From January 1976 it will be further reduced to 200 hours.

The two Industrial Training Ordinances for the clothing industry and construction industry represent a new departure of very great significance and we all look forward to the day when the training establishments will start working.

Further measures for industrial safety have been taken in new regulations for control of the use of abrasive wheels and for the safer handling of cargo.

The Clean Air Ordinance has been amended and the whole of Hong Kong is now subject to statutory smoke control measures.

This legislative programme will be carried forward in the coming session. Regulations will be submitted for the approval of this Council to protect industrial workers from certain dangerous processes such as manufacturing dry batteries and using inflammable liquids. It is also intended to introduce additional safety measures relating to the use of certain dangerous tools and goods lifts in factories.

With work about to start on the mass transit railway special regulations will also be required to ensure the safety and health of workers in compressed air during tunnelling operations.

Three items of legislation have unfortunately encountered unforeseen complications which prevented their presentation during the last session. But I hope they will soon be submitted to Council.

Firstly, the bill to regulate conditions of apprenticeships in various trades. It has proved unexpectedly complicated—and a number of difficulties still need to be resolved. Second, compensation of workmen affected by silicosis. One of the problems involved is the long time which usually elapses before the disease becomes evident, during which period, the workman may have been engaged by a number of employers. I am hopeful however that with the co-operation of the Accident Insurance Association, the outstanding technical problems may soon be resolved. Nevertheless the funds involved could be considerable, and would have to take their place in competition with other highly desirable projects for the money available. Third, additional regulations to provide for the guarding of dangerous parts of power-driven machinery in factories. The drafting has proved complicated and time-consuming, but I trust will be completed in this session.

The work of the Urban Council

I would like to pay tribute to the work of the Urban Council of which several Members are either alumni or sitting members. Hong Kong has become a cleaner, greener and much more attractive place and a giant stride has been taken over the last $3\frac{1}{2}$ years. Though there is still room for considerable improvement in the amount of litter careless people drop in the streets, the work of the cleansing services themselves has been greatly improved. There has also been a very marked improvement in the condition of our beaches.

I am delighted by the steady encouragement the Council is giving to the arts and by the breadth and imagination of its approach. Who would have ever thought Hong Kong could become an artistic centre? But with the enthusiasm and generous support given by private people and firms, and with the far-sighted work of the Council and the financial underpinning it can provide, that is what is beginning to happen.

The new Museum of History has been opened in Star House, and I am glad to see that the good taste of its presentation and the variety of what it has to offer has made it a popular attraction immediately.

[HE THE GOVERNOR]

The work of the Urban Council in the field of recreational facilities is also vital, and I will be reverting to this whole problem of recreation later in my speech.

The Council too has tackled less popular problems where more kicks and less praise are the inevitable lot of those whose responsibility it is to deal with them. I am thinking in particular of hawking. The hawker permitted area scheme was a realistic move to provide more and more concentrated facilities for hawking. Its administration was made more difficult by its coincidence with the recession and the greatly increased numbers of people compelled to seek a living by hawking. But with the exception of very great difficulties in one area, which are at the moment being contained, the scheme has been a useful experiment from which much has been learned. I realize that this is a long term problem which can only be solved by rising prosperity offering better alternative employment, and also by the progressive construction of off-street facilities—though the difficulty of the latter in the crowded circumstances and high land values of Hong Kong are but too well known to all of us.

I will not attempt a full review of the Council's work, but it is evolving its own personality and style, and is tackling its many-sided job with a vigour and distinction from which Hong Kong has greatly benefited.

New Territories: Compensation

During the course of the budget debate this year, the Secretary for the New Territories spoke of the work which was in progress to review compensation arrangements for the resumption of land within the new towns and of the useful discussions he had held with members of the Heung Yee Kuk. Since then, changes to the system have been approved by the Executive Council. 55 million square feet of private agricultural land and four million square feet of building land will have to be resumed to complete the development of the new towns. The disturbance to existing rights is great, and it is important that fair and reasonable compensation be offered. The changes now approved will, I trust, provide an acceptable alternative and remove the present dissatisfaction with the exchange system. The Secretary for the New Territories will shortly make public the details.

Management of New Towns

As the new towns grow it seems to me to be necessary to devise some means of involving their residents in the development and use of

the facilities and amenities in them. Tsuen Wan in particular has already reached the stage where it is essential to associate local residents with the process of planning the details of amenities such as parks and playgrounds, swimming pools and other sports facilities, and with the organization of the activities which will take place in them. What I have in mind is a committee under the chairmanship of the District Officer which will bring together, with the responsible officials, local residents with a genuine interest in, and knowledge of, these matters. This idea still has to be worked out in detail but I am convinced that something on these lines is necessary if Tsuen Wan and later the other new towns are to become well-balanced communities with a life of their own.

Recreation and Sport

We are all becoming increasingly aware of the urgent need for better recreation facilities for young people. It was with the object of creating and maximizing the use of recreational and sport opportunities that the Council for Recreation and Sport was established. One of its first actions was to set up the Recreation and Sport Service. The scheme was launched a year ago by the appointment of experienced Recreation and Sport Officers from the Education Department to six districts as an experiment. They have planned and carried out extensive programmes, covering activities ranging from sports competitions, coaching and keep-fit classes, to countryside excursions and dance contests. The majority of the participants are young people in their teens or early twenties but the programmes have something to offer everyone. For instance special events were arranged for the handicapped. By the end of September 1975 over 100,000 people from all walks of life had participated in activities organized by these six officers. This was excellent in itself. But they had also trained over 3,000 young men and women as referees, coaches, guides and leaders. These now form a corps of volunteer recreation leaders and the community's thanks are due to them. I am sure that this is the right approach; that of organized participation and supervision through calling on the enthusiasm and public spirit of young volunteers. The prime duty of the Sport Officers must be to mobilize and instruct and help the public itself to organize the supervision of recreation. It is so often lack of responsible supervision that results in the reluctance of children to use the facilities that do exist.

The scheme was planned for development in three phases. Phase I was implemented in October last year. We had hoped to introduce Phase II this year with the appointment of Recreation and Sport Officers in seven more districts, and then move on to Phase III in

[HE THE GOVERNOR]

1976-77 to cover the remaining districts in both urban and rural areas. But in fact funds have only run to a modified Phase II permitting the coverage of only two more districts.

The sums involved are comparatively small. For instance, to complete Phases II and III and finance the planned Colony-wide operation would require only a further \$1.78 million. In retrospect it is easy to see how additional expenditure on so-called "recreation" was squeezed out of a budget in which so many essential items were competing for inclusion. But in this instance we made a mistake. In the housing conditions of Hong Kong organized recreation is no luxury. It is on the contrary essential to the well-being of young people and we neglect it at our peril. It is a field in which comparatively small expenditure has comparatively large and quick results. If anyone doubts its importance I suggest they read the admirable study on "Social Causes of Violent Crimes among Young Offenders in Hong Kong" which the Government commissioned from the Chinese University.

The Council of Recreation and Sport was set up to direct and stimulate activity in this very important field. In spite of the recession, progress has been made and the lines along which we should proceed have been successfully tested. But even what we have achieved would not have been possible without the help of a generous anonymous donor. I now attach great importance to making available the relatively small sums necessary to achieve more general and decisive results.

Country Parks

But of course the finest recreational facility that Hong Kong possesses is its own countryside. As I have said before, the beaches and the mountains are for the many what the yacht and the golf course are for the few. It is a most excellent thing that they are being used more and more. But the rise in popularity of outings in the countryside has been so great that there is a real danger of beauty spots being swamped and the countryside being destroyed by litter or by fires started by careless people. The time has come when the Government must intervene both to preserve the countryside and to encourage its proper use.

Good progress has already been made in constructing picnic and barbecue spots, nature trails, footpaths and tracks, and the tremendous response to these facilities has proved how right the programme is and

how much it is needed. Much more would have been achieved if we had not had to hold back expenditure this year and I very much hope this can be avoided next year. The popularity of the facilities has shown that expenditure on them is highly cost effective, and indeed unless rapid action is taken there is a real danger of some of the most attractive parts of Hong Kong being destroyed.

But admirable as the work of the Department of Agriculture and Fisheries has been in setting up these picnic sites and all that goes with them, and much as I hope works of this sort will be expanded in the year ahead, it is really no more than patchwork. If the city is going to visit the countryside as much as it obviously is going to do, legislation is needed to cast a shield over large areas of country. What I suggest is that selected areas should be designated as country parks; legislation will then apply to them which would provide powers to prevent their misuse, curb thoughtless and incompatible development, protect vegetation and wild life and provide for proper management and administration. Legislation to this effect is already in draft and will be introduced into this Council. It includes proposals for the establishment of an authority to manage the parks and for public participation in their development by the creation of a Country Parks Board.

These plans have of course been discussed with the Heung Yee Kuk and find favour with them. I should however emphasize now, as will be apparent when the bill is published, that the activities of the new Country Parks Authority and Board will relate only to the preservation of the countryside and the promotion of recreation and tourism in it. It will not in any way change the established position of the District Officers or their relationship with the rural population.

Mass Transit Railway

A quite different project to which I must give special mention is the mass transit railway. After years of hard work we are almost ready to let the first contracts and commence construction. All that remains is for the final details of the financial arrangements to be tied together and for a motion to be introduced into this Council to authorize the Government to provide guarantees for the money to be borrowed.

I will not repeat the arguments in favour of the railway, but there are a few points that should be emphasized.

Firstly the Government would not undertake this commitment unless satisfied that the railway can be paid for without any charge to

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general revenue except the \$800 million of equity already voted by this Council.

Secondly there is no competition or conflict between this huge project and our social programmes. The greater part of the money for the railway will be borrowed and it will be repaid from the fares and other revenue which the railway itself will generate. Although some of our other programmes, such as improvements to the Kowloon-Canton Railway or the Airport or the Aberdeen Tunnel, may be similarly self-liquidating, the majority of them are not. Necessary as our social programmes are for the future well-being of the community, they will need to be paid for from general revenue or loan finance to be serviced out of general revenue. Thus the social programmes are a charge on the revenue, while the railway is not, and it is only because it is not that Hong Kong is able to contemplate such a commitment.

Thirdly the mass transit railway will bring some immediate benefits to Hong Kong in addition to a very badly needed underground transport system serving the most densely populated parts of Hong Kong—or for that matter of the world. Commencement of construction will provide direct employment for at least 4,500 people and indirectly for many more. The project will certainly stimulate international interest in Hong Kong and enhance its reputation.

It is ironic that the immediate effect of the construction of this transport facility will be substantial disruption of some of our roads and much inconvenience. This I regret but it is a short-term price which we cannot avoid paying for an eventually greatly improved transport system.

Trade and Industry: External Relations

I should like now to speak about some aspects of our trade and industry. I fully realize the importance of other sectors of the economy but in Hong Kong we know that it is principally upon our industry and the financial services that support it that our prosperity is founded. Our prosperity will always depend in the last resort on the enterprise, resourcefulness, efficiency and plain hard work of all concerned in it, from the chairman of the board to the men and women on the production line and the clerk in the office. It is fortunate indeed for Hong Kong that they are of such fine stuff. It is very largely these people and the energy and realism they have displayed that are bringing Hong Kong through this world economic epoch from whose problems Hong

Kong cannot be insulated; and I take this opportunity to record my admiration of them.

But the Government and the statutory organizations we have set up also play their supplementary part. Among the organizations that have a major role to play, the Commerce and Industry Department is responsible for the handling of our government-to-government trading relations.

This task has become increasingly complex as our trade has expanded, and has been made infinitely more difficult by the world recession. The department has built up quite an international reputation, particularly in the field of textile negotiations. Although it has been under fire lately I think that when the dust has settled it will be recognized that Hong Kong's agreement with the EEC represents not such a bad deal after all.

Since we believe in free trade there is, from our point of view, no such thing as a good agreement, because all agreements we are obliged to negotiate are restrictive. But on the whole we have succeeded in securing for Hong Kong under these agreements growing access to a fair share of the market.

I might add that in conducting its negotiations the Hong Kong Government now has in practice complete autonomy to deal with matters at issue in the way it believes to be in Hong Kong's best trading interests, and I should add that we receive invariable and invaluable help from British Ministers, Embassies and Delegations.

The department's job is to maintain our access to markets. The Trade Development Council has continued energetically to promote the enlargement of our trade in those markets. In the current year, in addition to its regular programme, the Council has focussed on three areas of potential growth—the producing countries, Eastern Europe and France. I should like to pay a very warm tribute to the energy and imagination with which Sir Yuet-keung KAN has carried out his duties as chairman, and I am so glad that his last mission, that to France, was such a notable personal success. I wish his successor, Mr. T. K. ANN, every success.

Industrial Promotion

Our manufacturers and exporters have long recognized that their trading opportunities will continue and expand only if Hong Kong keeps moving up the technological scale. We have made great progress

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in the last twenty years: there has been a vast improvement in the quality and sophistication of our products. There are basically two ways in which the more advanced know-how that makes this possible has come to Hong Kong. Hong Kong people have gone out, learnt it or bought it and brought it back, or it has been brought in by outsiders through new overseas investment in technologically advanced manufacturing in Hong Kong. I believe the promotion and encouragement of these processes are particularly important at this juncture. Hong Kong is at the centre of the area of the world in which probably the most rapid economic growth is to be expected over the next decade or so, and in which considerable new investment is likely.

This is not a situation in which we should sit back and just hope that benefits fall into Hong Kong's lap rather than into the laps of our competitors. Firstly we must actively encourage the injection of new technology and investment from overseas. I have therefore recently set up, under the chairmanship of the Secretary for Economic Services, an Industrial Investment Promotion Committee. Its job is to coordinate the efforts of the Commerce and Industry Department, the Trade Development Council and the Hong Kong General Chamber of Commerce, which has recently set up a new industrial development fund to finance efforts to bring more new industries to Hong Kong.

Secondly it is necessary to provide more reasonably priced industrial land to accommodate the new style industries that are of particular economic benefit to Hong Kong, and also to give more elbowroom to conventional industry. This partly depends on provision of access to new areas.

Access to New Areas

Honourable Members will have noted how even in the dark uncertain period of 1974 your Government, with your support, decided to press on with the building of the new highway to Tuen Mun and thus provide access of this area where both new land for industry and housing for workers are being constructed or are available. It was a prudent act of confidence.

Similarly very urgent consideration is now being given to improving road communications with Tai Po, and I hope that it will be possible to announce something definite before next month's meeting of the Public Works Sub-Committee.

Industrial Estates

Continuing on this theme, we are also pressing on with the experiment of industrial estates. It is hoped that the first part of the first of these will be completed in Tai Po by the end of 1977. Investigations are also being carried out into the possibility of similar estates near Yuen Long and elsewhere in the New Territories. I realize that this is an experimental field and what has proved successful elsewhere may not necessarily go down so well in Hong Kong. Nevertheless this is an area in which we must prepare ourselves to move fast if and when the demand is proved. Indeed if we do not we may lose new industries and technology to our competitors. I think that Government and business circles are most likely to make the rapid progress that may be necessary in this field if they act in concert, and the Government will shortly be putting proposals to Executive Council as to how a start in this direction might be made.

Defence Costs Agreement

As you know the current Defence Costs Agreement runs out at the end of March next year, and much has changed since it was concluded five years ago. Discussions have been going on with Her Majesty's Government as to what the size of the garrison should be in future, and what part of the costs should be borne by the Hong Kong Government. Members will also have noted what the United Kingdom Defence White Paper had to say on this subject. I cannot prejudge the outcome of these discussions, but while your Government is acutely aware of the budgetary problems involved, which have been represented in the strongest terms to Her Majesty's Government, I think it will be clear to honourable Members that defence will be an item for which substantially increased expenditure next year will be unavoidable.

The Legislative Council

I would like to say a word about the work of this Council which is usually all too silent about its own achievements. The last session was a particularly productive one. There were some notable bills passed all providing in ways large or small for new and far-reaching departures in one aspect or another of the life of Hong Kong.

Some of them were controversial and I was particularly pleased to note the way in which public or interested opinion made itself felt through Unofficial Members of this Council who moved many amendments which substantially improved the proposed legislation. In some

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cases bills were deliberately published early or their discussion delayed in order to encourage or allow for fuller public consultation.

Similarly there have been some extremely useful debates and motions on adjournment which clarified policy on such diverse topics as a commodity exchange, telephone charges, mass transit railway, and the pill.

When I was here 15 years ago I got the impression that there was a distaste for public debate in this chamber: it was against tradition and not really done. It is indeed not the tradition that Hong Kong should be governed by debate, or that there should be debate and opposition for debate and opposition's sake. Denied as we are, for reasons well understood here, the possibility of an elected legislature, our tradition is rather to govern by consensus. We attempt to achieve this by many different ways. Representations to UMELCO, the wide use of advisory committees, green papers, the perception of City District Officers and their ever widening contacts with mutual aid committees and area committees and of course the kaifongs. The role of the press and media is vital. So too is a willingness on the part of the Government to give time for considered reactions to new proposals to develop. But having said all this I am convinced that it is in the public interest and in the interest of this Council that the major issues that affect our lives should be brought to this Council, and that if there be genuine differences they should be clearly stated and publicly decided here, as they have often been in the course of the last session.

Visitors to Hong Kong often fail to grasp the multiple roles of honourable Members of the volume and diversity of business they are called on to transact. There are their questions and speeches in this chamber; outside it there is their work on Finance Committee and the Public Works Sub-Committee; for all important and controversial legislation working groups are formed not only to consider the drafts in detail with the officials concerned, but also to receive and consider representations from the public about them. Then the UMELCO office offers the functions of what in Britain would be called a constituency "surgery"; that is to say a place where the public can bring their problems or complaints and be able to put them in person to a member of UMELCO. However, unlike constituency surgeries in Britain, UMELCO operates for six days a week and its members can call directly for confidential files about cases which come to their attention, as indeed they frequently do also in preparation of legislation.

A considerable proportion of their work is thus in confidence. Moreover they collaborate positively in the preparation of legislation and by intervention constantly influence administration. Their work is thus more akin to that of cabinet members than back benchers, and like a cabinet they must be able to work as a team, though all such analogies with other forms of Government can be highly misleading. To be able to do all this, as well as perform their role in the chamber of opposition or support or spur as their judgment dictates, requires very considerable experience and, I should emphasize, time and stamina.

Lacking, as is unavoidable, any electoral mandate, Members are required to try to think and plan and speak for the interests of the community as a whole as they see it, and not, as would be so much easier, for the narrow interests of a party, a group, a profession, an area or a class. But I believe it assists this general requirement if members are able to speak from as wide a spread as possible not only of professional experience, but also of social background.

This is a situation which, like Hong Kong itself, has evolved, is evolving, and can evolve further. As you know I attach the greatest importance in the circumstances of Hong Kong to providing opportunities for public participation at all levels, and I give all the personal support I can to the new and growing number of bodies such as mutual aid committees catering for such participation in the neighbourhoods. These are not only doing a great deal of practical good, but they are also providing men and women not previously in much contact with the Government machine or community affairs with an opportunity to play a part, and gain experience, with which they could make a contribution on advisory and other committees and bodies of Government.

As I say this is an evolving not a static situation, and given time and the right people and the will—and I believe the will is there—there is plenty of room for change while retaining the essential character of this Council, and subject of course to the overriding requirement of Members having sufficient experience of public service, and ability, to carry a fair share of the exacting tasks that have to be shouldered by UMELCO.

Budgetary Problems in the Recession, and their Effect on Major Social Programmes.

I would now like to turn to one of my main concerns, namely how our major social programmes have fared during this period of recession and this has, of course, to be seen against our budgetary situation.

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It is extraordinary to remember how different were the circumstances in which I spoke to you two years ago in October 1973. At that time inflation from the rise in commodity and food prices was behind us, demand for Hong Kong goods everywhere was buoyant as were the public revenues; detailed plans had been drawn up, with a wide measure of popular support, for an accelerated and decisive advance in the main fields of social deficiency such as housing, education, social welfare and health. And in the circumstances then foreseen, and given the will, the means to pay for them would not have been impossible to find.

Then came the quadrupling of the price of oil. It is not for us to pass judgment on that act, knowing as we do the long political and economic history behind it. Moreover it was only one part of an international financial conjuncture in which many birds came home to roost. But it was the act which quite unexpectedly unleashed economic forces of the greatest strength and these struck the economies of Hong Kong's major markets where they were politically and economically most vulnerable—their balance of payments, inflation and employment, and these in turn set up counter-forces and counter-counter-forces and so the cyclone formed. All that your Government could discern at that time was that the world economic order in which Hong Kong had grown and prospered would not be the same again for a very considerable time, and that the economic possibilities in our major markets lay somewhere between recession on the one hand and complete collapse. The two dominant features of the prospect were: externally its complete uncertainty; and here in Hong Kong the certainty that the steady annual growth rate to which we were accustomed would at least decline. Even at the best there must be a pause in the economy and consequently a more stagnant revenue, and at the worst the situation could develop into one of the utmost gravity.

These were the circumstances in which the unfortunate Financial Secretary was called on to bring in a budget in early 1974. His task was all the more difficult in that on the one hand the wish and need to make immediate progress with the social programmes for which the Government machine was geared was so strong, and on the other the economic prospect was so suddenly and unexpectedly bleak and uncertain.

I well remember the agonized discussions that ensued. The decision was to provide room for significant progress in the programmes

within a balanced budget, by cuts of about \$500 million in the over-all draft estimates, and by small increases in taxes and charges, but not to burden the economy or add to the costs of industry in such uncertain times with any substantial rise in taxation. And this middle course commended itself to this Council although I do recollect a certain amount of dispute on points of detail.

In the year that followed it became clear that the world would be spared the sort of economic collapse it endured in the late '20s and early '30s.

But a variety of causes, particularly preoccupation with balance of payments and chronic inflation problems, and indeed the sheer size and novelty of the phenomena to be confronted, induced cautious and deflationary policies in most of Hong Kong's major markets and a general and deep recession ensued. The effect of the recession was felt by most of our industries from the second quarter of '74 with dwindling orders, unemployment, under-employment and consequent drop in family incomes developing fast as the year progressed. As you know though we had hoped for a growth rate of 4% for the year as a whole it was in fact only zero. In view of the comparatively favourable start to the year it indicates how far the economy had declined by its end.

The unemployment and under-employment which developed as an inevitable consequence of the recession and the real hardship it brought about for a number of families has been of the greatest concern. The measures taken by the Government to increase budgetary expenditure over these years will have helped to maintain employment and business activity in some fields. But I am thankful that the Public Assistance Scheme was already in existence to help alleviate the distress of families in which the breadwinner was out of work.

By the first quarter of this year in at least some countries the mood was moving cautiously back towards attempting a moderate reflation. Moreover it had also become clear that inventories were so depleted that orders for some of the things that Hong Kong produces could not be long delayed. In these circumstances the rate of decline in Hong Kong slowed down markedly in the first quarter, and stopped in the second. Though this was at a level that was dangerously and depressingly low, confidence in an improvement began to return.

The budget in the spring of this year had to be drafted in a situation in which the economy was still declining, though at a reduced rate, and before we could be sure when it would bottom out, though we were confident that the point was approaching. But the parameters of the

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world-wide problem and its impact on Hong Kong were much more clearly definable than a year earlier, and in spite of the level to which economic activity had declined at the time, there was a prospect of sufficient up-turn before the end of the year to forecast growth for the year as a whole to balance out once more at a little better than or about the zero level, and that is still the forecast.

In these circumstances the strategy of the budget was much the same as in the previous year and the same medicine was prescribed, but in a stiffer dose. Departmental estimates, and particularly recurrent expenditure, were more heavily cut back, and extra resources were obtained through \$467 million of additional taxes and by budgeting for a deficit of \$429 million to be covered by borrowing. Within these fairly forceful measures it was possible still to increase estimated expenditure by 7% over actual expenditure in 74-75 and thus provide for substantial progress, particularly in the priority fields.

To have provided the means to continue and accelerate progress in such circumstances two years running, and without creating inflationary pressures, and with the general approval of honourable Members and the entire community, was a remarkable achievement on the part of the Financial Secretary. The allocation of priorities, and the many agonising decisions involved in the drastic cuts in departmental estimates, also required a prodigious effort by department heads and Secretaries under the direction of the Colonial Secretary and his deputy. The machinery of consultation and corporate decision making that was evolved in this situation is now with us to stay and is a most valuable addition.

Now seven months later the more favourable flow of the tide can be felt clearly if fitfully. The trend of our trade figures is improving and the value of domestic exports in July was only 2% less than those for July last year. Employment in manufacture increased by 4% between March and June and the indications are the increase has continued. It is also encouraging that the number of plans for new buildings has steadily increased and that the property market is showing signs of more activity. Unemployment and hardship certainly persist, but the sense of relief throughout the community that the worst is behind us is considerable.

Now let us against this background look at the progress that we have made in the principal social programmes.

*Medical and Health Services**Hospitals and Clinics*

Your Government has generally maintained the quantity and quality of the medical and health services. For instance, in the first six months of this year, the total number of admissions to Government hospitals alone has been just under 111,000—an increase of 8.5% over the equivalent period last year. Out-patient attendances at Government clinics in the first six months of the year reached 5.2 million—an increase of 5.5% over that period last year.

Hospital and clinic services have been expanded. The United Christian Hospital is fully operational. This month will see the first patients entering the magnificent new Princess Margaret Hospital. This will be the first major new Government hospital to open in Hong Kong since 1963 and it will provide a substantial extension of hospital services for the communities of North and West Kowloon and for the New Territories. To ensure its smooth operation the opening of this hospital will be phased, but a thousand beds will be in use by early next year.

By that time we shall, I very much hope, also have seen the opening of the Tung Wah Centenary Building at the Tung Wah Hospital—a fine modern addition to the Group's contribution to our medical services. The total number of new hospital beds brought into use since March 1974 should then have exceeded 1,800. This is no small achievement. It also reflects the contribution which is still being made by the voluntary agencies in the medical field.

It is important that the best use be made of all available beds. In 1974 the White Paper proposed the regionalization of hospital services and the integration of third class beds in Government and certain subvented hospitals as a means of achieving this, and this scheme received general support and is highly desirable. However it will have to compete with other claimants for scarce resources at budget time.

The out-patient clinic services that stand in the frontline of medical help are obviously of vital importance. We are now approaching a situation in which it can be claimed that there is a range of general and specialist clinics within easy access of almost every part of Hong Kong, Kowloon and the New Territories. Last year, new out-patient clinics were opened at Tsz Wan Shan and Sha Tau Kok. Early next year additional specialist clinics will open at Tsuen Wan/Kwai Chung, and at Morrison Hill.

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Later in the year I expect the general out-patient facilities at Kowloon East Polyclinic to be brought into use, and we know how very badly they are needed.

Family Planning

The programme for the absorption into the Family Health Service of the 32 clinics run by the Family Planning Association in Government premises has been successfully completed. In addition, a total of sixteen new clinics have been opened by the Government and the association since the Government's participation in providing family planning services began in October 1973. In 1974 the number of new patients making use of these clinics increased by as much as 25% and this rate of increase is being maintained this year.

The success of this programme has been encouraging. But the imminent large increases in the numbers of women entering their most fertile period adds special urgency. Your Government will continue to expand its efforts in this area, in close consultation with the Family Planning Association, in an effort to ensure that the availability and benefits of these services are understood and appreciated by all.

Unregistrable Doctors

Before I leave the medical services I should also like to say something of the recommendations of the Working Party on Unregistrable Doctors. This has been a nagging and difficult problem for many years. On the one hand it makes no sense at all to deny the community the benefit of the services of qualified and dedicated men and women who seek only to follow their vocation; on the other the community has a right to expect and the Government the duty to ensure that there are adequate safeguards to assure proper standards. This is a difficult balance and I am most grateful to Sir Ronald HOLMES and the other members of the working party for pointing the way ahead through a complex and delicate subject.

Second Medical School

Planning for the second medical school at the Chinese University of Hong Kong is going ahead, and by the end of this year the University, in consultation with the UPGC, will have appointed a Medical Academic Advisory Committee which will have the job of ensuring

that the detailed and complex planning involved is carried out as effectively as possible. These plans envisage the new hospital and polyclinics at Shatin being completed in the early 80's.

All this represents substantial progress. In financial terms recurrent expenditure alone on Government medical and health services and subventions has risen by 35% between '73-74 and this year. Increased expenditure of this degree in time of deep recession is an indication of the importance the Government attaches to these services.

Social Welfare

The main thrust of social welfare this year has been to meet the needs of those requiring help from public assistance and under the disability and infirmity schemes, and the handicapped and the elderly. The number of those receiving public assistance rose from 42,000 at the end of 1974 to over 52,000 at the end of July. Advice is that there will be 65,000 by the middle of next year. The number receiving help under the Disability and Infirmity Allowance Scheme was 60,000 at the end of July and is expected to rise above 70,000 by the middle of next year. The increase of the cost of these forms of social welfare was from \$71 million in 1973-74 to what is expected to be \$260 million in the current financial year or an increase of 265% in two years.

Over half of those receiving public assistance are over 55 years of age, one fifth have incomes below the minimum limit in relation to the size of their families, and the remaining recipients comprise widows with children or families where the bread-winner has become unemployed.

Taken together with free or heavily subsidised education and nearly free medical and health services and heavily subsidised housing, these social welfare schemes represent a large part of the Hong Kong's social security net. The disability and infirmity allowances, which are not means tested, provide cash in hand for the handicapped and the aged to enable them to meet better the extra expense of their particular needs. The public assistance scheme is devised to ensure that those families most in need are cared for, and naturally this applies with particular force in time of recession. The greatly increased expenditure therefore indicates that the machinery your Government has devised with the support of this Council is working in the circumstances it was intended to meet.

In addition to the heavier expenditure on these relief measures, it has been possible to make some progress with items in the 5-year social

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welfare plan. The Chai Wan Community Centre has been opened. A youth centre, youth hostels and camps, more places to rehabilitate the handicapped and homes for the elderly have also been provided this year, as well as 530 new subvented places in day care centres. The new emergency relief kitchen in Kowloon, capable of feeding over 35,000 people a day, is now in operation. However, several other plans have had to be deferred not only because of the reduced sums available from the Government, but also because private sources were in difficulties too. It is a matter of particular concern that the funds are lacking to implement the Child Care Centres Ordinance enacted by this Council in February. But I should emphasize that the list of deferred projects is comparatively long.

It is highly desirable that as many as possible of these items can be pursued in 1976-77, but we have to face the possibility that expenditure on public assistance and disability and infirmity allowances may increase further in that year. If it does, this will restrict our ability to expand in other directions unless new resources are forthcoming.

Education

Over the last four years, in 1971-72 to 1974-75, the main expansion in the public sector of education has been in providing more places for handicapped children, more vocational training places in technical institutes and, of course, more places in secondary schools.

Special Education

In 1972, before the recession, we decided to increase the places in Government and aided schools for handicapped children from 4,000 to 18,400 by the end of 1976-77. So far, 8,900 places have been provided and the Director of Education hopes to exceed the 10,000 mark by September 1976. While this is certainly progress it falls well short of the target.

Technical Education

We have done better in the area of vocational technical education. In January 1973, the Government decided to increase the number of technical institutes from one to five, and of these, three are now in operation. A year ago there were only a little over 1,000 full-time equivalent places. There are now 2,300 and there will be 3,350 during '76-77 and eventually the three institutes will cater for 4,050.

Tenders have been called for the fourth technical institute at Cheung Sha Wan and if all goes well classes there will open in September 1977. The fifth technical institute, planned for San Po Kong, is still on the drawing board and is not expected to be finished before 1979.

Though the rate of build up has been somewhat affected by our financial situation, I am satisfied that in the circumstances expansion of the technical institutes is progressing reasonably well.

Secondary Education 1971-75

Turning now to the expansion of secondary education, by September 1975, there were about 158,000 places of Forms 1-3 in the public sector of secondary education, an increase of about 30,000 places in the last two years. This provides just over the 50% of the 1975 Secondary Schools Entrance Examination candidature with Form 1 places for which we had planned.

By 1st September there were about 40,000 places in Forms 4 and 5 enabling the Education Department to allocate five-year places to 19.5% of the 1975 SSEE candidature. So we have reached these interim goals somewhat ahead of time and the May 1971 plan has been completed.

Secondary Education: 1974 White Paper

Though this is certainly significant progress and was all that was possible in the circumstances, it does not at all meet the situation of our young people, and, as you know, involves a delay of one year in implementation of the first year's phase of the 1974 White Paper.

This first phase involved three things: buying an additional 10,600 junior secondary places, creating a further 9,300 places through floating additional classes in existing schools, and finally, entering into the second stage of an approved programme to convert 36 assisted private schools into fully-aided schools, which would make available 7,200 extra Form 1 places. These additional 27,100 places would enable the Director of Education to allocate Form 1 places for 74.3% of the 1976 SSEE candidature. The cost is estimated at \$36.8 million for seven months. However, it may not be easy to find the money for all of this in addition to what is needed to finance schools under construction, and to provide additional places required or promotions from lower to higher forms—measures which will add only a marginal 2,700 places in Forms 1-3.

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This is a stark prospect, particularly when one considers the social consequences of children having to leave school at the age of 12. Clearly some way round this problem must be found. But basically the problem turns on money, on how much is available and where our priorities lie, and I should emphasize that we are only speaking of the first phase of the White Paper. Much more lies ahead before an assisted place is available to all primary school leavers. To fulfil the total White Paper programme, we have a balance of 150 schools to build, 96 of them in new towns, at a cost to the Government of \$5 million each at present day prices.

So, in secondary education, the recession and the many other priority calls on public finances are resulting in our making considerably less progress than we would have wished or can regard as prudent.

Tertiary Education

I would now like to turn to our universities and the Polytechnic. Here again, the recession and the huge demands of the whole education programme have made it necessary to set priorities.

The highest priority has been accorded to expanding as rapidly as possible facilities for higher technical education at the Polytechnic.

Progress has been very heartening. When I spoke to this Council last year, the tender for Phase I of the Polytechnic development plan had not been let. But work on the Hung Hom site has gone ahead very rapidly—the new workshops and lecture rooms will be ready next July and the library, fully equipped, a little later. This will mean that the Polytechnic students at present using temporary premises at Taikoo Docks will be able to return to their Hung Hom campus. It will also enable the Universities and Polytechnic Computer Centre to move into new accommodation there. And planning for Phase II of the Polytechnic's development, which will provide additional teaching space and facilities for students and staff, is now well advanced.

I would like to take this opportunity of offering my thanks to Dr CHUNG and all those who have supported him for the exceptional effort they have made in pushing the Polytechnic's development forward, and also to wish all success to the new Director, Dr LEGG.

In the case of the two Universities, priority has been given to maintaining the growth of the number of student places, even though

this has meant that the capital works programme has had to be rephased. I am sure that this priority was right.

Housing

Housing Authority

The Housing Authority is pursuing the long-term programme to improve housing conditions in Hong Kong with considerable thrust. A new generation of estates, incorporating to concept of comprehensively planned communities, is now fast becoming a reality.

Production of new public housing has increased from flats for 47,000 persons for 1973-74, to 65,000 persons for 1974-75 and to an expected 100,000 for the current financial year. Thereafter the provision of new housing will continue at the level of 100,000 more each year for two years and only in '78-79 is a further steady increase planned to recommence with about 127,000 in that year, 148,000 in the next year, and 190,000 in '80-81.

While the comparatively low figures of the last two years reflect merely the long lead-times to which building projects are subject, the pause at the plateau of 100,000 for the next two years reflects the unavoidable restraints imposed by budgeting in time of recession for the many competing demands on resources available.

When we consider the urgency of the human problems involved, obviously a more rapid build up to 150,000 or more would have been highly desirable. It is only at such levels that we can begin to make the decisive impact which we set out to achieve.

Licensed Areas

It is symptomatic of the degree of the housing shortage that the numbers of squatters have risen noticeably in the last few years, probably inflated both by new arrivals from China and by the high rents charged in private housing. For those of them who claim to have no other way of meeting their housing needs the Housing Authority provides a simple form of housing in licensed areas, and as honourable Members are aware the new style of licensed area is vastly improved. Admittedly these temporary housing areas are expensive but they can be constructed quickly and they do bring relief to many families. It is a sobering thought that it may be necessary to accept a further 25,000 persons a year into licensed areas for the next four or five years and only then, and assuming that resources are forthcoming, will the production

[HE THE GOVERNOR]

of permanent public housing reach a point at which the licensed areas can start to be run down.

Honourable Members, lack of decent housing is probably the greatest single deficiency in Hong Kong, the greatest single source of unhappiness and stress, probably a cause of crime, certainly an affront to our city. We set out to solve the problem in the shortest time our resources permitted—accepting of course that resources would change for the better or worse with our economy. Let me try and put in perspective how we are progressing.

We may justifiably point with pride to the steadily increasing numbers provided with permanent homes in greatly improved environments. I do not think the Housing Authority could possibly have done more in the last $2\frac{1}{2}$ years or for the period up to 1977-78. Nor do I think that the housing achievements of Hong Kong can be matched anywhere in the world, and I should like to express my admiration for the vigour, dedication and professionalism of the Housing Authority.

But we must also face the fact that unless the Authority can acquire the necessary resources from rents and loans to achieve a rapid increase in finished homes from 1978 onwards, the results will be much less than the situation demands or the community expects. We have made a good start in rather difficult circumstances, but we must now follow through.

Conclusion

So, honourable Members, to sum up, through stringent economies on the one hand and provision of new resources on the other we have maintained remarkably good progress considering the circumstances of the last eighteen months. It is not surprising, indeed it is inevitable, that while achieving considerable progress, the progress has not been as great in many areas as we would have liked. Inevitably the list of highly desirable services and projects that have had to be postponed or rephased is long. But I have tried to point out to you frankly where, as things have turned out, the shoe has pinched most seriously. Those activities affected by lack of resources about which I am most concerned are secondary education, and recreation—that small spender but generous giver—and to a lesser extent some aspects of social welfare. A question mark is also developing in my mind about our ability with existing resources to follow through sufficiently fast with our housing programme.

I of course also attach very great importance to the continuing reorganization and build-up of the police, the expansion of the mutual aid committees, the expansion of the Independent Commission Against Corruption to full strength. We also have to face considerably increased expenditure on defence.

I would ask honourable Members in the coming months to ponder the implications of what I have said.

A great deal depends, I know, on how our trade develops, and your Government can never for one instant forget that it is on the success of our exports, the soundness of our economy, and the attractions that Hong Kong offers in comparison to competitors in the Pacific region that all else depends.

Now the economic prospects are for at least a slow improvement. There is also a fair prospect for renewed growth in our tourist industry whose importance to our economy is very considerable. Here I am sure the enterprise which has provided Hong Kong with the facilities of the World Travel Centre will be of substantial benefit. But the financial blows sustained by the world have been heavy and the economies of the countries of our principal markets are still overshadowed by unsolved problems of one sort or another that are likely to inhibit either very rapid or sustained growth. Although in most of our markets liquidity has greatly improved, the confidence to use it boldly has yet to return. Consequently one must expect the recovery which is slowly developing to be patchy and spasmodic in each of our markets. and as between one market and another, offering sudden and growing opportunities but also disappointments and frustrations.

In short I see light at the end of the tunnel, though I do not think the economic world into which we are emerging will be quite the same as the one we left behind at the end of 1973. But it is one in which we can certainly be assured that the relative economic importance of Far Eastern and South East Asian countries will grow, and Hong Kong occupies a central position in that area and, with the single exception of Japan, has unrivalled facilities of industry, finance, and communications.

The competitiveness of Hong Kong industry has steadily grown in the last two years and we are well placed to exploit to the utmost the new situation as it develops. If we approach the new situation with our characteristic vigour there is now a fair prospect of a return to growth conditions in Hong Kong, with better employment conditions and improved incomes and improved profits.

[HE THE GOVERNOR]

In the bad times we have passed through and which have still not quite left us, we have, as I have shown, strained every effect to hold fast to our vision of an improved life for this community of Hong Kong—as indeed Her Majesty enjoined us to do when she was here. Let us continue to hold fast to that vision, and the continuing effort it implies, in the better times which I believe now lie ahead.

The sitting concluded at ten minutes past four o'clock.

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