

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 15 November 1978****The Council met at half past two o'clock****PRESENT**

THE HONOURABLE THE CHIEF SECRETARY (*PRESIDENT*)
MR JACK CATER, CBE, JP

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

THE HONOURABLE THE ATTORNEY GENERAL (*Acting*)
MR GARTH CECIL THORNTON, QC

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 AKERS-JONES, CMG, JP
SECRETARY FOR THE NEW TERRITORIES

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

THE HONOURABLE DAVID WYLIE McDONALD, CMG, 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 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 JOHN CHARLES CREASEY WALDEN, JP
DIRECTOR OF HOME AFFAIRS

THE HONOURABLE JOHN MARTIN ROWLANDS, JP
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE JAMES NEIL HENDERSON, JP
COMMISSIONER FOR LABOUR

THE HONOURABLE DAVID RAYMOND BOY, JP
SOLICITOR GENERAL (*Acting*)

THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP

THE HONOURABLE ROGERIO HYNDMAN LOBO, CBE, 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, OBE, JP

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

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

THE HONOURABLE LEUNG TAT-SHING, JP

THE REV. THE HONOURABLE PATRICK TERENCE McGOVERN, OBE, SJ, JP

THE HONOURABLE PETER C. WONG, JP

THE HONOURABLE WONG LAM, OBE, JP

DR THE HONOURABLE RAYSON LISUNG HUANG, CBE, JP

THE HONOURABLE CHARLES YEUNG SIU-CHO, JP

DR THE HONOURABLE HO KAM-FAI

THE HONOURABLE ALLEN LEE PENG-FEI

THE HONOURABLE ANDREW SO KWOK-WING

ABSENT

HIS EXCELLENCY THE GOVERNOR
SIR CRAWFORD MURRAY MacLEHOSE, GBE, KCMG, KCVO

THE HONOURABLE DAVID KENNEDY NEWBIGGING, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR STEPHEN TAM SHU-PUI

THE PRESIDENT:—Members may have heard that the Governor is unwell and that, on his doctor's advice, he has cancelled his public engagements this week. I shall therefore be presiding at this Council, in accordance with Standing Order No 3.

Papers

The following papers were laid pursuant to Standing Order 14(2):—

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 Sessional Papers 1978-79:	
No 17—Annual Report of the Hong Kong Trade Development Council 1977-78 (published on 15.11.78).	
No 18—Supplementary Provisions approved by the Urban Council during the second quarters of the fiscal year 1978-79 (published on 15.11.78).	
No 19—Seventeenth Annual Report by the Social Work Training Fund Trustee for the year ended on 31 March 1978 (published on 15.11.78).	
No 20—Sixth Report of the Television Advisory Board on the Progress of Television in Hong Kong (published on 15.11.78).	
No 21—Loan Agreement (Ordinary Operations) (Sha Tin Hospital- Polyclinic Project) between Government of Hong Kong and Asian Development Bank dated 25 October 1978 with Letter of Assurances (published on 15.11.78).	
No 22—Annual Report of the Hong Kong Productivity Council for the year 1977-78 (published on 15.11.78).	

Statement

Annual Report of the Hong Kong Productivity Council for the year 1977-78

MR CHEN:—Sir, among the various papers laid on the table on this Council today is the Annual Report of the Hong Kong Productivity Council for the year ended 31 March 1978.

The year under review was a busy and successful one for the Hong Kong Productivity Centre. In addition to providing an expanding range of technical services, the Centre began to undertake development projects of a medium term nature. It also played an important role in strengthening institutional co-ordination in a number of productivity related issues requiring concerted efforts.

During the year, the Centre acted as a planning body for the establishment of an information centre for industry service. Following a series of consultations with several interested organizations, a proposal was formulated and submitted to Government for consideration.

In response to a request from the furniture industry, the Centre, in conjunction with other interested organizations, established a programme of institutional support to assist the industry to improve its productivity and export performance.

Recognizing the need of an improved engineering, infrastructure to support diversification for industry, the Centre undertook a series of studies, one of which was on the foundry industry. A copy of its final report has been submitted to the Advisory Committee on Diversification for information.

The activities which I have just mentioned marked the beginning of an attempt to tackle productivity issues on the basis of an industry sector where the impact is likely to be greater than if confined to individual enterprises. However, in redeploying part of its resources to undertake medium-term development projects, the Centre has not reduced its efforts to provide professional services to individual enterprises. This is demonstrated by the increasing use being made of the Centre's consultancy, training, technical and research facilities.

A total of 180 consultancy and technical assistance projects were undertaken in the 1977-78 as compared with 149 projects in the previous year. There was a slight reduction in the level of training activities but, because there was a greater degree of selectivity and a stronger bias towards more technological and specialized subjects, the average number of participants per course increased from 22 in the previous year to 27 in 1977-78. As a result, in spite of a reduction in the number of training programmes, the total number of participants increased from 6,426 to 6,633 during the same period.

The new services provided during the year included the establishment of an Electronics Unit and a Technical Information Unit. The Centre published two bi-lingual quarterly bulletins on plastics technology and furniture technology which were well received by industry.

It is widely accepted that Hong Kong should broaden its industrial base through diversification both in terms of markets and products, and move towards manufacture of higher quality and more sophisticated products with emphasis on the generation of higher value added. The Productivity Centre is equipped to respond to the manufacturing challenges and to play a greater role in providing the much needed technical support services to industry. With technical assistance from UN agencies, the Centre will be setting up a Heat Treatment Unit in the coming year, and plans are being developed for an Environmental Control Services Unit to deal with productivity related issues.

The challenge that lies ahead is great and if Hong Kong is to diversify its industrial base successfully, it will require a strengthened and coordinated institutional structure capable of meeting the increasing demand of technical support in the form of information and technology.

The Hong Kong Productivity Centre is well placed to play a key role in the assisting industry in its diversification. Given the necessary support, it will become an even more effective instrument to technological growth in the 1980s.

Government Business

Motions

Address of Thanks

SECRETARY FOR THE NEW TERRITORIES:—Sir, each year when I prepare my speech for this debate I look to my file to see what I said last year—and the years before—to see what progress has been made in finding solutions to problems posed twelve months ago, to see how well we have lived up to any promises that were made and where we have failed. As the first Official to speak in this debate let me say that I find the progress made as remarkable as does the Senior Unofficial, Mr Oswald CHEUNG, although I must say I would not have shared his doubts in 1971 about what we could do if we set our minds to it!

Now, in 1978, the slight pause is well behind us, which briefly interrupted plans for improvement of the market towns. Now, we are developing, not simply three new towns, but eleven towns, all at once! Of course the transformation of the new towns is more spectacular, but developments and

improvements at the other towns are, in their way, no less important. It is against this background of development in many places, on many fronts and against many targets, that we must examine the suggestion from a number of Unofficial Members to make more present use of the private land reserves in the agricultural plains of the New Territories. This year we will acquire for urban development something like 20 million square feet of agricultural land, last year a similar amount was acquired, and next year the process will continue. I agree with the sad but necessary thought that in the midst of this, already most extensive, development programme we must look still further ahead to the need to expand the boundaries of the towns as they are presently planned. In fact in some places this is just what we are doing. As a racing man, Mr Oswald CHEUNG will have noticed, no doubt with horror, the bull dozers cutting into the hills opposite the racecourse at Sha Tin; this is for the extension of Sha Tin northwards to Wu Kwai Sha. At Tuen Mun, Mr Charles YEUNG will have noticed the bull dozers working steadily away at the eroded hills between Tai Lam and So Kwun Wat: this is for the extension of Tuen Mun. So, too, at many other places, too long to list. However, while I agree with Mr YEUNG that we should look around perhaps even more thoroughly and plan to extend towns like Yuen Long, especially when the surrounding land happens to be lying largely abandoned and waste, nevertheless, I doubt whether it would be wise to extend ourselves even further, to develop even more land with the construction industry as stretched as it is. Let us plan, by all means, and do what is necessary to ensure that we can roll the development programme forward, for housing, for industry and the other needs of the future as resources, in the broadest sense of the word, become available to do so.

Sometimes these same areas of agricultural land are seen as an easy way out to the removal of temporary factories from the path of permanent development. There may be odd cases where this can be done, but wholesale and haphazard resiting of literally thousands of squatter industries can surely not commend itself as an acceptable solution. Yuen Long drains into Deep Bay, where we already have a problem with the oyster industry. Tai Po drains into Tolo Harbour, where we are spending enormous sums of money on sewage treatment to arrest pollution. If we simply resite squatter factories, how can we then prevent other factories from joining them and all the conglomeration of squatter structures that would go with this kind of uncontrolled development? I repeat, surely we can do better than this.

It is with some satisfaction that I found in my speech last year the proposal to set up a Committee to look into the question of compensation for land resumed within town boundaries. Now, this year, the Committee's Report has been accepted and its principal findings implemented. There remains a need, as Mr YEUNG has pointed out, to deal with the question of compensation for land resumed outside the towns. I am glad to report that proposals for this have been approved by the Governor in this Council and that I will be shortly discussing them with the Heung Yee Kuk.

I am glad, too, to report that despite the preponderant need to provide land for public housing and despite the immense size of the continuing resumption programme, it should theoretically be possible to extinguish all exchange entitlements—Letters B—outstanding at the end of March this year, 1978, by the end of March 1981. I say theoretically because, for one reason or another, too many owners are holding on to their exchange letters, and are not presenting them for exchange when land is advertised for exchange. I have to advise these owners that unless they take up the option when an exchange is available, it may be necessary to cancel the priority these old exchange rights normally attract under the present system of calculation.

In my speech last year I mentioned that I hoped to establish Advisory Boards in each of the New Territories Districts. This, too, is now an accomplished fact! The Boards have been in existence for almost a year and have given advice as to how funds, amounting to \$3.7 million, should be spent on environmental improvement and recreation and leisure activities. They are beginning to take a lively hand in local affairs and I am hopeful that when Urban Services, Public Works, and my own Department are reorganized and strengthened, we will be able to respond more readily to local demands, and that we will achieve a much higher standard of urban management than we have in the past. We are planning our new towns, and replanning the old, so that they provide a satisfying living environment, so that the people within them find work and enjoyment, and take pride in them, and hopefully the District Advisory Boards will be the instrument whereby public servants and private citizens will work together to achieve this common purpose.

Mr YEUNG looked outside the towns and the agricultural plains to the hills and mountains of the Country Parks. Last year at this time there were only 5 such Parks, now there are 15 in all Hong Kong covering over 130 square miles, and visited by two million people last year. To have accomplished this in one year is another remarkable achievement, but Mr YEUNG is right, of course, we need more camp sites and more hostels. Camp sites are easier to provide: hostels are more costly and take time to plan and build. The Po Leung Kuk is building one such hostel in Sai Kung, but it is not nearly enough, and I hope that other organizations will follow this example! If sponsors come forward with private funds the Government will respond with equal enthusiasm to find a suitable site.

Finally, Sir, I believe we can look back on the last twelve months with a sense of achievement and pride, and I would like to place on record how much this is due to the immense enthusiasm, energy and cooperation among all the staff of all the departments who are at work in the New Territories; working towards a goal which is not simply big by Hong Kong standards but which has not been attempted or achieved anywhere in the world.

Sir, I support the motion.

SECRETARY FOR THE ENVIRONMENT:—Sir, at least five of my Unofficial Colleagues—Mr Oswald CHEUNG, Mr James Wu, Mr Hilton CHEONG-LEEN, Mr F. W. LI and Mr David NEWBIGGING—have spoken eloquently on the importance they attach to increasing the supply of usable land for Hong Kong's future urban and industrial expansion. And His Excellency, in his address, has emphasized that this must be one of our top priority objectives. The aim must be to provide a continuing supply of land at an adequate rate and in the right locations. But, as Mr F. W. LI has pointed out, the production of land can involve a lead time of at least four years, so our thinking and planning on this subject must be fairly long-term to ensure that the land is ready when it is needed.

The Government has been giving considerable thought to this subject over the last two years. The Special Committee on Land Production has carried out a very useful stocktaking of what all our currently planned projects add up to in terms of the size and timing of land production for various purposes. And the Committee has inaugurated studies into possible new developments stretching well into the eighties. The Advisory Committee on Diversification is also, as part of its wide ranging activities, studying in depth the complex relationships between land policy and administration and the expansion and diversification of our economy. Progress is being made and I would hope that some helpful recommendations, which can be acted upon, will emerge in the course of 1979. Steps are also being taken to strengthen the strategic planning capacity of the Lands Division of the Environment Branch to assist in making the early decisions which are vital to ensure a continuing development of land supplies.

Here I would emphasize that our present development schemes, particularly in the new towns, will be producing land for all purposes over the next four years at a greater rate than at any other time in Hong Kong's history. Thereafter, I think that the position up to the mid-eighties will be reasonably well assured by the proposals for the further extension of Sha Tin and for the development of the Junk Bay area which His Excellency mentioned. Detailed studies are also in hand which will provide the basic information necessary for an orderly development of North Lantau when this is needed—and the machinery will be there to keep all options under continuing review.

I can assure Mr Oswald CHEUNG that these studies include the engineering feasibility of constructing a replacement airport at Chek Lap Kok and all the consequences of so doing, including the future use of the land which would then be released at Kai Tak, possible further reclamations and so on. The questions involved are, however, very detailed and complex and will take some time to resolve before any decision, one way or the other, can eventually be taken.

Turning now to land administration, Mr CHEONG-LEEN and Mr F. W. LI said that the Government should re-examine its procedures for selling land in order to reduce speculation and to ensure that land is used to the best

advantage. I can assure them that these matters are also kept under review. A few months ago the terms for the payment of premium for expensive sites were amended to provide for an increased downpayment of premium, and the whole question of instalments of premia is now being further examined. The Government cannot, however, go quite as far as Mr CHEONG-LEEN's suggestion that a total ban should be made on reassignments of land for the first five years after its sale. This would, in effect, involve a total freeze on the sale of shares in companies which have purchased Crown land, and it would strike at the root of the system of property development, which relies on sales of flats and flatted factories during the course of construction and immediately following it, and a free resale of premises thereafter.

MR LI also enjoined us to sell industrial land in ways that ensure that it is used economically, given the changing needs of our industrial development. The Government is certainly well aware that the traditional development of industrial lots as multi-storeyed flatted factories may not be resulting in buildings which meet all the needs of present day industry. There seems to be an increasing demand for ground floor space and for floor loadings and ceiling heights to accommodate heavier machinery. We are therefore considering, as an experiment, selling some industrial land with conditions requiring the lower floors to be built with specially heavy loading and higher ceilings. Similarly, the sale of some lots with a requirement to provide small factory units, which would help meet the problems of small scale operators posed by Mr CHEONG-LEEN, is now under consideration. I should emphasize here that, in the context of our land production programme, I am particularly concerned not only that sufficient land should be made available to industry but that it should be sold in ways that meet the requirements of our industrial development.

Mr TIEN's plea for the dyeing industry comes at a time when we are considering, as His Excellency mentioned, the form of controls which should be imposed on both old and new polluting industries. The obvious difficulty in Hong Kong is the extreme shortage of areas where useful but polluting industries can operate viably and, indeed, in which any significant degree of pollution can be permitted. The two largest areas of flat land in the New Territories, the plains around Yuen Long and Fanling, drain respectively into Deep Bay and Tolo Harbour, both areas where dyeing and other effluents, unless very rigorously treated, would cause considerable damage. An environmental study of certain limited areas will, however, be started shortly to see whether the introduction of polluting industries would be acceptable. If so, these areas will obviously have a special value, and should be reserved for such industries. All I can say at present is that the special circumstances of the dyeing industry which I accept is an important industry for Hong Kong will be kept under review.

Turning, Sir, to transport matters, I must first emphasize that a number of important projects are now under way which will be of great benefit when

they are finished, but which are bound to have a negative effect while they are being built. At present we are in the darkest hour before the dawn but, within two years from now when, for example, the MTR and the Aberdeen Tunnel and its associated elevated road connections are open, we should begin to see some real improvements. So I would ask Mr CHEONG-LEEN and numerous other critics to be patient for a little while longer. The White Paper on Transport Policy, which I hope to be in a position to table in this Council before long, will contain evidence of the very considerable planning effort which the Government is putting into this vital field and of the very significant new developments which we can hope to see coming to fruition in the eighties.

Here I would refer to Mr Charles YEUNG's proposal that a New Territories circular multi-lane road and a new double-tracked railway should be built to link Tsuen Wan, Tuen Mun, Yuen Long, Fanling, Tai Po, Sha Tin and back to Tsuen Wan. It is already part of our planning to construct a circular road of this character around the New Territories and part of it is already being built. On the other hand it would not be justified to construct a similar rail link as the demand would not warrant it and it would not be viable. The modernization and electrification of the present KCR main line from Hung Hom to Lo Wu is, however, very much a part of our policy and it will be linked in with the Mass Transit Railway through an important interchange station at Kowloon Tong.

Sir, Mr Hilton CHEONG-LEEN, I am sorry to have to raise his name again, but he said a lot, so he required a lot of allowances, (*laughter*) Mr Hilton CHEONG-LEEN has also suggested that the Environment Branch should be divided in order to focus more administrative attention on land use and its production. By this I presume he means more time of the Secretary himself, although I would hope that his use of the words 'top heavy' were not intended as an indirect reference to my girth. (*laughter*) Here, Sir, I would point out that there are already three divisions within the Branch dealing with land, transport and environmental protection, respectively, and of these each is under the control of a competent Deputy Secretary. So I am to a large degree the co-ordinator of work in areas which are closely inter-related. Quite apart, therefore, from the fact that the Government is continually reviewing its internal organization in the light of alterations in emphasis on policies and in the interests of efficiency, the splitting of my Branch would involve this important co-ordinating function having to be exercised at an even higher level, or possibly not being performed at all.

By way of illustration, the provision of land and of adequate communications go together, the distribution of population, industry and commercial development is influenced by the ease or difficulty with which people and goods can be transported between the various parts of the territory. As examples, I would cite the tremendous impact of the Cross-Harbour Tunnel and the growing effect on Tuen Mun of even a half of the new road. In a

negative sense, the development of Junk Bay, close as it is to the urban area, has always hitherto been retarded by the lack of road access. The same, of course, applies to Lantau on a much larger scale. Tomorrow, developments such as the Mass Transit Railway, the Aberdeen Tunnel and the modernized KCR among others, will all, in their turn, be influencing land use and population distribution. And together they will have a profound effect on the environment. The need for co-ordination of policy on all these aspects is apparent and we are building up and strengthening the machinery necessary to achieve this.

Sir, I have pleasure in supporting the motion.

DIRECTOR OF PUBLIC WORKS:—Sir, in His Excellency's address he referred to the intensity of activity in construction and to the scale of activity necessary to provide for the growth of the economic and social life of Hong Kong in the next five or six years.

Some indication of the achievements in development in recent years can be given by quoting the very large increase in the number of contracts let for public capital works projects alone. Sir, in 1971-72, during His Excellency's first year in office, my department let 357 such contracts. In 1977-78, 658 were let—an increase of 84.5%.

In his speech in support of the motion, Mr LI Fook-wo also referred to the headway made in development but suggested that much more could have been done had there been better overall co-ordination of our major projects and had there been more land available. In recent years there have been many factors which have had limiting effects on development and although the actions of a project co-ordinator might have had some beneficial effects I doubt that he could have made any meaningful impression on the *volume* of works executed.

In urging the appointment of a Senior Official as overall Project Co-ordinator Mr LI mentioned the vast number of Category A projects in the Public Works Programme and the many Government and private sector projects in the pipeline. I would like to draw attention to the size of the co-ordinating task. In the public sector not only Category A items but Category B, D and E items, Urban Council Block Vote projects, Property Services Agency projects, projects associated with the re-provisioning of military installations, works carried out on other Government departmental votes, public housing, clearance programmes related to development with their attendant commitments for re-housing and general building and engineering maintenance works would all have to be brought within the co-ordinator's ambit.

Sir, I should explain that about 30% of all projects in the Public Works Programme are already co-ordinated by PWD project management teams

established to develop the New Towns and other areas of the New Territories and further expansion of this form of management will occur. In addition a fairly large team co-ordinates all activities relating to the Mass Transit Railway Works. However it must be remembered that over 200 PWD officers are currently engaged *solely* on management and co-ordination aspects of the New Territories and Mass Transit Railway projects and these projects cover clearly defined areas of totally related elements.

In the New Towns the areas being dealt with are comparatively clear and development can be moulded to a pre-conceived programme but this cannot be readily achieved in the urban areas where development has been established over many years and where redevelopment is necessarily fragmented. Private sector development is particularly difficult to co-ordinate. For example, during 1977-78, 810 approvals of plans for proposed new private buildings were given but this gives no true indication of when or if these approved projects will proceed. Approvals are valid for two years and it is fairly common, in changing market conditions, for developers to change their minds on the form and type of development and new replacement applications are submitted. The nearest we can get to knowing with any degree of certainty when a private project will commence and in what form is when the developer applies for consent to commence works but as the works must then start within 3 months it is already too late to satisfactorily mesh into a co-ordinated programme.

The flexibility which must therefore be given to private developers inevitably affects such things as utilities and other services and of course means road openings. At any given date there is likely to be about 2,500 openings in roads throughout the territory. Although all applications for these openings are processed through co-ordinating committees there are unfortunately quite frequent emergency or unforeseen maintenance works required which make it necessary to open roadways even in areas where surface reinstatement works have only recently been completed.

Sir, I have endeavoured briefly to make it clear that the overall co-ordination of every construction project in Hong Kong is a gigantic task and is far beyond the capability of any one co-ordinator or even of one co-ordinating group. This does not however mean that the concept of general co-ordination is not favoured. In fact, consideration is currently being given to the establishment of a project co-ordination team for the North East Kowloon area on an experimental basis. From the information drawn from studies carried out by this team and from experience gained I would hope to be able to establish the basis for the introduction of further co-ordinating teams to cover other areas of Kowloon and Hong Kong although, as I have already indicated, co-ordination can be expected to show its greatest effect on public sector works.

Sir, I support the motion.

SECRETARY FOR HOUSING:—In this debate, Sir, my Unofficial Friends have said rather less about housing policy than usual. I take this, cautiously, as a measure of agreement with Government's policies. Perhaps more relevant to it, it also enables me to be brief in reply.

The very size and progress of the housing programme has encouraged Mr Hilton CHEONG-LEEN and Mr WONG Lam to lift their sights and to commend for attention those whose income exceeds the level of eligibility for rented public housing and for the Home Ownership Scheme. Unfortunately, we cannot take on all desirable objectives simultaneously and priorities have to be established, both within the programme under discussion, in this case housing, and as between other major programmes. Our first priority has for many years been the provision of subsidized rented housing for the lowest income group, and it must so continue. The second, relatively, new priority, is the Home Ownership Scheme. We cannot, regrettably for the present consider extending these priorities. Meanwhile, we shall in particular be alert to the need for expansion of the Home Ownership Scheme and to the relative balance in provision of rented and Home Ownership flats.

Mr WONG Lam mentioned the situation of people who, having been on the waiting list for rented public housing for some time, find when their turn comes that they are ineligible, because their income has meanwhile risen above the prescribed limit. This is very disappointing, but we have to determine income criteria and stand by them in order that those in the greatest need receive first attention, until it is possible to extend or vary the priorities. In fact, raising the income limit increases the number of applicants and means that people inside the limit have to wait longer while people with higher income are, as it were, brought back into the queue. The Housing Authority regularly reviews the income limits and since 1963 the income maximum has increased at a much faster rate than for example the consumer price index and the index of industrial wages. And as a result, the number of eligible households rose from 89,000 in 1973 to 223,000 in 1976.

In the context of staffing in the Civil Service, Mr WONG Lam had heard 'in the past only one Housing Manager was put in charge of one whole estate. But today the same estate is under the management of several Housing Managers and many more Assistant Housing Managers'. I have written, Sir, at some length to my honourable Friend earlier this week on the particular point but on the general aspect, the Housing Authority believes that staff should be kept to the minimum and deployed efficiently. As the judge in 'Trial by Jury' put it: 'a nice dilemma we have here'. In 1973 the Authority took over the estates previously administered by the Resettlement Department, and the scope and standard of management had to be improved. This required, inevitably, increases in staff. I assure my honourable Friend, however, that the Authority keeps a close watch on these matters, springing nimbly from one horn of the dilemma namely complaints of excessive expenditure, to the

other horn of the dilemma namely complaints of unsatisfactory management and maintenance standards.

Increases in staff, Sir, are required for another, excellent, reason—to build and to manage new estates. Between 1973 and 1978, 14 new estates were opened providing 48,500 flats. The Housing Authority building programme is accelerating so fast that the next 5 years will see the completion of 186,000 flats, that is almost 4 times the production of the preceding 5 years.

Sir, I beg to support the motion.

SECRETARY FOR SECURITY:—It is noteworthy that so far only one Member has referred to the fight against crime in this debate. Some may say that was because he spoke early in the debate and covered the subjects so comprehensively, it left nothing more to be said. If this is so, then it was not always the case. For example, in the 1975 debate the principal preoccupation of Members was with crime in general and violent crime in particular, and in the year before it had been the control of crime which caused the greatest anxiety amongst Unofficial Members.

Despite Miss DUNN's rather chilling reminder expressed, if I may say so, with her usual warmth and charm, that it is dangerous to interpret public silence as indicative of public satisfaction, I believe that the efforts and success of the Royal Hong Kong Police in the fight against crime are appreciated by the public. I would like to add my own thanks to the Force for its continuing dedication to this task.

The thrust of Police operations is being constantly refined and redirected to meet new challenges and developments as they occur. As an example, the activities of triads are the subject of close investigation and coverage by the Force. There are also further plans to bring greater pressure on triads. These initiatives have been considered in the Fight Crime Committee and it is the intention to put a proposal for the amendment of legislation to His Excellency in Council shortly. At the same time a small official group is being established to co-ordinate more comprehensively, than has been done before, the counter measures which other Government departments are taking.

His Excellency referred to proposals for housing the Police and Mr CHEONG-LEEN touched on this. The provision of housing for all junior Police officers is now accepted policy, partly in public housing estates and partly in departmental quarters, though inevitably this policy will take time to implement. Further, a scheme for allocating housing in public estates for junior officers in all disciplined services, who are approaching retirement, has been announced. The first allocations will take place next year and will enable the officers to retain this accommodation after retirement.

At this point, I wish to mention briefly the work of the ICAC and I am indebted to you, Sir, for providing me with the text. I am sure that the Commissioner and his staff are most heartened by the words of Mr CHEONG-

LEEN and Mr WONG Lam, and indeed for the support all Members have given to the Commission since its inception. The Commissioner informs me that the number of cases presently under investigation is higher than at any time during the past twelve months and, indeed, is about equal to the highest case-load for the past two years. Mr WONG is quite right, however: present investigations increasingly tend to be concerned with the 'satisfied customer' type of corruption and these are less dramatic (and therefore less newsworthy) than are, say, cases dealing with syndicated corruption. These cases are complex and complicated and they frequently present far greater difficulties for the ICAC investigators than do cases in other categories.

The Commission's prevention and education arms continue to lengthen and to expand. Again, they are not the sort of activities which attract the attentions of the media very often. Even so, Members can be assured that there has been no slackening of impetus in the fight against corruption: the ICAC remains, and will continue to be, a most potent force.

Two Members, Mr CHEONG-LEEN and Dr HO referred to the corrective and treatment programmes operated by the Prisons Department. The easing of the pressure on accommodation in almost all institutions is welcome, not only in itself, but also because it allows more attention to be given to rehabilitation. In this context the plan to expand and increase the output of prison industries is important. It enables the best use to be made of the labour available, and also provides training which will assist prisoners to reintegrate into society on discharge as Dr HO reminded us. I am pleased to learn that in 1978, 54% more raw material by value at constant prices will be used in Prison industry than in 1977.

In these rehabilitation programmes the Prisons aftercare service has an important role. Every inmate of a drug addition centre, or a detention or a training centre is allocated to an aftercare officer on admission. This association continues and develops during the custodial period. Inmates are released, when this is judged to be desirable and once a job is found, or, if young enough, a place at school and aftercare then continues for the period prescribed.

We are looking at two other proposals. First, to extend the coverage of aftercare services to include those under 21 sentenced to prison and, secondly, in conjunction with the Action Committee Against Narcotics, at possible changes in the law in respect of addicts generally, and especially those who have served two or more sentences about whom Mr CHEONG-LEEN spoke. When these reviews are complete some changes in the legislation may be required.

Obviously it would be wrong to paint too rosy a picture of the results of these programmes, or of the long-term work habits, or prospects, of those who are released from prison institutions, but the encouraging results from detention centres and treatment centres are being maintained. The Civil

Service for its part provides a source of employment for some of them and in April there were about 170 ex-prisoners and 45 addicts in employment in various carefully selected departments and jobs.

The Governor referred to the arrangements in force with the United Nations High Commissioner for Refugees for accommodating refugees from Vietnam temporarily. The agreement is that Hong Kong allows Vietnamese refugees to land here as part of the international effort and against a guarantee by the UNHCR to find them permanent homes elsewhere. We accept such persons both in overseas ships which have rescued them, and I stressed 'rescued them' and in which Hong Kong is the first port of call, as well as in cases where refugees arrive here direct from Vietnam in smaller, less seaworthy vessels. The UNHCR care for these people whilst they are here and we are most grateful to the High Commissioner for doing so.

Mr CHEONG-LEEN has suggested that we should seek to impose a limit on the number of refugees here at any one time. This is a fast moving scene, with some disturbing recent developments, in which we are in constant dialogue with the UNHCR. We certainly are not able to cope with many more refugees, but to impose a fixed limit would not be realistic in present circumstances.

I support the motion.

DIRECTOR OF AGRICULTURE AND FISHERIES:—Sir, I have listened with interest to all the speeches of my honourable Colleagues and with particular interest in the speech of my honourable Colleague, Mr Andrew So, with whom I have had the pleasure of working for several years in the field of credit unions. I would like to take this opportunity of reassuring Mr So that the Government continues to be interested in the promotion of self-help cooperative projects whether these be targetted towards economic or social aims or both.

The co-operative movement in Hong Kong is now more than 25 years of age; and is firmly established as a way of life particularly for many of our primary producers. There are 130 co-operative societies, involving some 12,000 members, or between 48 and 50,000 persons if you include families, providing economic services from marketing to the provision of credit facilities to farmers and fishermen.

There are also 24 socially targetted, or better living, co-operatives which aim at providing social and management services for some 2,000 families or more than 8,000 persons in self-help housing projects for primary producers.

In a more general field there are 253 co-operative societies of which only 4 are concerned with thrift and loan activities. The remaining 249 societies provide primarily social services for their members; 10 being consumer societies and 239 being concerned with the management and maintenance of apartments and co-operative housing schemes. These 253 societies with a

membership of more than 8,400 represent, with their families, some 35,000 persons.

In other words, at the present moment the lives of nearly 100,000 people in Hong Kong are benefited by involvement with the co-operative movement.

The credit union movement, the promotion of which is rested in the legal credit union, is younger having come into legal existence only 10 years ago. Nevertheless there are at present 55 credit unions with some 10,500 members drawn from associational, employment and residential linkages. The credit union concept seeks to establish agencies for thrift and personal credit, to channel members' savings into productive and useful undertakings and to provide a ready source of credit to members in time of need.

The Government recognizes and acknowledges the benefits accruing from membership of either the co-operative or the credit union movement. It also notes with interest the several suggestions put forward by Mr SO as to how these movements may, perhaps, play an expanded role in our way of life. I look forward to further discussions with my honourable Friend therefore but would sound a note of caution regarding the practicality of certain of his proposals.

With these few remarks, Sir, I support the motion.

DIRECTOR OF EDUCATION:—Sir, I am heartened to learn, from what Honourable Members said in this Council a fortnight ago, that they share the public's general approbation of the major proposals concerning education contained in the Governor's Address and in the White Paper on Senior Secondary and Tertiary Education. The White Paper's aim is to set down the main guidelines for the further development of education in Hong Kong in the next decade. I am grateful to Members for their comments on these guidelines and for focussing attention on particular areas which require special care as we start putting our plans into action. I shall try to respond to some of Honourable Members' remarks and mention some of the things that we are or shall be doing in those areas about which concern has been expressed.

Miss BENNETT has commented on the need to be alert to the dangers arising from too many changes in our education system. This is indeed true. Changes over the last few years have been rapid and many. Aware of this, the Education Department has already planned a programme of monitoring tests to be conducted by the Educational Research Establishment of the Advisory Inspectorate to measure changing trends. The programme consists of a series of tests administered at the Primary 2, Primary 6, Form I and Form III levels at two-year intervals. The first of these tests have already been given at the Primary 6 and Form I levels.

Miss BENNETT's more specific comments on the term 'free education' and its 'special Hong Kong flavour', followed by her expression of concern over the possible adverse effects of proposals to abolish Tong Fai, are equally

appreciated. It is partly because children are still required to buy their own textbooks, stationery and uniforms that my Department considers that Tong Fai as well as tuition fees in Forms I—III should be abolished in the vast majority of schools. Moreover, it is intended that, should Tong Fai be abolished, there would be a considerable increase in the Capitation Grant which would enable all aided schools to provide what they consider essential and desirable. It is proposed that the list of items chargeable to this grant should be extended so that the ‘varying creative ability of school administrators and teaching staff’ would find plenty of outlet, thus allowing for the continuation of the variety and diversity of schools which Miss BENNETT regards, quite rightly, as important in Hong Kong and in which voluntary organizations play so positive a role.

However, I must dispel her fear that our financial arrangements would remove all initiative and opportunity to be different and downgrade all aided schools. I suspect that this fear was also in Mr Oswald CHEUNG’s mind when he reminded us that where quality exists, it should ‘not be interred for the sake of uniformity and ease of administration’. I can assure Members that it is not the Government’s intention to impose a rigid, monolithic system or to discourage individuality. What I am most concerned for, at this stage, is to provide the firm foundations from which diverse activities can spring. I do not think all schools will be equal, but we must ensure that all of them have the resources and opportunity to become equally good.

I agree that the partial replacement of Tong Fai income by substantial public funds must involve closer financial control; however, every effort will be made to simplify present procedures with a view to making them more effective, yet at the same time less onerous and more flexible. Certainly I can assure Miss BENNETT that no change is being contemplated regarding the present Tong Fai arrangements in Forms IV—VI.

Miss BENNETT also had several comments to make on the teaching of Chinese and raised the question of the teaching of simplified Chinese characters. I am sure she would be quick to agree that what we teach in our schools cannot be completely divorced from the realities of the society in which our schools exist. As long as the traditional script remains the normal method of written communication in our community, we should be most unwise, and indeed be doing a great disservice to the pupils, to stop teaching it in the schools. The introduction of the simplified characters would then add an additional classroom task which can more conveniently be undertaken by individuals when they find a need for this specific skill.

With regard to the teaching and learning of the Chinese language, I can assure Members that the staff of the Education Department are very aware of the problems and are working towards their solution. Every effort is being made to emphasize the *use* of the language as an effective means of communication in daily life, to move away from the more traditional, expository, ‘chalk and talk’ approach, and to recognize the full range of pupils’ abilities

and interests. These aims are reflected in recent revisions of suggested syllabuses, in steps to improve the quality of textbooks, and in the preparation of more effective teaching aids. In the forefront of this movement is the Chinese Language Teaching Centre which has been running regular in-service courses for teaching since its establishment in 1974.

At this point I should like to comment on what Mr James WU said about the Hong Kong Examinations Authority's decision to change the regulations of the Higher Level Examination regarding language requirements. The Authority's basic consideration was to keep entry restrictions to a minimum. Since the Higher Level Examination may be taken either in English or in Chinese, candidates should be required to have obtained in the Certificate of Education Examination at least Grade E in either language. In making these examination regulations the Authority had no intention of prescribing what subjects schools should teach in their courses, since the Authority did not consider that the determination of the school curriculum was one of its functions. However, in view of the public interest in the matter, the Examinations Authority will be reviewing its earlier decision in the near future. Nevertheless, it is essentially in the field of curriculum planning and its later implementation in the form of classroom teaching that we must direct our efforts in order to improve the competence of our pupils in the use of the Chinese language.

Finally, I should mention that the Board of Education is taking a lively interest in the whole question of language proficiency, and I shall continue to seek advice from the Board to ensure that we are moving in the right direction.

I should like to turn now to the subject of slow learners. Regarding the numbers of slow learners in each age group, Miss BENNETT quoted a figure of 13% as given in the Plowden Report. Pending the collection and analysis of specific statistical information for Hong Kong, a prevalence rate of 10% is being used as a basis for planning. I fully agree that we need more educational psychologists: at the moment, we have only 2 fully qualified officers against an establishment of 16, because of the scarcity of such trained personnel in Hong Kong. I hope the universities will help us to train more people locally. The recruitment and deployment of trained educational psychologists is most important for testing and retesting children. But so that we can get on as quickly as possible with the job of caring for those children whose condition is not in dispute, I should also like to take the opportunity to appeal to secondary schools to come forward and help us provide more special classes for all kinds of handicapped children.

Miss BENNETT referred specifically to the problem of backward children learning Chinese. Slowness in learning one's native language, like slowness in learning generally, may be due to a multiplicity of interacting causes, such as disruption in education, psychological, emotional and environmental factors. The Education Department has, in consultation with the Professor of

Education of the University of Hong Kong, standardized group ability and attainment tests as one of the means of assessment and for providing data for further research into the problem of pupils with learning difficulties. A preliminary study is now being made to look into the educational, psycho-logical and medical problems of primary school pupils with severe difficulties in reading their native language. Once the findings of this study are available, construction of diagnostic tests for analysing specific learning difficulties in Chinese will be planned.

While on the subject of rehabilitation, I must refer to Miss BENNETT's point about delays in the Rehabilitation Development Co-ordination Committee. I can think of one matter to which Miss BENNETT may be referring: the revision of the Codes of Aid for Primary and Secondary Special Schools and Special Classes to enable the Education Department to take over from the Social Welfare Department the administration for centres run by voluntary bodies for mentally retarded children and to improve their existing services. The actual taking over of administration for these centres is a complicated business. Work on this began in April this year and is expected to be completed by April next year. The process for the revision of the Codes of Aid for Special Schools and Special Classes is now nearly finished. A paper setting out the proposed amendments to the Codes of Aid has in fact been sent to the RDCC Sub-Committee on Education seeking its advice on the various recommendations.

Mr Alex WU has also expressed concern about language teaching and has stressed the importance in today's world of the ability to communicate easily and effectively. In Hong Kong this means that we must, through our education system, ensure that all our young people reach the highest level of skill of which they are capable in their first language. For the vast majority, this means skill in Chinese. I have already commented on what we are doing in this area in response to Miss BENNETT. The well-being of Hong Kong, however, also depends to a degree on skill in the English language. The whole question of the teaching of English in our schools is at present under review, and to direct this review there is an English Language Adviser now attached to the Education Department. It is too early to indicate the result of the review or the proposals which will come from it. What I can say at present is that in many parts of the world, in foreign and second language teaching much greater attention is being paid to the promotion of communication skills, to the use of rather than the knowledge of languages. Whatever form the final proposals take, I am sure this emphasis on communication will be fundamental.

I should add that the English Language Adviser is working in close liaison with the team now planning the new courses of teacher training mentioned in the White Paper. In the Colleges of Education, posts have been provided for the teaching of language skills, in addition to those for the teaching of English and Chinese. It is the intention to give much attention in both

pre-service and in-service courses to developing proficiency in language and improving communication skills.

In order to improve proficiency in English among graduate teachers at the university Schools of Education, both universities have been invited to submit proposals to the UPGC for developing an English language unit in each of the Schools of Education.

I should now like to turn to Mr Allen LEE's point about the need to pay more attention to the training of technical personnel above the technician level in order to aid the diversification of industry. I fully agree with Mr LEE and am sure that as the various tertiary education institutions develop under the plans set out in the White Paper, they will have this very much in mind.

Sir, with these remarks, I support the motion.

THE ATTORNEY GENERAL:—Sir, I move that the debate on this motion be adjourned.

Question put and agreed to.

HONG KONG AND YAUMATI FERRY COMPANY (SERVICES) ORDINANCE

THE SECRETARY FOR THE ENVIRONMENT moved the following motion:—

With the consent of the Company—

- (1) that the Schedule to the Ordinance be amended—
 - (a) in paragraph 4(1)—
 - (i) by deleting '\$72,400' in both places where it occurs and substituting in each place the following—
'76,900'; and
 - (ii) by inserting, after item (1), the following item—
'(m) Kowloon City Vehicular Ferry Pier..... 4,500'; and
 - (b) in Appendix I—
 - (i) under the heading 'FERRY RUNS', by inserting, after item (v), the following item—
'(w) North Point Vehicular Ferry Pier—Kowloon City Vehicular Ferry Pier.'; and
 - (ii) under the heading 'FERRY PIERS AND FRONTAGES', by inserting in item (i), after 'Kowloon City. Ferry Pier', the following—
'and Kowloon City Vehicular Ferry Pier'; and

- (2) that the amendments to the Schedule set out in this resolution shall come into operation on a day to be appointed by the Governor by notice in the *Gazette*.

He said:—Sir, I rise to move the motion standing in my name on the Order Paper.

This motion, under the Hong Kong and Yaumati Ferry Company (Services) Ordinance (Chapter 266), seeks to make permanent the vehicular ferry service between North Point and Kowloon City and it is introduced with the consent of the Company.

The route has been operating under a temporary licence since 1976 and has proved popular, carrying some 50,000 vehicles a month and making a substantial contribution to overall cross-harbour vehicular traffic. Given the increasing congestion in the area of the Cross Harbour Tunnel it is only sensible to maintain facilities of this type as an alternative to the tunnel for those who wish to use them.

Sir, I beg to move.

(At this point, Mr Alex Wu declared an interest and would therefore abstain from voting on this motion).

Question put and agreed to.

First reading of bills

INLAND REVENUE (AMENDMENT) (NO 5) BILL 1978

LANDS TRIBUNAL (AMENDMENT) BILL 1978

UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1978

PENSIONS (AMENDMENT) BILL 1978

Bills read the first time and ordered to be set down for second reading pursuant to Standing Order 41(3).

Second reading of bills

INLAND REVENUE (AMENDMENT) (NO 5) BILL 1978

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Inland Revenue Ordinance’.

He said:—Sir, in April this year, when winding up the budget debate, I gave an undertaking to introduce an amending Bill containing proposals for a dependent parent allowance effective from the year of assessment 1979-80. The Bill now before Council gives effect to that undertaking.

An allowance for the maintenance of dependent parents was introduced for the first time in 1970, but was abolished in 1973 as part and parcel of a general overhaul of the system of personal taxation involving, *inter alia*, the abolition of all selective allowances, namely, the dependent parent allowance, lower income relief, the working wife allowance, and the deduction for life insurance. Taxpayers were, in particular, abusing the dependent parent allowance to such an extent that, added to the inherent difficulties the Commissioner was finding in administering it, there was little alternative but to abolish it anyway.

However, since its abolition in 1973, there have been renewed and persistent appeals for its reintroduction. There are, of course, most cogent arguments against any selective allowance because, to gear the fiscal system in favour of a particular category of taxpayers, operates unfavourably in regard to the generality of taxpayers. Nonetheless, I have finally agreed to reintroduce an allowance to provide some form of relief to a taxpayer with dependent parents, because such an allowance has clearly acquired a certain symbolic quality. But I must emphasize that the scheme now proposed must be viewed against the background of the experience gained with the 1970 allowance and the evidence adduced as to its widespread abuse.

The essential features of the scheme now proposed are:

First, an allowance of \$4,000 for the purpose of salaries tax or personal assessment will be granted in respect of a taxpayer's parent or a parent of the taxpayer's spouse, provided that the parent is a permanent resident in Hong Kong and is either over 60 years of age or is eligible for a Government disability allowance.

Secondly, for the purpose of the allowance, a parent will be regarded as having been maintained if he lived with the taxpayer rent-free for a continuous period of six months in the year of assessment, or if the taxpayer contributed not less than \$1,200 in cash towards his maintenance in that year.

Thirdly, the term 'parent' is defined to mean a parent of whose marriage, being a marriage recognized by the law of Hong Kong, the taxpayer or his wife is the child; a parent by whom the taxpayer or his wife was adopted in an adoption recognized by the law of Hong Kong; a stepparent; the natural mother of the taxpayer or his wife; or a parent of a deceased husband or wife of the taxpayer.

Fourthly, the allowance will be a flat rate of \$4,000 per parent, and will be granted in full irrespective of the actual cost to the taxpayer of the

maintenance of the parent. However, the allowance in respect of any one parent will be granted to only one taxpayer. Where more than one taxpayer is entitled to claim the allowance in respect of a parent, the claimants will have to decide between themselves which of them is to claim. Because the granting of the allowance will be non-means tested, the allowance will be available irrespective of the parent's income.

I propose that the allowance should apply to 1978-79 final assessments and 1979-80 provisional assessments. This is more generous than I had in mind when winding up the budget debate in that the allowance will not just be deductible for 1979-80, but will also be deductible for final assessments 1978-79. This is consistent with the thinking behind the system of provisional tax which is computed on the assumption that net chargeable income (that is, income less allowances) is the same for the preceding year. The loss of revenue will, therefore, be nearly \$61 million in the financial year 1979-80 and \$37.5 million a year thereafter. I should also mention, for the information of Members of Finance Committee, that additional staff will be required to administer the scheme and will have to be provided.

After the Bill was gazetted on 10 November, although it was generally welcomed, several adverse comments appeared in the press on specific aspects of the scheme, which I shall now deal with.

First, the level of the allowance at \$4,000 per parent has been criticised as being too low. Incidentally, Sir, whilst I hesitate to draw a comparison between allowances granted in Hong Kong and similar allowances granted in tax legislation elsewhere, let me say that this proposed allowance at \$4,000 per parent compares *very* favourably indeed with similar allowances in other countries (for example, in the United Kingdom, the allowance is the equivalent of less than HK\$1,000 per parent, and in Singapore it is the equivalent of HK\$1,500 approximately per parent). The proposed level of allowance is based on the existing allowance for a first child, which was last revised with personal allowances as part of my 1977 budget proposals. It follows the precedent of the dependent parent allowance introduced in 1970; that allowance was \$2,000 based on the first child allowance then of \$2,000.

Honourable Members will recall that the 1970 allowance was a maximum of \$2,000, and was *withdrawn* where the parent had a separate net income exceeding \$2,000, and was *abated* where the amount of the taxpayer's contribution to the maintenance of the parent was less than \$2,000. The allowance now proposed is, however, non-means tested and is payable in full irrespective of the cost to the taxpayer of the maintenance of the dependent parent. A parent will be regarded as being maintained if he resides with a taxpayer rent-free for not less than six months, or if the taxpayer contributes not less than \$1,200 a year in cash towards his maintenance. So the proposed allowance is much more generous than the previous one. For logically, the allowance should be set at a maximum level of \$4,000, and should be abated where the level of maintenance is actually less than

this amount. The proposed scheme does not provide for abatement and where the cost to the taxpayer of maintaining his parent is less than \$4,000 a year, the full allowance will still be allowed.

Secondly, the proposed age criterion has been criticized on the grounds that there should be no age criterion at all. It has also been argued that, if an age criterion is necessary, it should be pegged at a level to relate to the retirement age of civil servants, that is to say 55 or even 45 years of age. Since the allowance as such is not directed purely for the benefit of civil servants, the retirement age for the civil service is of very doubtful relevance. In any case, it is possible for civil servants to extend their service beyond the retirement age of 55, and in the vast majority of cases, those who do retire at 55 are in receipt of a pension or have alternative employment.

As I explained earlier, under the proposed scheme, the definition of maintenance is very wide indeed. In this connection, it should be remembered also that the allowance will not be means tested, for to take the income of a parent into account will impose the same difficulties in administering the scheme as were experienced in respect of the 1970 scheme. Thus the imposition of an age criterion is in part to bolster the concept of maintenance and in part to reduce the cost to the revenue. To remove the age limit altogether would entail a significant increase in forgone revenue. This would be unacceptable on budgetary grounds. Let us not forget, Sir, that the allowance is conservatively estimated to involve forgoing revenue of \$61 million or about 7% of total salaries tax in the first year and \$37.5 million or about 4% of total salaries tax a year thereafter.

Whilst the selection of the qualifying age of 60 is, to an extent, arbitrary, I am satisfied that it does reflect the general retirement age in the community, and it is also in line with the limits imposed in other countries (*eg* in Taiwan and Korea) with similar provisions for allowances to recognize dependency.

Thirdly, there have been suggestions that the condition that the parent must be a permanent resident in Hong Kong should be removed. The removal of this condition would make it extremely difficult to administer the scheme. It is essential to minimise the possibility of abuse and to limit the Commissioner's monitoring role to the absolute minimum.

The proposed allowance will effectively reduce the tax liability of those with dependent parents, the extent of the relief being determined by the circumstances of each individual taxpayer. The tax threshold of a married taxpayer with two children and two dependent parents will be pushed up from \$31,000 a year to over \$38,000 a year. And the tax liability of a married taxpayer with two children and two dependent parents (and he could have, of course, more than two) will be reduced by nearly 79%, or \$412, on a salary of \$40,000 a year; by over 50%, or \$887 on a salary of \$50,000 a year; and by nearly 37%, or \$1,350, on a salary of \$60,000 a year.

I hope, Sir, that Mr WONG Lam will take careful note of these rather startling figures.

Motion made. That the debate on the second reading of the Bill be adjourned—THE FINANCIAL SECRETARY.

Question put and agreed to.

LANDS TRIBUNAL (AMENDMENT) BILL 1978

THE ATTORNEY GENERAL moved the second reading of:—‘A bill to amend the Lands Tribunal Ordinance.’

He said:—The Lands Tribunal was established in 1974 for the purpose of determining claims for compensation arising under various Ordinances and to hear and determine rating appeals. I believe it is generally recognized that the Tribunal has worked well and is achieving satisfactorily the purposes for which it was set up. However, the experience of the past few years has brought to light the need for several amendments to the Lands Tribunal Ordinance and this Bill contains changes in the law intended to facilitate the work of the Tribunal.

There are five unrelated amendments in the Bill and the purpose of each is described in the published explanatory memorandum to the Bill. I shall mention just two of the amendments.

Clause 4 amends section 11. That section provides that decisions of the Tribunal are final except for a right of appeal to the Court of Appeal on a point of law. This amendment concerns only the procedure of such appeals and provides for appeals to be by way of the simpler case stated procedure rather than under the Rules of the Supreme Court. The amendment in fact confirms the original intention.

Clause 5 introduces a new section 11A to the Ordinance which will enable the Tribunal to deal by way of review with any erroneous findings of fact which may appear in the Tribunal’s decisions. The consequences of adopting a wrong figure or mathematical error can, of course, be serious and this clause will enable any errors of this kind to be simply corrected by the Tribunal within one month of the decision either of its own motion or on the application of either party to the proceedings.

Motion made. That the debate on the second reading of the Bill be adjourned—THE ATTORNEY GENERAL.

Question put and agreed to.

THE UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1978

THE SECRETARY FOR SOCIAL SERVICES moved the second reading of:—‘A bill to amend the University of Hong Kong Ordinance.’

He said:—Section 8(1) of the principal Ordinance as it stands names certain faculties at the University of Hong Kong, including the combined Faculty of Engineering and Architecture. The Court of the University is also empowered to constitute other Faculties not named in the Ordinance and the Faculty of Social Sciences and Law has been constituted in this way.

With the development and expansion of the University of Hong Kong, the Court has decided to establish its Departments of Architecture and of Law into separate Schools. This now necessitates changes of nomenclature of the combined faculties in which those departments were organized.

The object of this Bill is to effect these changes in nomenclature.

Motion made. That the debate on the second reading of the Bill be adjourned—THE SECRETARY FOR SOCIAL SERVICES.

Question put and agreed to.

PENSIONS (AMENDMENT) BILL 1978

THE SECRETARY FOR THE CIVIL SERVICES moved the second reading of:—‘A bill to amend the Pensions Ordinance and to validate certain pensions, gratuities and other allowances.’

He said:—The object of this Bill is to extend the Governor’s power under the Pensions Ordinance so that he may, at his discretion, grant pensions, gratuities and other allowances to civil servants who are retired compulsorily in exercise of disciplinary powers, or who are removed from office at the pleasure of the Crown.

The existing section 7 of the Pensions Ordinance provides for the discretionary grant of retirement benefits only when an officer is retired in the public interest otherwise than as a punishment. However, with effect from 1 January 1977, Colonial Regulations were amended to provide for the award of compulsory retirement as a punishment, either with, or without, or with reduced pension benefits. This new form of punishment is needed in cases when dismissal with complete loss of retirement benefits would be too severe or when retirement in the public interest, otherwise than as a punishment, would be too generous.

As a consequence of this amendment of Colonial Regulations, there is a need to include provision in the Pensions Ordinance for the grant of

retirement benefits in such cases. There is also a need to provide for the grant of retirement benefits to officers who are removed from office at the pleasure of the Crown, so as to provide the Government with maximum flexibility in dealing with such cases.

The Bill accordingly repeals and re-enacts section 7 of the Pensions Ordinance to provide the discretionary powers which are now needed; it also validates the retirement benefits already granted in anticipation of these amendments.

Motion made. That the debate on the second reading of the Bill be adjourned—THE SECRETARY FOR THE CIVIL SERVICE.

Question put and agreed to.

DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL 1978

Resumption of debate on second reading (18 October 1978)

Question proposed.

MR F. W. LI:—Sir, as the Chairman of a registered deposit-taking company and a director of a licensed bank, I should like to declare an interest in the contents of this Bill. I speak, of course, as a Member of this Council.

The Bill contains a number of special features—the submission of a monthly return by each registered deposit-taking company and, with or without prior notice, the inspection of its books, accounts and transactions by the Commissioner. Clause 9 of the Bill also introduces a new section relating to liquidity requirements, with the minimum ratios for liquid assets to deposits to be specified by the Financial Secretary. This new section is to come into operation on a subsequent date to be appointed by the Governor.

When I addressed this Council in November 1973 I expressed the hope that the time would soon come when Government would see fit to make a decision on legislation to regulate finance companies in the interest of the public at large. Later, in my speech on the budget in March, 1974, I commented on the Financial Secretary's proposal to introduce a Protection of Depositors Bill, the main provision of which was to be the stipulation of a minimum size of deposit which finance companies could accept from the general public. I said that unless the minimum size of such deposits was prohibitive to the ordinary depositor, this form of protection alone would be inadequate. I suggested instead that further provisions might be introduced to control these companies, such as compulsory registration, payment of an annual fee, a minimum paid-up capital, a minimum liquidity ratio and the filing of monthly returns—all these in addition to stipulating a minimum size

of deposit. When winding up that debate the Financial Secretary stated that his mind was not completely closed on this question, and he was most anxious to tap all available advice on the whole issue of how, and to what extent, control over the activities of finance companies should be strengthened.

Subsequently, the Deposit-taking Companies Ordinance was enacted in January, 1976. It included provisions relating to compulsory registration, payment of an annual fee, a minimum paid-up capital and a minimum size of deposit. My other two suggestions, namely, the filing of monthly returns and the requirement of a minimum liquidity ratio, took much longer (four years and eight months) to be exact to bear fruit in the form of the Bill now before Council. It is somewhat disappointing that it has taken so long to provide for the submission of monthly returns as a statutory requirement. I would have thought that this would have been a relatively simple exercise well within the capacity of our legal draftsmen. I can, however, appreciate the problems involved in attempting to specify a minimum liquidity ratio since that cannot be determined arbitrarily. The Commissioner will require some time to examine these new returns, and the mechanism of filing such returns would therefore allow the Financial Secretary to exercise his judgment in deciding on a percentage that will ensure depositors are given reasonable protection. If, as I understand it, short-term claims by banks on deposit-taking companies are not to rank as liquid assets, I personally feel that the liquidity ratio requirement for deposit-taking companies should of necessity be lower than that of a bank. However, I agree with the Financial Secretary that, even in the case of the banks, the liquidity position needs to be reexamined. Perhaps this could be done conveniently at the same time as the definitions of liquid assets and the minimum proportion of deposit liabilities for deposit-taking companies are resolved by Government, as suggested by the Financial Secretary on 18 October this year when he moved the second reading of this Bill.

Sir, the Unofficial Members support the Bill and believe that its enactment will not only provide further protection to depositors but also allow Government to regulate more adequately the operations of registered deposit-taking companies. We are fully aware that the liquidity position of such companies will not be, by itself, a genuine safeguard if they engage in unsound business practices. A system of prudential supervision is therefore absolutely essential, especially as short-term claims by banks on these companies are not to rank as liquid assets.

With these remarks, Sir, I support the motion.

MR SO:—Sir, as the purpose of the Bill is to introduce a system of prudential supervision of registered deposit-taking companies and as the Government has a responsibility to protect members of the public against eventualities against which they cannot protect themselves, I wish to support the Bill whole-heartedly.

However, in order to further protect members of the public and to ensure that financial sector adequately services the needs of Hong Kong's growing economy, I suggest that the Government should consider introducing, at a later stage, an insurance programme requiring deposit-taking companies as well as banks to be insured with a Government's insurance fund to be set up against possible loss in the case of their dissolution or winding up of business for the protection of depositors. The insured deposit-taking companies or banks should pay annual contributions to the Government's deposit insurance fund.

Sir, with these brief remarks, I support the motion.

THE FINANCIAL SECRETARY:—Sir, not being one of Miss DUNN's sensitive characters, I accept Mr LI's gentle rebuke for the delay in putting forward these proposals for the detailed prudential supervision of deposit-taking companies in Hong Kong. But a great deal of time has been taken up since 1973 in very detailed and technical discussions with many bankers and many merchant bankers, both about the principles involved and about the detailed application of those principles.

Mr LI has argued that it should be what he described as relatively simple, or relatively simple exercise to provide for the submission of monthly returns by deposit-taking companies as a statutory requirement. I agree with him completely. But the implication of the Government receiving those monthly returns is that the Government accepts a degree of responsibility for the prudential supervision of those companies. How far is it right for the Government to accept that responsibility, if it does not have the power to ensure that all is well in the companies?

Behind this question lies a wider theme—the responsibility of the Government for the well-being of the people of Hong Kong. How far should individuals have to rely on their own common sense to protect themselves, and how far should they be protected by the Government? Mr LI will recall that when the Deposit-taking Companies Ordinance was passed, it forbade those companies to take deposits from the public of less than \$50,000. This was in the belief that depositors of large sums of money would be financially sophisticated, and well able to look after themselves, while smaller depositors would be more likely to need some protection: for that reason also small depositors were steered towards the banks, which were subject to careful prudential supervision by the Government.

But in the space of 2½ years, that is to say, from 1976 until now, the attitude of the Government has changed, and we now accept—after long discussions, and I repeat long discussions, with the financial community—we now accept we have a duty towards the larger depositor, as well as the smaller. I do not say that we accept responsibility for the ultimate repayment of deposits, large or small. But we accept that we need to supervise the attitudes of all institutions which take deposits, large or small. This is

in the general social interest and is consistent with our emergence as an international financial centre.

Mr SO suggested the establishment, at a later stage, of a deposit insurance fund to protect depositors with both banks and deposit-taking companies. His suggestion raises many difficult questions: how complete, for instance, should the coverage be? Should all deposits be fully covered, or all deposits up to a certain level, or should there be partial coverage up to a certain level? Just as important to the banks and deposit-taking companies would be the basis of the insurance premium to be charged. We shall consider Mr SO's suggestion when time permits but, by implication, in putting forward this suggestion, he is doubtful of the efficacy of the present system of prudential supervision over the banks and the system of prudential supervision proposed for deposit-taking companies. I have no such doubts.

Finally, Sir, while thanking Unofficial Members for their support for this Bill, may I confirm that, in the coming months, we shall be looking at the liquidity requirements, and at the definition of liquid assets, for licensed banks as well as for registered deposit-taking companies. These requirements and definitions must be complementary, if not identical, and so must be examined together.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).

BANKING (AMENDMENT) BILL 1978

Resumption of debate on second reading (18 October 1978)

Question proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).

SHIPPING AND PORT CONTROL BILL 1978

Resumption of debate on second reading (18 October 1978)

Question proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).

HONG KONG AIRPORT (CONTROL OF OBSTRUCTIONS) (AMENDMENT) BILL 1978

Resumption of debate on second reading (18 October 1978)

Question proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).

WIDOWS AND ORPHANS PENSION (EXEMPTION) BILL 1978

Resumption of debate on second reading (18 October 1978)

Question proposed.

Question put and agreed to.

Bill read the second time.

Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).

Committee stage of bills

Council went into Committee.

DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL 1978

Clauses 1 to 10 were agreed to.

BANKING (AMENDMENT) BILL 1978

Clauses 1 to 5 were agreed to.

SHIPPING AND PORT CONTROL BILL 1978

Clauses 1 to 81 were agreed to.

HONG KONG AIRPORT (CONTROL OF OBSTRUCTIONS) (AMENDMENT) BILL 1978

Clauses 1 to 5 were agreed to.

WIDOWS AND ORPHANS PENSION (EXEMPTION) BILL 1978

Clauses 1 to 3 were agreed to.

Schedule was agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that the

DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL

BANKING (AMENDMENT) BILL

SHIPPING AND PORT CONTROL BILL

HONG KONG AIRPORT (CONTROL OF OBSTRUCTIONS) (AMENDMENT) BILL
and

WIDOWS AND ORPHANS PENSION (EXEMPTION) BILL

had passed through Committee without amendment and moved the third reading of each of the bills.

Question put on each bill and agreed to.

Bills read the third time and passed.

Adjournment and next sitting

THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30pm to-morrow.

Suspended accordingly at ten minutes past four o'clock.