

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**IN THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 5TH OCTOBER 1977
IN THE
TWENTY-FIFTH YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER
Wednesday, 5th October 1977
The Council met at half past two o'clock**

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MacLEHOSE, GBE, KCMG, KCVO

THE HONOURABLE THE CHIEF SECRETARY
SIR DENYS TUDOR EMIL ROBERTS, KBE, QC, JP

THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, CMG, JP

THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, CMG, QC, JP

THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR LI FOOK-KOW, CMG, JP

THE HONOURABLE DAVID HAROLD JORDAN, CMG, MBE, JP
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

THE HONOURABLE DAVID WYLIE McDONALD, JP
DIRECTOR OF PUBLIC WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, CMG, JP
DIRECTOR OF EDUCATION

THE HONOURABLE DAVID GREGORY JEAFFRESON, JP
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE ALAN JAMES SCOTT, JP
SECRETARY FOR HOUSING

THE HONOURABLE GARTH CECIL THORNTON, QC
SOLICITOR GENERAL

THE HONOURABLE EDWARD HEWITT NICHOLS, OBE, JP
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE THOMAS LEE CHUN-YON, CBE, JP
DIRECTOR OF SOCIAL WELFARE

THE HONOURABLE DEREK JOHN CLAREMONT JONES, JP
SECRETARY FOR THE ENVIRONMENT

DR THE HONOURABLE THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, JP
SECRETARY FOR SOCIAL SERVICES

THE HONOURABLE PETER BARRY WILLIAMS, JP
COMMISSIONER FOR LABOUR

THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, JP
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE JOHN CHARLES CREASEY WALDEN, JP
DIRECTOR OF HOME AFFAIRS

DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP

THE HONOURABLE LEE QUO-WEI, CBE, JP

THE HONOURABLE ROGERIO HYNDMAN LOBO, 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 JOHN HENRY BREMRIDGE, OBE, JP

DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP

THE HONOURABLE MRS KWAN KO SIU-WAH, OBE, JP

THE HONOURABLE LO TAK-SHING, OBE, JP

THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

THE REV THE HONOURABLE JOYCE MARY BENNETT, JP

THE HONOURABLE CHEN SHOU-LUM, JP

THE HONOURABLE LYDIA DUNN, JP

DR THE HONOURABLE HENRY HU HUNG-LICK, OBE, JP

THE HONOURABLE LEUNG TAT-SHING, JP

THE HONOURABLE PETER C. WONG, JP

THE HONOURABLE WONG LAM, JP

DR THE HONOURABLE RAYSON LISUNG HUANG, CBE, JP

THE HONOURABLE CHARLES YEUNG SIU-CHO, JP

ABSENT

THE HONOURABLE DAVID AKERS-JONES, JP
SECRETARY FOR THE NEW TERRITORIES

THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP
SECRETARY FOR SECURITY

THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP

THE HONOURABLE LI FOOK-WO, OBE, JP

THE REV THE HONOURABLE PATRICK TERENCE McGOVERN, SJ, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MRS LOLLY TSE CHIU YUEN-CHU

OATHS

DR HUANG and MR YEUNG took the Oath of Allegiance and assumed their seats as Members of the Council.

Address by H.E. the Governor

HIS EXCELLENCY THE GOVERNOR:—

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(1) Introduction

Expansion of UMELCO

It is my pleasure to begin this year's address and welcome to this Council two new Unofficial Members, Dr Rayson HUANG and Mr Charles YEUNG, and one Official, Mr WALDEN.

The addition of a distinguished academic and a New Territories personality and lawyer continues your Government's policy of broadening the professional and social background from which Members of this Council are able to speak.

The number of Unofficial Members has increased from 13 in 1971 to 24 now and the overall size of the Council from 26 to 45. This reflects the steadily increasing burden that the Council in general, and its Unofficial Members in particular carry, and the multiplicity of tasks that Unofficial Members perform to the great benefit of the public interest. If, as I should expect, the workload of Unofficials continues to increase we should not exclude the possibility of some further additions to the Council in due course.

Scheme of speech

Last year I spoke to you in the full flood of Hong Kong's recovery from deep recession. Against this background, I considered how this renewed prosperity could be used to strengthen our economy, improve our living standards and advance towards our social objectives. I described how we were making up ground lost through the recession in our housing, education and other programmes and, in the light of our experience during the recession, I laid a new and special emphasis on labour legislation and social welfare. Today I would like to start by defining our current economic situation and prospects, and the action the Government envisages for the forthcoming year in the fields of economics and finance, and then go on to report progress and prospects in our major social programmes, including in particular our plans for secondary education, and the conclusions reached in the Review of Social Welfare which I announced last year would be undertaken.

Water supply

But I think that before I go any further Honourable Members will wish to know what our prospects are about water supply. At this time of year our reservoirs should be more or less full. In fact storage on October 1st is 44,442 million gallons, or approximately 60% of total capacity or 68% at the same time last year. We have the new and biggest reservoir, Hong Kong has ever known, at High Island waiting to store rainfall, but it remains sadly empty. These figures include the generous addition of 3,400 million gallons from the Chinese Authorities who maintained a higher rate of delivery in

June and July and extended the normal supply period for a month in order to help us out.

But this is an unusually bad situation and the supply is at present restricted to 10 hours a day for domestic consumers. The question is whether this restriction should be relaxed, or further tightened or what.

There are two plus points in our prospects; *firstly* we can count on 1,000 million gallons a month from the desalter regardless of rain; *secondly* the Chinese Authorities agreed to increase their delivery as from October 1st from 24,000 million gallons to 30,000 million gallons a year. This extra 6,000 million gallons at this juncture is invaluable; and without it the danger of further restrictions would have been considerable. It represents a significant technical feat and a most helpful action for which we are indeed grateful.

Although 10 hours a day is extremely inconvenient, it is supportable, but tighter restrictions could be much harder to bear, particularly in high rise buildings where pressure takes longer to build up. We therefore wish to run no risk of having to impose them. At present we do not know what rain will fall during the rest of the autumn and winter, nor do we know whether next summer's rain will be early or late, normal or abnormal. This is, therefore, no time to take risks in so important a matter, and unless there is unusual rainfall in the autumn and winter, your Government does not intend to relax present restrictions. But, on the brighter side, the additional supplies from China will allow us to relax them sooner than would otherwise have been the case once our reservoirs have begun to fill up again next year.

Relations with China

I should add that this gesture over water is characteristic of the excellent state of Anglo/Chinese relations and of the practical and sympathetic way in which matters of mutual concern to the Kwangtung Authorities and Hong Kong are being handled, and this relationship is something from which we can take confidence.

(2) Economic

The economy

I turn now to consideration of our economic situation. 1976 was a year of quite extraordinary growth, now put at nearly 18% in real terms. The main impetus behind it was exports. All our major industries benefited with the clothing industry having an outstanding year. The distribution of the growth of exports among our main markets was also fairly uniform.

The advance in 1976 compensated for the two recession years of 1974 and 1975, just as it reflected the competitive edge gained during them. As

I said last year this unavoidable process of deflation hit our work force hardest. But the rapid recovery since 1975 has brought a return to full employment, and a substantial increase in household incomes. Despite the slow down in textile exports there is still a general shortage of labour, due particularly to higher demand in the building, construction and service industries. Real wages have been increasing since the start of our recovery, and we think that total earnings for the labour force have increased this year faster than the growth in manufacturing output. The economy has thus worked well by ensuring that the labour force benefited from growth.

Turning now to our performance in 1977. On the domestic front there has been a marked increase in consumer spending, following the growth in incomes in 1976 and this year. The construction industry has expanded with unexpected speed to meet the heavy demands made on it by the public and private sectors, and this has contributed to raising the level of investment in plant and machinery to above the budget forecast.

Growth in domestic consumption and investment has been so striking that the growth of GDP in real terms may be as high as 8% although our export performance has been uneven. Some products have done exceptionally well, but textiles and clothing have been disappointing, and our overall export performance this year is expected to be no more than 4% above last year in real terms. The United States excepted, our main customers seem to be holding a high level of stocks, and appear to be able to meet a good part of their limited requirements at the moment from less expensive suppliers than Hong Kong.

Turning now to the outlook for 1978, we all have very much in our minds the forthcoming bilateral negotiation with the EEC on textiles. The Community shows every sign of wishing to impose on us a more restrictive regime than hitherto. The principal features would be a roll-back of quotas for 1978 to the 1976 level of imports; but for 8 sensitive items, for so-called 'principal suppliers' only—Hong Kong is one of these—the quotas would be cut back below the 1976 level of trade. It is of course almost unprecedented to demand a roll-back of quota at all, and this discrimination against Hong Kong and the other principal suppliers for the 8 items would be as damaging as the precedent is dangerous. Seven of these items affect Hong Kong and account for 57% of our textile exports to the EEC. While the effect of the Community's ideas might not reduce our present level of textile trade with the EEC in these items, which is rather depressed, they would block the possibility of recovery of our exports once business in the EEC picks up again. In other words the practical effect for these items would be to nail us down to somewhere near the present depressed level of trade. The loss of trade below the 1976 level envisaged by the Commission would be about \$480 million, but the loss in trade possibilities in the EEC could be over \$1,000 million.

While I understand the pressures generated by a high level of imports, by unemployment and politics, under which the EEC have evolved these ideas, their application to Hong Kong is as lacking in equity as in logical statistical basis. Hong Kong has not been the culprit, if that is the right word, in the surge of imports into Europe in the last two years; this has come from other countries. Indeed, imports from Hong Kong of these items since 1975 have significantly declined. While one might understand the EEC's wish to give their own industry a respite through stabilizing imports, their proposal to create a pool of quota for so-called "newcomers" and countries with preferential arrangements, and to do so at the expense of Hong Kong and a few other established suppliers, is grossly discriminatory, whether it applies to one principal supplier or to three: it would mean that the EEC was assisting other countries not at its own expense, but at ours. It is particularly unreasonable to make a special target of Hong Kong, which not only is more dependent on textile exports than any other community, but has an excellent record of agreeing to and administering restraints where the need for them has been proved.

'Stabilization' would be bad enough, but these discriminatory ideas seem to me to take the whole international textile trading system dangerously near the brink of a progressive slide into protectionism, although the Commission profess that this is precisely what they wish to avoid. I have of course said all this and much else besides, as forcefully as I know how, in London and Brussels and we must now leave it to our negotiators. But I think we should realize that they will have an exceptionally difficult task. In this situation we look to the United Kingdom, as a member of the EEC but also responsible for Hong Kong's welfare, to resist discrimination against Hong Kong in the way I have described. We recognize the difficulties they face over unemployment in the textile industry but their demonstrated needs for protection can of course be met by continuation of restraints on our exports. But the discriminatory part of the EEC's proposals is not designed to protect domestic industry so much as to re-distribute trade by giving part of the principal suppliers' existing trade to other exporting countries.

While we will watch the course of the negotiations with acute anxiety, we should not be carried away by the drama or indignation of the moment into believing that Hong Kong's economic future, or even Hong Kong's textile industry as a whole, are immediately at stake. We could suffer a blow, perhaps even a heavy blow, but certainly not a mortal one. At the worst it will confront us with a serious challenge. If so we will have no alternative but to meet it in our usual way—with realism, stability, ingenuity and hard work—though it is ironic that the EEC proposals appear designed to favour countries in which these virtues are not so evident as in Hong Kong.

Whatever the outcome of these particular negotiations much will depend on the general state of world economic activity and trade in 1978, since buoyant conditions could help us through what might otherwise be a difficult patch. Unfortunately at this time conditions in 1978 are particularly difficult to forecast. It is still impossible to discern signs of the improvement in confidence and activity in the American and European markets which would be of such value to world trade in general and Hong Kong in particular. In addition to special factors in some countries, fear of inflation, uneasily balanced by fear of unemployment, still inhibits reflationary measures. Nevertheless demand for economic stimulation is becoming stronger, more general and more authoritative and may well affect policies in 1978. Even if it does not, we can still confidently expect continuing economic growth in all our major markets in 1978 of about the same order as in 1977. Growth in the United States at about 4.5 or 5% may be a little below this year's figure, that in the UK at 2-3% a little above it, and in Germany at 4-5% about the same. It is also true that a fairly optimistic view is taken of the growth of world trade in 1978, which is expected to increase by 8% as against 6% in 1977.

Taking all these factors together one might say that prospects were reasonably good but not brilliant, but would be significantly improved by any early and effective steps to stimulate the major economies.

Turning to our own trading fortunes, these should be favoured by the falling level of stocks expected in Germany and the prospect of increase consumption in the United Kingdom. Moreover our export prices in Hong Kong dollars have remained stable since the middle of 1976; although there was some appreciation of the HK dollar in the second half of 1976 and early 1977, it has depreciated in the last few months. So with world export prices increasing at about 8-9% a year our competitive position is being gradually regained. Given the comparatively optimistic forecasts for world trade in 1978, the underlying conditions for more rapid growth in our domestic exports could be present, at least for the very wide field of items *not* singled out for discriminatory treatment by the EEC. And do not let us forget these accounted for 90% of our total domestic exports to the world as a whole in 1976.

The public finances

Turning now to the field of our economic situation and public finances. In spite of some unexpected features in the economic situation I have described for this year, it is broadly that predicted by the Financial Secretary in his budget speech. We expect that this year's total expenditure will be about \$100 million higher than the original estimate of \$8,245 million. On the recurrent account this projection allows for additional expenditure on the public service as a result of the 1977 salaries revision, and some other pluses and minuses. On capital account there is no reason to believe that the estimate will require significant revision.

Subject to all the reservations that must be made at this early stage of the financial year, we shall probably finish up with a slightly larger surplus than that predicted by the Financial Secretary.

Summary of economic and financial position

So to sum up our economic and financial positions this year they are generally good; not as good as last year and with uneven patches of light and shade, but I repeat generally good. Though worrying uncertainties overshadow our assessment of *next* year's prospects, over a very wide field these too are reasonably good, but a proper assessment is impossible until the outcome of the EEC negotiation is known and we have a clearer idea of whether and to what extent the major economies of the world will be stimulated by new economic policies.

There are two points on our economic situation I would like to make.

Two problems

(i) *Excessive domestic consumption*

The first is the fact that domestic consumption has been growing faster than exports because of the rapid growth in construction and other domestic consumption, and also because of sluggish demand for some of our products in overseas markets. As the Financial Secretary recently said this situation is not sustainable—that is to say is not sustainable indefinitely though it is sustainable in the short term. It therefore needs watching, though there is no cause for immediate anxiety. The problem could be resolved in various ways; for instance by a revival in demand for our exports, and also as I should expect by a drop next year in the demand that private real estate developers are making on the construction industry. And if neither of these factors develop sufficiently to correct the situation there is still the inevitable mechanism of the market operating in this instance through the exchange rate, interest rates and the money supply.

(ii) *The need for diversification in the face of restrictions on textiles*

The other point of concern is the threat to our textile industry's ability to continue to grow in the face of restrictive attitudes in our major markets. We believe such attitudes not only to be contrary to our interests but wrongly based and dangerous to the expansion of world trade and we will fight such attitudes as hard as we can. Nevertheless, they add new urgency to the long term desirability of broadening our industrial base. They require us to ask ourselves again whether we, as a Government, are doing everything we can to facilitate the process or are unintentionally doing anything that discourages it.

Land production

I think that Honourable Members would agree that the major contribution the Government can make is through provision of adequate supplies of

land on which new industry can be built. The report of the Special Committee on Land Production, which included two Unofficial Members of this Council, will be published very shortly, and shows that the Government will be producing some 2,900 gross hectares of land up to 1981-82. Of this, some 613 will be for sale to industry and 580 for private residential and commercial purposes. In addition to meeting the needs of planned urban development, this production will provide an average of 250 gross hectares a year for private, including industrial development. This is more than we have achieved over a comparable period before, and if wisely used should be adequate to Hong Kong's immediate needs.

But the report is less hopeful about land production on the mainland beyond 1982. Some 770 hectares in 5 areas could be considered, but some would be expensive to develop and are inconveniently situated. The Special Committee therefore feel that the Government should bring forward its plans for the development of Lantau.

On the advice of the Executive Council new intensive and conclusive investigations both by consulting engineers and the Public Works Department will therefore start very shortly both on a fixed road crossing to Lantau and on the development potential of the North shore of the island.

Pending the review of options I have decided to re-appoint the Special Committee with new terms of reference. The outcome of its studies will supply the pattern for land production from 1982 onwards.

Industrial estates

The figure I gave of 613 gross hectares of land for industry up to 1981-82 included 168 hectares for the industrial estates at Tai Po and Yuen Long. Since this land will be let at cost of formation prices it is most important that it should be allotted only to projects which will diversify the industrial base and introduce higher levels of technology. Clearly the strictest criteria should be applied, as they have been to the policy of selling land outside the estates on a restricted user basis, which itself has made a considerable contribution to the introduction of new industry.

Advisory Committee on Diversification

In addition to the production of land as you know the Government, the Trade Development Council and the Hong Kong General Chamber of Commerce are collaborating to promote the introduction into Hong Kong of new types of industry from overseas.

The rapid expansion of secondary education the technical institutes and Polytechnic, all contribute to ensuring that expansion of new industry will not be inhibited by lack of suitable educated personnel.

Indeed one might say that one of the many objectives of the fiscal system of Hong Kong is to retain and attract capital from both local and overseas investors.

However, I am impressed by the success of the Special Committee on Land Production in evolving clear new thinking about an old and well known problem. In view of the importance of the diversification issue I, therefore, propose to set up a similar committee under the chairmanship of the Financial Secretary with strong Unofficial participation, to advise on whether there is anything further the Government should do, or any current change in arrangements—including financial arrangements—that should be made, to facilitate (and I use that word advisedly) the further and more rapid diversification of industry.

(3) Financial

The Monetary Affairs Branch

Before leaving the financial section of this speech I would like to refer to the series of administrative reforms connected with the creation of the Monetary Affairs Branch of the Secretariat under the direction of a Secretary for Monetary Affairs responsible to the Financial Secretary. They are important, though they have received little attention. The creation of the Branch followed the transfer to the Secretariat from the Treasury in 1975 of the responsibility for the management of the Government's financial assets, and the transfer to the Exchange Fund of the Government's foreign currency assets and all of the assets of the Coinage Security Fund.

The Monetary Affairs Branch has two main functions. One is responsibility for all Exchange Fund matters. The other is concerned with monetary and banking policy, and also exchange problems. The office of the Commissioner of Banking remains a separate self-contained unit within the Monetary Affairs Branch, with statutory responsibility for the prudential supervision of financial institutions.

Two other developments are planned. The first is the transfer to the Monetary Affairs Branch of Treasury functions connected with the supply of notes and coins to the banking system. The other will result in the Exchange Fund taking over the Hong Kong dollar assets of the General Account, other than those required for day to day business. The Exchange Fund will then effectively become banker to the Government. When these moves have been completed all of what may be described as the central banking functions presently carried out by the Government, and also the control and management of all the Government's financial assets, will have been located in the Monetary Affairs Branch under the direction of the Secretary for Monetary Affairs.

I am sure this process of centralization and concentration of control and administration of the Government's financial affairs will commend itself to Honourable Members.

Financial legislation

Two major items of financial legislation are proposed for this session.

Subject to the advice of Executive Council proposals will be introduced to extend to registered *deposit-taking companies* some of the obligations at present imposed only on the banks. This will widen the extent of supervision over them and thus enable the Government to meet its obligations to protect small depositors, and also ensure that the Government has the power to ensure that the financial system adequately serves the needs of Hong Kong. It is not proposed to remove the prohibition on deposit-taking companies offering a retail banking service.

Secondly, the Government has now reached a conclusion on what steps it should take to protect investors in the difficult area of *insider dealings*. We do not consider section 140 of the Securities Ordinance satisfactory. This section has a chequered history. It is based on Australian legislation repealed and replaced in 1976 by legislation modelled on provisions in the UK Companies Bill of 1973, which in their turn were not proceeded with in the UK. This illustrates how difficult others have found the subject. The Executive Council has now advised that a Standing Tribunal be formed to investigate cases of alleged insider dealing. The Commissioner for Securities will be charged with the task of establishing a *prima facie* case and it would be the responsibility of the Financial Secretary on the advice of the Securities Commission to decide whether or not to refer such cases to the tribunal. Once the tribunal has completed its investigation—which would not normally be held in public—it would be required to publish its findings. The establishment of a Standing Tribunal will require amendments to the Securities Ordinance which will be introduced during this session.

I hope that this proposal will commend itself to Honourable Members as a first step. In such a difficult field there is a good case for starting with a body which will have powers to investigate and power and obligation to pronounce on professional standards but not power to punish directly, but only indirectly through the authoritative guidance it will give to professional and public opinion. In the light of experience of the workings of the tribunal and of how effective it proves, it will be easier to consider whether more stringent measures are or are not necessary or practicable.

Public Accounts Committee

Finally, I hope that the formalities for the establishment of a Public Accounts Committee, as referred to by the Financial Secretary in the debate on the second reading of the Appropriation Bill will be completed early in this session so that the new procedures can be introduced by the time the Director of Audit submits his report for the financial year 1977-78. This development will be a significant step forward in strengthening the facilities at the disposal of this Council to enquire into the financial activities of the Government.

(4) Fight against crime and corruption

Crime and the RHKP

Having spoken of our prospects and proposals in the economic and financial fields I now turn to our fight against crime, corruption and drugs, which so affects the lives of all of us.

Between 1964 and 1974 general crime increased three and a half times and violent crime increased by nine times, causing the population great anxiety and undermining its confidence in the Government and Police Force. But the radical steps initiated in 1973 gradually took effect, and since 1974 up to July of this year violent crime has dropped by 30% and key crime by 13%. There has also been a steady improvement in detection rates and in numbers of prosecutions. It is also satisfactory that the proportion of offenders under 21 has dropped from 39% in 1973 to 30% and of those under 16 from 12% to 8%. The evident relief of the population that we appear to be turning this corner tells even more than the statistics. But crime is still unacceptably high. How have we got as far as we have and what more should we do?

First of all, the response of the public has been magnificent, an essential element in the success achieved, and must be maintained and strengthened. I will later again refer to this but, in a fight against crime in which last year 8% of arrests were effected by citizens, no one can doubt the sincerity and determination of public participation.

Secondly the response of the Royal Hong Kong Police Force has been remarkable, as all who knew the Force were confident it would be. These are the salient facts:

Since 1973 the effective strength of the Force has been increased by 36% to about 20,000, including civilians, and the new intake is of consistently high quality. In this process of injecting good new blood into the Force I see the Police Cadet School playing a steadily increasing role.

The CID has been substantially reorganized and reinforced at all levels and there has been a marked improvement in its technical support. But there is room for further expansion and increase in establishment.

As part of the policy of strengthening Police presence on the ground and in high-rise buildings 72 neighbourhood Police Units and Police Reporting Centres have been established. There is strong demand from the public for expansion of this coverage.

Reaction-time, and also ability to control and supervise the work of men on duty, have been greatly improved through the beat radio system already covering Hong Kong Island, Kowloon and Tsuen Wan/Kwai Chung and gradually to be extended. Here the immediate object must be to develop the full potential of this radical improvement in policing capability.

Relations with the public have been gradually improved through education of the Force, the revision of procedures, the establishment of Police Community Relations Officers and the highly successful Junior Police Call.

These drastic changes in numbers, deployment, professional techniques and traditional attitudes to the public, have all been adopted with great speed, at a time when the Force was undergoing the process of weeding out the corrupt. The necessity for this process is accepted by all honest policemen. But do not let us forget how unpleasant and disruptive the process can be for them. All honour to the Force for the way in which it has so greatly improved its professional performance and its public image, while all this was going on. That it has been able to do so is a tribute to the leadership of the Commissioner and his officers, to the responsibility of the Force as a whole, and to the quality and motivation of the large intake of new young blood into the constabulary and inspectorate.

Police complaints procedure

I very much welcome the Commissioner's initiative and UMELCO's response that has resulted in the close association of UMELCO's Standing Group with the handling by police of complaints against the Police. The addition to present procedures of scrutiny and advice from experienced and independent senior members of the Community will increase the confidence of the public, and I am sure will be of benefit to the Commissioner and to the Force as a whole.

ICAC

Turning now to the Independent Commission Against Corruption, I am impressed by its success. It has established the total commitment of the Government to fighting corruption and has changed much in Hong Kong that many thought was unchangeable. It still has more to do, but I have no doubt that it will do it with success. It has been brilliantly led by Mr Cater, and very well supported by the public. It is particularly significant and satisfactory to see that in the Commissioner's annual report he lists as one of the three factors which have ensured success the co-operation of the Police Force.

Some people have expressed concern at what they call the Operations Department's methods of investigation. The operation of any law enforcement agency needs to be supervised punctiliously and constantly to ensure that methods of investigation are beyond reproach. I know that the Commissioner and Director of Operations fully accept this and they are convinced that the credibility and acceptability of the Commission could be undermined if practices and procedures were not of the highest possible standard.

The major target of the Operations Department at present is organized syndicated corruption within the public service. The Commission has already secured the removal of many of the corrupt in these syndicates, and has disturbed the activities of others; some have ceased operations altogether, while others are at least dormant. In fact the Commissioner believes that at present there are no major corruption syndicates in active operation. Nevertheless the existence within the public service of persons who profited from them is unacceptable, and they must be tracked down and dealt with.

Corruption generally and syndicated corruption in particular may no longer be the serious problem it was before the advent of the ICAC, but I have not the slightest doubt that if criminals once believed that the heat was off we would soon be right back where we started. So although progress is most encouraging, pressure on all forms of corruption will be maintained inexorably.

The success gained is giving the Commission's two other departments for Prevention and Public Education a chance to make progress with their challenging tasks of reducing possibilities for corruption and changing public attitudes to it. I am very pleased to see how the activities of these two departments are becoming increasingly prominent in all the Commission's work.

Narcotics

Drug addiction is one of Hong Kong's traditional problems. But the struggle against addiction is making progress on all its fronts: that is to say international co-operation, local interdiction and seizure and the removal of demand by treatment, rehabilitation and preventive education. The yardsticks are somewhat uncertain, but the following facts indicate the trend:

The success of interdiction affects the price of heroin. In January 1976 the wholesale price was \$19,000 a kilo, in December it was \$37,000 and this August it was \$56,000 —an all time high.

The number of addicts under compulsory treatment supervision and aftercare reflects the level of Police action, the price of heroin, success of educational publicity, and the provision of the right treatment facilities in the right places. The total of such treatments compulsory and voluntary, was 6,000 a day in 1973; today it is well over 14,000.

The number of young addicts has declined. The percentage of addicts under 21 in Prisons Department Drug Addiction Treatment Centres fell between 1969 and 1976 from 25% to 8.6%, and at the voluntary treatment centre at Shek Ku Chau the percentage under 19 decreased from 13% to 4%.

I think ACAN, SARDA, the voluntary agencies, the Narcotics Bureau of the Police, Customs and Excise Service and the Medical and Prisons Departments are all to be congratulated on this trend, and I have no doubt it has been materially assisted by the activities of ICAC. While we are entitled

to believe we are now doing the right things in the right way, we cannot be sure whether our activities are yet on a scale commensurate with the problem. The completion by mid-1978 of a large computerized central registry of drug addicts should shed new and authoritative light on the adequacy of our policies and programmes.

Prisons

The Prisons Department continues to maintain a high standard in its essential and distinctive contribution to the fight against crime. It is a service of increasingly high quality and admirably led. Its problems have been over-crowding due to lack of buildings and insufficient constructive occupation for inmates in some institutions.

Following on a consultant's study on prison industries a General Manager is to be appointed to lead a new prisons industry division. I am sure that with proper organization, supervision and control the Prisons Department could make a much larger contribution to Government supplies.

With recent construction the amount of accommodation has improved, and will improve further this year. The Lai Chi Kok reception centre for 960 will open on 1st December and Lai King Hill Training Centre for 260 will open early next year. The detention centre at Sha Tsui has been expanded to take in 70 young adults between 21 and 24; and the drug addiction treatment centre at Hei Ling Chau is being expanded and will eventually accommodate about 1,400. But on the other hand the Chatham Road Centre will be closed next year, and I sincerely hope that Victoria Prison will follow it within a few years, so the housing of the prison population is going to continue to be a problem.

(5) Public participation: Mutual Aid Committees, etc.

In the enforcement of law and order in recent years Mutual Aid Committees, District and Area Committees and Kaifong Associations have played a vital role. They have done much more than help to turn the tables on crime and litter. They are neighbourhood associations which are active over an increasingly wide field, they are major points of contact and reference for the Government, they are a significant development in our society, both for the practical results they achieve, and for the opportunity they offer to many people to participate in neighbourhood affairs in a way not open to them previously. They must therefore be both helped and used.

There are now over 2,500 Mutual Aid Committees actively involved in furthering the interests of some 2 million residents. They have been working closely with the Home Affairs Department and the New Territories Administration. The number of new Committees planned for this financial year is 600 of which about half have already been formed. To organize, advise

and support them the staff of Home Affairs Department has been increased by 12 Liaison Officers and some 60 Community Organizers.

(6) Provision for leisure and the environment leisure

Leisure

But most people want more for themselves and their children than just a crime-free, comparatively clean environment with easy access to the Government for consultation or complaint. They need to enjoy their leisure. And this is a comparatively new concept for Government intervention in Hong Kong, but with affluence and more holidays the need for it has grown with remarkable speed.

Youth and Recreation

It is particularly important to organize activities for young people because half our population is under 25 and 1.47 million are between the ages of 6 and 21. But I wonder if it is realized how much is already being done for this age group? The active membership of organizations providing regular activities for young people such as Scouts, Girl Guides, voluntary agencies, various cadet corps, Junior Police Call, community youth clubs, is well over 400,000. Add the 300,000 who will be catered for this year by the new Recreation and Sports Service and the 2 million who participated in the 3 months summer youth programme and the scale of these activities becomes apparent. The contribution in this field of the Urban Council is immense. To take but one example the number of those taking part in its "Learn to Swim" programme has quintupled in 5 years. We estimate that about one third of all young people in the age group 6 to 21 are taking part in some form of organized youth or recreational activity, other than school activities. And of course there are very many others who do so on a less regular basis. While I think we have made a reasonably good start, there is an urgent need to push this process forward.

Cultural activities

Muscular activity is not for everyone or for anyone all the time, and the speed with which recreational activities have developed in recent years has been paralleled by a surge of interest in the arts. Western and Chinese orchestral music, Chinese dancing, Western ballet, are all improving in quality and attracting progressively larger audiences. The Government and the Urban Council are encouraging and promoting this new and very healthy trend.

The major lack is of suitable auditoria. Ones of similar size to the City Hall will be completed in Tsuen Wan, Tuen Mun and Sha Tin by 1979, 1980-81 and 1982-83 respectively, and a large concert hall and theatre will be completed in the Tsim Sha Tsui cultural complex by 1981-82. We all hope that the new Arts Centre which was conceived in the spirit of this surge

of interest in the arts in Hong Kong, will provide a new focus and further stimulus to it.

Country Parks

Another important source of recreation lies in the growing use of the countryside, some of you may think that unless we move quickly soon there will not be much of it left. However, the Country Parks Authority is now getting into its stride. Parks have recently been formally designated at Shing Mun, Kam Shan and Lion Rock, and others at Sai Kung and Tai Tam and the countryside above Aberdeen should be designated before the end of the year. The plan is from now on to designate 4 parks a year, so that in 4 years' time there will be about 20 covering virtually at the open countryside each with its own set of management buildings, and a corresponding increase in management staff. We must keep a close eye on this programme to ensure that speed is maintained, and that arrangements are not only adequate to deal with the very large numbers of the public to be expected, but show the imagination and originality that the formation of these Parks requires. We must also watch the degree of reinforcement that will be necessary by the Civil Aid Service and other units during the periods of peak fire hazard at holidays and during dry weather.

Pollution of the environment

Preservation of the countryside should not be too difficult, given energy, some money, and the right men with the right enthusiasm, knowledge and originality to do the job. But the preservation of Hong Kong against the various forms of pollution raises complex technical and economic problems. Nevertheless, they must be solved if life is to be tolerable whether in the towns or the countryside.

The Advisory Committee on Environmental Pollution has now completed its study of the consultant's report, and comprehensive proposals will be put forward for the provision of legislative controls over air, water, noise pollution and the disposal of solid waste, with assessments of resources required to implement them. Steps are being taken to establish the necessary technical resources to evaluate, control and monitor pollution in Hong Kong, and a new Environmental Protection Unit is already taking shape.

I should emphasise that the intention is to produce measures which are practical. We believe it should be possible effectively to safeguard our environment without significantly harming our industry. This has been the experience elsewhere and I do not see why it should not be so in Hong Kong.

Urban disruption

I should add, while in the subject of pollution, how well aware your Government is of the disruption, inconvenience and dislocation caused by the intensity of works proceeding in the city and particularly with the Mass Transit Railway. I can only say how much I admire the stoicism and

understanding with which the population is enduring these unavoidable conditions. Hopefully another nine months should see us through the worst of current operations.

(7) New Territories

I now turn to the New Territories. Life in them has utterly changed from 20 years ago, but the principles of administration and the consultative machinery, though they have evolved, have changed much less.

In some areas villages have been engulfed in large cities composed of residents from the urban areas, and in others they are about to be. In some remote areas, though there is no economic development or influx of population, the old agricultural communities have virtually ceased to exist owing to emigration, the fields are untilled, piers and paths that once connected them with the outside world are now largely used by increasing numbers of hikers and campers.

In other areas, the pace of development has been so rapid as to make very great demands on land resources, and raise in an acute form problems of compensation and social disruption.

This has produced under-administration in the urbanized and rapidly expanding areas. This is clearly a situation which must not be allowed to drift further. The Secretary, New Territories, has given it much thought, and the Heung Yee Kuk has also made representations about it, and as you know an experimental administration was set up last year in the complex of Tsuen Wan/Kwai Chung/Tsing-yi headed by a Town Manager, assisted by the advice of a committee of local appointed unofficials.

The principal questions which the developments in the New Territories have thrown up are:

What forms administration and arrangements for local consultation in the urbanized areas should take?

What should be the standard of amenities provided in the urbanized areas?

Should arrangements for compensation for land resumption be reviewed?

With regard to the methods and rates of compensation for resumption of agricultural land I have taken note of the growing concern expressed in the New Territories and by the Heung Yee Kuk and of recent proposals made for a new approach. Your Government agrees that the time is ripe for fresh thinking and the Secretary for the New Territories will be speaking on this subject later in the debate.

With regard to the undeveloped countryside: on the one hand, the interests of the original inhabitants must be protected; on the other, the

areas must be used, developed and preserved for recreation and tourism. Development and preservation are the responsibility of the Country Parks Authority and its management staff, and the interest of the inhabitants are the concern of the District Officers in close collaboration with Village Representatives and Rural Committees.

I should add that with the large numbers of visitors at week-ends communications and electricity in the remoter areas have become an urgent problem. I am glad to say that thanks to the efforts of the Telephone Company and the China Light and Power Company very satisfactory progress has been made with the extension of telephones and electricity, and virtually all communities are either now covered, or very shortly will be.

With regard to the form of administration and consultation in the urbanized areas I am impressed by the success of the pilot scheme in Tsuen Wan, which has proved itself to be effective, stimulative, and locally popular.

I think this success is because the inhabitants of these expanding towns, whether old or new, are interested in either the administration of Hong Kong as a whole—for obvious reasons—or, after that, in the impact of territory-wide programmes and policies on their own town or locality, and in what can be done to improve local amenities.

We therefore propose to build on this local focus of interest, and to set up as soon as possible advisory boards in all New Territories districts under the chairmanship of the Town Manager or District Officers as the case may be, to advise on matters affecting the well-being of the inhabitants of the district, including the local impact of territory-wide policies of central departments, the development of local amenities and recreation, and the use in the district of funds available under the Local Public Works Vote.

Development programmes will continue to be funded and directed by central Government departments, but I envisage arrangements being made so what is proposed for each district each year is explained and discussed with the District Boards before estimates are finalized. The Boards will also be provided with funds to enable them to promote and support local activities, and make minor environmental improvements, in addition to central Government programmes.

The Boards will be appointed and will include both unofficials and local officials. The nucleus of the unofficial membership will of course be the chairmen of the local Rural Committees; where appropriate, additional members will be appointed from other organizations making a major contribution whether of long standing such as arts and sports associations, or new, such as the Mutual Aid Committees and Area Committees. I envisage the size of the Boards, and of the membership drawn from outside the traditional ranks of rural and village committees, varying considerably

according to the degree of development in the district and the proportion of new residents to those of long standing.

I also wish to emphasize the distinction between the creation of advisory and consultative machinery at district level and the central statutory advisory role of the Heung Yee Kuk. The Kuk is responsible for advising the Government on the overall effect of various programmes and policies in the New Territories, quite naturally its principal responsibility and concern is the impact of the development programmes on the indigenous residents, particularly where these programmes affect land and property. As I have already said the Government expects that the time is ripe for new thinking on this subject and the Secretary for the New Territories will be developing our thinking later in the debate.

With regard to the standard of amenities in the urbanized areas, it should be comparable to the old urban areas of Hong Kong. Vigorous action is being taken to rectify the former situation particularly with regard to schools, medical facilities, recreation and cultural opportunities. I attach great importance to the construction of Town Halls or auditoria in the New Towns as a focus for local interest and activity. Plans for these have now been brought forward. One is under construction, with the aid of the Royal Hong Kong Jockey Club, at Tsuen Wan, and others as I have said will be completed in Tuen Mun and Sha Tin by 1981 and 1982 respectively and the claims of the smaller towns will not be neglected. Later in the debate the Secretary for the New Territories will be giving more details of other facilities being built or planned in the New Territories. We are all concerned that the former under-provision must end.

(8) Labour legislation

Our last session was noticeable for the volume and importance of labour legislation. For example:

Entitlement to holidays was radically improved. The number of statutory holidays was increased from 6 to 10; the number of annual rest days was increased from 48 to 52; and provision was made for a week's paid annual leave from 1978 onwards. The rate of severance pay was increased from $\frac{1}{12}$ to $\frac{1}{2}$ a month's pay for each year of service, and extended retrospectively to 1966.

Sickness allowance was increased from $\frac{1}{2}$ to $\frac{2}{3}$ days pay with maximum entitlement raised from 24 to 36 days.

The Employment Ordinance was amended to provide fuller protection of wages.

In order to eradicate the employment of children in industry, the maximum penalty for the offence was raised to \$10,000 and this is proving a more effective deterrent.

Overtime work by young persons is being abolished by stages ending in January 1980.

Your Government will introduce some more labour legislation in the coming session: The arrangements proposed last year to compensate workers suffering from silicosis and asbestosis have taken much longer to work out than we had hoped, but I expect a draft bill to be introduced very shortly. Amendments to the Workmen's Compensation Ordinance will be introduced:

To require employers to meet such fees as are charged for medical attention to persons injured in the course of employment, and to require them to meet the cost of repair and replacement of prosthesis and surgical appliances. And to place a surcharge on delayed payment of workmen's compensation, and to extend the time limit for application.

Consultation is taking place with the Labour Advisory Board and with both sides of industry on whether the wage ceiling in the Employment Ordinance should be raised or removed to extend protection to more non-manual employees.

In recent years we have been making very rapid progress in widening the scope of our labour legislation both in the social and technical fields. The Commissioner will be proposing a further smaller but useful package for this year as I have indicated. But it has become apparent that the pace of legislation has outrun the administrative and enforcement capacity of the department. The staff of the department are of high calibre, but there are too few of them. It is therefore important that in the coming year the department should have time to consolidate and build up its resources.

I also feel that industry should absorb and learn to live with the new legislation.

(9) Housing

Construction programme

I am glad to say that the housing programme is now in top gear. 47 site formation piling and building contracts will be let this financial year—which is to say three times the number of last year. From 14,000 flats this year completions will rise to 20,000 next year and over 40,000 in 1979-80 with capacity for about 250,000 people. This is the annual figure on which I have long had my eye. It is only at this sort of level that we can make the decisive and rapid inroads into the housing problem for which we have worked and waited so long. About five or six years of this rate of completion should break the back of the problem as we have known it. Sites have, therefore, been allocated, and every step for each estate in the long process

from site clearance to building completion has been planned and timed so that this level of output can be maintained at least until 1984-85, and so that any slippage in the programme can be detected early and rectified. This is a prodigious amount of housing by any standards, and it will certainly change Hong Kong, but I think we all agree that in this respect Hong Kong needs changing.

Finance and rents

In June this year Honourable Members approved new financial arrangements for the Housing Authority. Under these the Authority's outstanding debts to the Government were converted into a straight Government contribution assessed conservatively at more than \$5,000 million. In future, for the rented housing programme, land will be provided to the Authority free of premium, and drawings from the Development Loan Fund for new construction will be interest free and repaid over 40 years. On the other hand, the grants paid by the Government to cover the recurrent deficits on Group B estates have been withdrawn.

The main object of these arrangements is to enable the Authority to exercise greater flexibility over rents particularly in the new estates. It is the latter that have attracted criticism, much of it misguided. I wish to assure public housing tenants and the public that the Housing Authority accepts its obligation to provide decent housing for low income groups at rents they can afford. In the urban areas this is possible because the Authority has under its control a large stock of flats of varying sizes, quality and rents. Through mutual exchange and transfer schemes it is now possible for public housing tenants to move much more freely than before to districts and flats of their own choice and for the Authority to offer a much wider range of flats to new tenants.

In the New Towns, where public housing estates consist almost entirely of new improved types, the Government and the Authority realize there must be a range of accommodation and rents that will cater for all low income households above the public assistance level, and without placing excessive burdens on the taxpayer.

Home Ownership Scheme

The figures for housing completions I have given include those for the Home Ownership Scheme. It is proposed to build 42,000 flats for sale over the next 9 years. This programme envisages the completion of 8,500 flats in 1979-80 and between 5 and 6,000 in each of the successive years to 1985-86. They will vary in size between 400 and 600 sq. ft. Negotiations are also well in hand with real estate developers for an experimental Private Sector Participation Scheme.

They will be sold to eligible buyers at prices below those prevailing in the open market. On the strength of a Government partial guarantee against

default, special mortgage arrangements have been negotiated with leading banks which will provide for a standard repayment period of 15 years, interest rates of between 7½ and 9% and a minimum down payment of 10% of the sale price. These arrangements compare very favourably with open market terms.

Initially, eligible households will be those earning up to \$3,500 a month, and public housing tenants who are willing to surrender their existing tenancies irrespective of income. Other rules of eligibility and disqualification will be announced shortly. Applications for flats in the first six estates will be invited from members of the public early next year.

I wish to congratulate the Financial Secretary and the working party on having taken the scheme to this advanced stage. I am confident that it will be a success and will meet a need felt by many for the sense of security that home ownership confers.

(10) Education

Primary education

Since the achievement of free universal primary education in 1971 your Government has concentrated its main educational efforts on the expansion of secondary and higher education. But it is time to take another look at the quality of primary education and its future development, and at services for children below primary school age in kindergartens and day care centres. Two working parties have been appointed to examine these areas, under the guidance of a Steering Committee chaired by the Secretary for Social Services. When their proposals are ready, they will be the subject of wider consultation before decisions are taken.

Measures to make junior secondary education:

(i) Universal

The coming year will witness a milestone in the development of education in Hong Kong. From September 1978 there will be a secondary school place for every primary school leaver. There will be no more heartache for children losing their chance of a secondary education through failure in the Secondary Schools Entrance Examination because there will be places for all. To make this possible 51,480 additional junior secondary places will have been provided since the policy was announced in February 1976 and some 54 new schools constructed. It is proposed to build a further 48 schools (which is 18 more than I envisaged last year) so as to ensure places of a proper standard for all in these forms, and to improve regional distribution.

(ii) *Compulsory*

The Honourable Members and the public have long looked forward to this objective on which much effort and money have been and still must be spent. I feel convinced that it is not the wish of this Council or the public that any of the benefit of the places now provided should be lost to any children through the indifference of parents, or pressure to take up alternative employment instead. Legislation will therefore be introduced:

First, to make junior secondary education compulsory up to a child's 15th birthday or until the Form III course has been completed, if that is earlier. The powers of the Director of Education under the Education Ordinance to serve a school attendance order will be extended to 12 to 13 year old children with effect from September 1979 and to 14 year-olds from September 1980—that is to say, one year after places for all children in each age-group become available.

Secondly, by similar stages to extend the existing prohibition of employment of 13 and 14 year-old children in industrial undertakings to non-industrial ones as well. The intention is to prohibit employment which would interfere with a child's schooling, but flexibility will be maintained to allow for part-time employment particularly in family businesses or summer jobs. Those who have completed their Form III education before reaching 15 will also be allowed to work if they so wish. The number of 13 and 14-year olds in full employment at present is of course small, but the details of this legislation will require consultation with the Labour Advisory Board and the Board of Education. Though the proposed legislation will not come into force until the beginning of school years 1979-80, and 1980-81, I think it is right to give this two year's notice of what the Government's intentions are.

(iii) *Free*

Thirdly, legislation will be introduced to abolish fees for junior secondary education in the public sector. This is a corollary of making this type of education compulsory. The net cost of this reform after allowing for fees already remitted will eventually amount to about \$85 million in a full year. Since the abolition of fees is linked with education being made compulsory, strict logic would dictate that fees should be abolished as compulsion is applied to each age group, from 1979 onwards. But your Government feels that this would delay the benefit so long after its announcement as to cause great disappointment. On the other hand since two years' notice of compulsory education had to be given, announcement of the Government's intention to make it free had to be made now. There are also cogent practical reasons for abolishing fees earlier than imposing compulsion which the Director of Education will develop later in the debate. These arguments and explanations apart, I believe that Honourable Members will share the Government's lack of concern about logic in this instance since it would permit an earlier benefit in a field to which the

people of Hong Kong attach particular importance. You will therefore be invited to agree that fees should be abolished as from the beginning of the school year 1978-79 for all in Form I to III in the public sector.

I should however emphasize that your Government draws a clear distinction between primary and secondary education up to Form III for which attendance is or will be compulsory, and education in higher forms or places of education where attendance is voluntary or provided for under other legislation. While education at Form IV and above will remain very heavily subsidized, moderate fees will continue to be charged to those who can pay them and will be remitted in whole or in part for those who cannot.

Review of higher education

I announced at this time last year that a working party was engaged in preparing a report on the future development of senior secondary and tertiary education, and that this might be a suitable subject for a Green Paper. This will be issued shortly. There has been much public concern about the proposal in the 1974 White Paper that subsidized places in Forms IV and V should be provided for only 40% of the school population. Although this target would mean that the present proportion of the population which proceeds to subsidized senior secondary education would be more than doubled, it may be too low for our requirements during the 1980s. The Green Paper will, therefore, take a comprehensive look at a whole range of opportunities for the Form III leaver to continue his education in senior secondary forms, technical institutes and in adult education centres, and propose improvements. It will deal similarly with the education services available for Forms V and VI leavers in the Polytechnic, and the universities, the post-secondary colleges and elsewhere. The Director of Education will be giving details in his reply to this debate.

Tertiary education

Meanwhile, plans for expanding student numbers at the universities and the Polytechnic are proceeding well. At the start of the present quadrennium in 1974, the population of the two universities was 7,210. In the current session, some 9,150 will be enrolled and the target for 1980-81 is 10,330.

The Polytechnic had a population of 6,515 full-time equivalent students in the academic year 1974-75. There has been some difficulty in attracting enrolments to part-time day release courses at the Polytechnic, so that student numbers are slightly behind the target of 9,850 for the current session. However, it will have no difficulty in reaching its 1980-81 target of 11,400 full-time equivalent students, which will bring the total number of students on the Polytechnic's campus to nearly 30,000. The combination in this institution of rapidity of growth with maintenance of high standards can rarely, if ever, have been equalled in academic history. It reflects the greatest credit on both the Board under the chairmanship of Dr CHUNG,

and the staff under Dr LEGG, and also I am sure on the quality and enthusiasm of the student body.

Industrial training

The machinery for industrial training continues to expand and improve. The Training Centre for the construction industry opened in August and the Centre for the clothing industry will open this month.

On the recommendation of the Training Council, I shall shortly make an order designating five further trades, which will more than double the number of trainees covered by the Apprenticeship Ordinance.

The Government has accepted in principle the Training Council's recommendation to extend training to the commercial and service sectors, and has invited the Council to make recommendations.

(11) Medical and Health Services

Regionalization

During the past year, a number of measures were taken by the Medical and Health Department to improve services for the public. The first was to reorganize services on a regional basis and this into effect in April and the results are encouraging. Pressure on the two major regional hospitals, the Queen Mary and the Queen Elizabeth, has been reduced and the camp beds in these two hospitals have at last been virtually eliminated, and bed occupancy in the various district hospitals, especially those in the subvented sector, has increased significantly and this is precisely what was intended.

Our fourth major regional hospital, the Princess Margaret, is now in full operation, and the average bed occupancy has reached a very satisfactory 85%.

Community nursing

During the year a subvented scheme to evaluate the effectiveness of the community nursing service was put into operation and in the first 5 months of its work, nearly 2,500 cases were dealt with by community nurses.

Clinic services

The demand for out-patient treatment continues to increase. In this respect the new Polyclinics at South Kwai Chung and East Kowloon will help as will the new assessment clinic at Arran Street which will open this month. It is a welcome innovation of the new Director's that additional sessions at eight clinics are now operating on week-day evenings and at six clinics on Sundays and Public Holidays.

Future development

In the next few years, we can expect to see the completion of a number of major medical projects. The new Dental Centre designed to provide training for dental nurses, will be completed in 1978 and the school dental care service will become operational in 1980 when the supply of trained staff comes on stream. The 1,300 bed Psychiatric Wing of the Princess Margaret Hospital will be completed by 1980. In Sha Tin site formation work for the teaching hospital of about 1,400 beds has commenced, while at Tuen Mun preparatory work on another major hospital of 1,200 beds is about to begin. These projects will be completed by 1982 and 1983 respectively. Eight new clinics and polyclinics will also be completed: Sha Tin general clinic in 1979, Tuen Mun Polyclinic Stage I, Ngau Tau Kok and Lei Muk Shu by 1980, East Kowloon by 1981, Sha Tin Polyclinic by 1982, Hung Hom and Sham Shui Po by 1983.

All these projects will require additional trained staff. Progress is being maintained in planning the new medical school at the Chinese University and the dental school at the University of Hong Kong. A third Government Nurses Training School will be opened in 1982-83. A Health Services Division is being established at the Polytechnic to provide courses to train paramedical personnel, including physiotherapists, occupational therapists and medical laboratory technicians and radiographers and the first of these courses will begin in 1978.

(12) Social Welfare*The Review*

Last year I said that Government was undertaking a comprehensive review of our social welfare programmes. This review was in essence a new hard look at the adequacy of the coverage and administration of the public assistance and infirmity and disability allowance schemes, which could broadly be described as social security payments, and at those parts of the development programmes for social welfare, medical and health services, and education, which related to services for the handicapped, the elderly and personal services for youth. A White Paper on the handicapped will be published next week and will be followed by Green Papers on social security payments and services to the elderly and youth. The process of debate on these Green Papers should be sufficiently advanced to enable the first phase of new arrangements to be included in the estimates for 1978-79.

Expansion of services to the handicapped

The proposals for services to the handicapped were published in a Green Paper last October and the process of debate and consultation which followed has been completed. A White Paper will be published this month setting out a 10-year development programme. Since this work is of a highly

specialized nature, will be carried out not by one but several departments, and has a large measure of voluntary agency participation, special measures will be taken to co-ordinate and drive it forward, by means of a committee chaired by the Honourable Dr Harry FANG. The main lines of the proposals are already known to you, but as a broad indication of the scale of action envisaged over the next 5 years: the staff engaged in the many disciplines of rehabilitation and care of the handicapped will be more than doubled, capital works of the order of \$86 million will be undertaken, and recurrent expenditure should rise from \$122 million in 1977-78 to \$197 million in 1982-83.

Some of the work done for the handicapped in Hong Kong is second to none in the world, but, as the Green Paper showed there is an urgent need to widen its coverage as quickly as the training of personnel and the provision of buildings will allow. I think that the first 5-year course we have set ourselves is realistic and should vastly change the present situation. The crowded life of Hong Kong is hard for the handicapped, so Dr FANG and his committee and the various heads of departments and voluntary agencies involved can count on the strong support of the Government in pushing this programme forward.

Expansion of payments

(i) Public Assistance

The Public Assistance Scheme is the main instrument by which the Government ensures that all its citizens are maintained above subsistence level. The scheme had a serious defect in that able-bodied persons between 15 and 55 were excluded, though not their families. This defect was remedied from 1st April this year.

The real value of the payments made under the scheme is maintained by reference to a special price index. This indicates that an increase is required, and proposals will shortly be put to the Finance Committee. Apart from the scale of assistance which, as I said, is indexed and is and must be constantly watched, the review has concluded that the scheme is sound and well suited to Hong Kong's requirements. However, in the light of experience the Green Paper recommends some extensions and changes:

First, though adequate for those who have to rely on it for comparatively short periods, it is inadequate for those who must do so for long periods, when more than mere subsistence will be required; for example a widow unable to work because of the ties of a young family. A supplement is therefore proposed for those forced to rely on Public Assistance for over 18 months amounting to \$180 at the present rate for a family or \$90 for a single person.

Secondly, it is proposed that a supplement of \$90 at the present rate should be paid to persons on Public Assistance who are aged 60 and

above, but not yet in receipt of the infirmity allowance. Their needs tend to be greater than those of their juniors and this change is strongly recommended by social workers. This supplement, for those in need who are getting on in life, also makes more acceptable the relatively high age at which infirmity allowance is paid.

Thirdly, eligibility for Public Assistance is to some extent an act of judgment on the part of social welfare officers. Though it must often not be an easy judgment, there are few complaints. Nevertheless, we think it would be right for separate appeal boards to be constituted, to which persons could appeal against the decisions of the Social Welfare Department.

(ii) *Old Age Allowance and Disability Allowances*

In addition to payments under the Public Assistance Scheme which are means tested, there are those under the Infirmity and Disability Allowance schemes which are not. And I do suggest it is time we stopped calling the elderly 'infirm' and that the Infirmity Allowance should be renamed 'Old Age Allowance'.

This system of payments, based on a condition of vulnerability, has been re-examined and is considered to have been both successful and acceptable to the public. But in the light of 5 years of operation the following changes are proposed:

First that the qualifying age for Old Age Allowance should be reduced from 75 to 70. Some might have wished the age to be lowered further. But it must be remembered that the allowance is paid to all regardless of their financial position, and that, as now proposed, those between 60 and 70 in genuine need will be helped through a supplement to Public Assistance.

Secondly it is proposed that the Old Age and Disability Allowances should be extended to those living in institutions, as has been so strongly recommended in this Council.

Thirdly an allowance should be paid to those who may not qualify for Disability Allowance, but through illness or infirmity have been unable to work for a long period—the period proposed is 18 months. There are many such people who suffer hardship although the means of their family renders them ineligible for Public Assistance, and I think that some help for them would have the support of the community.

Expansion of services to the elderly

The Government's main objective in plans for the elderly is to encourage families themselves to continue to care for their older members. I have already referred to two social security measures which will in cash terms assist this objective. The Green Paper will include proposals to meet the medical and housing needs of the elderly, the expansion of home help, the

construction of centres to provide social work services for the elderly, and the expansion of institutional care, and of care and attention facilities.

Expansion of personal services for youth

I have already referred to the expansion of recreational and cultural activities for the population as a whole, and particularly for young people. These are highly beneficial and desirable in themselves, and I do not think it is coincidental that since the expansion of these services there has been a considerable drop in the level of juvenile crime. However there exists a small minority who are vulnerable to delinquent influences, and who are not attracted to organized activities. These people require direct personal guidance and help if they are not to drift into the criminal world. The new proposals provide for comprehensive school social work services, a cautious expansion of out-reaching social work in areas known to have a higher incidence of delinquency, and intensive efforts in family life education. Measures of this sort have been strongly advocated within this Council and by social workers outside it.

Resources required

If the various proposals in the White Paper and three Green Papers commend themselves to the public and Honourable Members, they will be phased in over the next 5 years with the main impact achieved before the end of 1980. The trained manpower will be an important consideration as the proposals require about an additional 3,700 trained personnel, the main increase being in teachers, nurses and graduate and non-graduate social workers, as well as a much smaller but very important increase in the number of doctors and para-medical specialists deployed in the field of rehabilitation.

In 1977-78 funds provided for all the types of services covered by the one White and three Green Papers amounted to \$407 million; the new complete package of proposals envisage recurrent expenditure rising to about \$719 million by 1982-83 and capital expenditure over the same period amounting to about \$178 million. These are sizeable figures but about 30% was already calculated when the forecasts attached to this year's estimates were prepared and is included in them.

Such an expansion of services will place a heavy additional work load on the Social Welfare Department, and I leave the Director of Social Welfare to expand on the various programmes and on his proposals to re-structure his Department so as to achieve a better regional service and make the best use of his professional resources.

Contributory sickness and death insurance

The Green Paper has an additional proposal of considerable interest. So far our social security schemes have been operated out of revenue, with the addition of benefits provided by employers either statutorily or voluntarily.

But it is possible that this is an area where employees would welcome the opportunity to play a more positive role if encouraged to do so. I would therefore welcome Honourable Members' views on a proposal in the Green Paper that we might introduce a semi-voluntary contributory scheme providing insurance cover against sickness, injury and death, and perhaps also a small retirement benefit. The main aims of the scheme would be to provide a monthly benefit for those off work longer than the period of 36 paid sickness days provided under the Employment Ordinance; a lump sum for the heirs of those dying before the age of 60 and in each case the benefit would be based on the contributor's previous earnings. Subject to actuarial advice, there might also be room within the scheme for a housing loan facility. The contribution rate would be kept low perhaps at the rate of 2% of earnings from employer and employee alike. The Government would pay for the administrative costs and perhaps provide initial priming for the scheme's funds. But in general the scheme would be self-financing. A significant feature of the proposal is that it would be up to each employee whether he wished to join, but if he did so his employer would have to pay contributions too unless he were contracted out of the scheme. The employer could contract out if he already provided benefits such as would be conferred under the scheme.

This scheme would cater for an area of need, which cannot be met satisfactorily through the Public Assistance Scheme because the persons concerned or their families have means above the level of eligibility for public assistance, but are not so far above it as to be insulated against the financial effects on the family of the prolonged sickness or death of a bread-winner. Moreover, there may be some who though within the income level eligible for public assistance would prefer to insure themselves in this alternative way.

As Honourable Members will appreciate the proposed scheme differs from the sort of social insurance scheme found in many countries since it will be up to the employees whether they join or not. Moreover such a scheme does not exist in a community with such extensive non-contributory social security coverage as Hong Kong will have. The demand for it is therefore difficult to predict. But the proposal is being published in a Green Paper to test public opinion, and the Government looks forward to receiving the views of the public and of trades unions and employers and will be very ready to enter into discussion on it. If, as the Government believes likely, public reaction does indicate a reasonably widespread demand for a scheme of this sort, the Government will proceed to establish an actuarial basis and work out the details as a basis for further discussion. If these hurdles are successfully taken the legislation will need to be prepared, which I should hope would be before the end of 1980.

Phasing of proposals

These proposals for expansion of payments and services to the less fortunate

in our community cover a large number of items. Most of them require staff who must be trained or require differing degrees of administrative preparation, so in any case will take time to introduce. If the detailed proposals commend themselves to Honourable Members and to the public, carefully phased implementation will be essential. The Green Papers set out time-tables for each subject, but these time-tables cannot be viewed in isolation of other items competing for inclusion in each year's estimates, and consequently will be subject to our budgetary situation each year. Nevertheless the cost of the items in these time-tables falling within the budgetary forecast period are regarded as within our means, assuming average growth is maintained during it. The Director of Social Welfare will be elaborating later in the debate on the items he proposed to include in the estimates for next year.

Conclusion

Honourable Members, I must apologize for the length at which I have spoken this year. It reflects the very wide front on which your Government is now advancing. To our major programmes for housing, crime prevention, the various social services and protection of labour, have been added new thinking on education, and on relief and services for the underprivileged, handicapped and elderly; measures to meet the changing needs of the New Territories; and a determined effort to provide for the enjoyment of leisure. In addition there is a massive programme of public works and communications, and I must apologize to the Director of Public Works for not even mentioning him. Of course all this is underpinned by and is dependent on our economic performance and the prudent management of our finances.

I have said that prospects for 1978 are difficult to forecast at this juncture. On the one hand there are obvious dangers which cannot be quantified at present, on the other respectable growth in industrialized economies and in world trade can be expected, and may well be stimulated by new measures, and Hong Kong is well placed to take advantage of whatever growth there is. The respective weightings of these conflicting factors will be much clearer by the time the budget comes to be drafted, and you may trust your Government to act prudently in the light of events as they unfold. But to be able to act at all we must have carefully prepared plans for all fields of major endeavour, not just for next year, but for as long as is necessary to ensure that acceptable standards are provided for all our population. Our aim is a radical improvement in conditions of life and opportunity for all, based on an expanding economy. Now that our plans are maturing their impact will be cumulative over the next 5 to 6 years. Naturally we must be ready to act with flexibility if necessary, but also with the determination that the aspirations of our people and the backlog left by excessive immigration demand. Difficulties and uncertainties Hong Kong is bound to have, but as each one confronts us nothing could be more dangerous than the belief that safety lies in immobility on either the industrial or social fronts. It

would be a total misconception. The labourers and industrial patriarchs of 25 years ago have become the skilled and flexible workforce and experienced entrepreneurs of today and will be the well educated operatives, technicians and technologists and highly qualified executive and international financiers of tomorrow. And do not let us forget conditions are not static either in the countries of our competitors or our markets abroad. Industrial, financial and economic requirements as well as social aspirations are changing fast, and your Government would fail to understand and act on them at its peril.

So let us not be daunted by such economic uncertainties as exist today. There is much more working for Hong Kong, much more than against it; it also has many friends; but no friend better than itself and its own people and the industrial and financial and social phenomenon which they have made it. So Honourable Members, let us plan and legislate with the confidence that the qualities of Hong Kong deserve.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday the 12th of October.

Adjourned accordingly at twenty minutes past four o'clock.