

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 24 January 1979****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 JACK CATER, KBE, 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 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 GARTH CECIL THORNTON, OBE, 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, CMG, 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 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 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, OBE, JP

THE HONOURABLE CHEN SHOU-LUM, OBE, 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

THE HONOURABLE LI FOOK-WO, CBE, JP

THE HONOURABLE DAVID KENNEDY NEWBIGGING, JP

IN ATTENDANCE

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

Papers

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Merchant Shipping (Liability of Shipowners and Others) Act 1958. Merchant Shipping (Limitation of Shipowners' Liability) (Hong Kong Dollar Equivalents) Order 1979	11
Immigration Ordinance. Immigration (Places of Detention) (Amendment) Order 1979.....	12
Public Health and Urban Services Ordinance. Public Health and Urban Services (Designation of Libraries) Order 1979	13
Road Traffic (Amendment) Ordinance 1979. Road Traffic (Amendment) Ordinance 1979 (Commencement) Notice 1979..	15
Road Traffic Ordinance. Road Traffic (Taxis, Public Omnibuses, Public Light Buses and Public Cars) (Amendment) Regulations 1979.....	16
Public Health and Urban Services Ordinance. Food Business (New Territories) Regulations (Exemption from Regulation 31(1)) Notice 1979	17
Public Health and Urban Services Ordinance. Food Business By-laws (Exemption from By-law 32(1)) Notice 1979.....	18
Immigration Ordinance. Immigration (Anchorage and Landing Places) (Amendment) Order 1979	19

<i>Subject</i>	<i>LN No</i>
Revised Edition of the Laws Ordinance 1965. Revised Edition of the Laws (Correction of Error) (No 2) Order 1979.....	20
Interpretation and General Clauses Ordinance. Specification of Public Officers Order 1979	21
Immigration Ordinance. Immigration (Places of Detention) (Amendment) (No 2) Order 1979	22
Immigration Ordinance. Immigration (Places of Detention) (Amendment) (No 3) Order 1979	23

Oral answers to questions

Bicycles

1 MR CHEONG-LEEN asked:—*Sir, is there a meaningful system of controlling bicycles in the urban areas so that they do not become greater traffic hazards and loss of life and limb can be reduced?*

SECRETARY FOR THE ENVIRONMENT:—*Sir, bicycles, like all vehicular traffic, are subject to control under the provisions of the Road Traffic Ordinance. One obvious method of controlling them is to segregate them from other traffic but, although this can and is being done in some parts of the new towns, particularly in Sha Tin, it is not a practicable proposition in most of the urban area.*

A factor to be borne in mind is that bicycles are not very heavily used in Hong Kong. Cyclists accounted for less than 4 per cent of casualties from traffic accidents in 1978 and this figure has been dropping in recent years.

Some of the credit for this must go to the Police, who are continually seeking to reduce traffic accidents involving cyclists. For instance, the Police are now attempting to arrange training for cyclists through the Recreation and Sport Service and other similar organizations, and through events such as the ‘Cycle Safety Day’ which was held in Victoria Park last Sunday, 21 January.

MR CHEONG-LEEN:—*For the past few years in terms of the actual number of casualties, has the figure been dropping progressively so that this year is lesser than last year and much lesser than the previous year?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, certainly, as regards the percentages of accidents involving cyclists these were just under 6% of all accidents in 1978, and this compared with 7¼% in 1977 and over 8% in 1976. As regards casualties I said it was 4% in the first nine months of 1978 compared with 5% approximately in 1977 in the same period and 6% in 1976.

REV. JOYCE M. BENNETT:—*Sir, is there any control on the conditions of bicycles hired out to students?*

SECRETARY FOR THE ENVIRONMENT:—As far as I know, no, Sir, unless they are found to be in a dangerous condition then no doubt a prosecution would be brought.

MR PETER C. WONG:—*May I enquire once again whether the Transport Department would consider requiring cyclists to pass certain written test on the traffic code; this might reduce the number of accidents?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, this can be looked into.

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY)

The problem of how to control cyclists has been considered at intervals for more than ten years: it was most recently discussed by the Standing Conference on Road Use in October 1977. The Conference endorsed the view that it would be virtually impossible to solve the problem by means of legislation and that the only viable way to improve matters was by education.

There would be no difficulty in compiling written test papers for cyclists, but it would be almost impossible to find the facilities and manpower to cope with the demand if such tests were made statutory. Then there would be tremendous problems of enforcement, particularly with the casual bicycle hirer. Finally, even if all these difficulties could be overcome, I suspect that the situation on the road would hardly change and there would merely be a lot of “qualified” riders cycling in exactly the same dangerous way as they do now.

In short, I believe that real improvements can only be made through education to make cyclists aware of the dangers of bad riding. This can be accomplished by a combination of sustained publicity drives against bad cycling habits (using the media and involving schools and institutions) and encouraging the use of approved cycling tracts, such as those created by the Council for Recreation and Sport.

The schedule for the Road Safety Campaign in 1979-80 will include a mini-campaign aimed specifically at cyclists (and motor cyclists) in December, accompanied by community involvement activities including the South China Cyclists Club.

Horse-racing—Commencement time for

2 MR LO asked:—*Will the Government consider what steps can be taken to ensure that the Royal Hong Kong Jockey Club does not commence races until at least one hour and a half after the hour at which offices normally close for business?*

SECRETARY FOR HOME AFFAIRS:—Sir, the Royal Hong Kong Jockey Club already co-operates satisfactorily with the Police and Transport Authorities on starting times of race meetings. As the existing pattern has not caused any serious inconveniences to the general public in terms of transport and traffic arrangements, it would not be necessary for Government to consider Mr LO's suggestion at the present time. The situation will be monitored continuously. Should adjustments to the existing pattern are required, Government would approach the Royal Hong Kong Jockey Club accordingly.

MR LO:—*With regard, Sir, to recess which starts at 1.15 resulting in ticket sales starting at 12.45, is Government satisfied that office workers are not affected either in their transport or, indeed, in their work?*

SECRETARY FOR HOME AFFAIRS:—Not in transport as far as I am aware. Insofar as their work is concerned, this is a matter between the employers and the employees. (*laughter*)

Illegal gambling and vice establishment

3 MR SO asked in Cantonese dialect:—

政府是否經已採取行動，對付開設在住宅樓宇內的非法賭博及色情場所？

(The following is the interpretation of what Mr SO asked).

Has Government taken any action against illegal gambling and vice establishments operating in domestic premises?

SECRETARY FOR SECURITY:—Yes, Sir. Police action against illegal gambling and vice establishments is a continuous process, whether or not the activities take place in domestic premises.

Special police squads in divisional police stations and in district police headquarters operate exclusively to counter illegal gambling and vice. The outcome of this action in 1978 was that 510 persons were prosecuted for operating illegal gambling establishments and 305 for keeping vice establishments. Separate figures for offences in domestic premises are not kept.

MR SO asked in Cantonese dialect:—

政府有沒有留意有些報章的廣告欄每日刊登色情的廣告？

(The following is the interpretation of what Mr So asked).

Sir, is Government paying attention to some advertisements in the press advertising for vice establishments?

SECRETARY FOR SECURITY:—That's really a rather separate question on which I answered a question recently, but the short answer is, yes.

MR PETER C. WONG:—*Does the Secretary have with him the actual number of convictions?*

SECRETARY FOR SECURITY:—No, Sir, I understand that the statistics are not immediately available.

MR CHEONG-LEEN:—*Is there any up-to-date record as to how many of those gambling and vice establishments which had been raided in the period indicated by the Honourable Member which are still open?*

SECRETARY FOR SECURITY:—I have no information on that except there were 11,782 raids in 1978.

MR CHEONG-LEEN:—*Surely, Sir, of those establishments which had been raided there must be some indication as to how many of them which had been continuously raided and are still open?*

SECRETARY FOR SECURITY:—Sir, that's a possibility. With respect, if the Honourable Member would like to pursue this, I can give him a considered reply if he puts a question on the Order Paper referring to it.

MR CHEONG-LEEN:—*Sir, I would be happy enough if that reply is given to me in writing.*

SECRETARY FOR SECURITY:—I will do so, Sir.

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY)

The Commissioner of Police tells me that there were 11,732 raids on gambling establishments in 1978, of which 2,722 resulted in arrests. There were also more than 3,000 successful raids on vice establishments.

The operational procedure of the Police is to take action against an establishment as soon as it comes to notice and not to divert manpower from this task to check each place previously raided to see if illegal activity is

still taking place. As a result there are no statistics indicating which are still open.

Experience and evidence show that the operations of such illegal establishments vary over a short period of time. Establishments which have been successfully raided may close down permanently, or temporarily cease operations only to surface again at a later date, or move to a different location. If further evidence of illegal activity then comes to light further action is taken.

Home Ownership Scheme—income level

4 MR CHEONG-LEEN asked:—*Sir, to what extent is consideration being given by the Housing Authority to raise the maximum level for qualification to participate in the Government Home Ownership Scheme from \$3,500 to \$4,000?*

SECRETARY FOR HOUSING:—*Sir, the Home Ownership Committee of the Housing Authority is about to review the criteria for eligibility including income levels, before inviting applications for Phase 11 of the Home Ownership Scheme.*

Grass cutting in NT

5 MR TIEN asked:—*Will Government state which department is responsible for the cutting of the grass on Crown lands and along public roads in the New Territories and whether adequate funds have been provided to that department for this purpose?*

SECRETARY FOR THE NEW TERRITORIES:—*Sir, departments are responsible for the maintenance, including grass cutting, of Crown land which has been allocated to them: the Land Authority is responsible for unallocated Crown land.*

New arrangements have recently been made to cater for cutting roadside grass, for which the Urban Services Department is now responsible. More staff will be needed if roadside grass is to be cut more regularly than in the past, and application for the necessary funds for next year will be made. In the interim, temporary arrangements have been made by redeploying existing resources.

MR TIEN:—*Sir, is Government aware that about \$30,000 has been allocated by the Tsuen Wan District Advisory Board for grass cutting?*

SECRETARY FOR THE NEW TERRITORIES:—Yes, Sir, various District Advisory Boards have spent money on cutting grass and tidying up their districts. Tsuen Wan is not alone in this.

MR TIEN:—*Is this justifiable?*

SECRETARY FOR THE NEW TERRITORIES:—Quite justified, Sir, in making minor environmental improvements to their districts.

MISS DUNN:—*Sir, going back to the Secretary's original answer, is the Secretary for the New Territories satisfied that the best and most cost effective use is made of existing financial and other resources?*

SECRETARY FOR THE NEW TERRITORIES:—Yes, Sir.

MISS DUNN:—*So, could the Secretary substantiate that affirmative reply? (laughter)*

SECRETARY FOR THE NEW TERRITORIES:—Sir, I have every confidence in the Director of Public Works and the Director of Urban Services in employing their staff to the best and most effective works.

Pedestrian precinct

6 MR CHEN asked:—*Will Government consider turning the area around Great George Street and Paterson Street in Causeway Bay into a pedestrian precinct on Sundays and public holidays in view of the heavy concentration of pedestrian and vehicular traffic there?*

SECRETARY FOR THE ENVIRONMENT:—Sir, a small working group from the Transport Department, the Highways Office and the Police is already studying ways of improving traffic management in the Causeway Bay area and they will be asked to examine this proposal in detail. The Group has so far made a number of suggestions to improve circulation of both vehicles and pedestrians and the first steps to implement these will be taken in March this year.

MR CHEN:—*Sir, in making the study will Government give particular consideration to the convenience of the pedestrians who, in my opinion, have as much right to use the road as the vehicular traffic does?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, the aim is to improve circulation for both pedestrians and vehicles. I might add that these could well be difficulties over a pedestrian-only scheme. It involves access to premises, access to multi-storey car parks and possible circulation problems elsewhere.

School librarians

7 REV. JOYCE M. BENNETT asked:—*Sir, when will the Education Department increase its School Librarians' personnel?*

DIRECTOR OF EDUCATION:—*Sir, the Education Department has submitted comprehensive proposals to the Government for the setting up of a greatly improved library service to schools. These proposals are currently being considered. They included increased staff for the Department's Library Section to enable it to train school personnel and to advise all schools on the management, organization and most effective use of school libraries.*

REV. JOYCE M. BENNETT:—*Sir, when is the Director expecting to have a reply on these proposals?*

DIRECTOR OF EDUCATION:—*I hope within the next three months, Sir.*

REV. JOYCE M. BENNETT:—*And, Sir, does the present one and only Librarian attached to the Education Department staff have proper training in librarian-ship?*

DIRECTOR OF EDUCATION:—*Yes, Sir.*

REV. JOYCE M. BENNETT:—*Where did she obtain it, Sir?*

DIRECTOR OF EDUCATION:—*The Organization of Libraries in Hong Kong, Sir, is the responsibility of the Director of Urban Services and graduates are employed from the universities and they take professional qualifications. The Librarian concerned is a chartered librarian, that is to say a member of the British Libraries Association, and she took an exam, I believe, in 1973 and passed it through external means.*

REV. JOYCE M. BENNETT:—*Sir, will it be possible for future people working in the Education Department and in our schools to have proper full time training in librarian-ship?*

DIRECTOR OF EDUCATION:—*There are two aspects to this question, Sir, and of course part of the answer is in answer to the next part of the question which Miss BENNETT, in her inimitable way, has anticipated. As regards training a graduate librarian, which is as I have said a matter for Urban Services Department and who are at present considering with tertiary institutions in Hong Kong the setting up of Hong Kong courses to train Hong Kong librarians who will of course need to be qualified to deal both with Chinese as well as English books. I think I could deal with the schools question under question 8 on the agenda.*

REV. JOYCE M. BENNETT:—*Sir, are these courses run by the Urban Services open to the general public or only to Government Civil Servants?*

DIRECTOR OF EDUCATION:—These courses are not yet being run. There are extra-mural courses run by the Universities for training library assistants.

REV. JOYCE M. BENNETT:—*Sir, am I to understand, then, that this present librarian was trained by the Urban Services or by the University?*

DIRECTOR OF EDUCATION:—By the Urban Services Department, Sir.

Aided School libraries

8 REV. JOYCE M. BENNETT:—*When will the Education Department provide greater expertise and support for Aided School Libraries?*

DIRECTOR OF EDUCATION:—Sir, also included in the proposals I referred to in my reply to Miss BENNETT's earlier question is the introduction of an additional post in every Government and Aided school to enable a member of staff to take full-time charge of the Library. Increases in the present per capita library grants in Government and Aided secondary schools and the introduction of such grants for Class 4—6 pupils in Government and Aided primary schools have also been proposed. Both of these measures would be phased in over a period of six years.

REV. JOYCE M. BENNETT:—*Sir, is this member of staff to be a teacher, a librarian or a clerk?*

DIRECTOR OF EDUCATION:—The concept is, Sir, that this member of staff should be a teacher who would be trained in library duties.

REV. JOYCE M. BENNETT:—*Sir, will this member of staff be a graduate teacher, or a non-graduate teacher?*

DIRECTOR OF EDUCATION:—It is proposed that it should be at the level of Assistant Master which is a non-graduate, Sir.

REV. JOYCE M. BENNETT:—*Sir, in secondary schools will this person have secondary school experience or primary school experience?*

DIRECTOR OF EDUCATION:—I imagine, Sir, that they will have secondary school experience.

Survey on youth centres

9 DR HO asked:—*Will Government make a statement on the findings of the survey on youth centres conducted by the Hong Kong Federation of Students?*

DIRECTOR OF SOCIAL WELFARE:—Sir, the Hong Kong Federation of Students initiated last summer a survey of a number of youth centres in three districts. The survey was completed in November and a copy of the report was made available to the Social Welfare Department early this month.

The majority of the responses by young people to the survey were positive. They considered that activities organized by the centres were useful to them and that youth centres were providing the much needed opportunities for them to develop interests, make new friends, learn new skills, improve their ability and enhance self-confidence and sense of social responsibility. However, the report had a few criticisms to make on these youth centres. Firstly, there were not enough trained professional social workers to man them. Secondly, there was too much emphasis on recreation and not enough counselling service to the individuals. Thirdly, members did not receive sufficient encouragement to concern themselves with current social issues. And lastly, the centres were not reaching out to young individuals who do not come forward to join the youth centres or who are usually referred to as 'problem youths'.

The objective of youth centres is to help young persons to achieve a balanced development; recreation is but a means to this end. Our policy on youth services is examined annually in order to meet the changing needs of young people. A working party under the auspices of the Social Welfare Advisory Committee has just completed its report on the future role of children and youth centres and has made positive recommendations on services, use of premises, membership and staffing of these centres, which are now being studied.

At present, the establishment of each subvented youth centre provides for at least one trained social worker and two youth workers, for whom there are opportunities for in-service training. Some voluntary agencies may not be able to fill the senior posts with professional workers because of the general shortage of trained social workers. However, this matter is being looked at separately.

The programme plan on Personal Social Work among Young People which covers outreaching social work, youth guidance, school social work and family life education will be implemented as soon as the policy is approved in the form of a White Paper. This will definitely strengthen the services for youth including reaching out, counselling and guidance.

DR HO:—*In order to achieve the non-recreational objective the Director of Social Welfare has just elaborated, what measures will Government take*

- (a) *to properly prepare the existing staff for the youth centre, and*
(b) *to increase the strength of the staff?*

DIRECTOR OF SOCIAL WELFARE:—The working party I referred to earlier has made recommendations on how the situation should be improved in relation to staffing and training and these recommendations are being studied.

Death inquest

10 MR LO asked:—*Will the Government consider changing the procedures involved where deaths occur in Hong Kong so that, generally speaking, as would be the case in England, it would be obligatory for the Coroner to hold an Enquiry in every case where there is reasonable cause to suspect that death was violent or unnatural or sudden and the cause of which is unknown?*

SOLICITOR GENERAL:—Sir, the Attorney General has for some time had under consideration the Coroners Ordinance and the way it works. We are conscious of the distinction to which Mr Lo has referred, that is that in some circumstances an inquest in the United Kingdom is mandatory whereas in Hong Kong the holding of an inquest depends on the exercise of the discretion of a coroner. So far as I am aware, coroners are exercising this discretion satisfactorily. The public interest is also safeguarded in that death reports in which an inquest is not ordered are perused by professional officers in the Legal Department. In a very small number of cases, the Attorney General exercises his statutory right to require that an inquest be held.

Although we have not reached a final conclusion, our present thinking is that it would not be beneficial to move to the United Kingdom position of mandatory inquests. It may be significant that in 1971 a committee set up by the Home Secretary recommended that coroners be given a discretion similar to that in Hong Kong.

MR LO:—*Is it not true that a number of inquests would not have been held in Hong Kong, had there not been timely public outcry?*

SOLICITOR GENERAL:—Sir, I did make the point that, in a small number of cases, the Attorney General has exercised his statutory right to direct that an inquest be held and I believe that, on occasion, this may have taken place after public interest has been shown in a particular death.

MR LO:—*In any event, Sir, would the Government please note that a number of people in Hong Kong are seriously dissatisfied with the present arrangements?*

SOLICITOR GENERAL:—This point will certainly be noted, Sir. In my answer, I said that we had not reached a final conclusion. If Mr Lo would like to put forward his views to us, we shall of course give them careful consideration.

Amenity facilities in NT

11 MR YEUNG asked:—*Is Government satisfied that there are adequate amenity facilities and in particular public parks, rest gardens, children's playgrounds, sports grounds and games halls, in each district in the New Territories?*

SECRETARY FOR THE NEW TERRITORIES:—No, Sir. But that in itself is an insufficient answer, more important is what we are doing about it.

In the last twelve months running tracks in the Yuen Long and Tsuen Wan sports grounds have been relaid; the Tsuen Wan sports ground has been floodlit; a new multi-purpose sports ground has been opened at Kwai Chung; the Fanling swimming pool has been opened; and there are various other items on the credit side. These are not enough but there are items in the Public Works Programme which, when funds are available, will make good deficiencies to bring district provision up to approved standards. In this context it has to be remembered that the provision of recreation facilities in the New Territories has to be set in the wider background of a generally more pleasant environment than the crowded streets of town and, when there are many calls on public funds, it is important to get our priorities right.

MR YEUNG:—*Sir, is there any such project in the Public Works Department Category A being delayed, or likely to be delayed, for lack of fund or insufficient provision of fund?*

SECRETARY FOR THE NEW TERRITORIES:—I am unable to answer that question at the present time, Sir.

MR YEUNG:—*Sir, I am informed that, for the swimming pool construction in Yuen Long, there was provision for the site formation but there was no provision for the construction or superstructure. Is that the case?*

SECRETARY FOR THE NEW TERRITORIES:—Sir, we will have to wait, I think, until the estimates are published later on this year.

MR YEUNG:—*In any case will the Secretary for the New Territories give an assurance that the swimming pool will be completed as scheduled, as far as funds are concerned, Sir?*

SECRETARY FOR THE NEW TERRITORIES:—Sir, I am unable to give that assurance until the estimates have been tabled in this Council and until Members have been able to review those estimates.

MR YEUNG:—*Sir, in the answer by the Secretary for the New Territories, it is a very interesting fact that the playgrounds or public parks have been left out completely. Is there any major project on the public parks built in the New Territories apart from Tsuen Wan?*

SECRETARY FOR THE NEW TERRITORIES:—I don't think there is a public park under construction at the present time, Sir. I think all the present works have now been completed.

Lead content of petrol

12 MR WONG LAM asked in Cantonese dialect:—

政府是否認為本港汽車使用的汽油所含鉛量對健康無礙？

(The following is the interpretation of what Mr WONG Lam asked).

Is Government satisfied that the level of the lead content of the petrol used by motor vehicles in Hong Kong is acceptable from a health point of view?

SECRETARY FOR THE ENVIRONMENT:—Sir, I am not yet in a position to give a definite answer to this question and will not be until the staff and equipment I have requested for the Environmental Protection Unit have been provided. This is now in hand and will, hopefully, not take too long.

The important point to consider here is not so much the amount of lead emitted from individual vehicle exhausts but the actual concentration of lead reached in the environment. The general opinion, which I should emphasize is not as yet supported by any measurements, is that it is most unlikely that lead levels in Hong Kong have reached levels requiring precipitous action. But there is sufficient cause for concern for this to be a priority problem for attention once the necessary specialist staff and equipment are available.

If this work does then show that lead levels in Hong Kong, or in certain areas, are unacceptably high it will be possible to provide the necessary controls under the proposed Air Pollution Control Bill which I hope to bring before this Council later in this session. The intention is that this legislation will, among other things, contain provisions, which will permit the Government to control the composition of fuel in general.

MR WONG LAM asked in Cantonese dialect:—

閣下，何時可以請申請到的職員和設備呢？

(The following is the interpretation of what Mr WONG Lam asked).

Sir, when will staff and equipment requested be provided?

SECRETARY FOR THE ENVIRONMENT:—Sir, I understand that there is already financial provision for this staff and equipment. The exact numbers of staff, the type of staff, the salary levels and so on, are now being considered and hopefully we can recruit in the course of this year and should have a number of additional staff available by the end of this year.

Low-octane petrol

13 MR WONG LAM asked in Cantonese dialect:—

爲保障市民之健康，政府可否考慮要求汽油入口商爲駕駛人士提供含鉛量比較現時出售的高辛烷汽油爲低的低辛烷汽油？

(The following is the interpretation of what Mr WONG Lam asked).

In the interest of public health, will Government consider requiring petrol importers to make available to the motoring public low-octane petrol which contains less lead than the high-octane (premium grade) petrol currently on sale in Hong Kong?

SECRETARY FOR THE ENVIRONMENT:—Sir, a large proportion of the petrol-engined vehicles now being used in Hong Kong would not work at all well with low octane petrol, even with appropriate adjustments to their ignition systems. I feel, therefore, that, before taking action of this sort, we should first await the outcome of the monitoring work I referred to in replying to the last question in order to see whether there is a problem.

If this work were to show that lead levels in our environment are unacceptably high a number of possible lines of action would be open to us. This could include the use of lower octane petrol than at present. But it could also include the use of higher octane, low lead, petrol which would be rather more expensive than the petrol now in use. I would, however, expect to consult the oil companies, the motoring organizations and the Motor Traders Association before deciding what exactly should be done in these circumstances.

English grammar and translation

14 MR JAMES WU asked:—*Will Government re-introduce the teaching of English grammar and translation into our schools to help improve the communicative ability of the students?*

DIRECTOR OF EDUCATION:—Sir, if by grammar Mr Wu is referring to the regular features of the English language, the underlying system which makes the language work, then the language teaching in our schools already does, and indeed must include grammar. If, however, he means the use of traditional grammatical nomenclature such as ‘the future perfect continuous tense’ or ‘defining and non-defining adjectival clauses’, together with the rote learning of verbal paradigms and lists of exceptions to grammatical ‘rules’, modern experience has shown that these are not essential for successful language learning, though some knowledge of terminology may be useful for advanced learners. It is not, therefore, intended to reintroduce this ‘formal’ grammar into our schools.

If by ‘translation’ Mr Wu means the translation of long descriptive or narrative passages from English to Chinese and vice versa, this is a very advanced skill which requires a sound knowledge of both languages and is clearly not a suitable exercise at the beginning or intermediate stages of learning a second language. I do not consider it, therefore, suitable for inclusion in the normal general secondary course. However, if Mr Wu is referring to the translation of individual phrases and sentences to demonstrate how Chinese and English differ in their syntax this is standard practice in most language teaching beyond the beginner’s level. It already takes place in our schools.

MR JAMES WU:—*Sir, does the Director agree that, apart from regular features that he mentioned, there are definite guiding rules in English grammar that makes it so much easier for a Chinese student to learn and write English than a foreigner to learn Chinese, which unfortunately does not have formal grammar?*

DIRECTOR OF EDUCATION:—Sir, I do not claim to have adequate expertise in the comparative linguistic question, which Mr Wu has asked, to give a proper answer to that question, but I am bound to point out that as there are a large number of exceptions to rules in English grammar which make the rules less useful to the learner, that the rules can be multiplied to the extent of exceeding complication (I have given a couple of definitions earlier). Also, there are, I believe, rules for learning Chinese. The development of a kind of scaffolding for teaching Chinese to foreigners has only been explored in recent years. The scaffolding is only now being assembled and it is the foreign learner who needs these things.

MR JAMES WU:—*Sir, would my Friend agree that the scaffolding for learning English has only been introduced into China in just about 150 years?*

DIRECTOR OF EDUCATION:—The question is historical fact, Sir. The point that I was trying to make in my original reply is there is a limit to the distance you can usefully go in teaching the rules of grammar.

MR JAMES WU:—*Sir, how is grammar actually taught as a part of language teaching in our schools?*

DIRECTOR OF EDUCATION:—Well, Sir, it is necessary for students to understand subjects, verbs and objects and the simpler parts of speech; it is necessary for students to understand how the plural is made, usually by adding an 's', though there are exceptions, 'Ox', 'Oxen', and a certain amount of work in the despised verbal paradigms, 'I am' 'thou art' 'he, she' or 'it is', is necessary and is done, but I am anxious that this will not be taken too far to the extent of the future perfect continuous tense.

MR JAMES WU:—*Thank you, Sir. Does the Director mean that translation is not taught in senior secondary schools in HK?*

DIRECTOR OF EDUCATION:—No, Sir, that is not what the Director means; what the Director means is that my professional staff and I do not encourage it, particularly in Forms 1 to 5. There is perhaps room for a limited amount of the sort of translation in which Mr Wu is, I think, interested, in Forms 6 and 7 and this limited interest is still reflected in the examinations for the higher level and advanced level.

MR JAMES WU:—*Sir, is translation taught, at all, in post secondary schools?*

DIRECTOR OF EDUCATION:—Certainly, Sir, translation is taught at the universities and this, we believe, to be an appropriate level and I believe it is also taught in the post secondary colleges. Again, this would be the appropriate level to begin, saying, translation from one language to another as a serious project.

HIS EXCELLENCY THE PRESIDENT:—Mr WU.

MR JAMES WU:—Sir, is the Director aware that the great majority ...

HIS EXCELLENCY THE PRESIDENT:—Mr WU, perhaps Mr Alex Wu caught my eye.

MR ALEX WU:—*Sir, would the Education Department consider making adjustments to schools curricula to increase the basic knowledge of the two languages in schools so as to enable students to take advantage of the teaching of translation skills at tertiary level?*

DIRECTOR OF EDUCATION:—With respect to Mr Alex Wu, I believe that that question implies a sort of answer, a particular kind of answer. I am not unaware that students are unable to undertake translation courses at tertiary level; it is always open to any one to suggest that the amount of time given

to one subject be increased but one has to remember that this will be at the expense of other subjects and this must always be kept in mind.

MR JAMES WU:—*Sir, is the Director aware that the great majority of secondary school leavers do not proceed to post secondary schools and even less pursue language studies?*

DIRECTOR OF EDUCATION:—Yes, Sir, I think the Director is safe in saying that he is aware of this, Sir.

MR JAMES WU:—*Sir, does the Director agree that, if students are taught some simple techniques and guidelines in translation, it will greatly help to improve the standard and reduce the amount of ridiculous Chinese translations that are the laughing-stock of the community?*

DIRECTOR OF EDUCATION:—I am not altogether clear, Sir, which translations so ridiculous that Mr WU is referring to. I have, in my original answer, noted that the translation of individual phrases and sentences is still something that we believe to be worthwhile in schools but it is not the belief of my advisers that wholesale attempts of translation are a good thing to be done in schools, and I must be honest and say that we do not think that teaching children translation is going to improve their language ability, even their translation ability, by implication.

MR JAMES WU:—*Sir, this is my last question I will ask.*

HIS EXCELLENCY THE PRESIDENT:—This is your last question?

MR JAMES WU:—*Yes, Sir. In regard to the Director's last answer, may I suggest to him that he goes to the Star Ferry wharf on Hong Kong side to read some of the Chinese translations which I am sure he himself can read?*

DIRECTOR OF EDUCATION:—I will take that walk, Sir.

Public light bus fares

15 MR BREMRIDGE asked:—*Does Government agree that the insufficiencies of services provided by the franchised bus companies make it impossible to control the fares quoted by the Public Light Bus operators?*

SECRETARY FOR THE ENVIRONMENT:—Sir, if Mr BREMRIDGE means by the question that, if there are not enough franchised buses on the roads to cope with peak demands, then to control Public Light Bus fares will produce a shortage of that form of transport as well, I agree with him. I would add, however, that once there are sufficient franchised buses available, there will

in any case be no need to control PLB fares because the competition from buses will then act as a natural brake on the fares they will be able to charge.

MR BREMRIDGE:—*Is the Government aware that due to the lack of sufficient buses in the evening peak hours from central, Hong Kong, mini bus fares are \$3 to the Daimaru and \$4 to Quarry Bay?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, I believe fares at that height had been recorded.

MR CHEONG-LEEN:—*Sir, when, if ever, will there be sufficient franchised buses?*

SECRETARY FOR THE ENVIRONMENT:—Within, I would say, one or two years, Sir. I hope so. There are a lot of buses on order but there is a question of delivery.

MR CHEONG-LEEN:—*May I ask, Sir, one further question?*

HIS EXCELLENCY THE PRESIDENT:—Later, after Miss DUNN has asked.

MISS DUNN:—*Sir, despite the Secretary for the Environment's view that in the long-term, control over PLB fares will be unnecessary, does he agree there is a problem to be resolved in the short-term?*

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir, there is a problem but I do not think that problem can be resolved by controlling PLB fares.

MR CHEONG-LEEN:—*Does Government realize that due to the serious shortage of buses, the situation having been aggravated by the recent 100% increase in taxi fares, it would be even more difficult to control rising PLB fares, thus adversely affecting living costs and creating an accelerating trend towards higher transport costs?*

SECRETARY FOR THE ENVIRONMENT:—Sir, I do not think I would go along with all the implications what Mr CHEONG-LEEN has just said. I agree that if there is a significantly increased demand for travel on PLBs at any particular time of the day, this will tend to pull the PLB fares up rather, but there are other times of the day when the fares are not as high because demand is not as great. I am referring in particular to off-peak periods.

MR CHEONG-LEEN:—*Can something be done, Sir, to encourage the PLBs to keep fares at a comparatively reasonable level during peak hours?*

SECRETARY FOR THE ENVIRONMENT:—Sir, the PLB driver operates according to the demand for his services. This is a very fragmented trade and the

Government would find it extremely difficult to step in and regulate it at very short notice.

Under-age drinking

16 MISS DUNN asked:—*Is the Government satisfied that adequate measures are taken to ensure that alcoholic beverages are not served in restaurants, nightclubs and discothques to patrons who are under the age of 18?*

SECRETARY FOR SECURITY:—Not altogether, Sir.

The Dutiable Commodities (Liquor) Regulations make it an offence for a licensee to permit any person under the age of 18 to drink intoxicating liquor on any licensed premises. However, the courts have ruled that it is necessary to prove that the licensee sold liquor to a person knowing the person to be under-age. This has made it difficult to secure convictions for the offence.

The law is currently being re-examined as part of an overall review of the Liquor Licensing Provisions. Under-age drinking is one of the issues to be considered.

The Police assessment is that under-age drinking is not a serious or wide-spread problem. It is essentially a social issue and the answer would seem to lie in increased parental control and not necessarily in the enactment of more stringent legislation or increased police efforts.

MR CHEUNG:—Sir,...

HIS EXCELLENCY THE PRESIDENT:—Miss DUNN will ask her supplementary question.

MISS DUNN:—*Sir, will the review consider requiring the licensees to ask his younger patrons to produce evidence that they are over 18, as is the practice in many countries elsewhere?*

SECRETARY FOR SECURITY:—Sir, I will certainly see the Honourable Member's view is brought to the attention of the Committee.

HIS EXCELLENCY THE PRESIDENT:—Mr CHEUNG.

MR CHEUNG:—*Sir, could measures be taken to teach all young persons under 18 to drink soberly in private and to learn their limits as early in life as possible? (laughter)*

Hong Kong/London air services

17 MR CHEUNG asked:—*Is the Government able to report, as promised on 18 October 1978, whether there has been any improvement in the performance of British Airways in the Hong Kong-London service with regard to (a) adequacy (b) punctuality (c) dependability and (d) overall?*

SECRETARY FOR ECONOMIC SERVICES:—Sir, in the past three months, that is October, November and December 1978, there was a marked improvement in the performance of British Airways on the Hong Kong-London route, by which I mean scheduled flights carrying passengers direct between Hong Kong and London with a same-plane service. When I say 'between Hong Kong and London', I include journeys both from London to Hong Kong and from Hong Kong to London.

As regards the *adequacy* of these services, there continued to be 10 flights a week from London to Hong Kong, and the same in the other direction. During the traditionally busy Christmas period, British Airways increased the capacity on this route by introducing 3 extra services with Boeing 747s, that provided some 1,240 additional seats each way during the month of December. In only nine instances were seats unobtainable on a particular flight to London, and on all of these occasions seats were available either on an alternative flight on the same day or within 24 hours.

As regards *punctuality*, when I answered this question on 18 October 1978, I said that during the months July, August and September, 63% of the flights had been delayed for over 15 minutes and that the average delay was 4 hours 9 minutes. The Director of Civil Aviation's records of time-keeping in respect of arrivals at and departures from Hong Kong show that, during October, November and December 1978, 59% of the BA flights on the direct Hong Kong-London route were delayed for over 15 minutes, and the average delay was 2 hours 50 minutes. If the extended delays caused by adverse weather conditions either in London or in Hong Kong were excluded (and it is reasonable to do so as BA have no control over the weather) then 58% of the flights were delayed but the average delay was only 1 hour 45 minutes.

I am able to report that there has also been some improvement in the *dependability* of the air services between Hong Kong and London. Reflecting the priority which I told Honourable Members in October that BA said they were according to their Hong Kong service, BA cancelled only two flights during October, November and December 1978, compared with sixteen cancellations during the previous three months period. The cancellations were due to there being no aircraft available to operate one of the return services London-Hong Kong-London, because of foggy conditions at London Airport.

So, *overall*, I think it is true to say that there was an improvement in the performance of British Airways on the Hong Kong-London route, during

the three months ending 31 December 1978. As to the future, I should perhaps mention the various improvements which British Airways have told us they are planning for their summer schedules. We have been told starting in April this year, there will be an extra round trip Boeing 747 flight, thus providing weekly a total of 10 '747' services each way plus one round trip VC 10 service between Hong Kong and London. British Airways also say that the summer schedules will provide faster flights between Hong Kong and London. At present, most flights have three *en route* stops, and only four flights in each direction make two stops. From April onwards, the number of services making only two stops will be increased to six per week.

MR CHEUNG:—*With those gratifying improvements, can Government state whether the standard on the services has reached the standard habitually achieved by British Airways on services where they are competing with other airlines services?*

SECRETARY FOR ECONOMIC SERVICES:—I am sorry, Sir, I have no personal experience as to the standard of the British Airways on other services.

MR TIEN:—*Is Government aware whether a Hong Kong based airline will be prepared to provide a reciprocal and competitive service to London, and, if so, would Government support such a proposal?*

SECRETARY FOR ECONOMIC SERVICES:—No, Sir, no Hong Kong based airline has formally applied to open flights between Hong Kong and London. But I am sure if one were to do so, we would give their application very serious consideration.

MR LO:—*Is it still true that the Director of Civil Aviation's time-keeping is subject to a margin of error of an hour, so that when he says a flight is delayed for 15 minutes, he really means one hour 15 minutes?*

SECRETARY FOR ECONOMIC SERVICES:—No, Sir, he does not. 15 minutes is 15 minutes. *(laughter)*

Delay on British Airways flights

18 MR CHEUNG asked:—*Will the Government say to what extent delays in either direction on British Airways flights between Hong Kong and London during the quarter ending 31 December 1978 have been attributable to stops not shown as scheduled in the Corporation's timetable published for the guidance of travellers, and what the reasons for any such delays were?*

SECRETARY FOR ECONOMIC SERVICES:—Sir, I am told by British Airways that during the quarter ending 31 December 1978, 21 flights operating from

Hong Kong to London, and three in the reverse direction, made stops not shown as scheduled in the Corporation's timetable. Of these 24 flights, 16 made an unscheduled call at Muscat following a decision by BA to avoid Teheran because of the political situation in Iran. Of the remaining 8 flights, I am told that in five cases an unscheduled stop was made because of weather conditions at a scheduled stop. Three flights made an additional *en route* call for technical reasons.

As regards BA's decision to avoid Teheran, appropriate amendments were made to the schedules published by BA, in the latest edition of their local timetable which was issued earlier this month.

Sir, it is difficult to say to what extent delays to BA flights during the period in question were attributable to these unscheduled stops. I am told that while the unscheduled additional calls undoubtedly added to total journey time, BA regard the original cause of the diversion (for example, bad weather or technical problems) as the main reason for the delay. I am advised that the calls made at Muscat in place of Teheran did not add to the total journey time.

Government Business

Motions

WATER CHARGES

THE FINANCIAL SECRETARY moved the following motion:—That this Council takes notice of the Government's intention to revise water charges.

He said:—

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Sir, I move the first motion standing in my name in the Order Paper. Your Excellency has kindly dispensed with the notice specified under Standing Order 21(1).

(1) *INTRODUCTION*

2 Honourable Members will recall that, in my speech concluding the 1978 budget debate, I said that charges for both domestic and non-domestic water supplies would have to be increased as soon as a new price structure had been devised. This has now been done and endorsed by Your Excellency in Council. In this speech I shall begin by describing the new price structure and comparing it with the existing one; I shall then go on to outline the basic considerations the Government has taken into account in devising the new price structure; and I shall conclude by describing the likely effect of the charges on domestic and non-domestic consumers, on the waterworks accounts and on the economy.

(2) *THE NEW PRICE STRUCTURE*

3 The current charges for water per unit of 1,000 gallons are compared with the charges under the new price structure in the annex to the printed version of this speech.

(a) *Domestic supplies*

4 At present, domestic supplies are free for the first 2 2/3 units per four-month billing period, and then they attract a charge of \$3 per unit for every unit consumed over 2 2/3 units and up to 14 units. For consumption over 14 units the charge is \$6 per unit. The Government intends to replace this three-tier structure with a five-tier structure, under which domestic supplies for the first 4 units per four-month billing period will be free of charge. For consumption over 4 units and up to 8 units the revised charge will be \$3 per unit. For consumption over 8 units and up to 14 units the revised charge will be \$5.50 per unit. For consumption of over 14 units and up to 20 units, the revised charge will be \$8.50 per unit. Finally, for consumption of over 20 units, the revised charge will be \$12 per unit.

(b) *Trade supplies*

5 The existing charge for trade supplies is \$4 per unit regardless of the level of consumption. The Government intends to revise this charge to \$5.50 per unit. But the Government has also decided, as a temporary measure, to apply a concessionary tariff of \$4 per unit for consumption in excess of 6,000 units in any four-month billing period for those trade consumers who satisfy certain criteria, which I shall outline later.

(c) *Flushing supplies*

6 At the present time *salt* water used for flushing is not metered and consumption is assessed as 25% of its metered consumption of potable water. The current charge for salt water is 70 cents per unit of 1,000 gallons. The Government has decided that, in future, salt water for flushing will be supplied free of charge. For premises now supplied with *fresh* water for flushing, and these supplies are, of course, metered, the current charge is \$3 per unit of 1,000 gallons. The charge will remain at \$3 per unit, but the intention is that, in future, a deduction of \$20 (or the actual charge if less) per dwelling will be made in each four-month billing period.

(d) *Miscellaneous supplies*

7 The current charges for *shipping* supplies are \$4 per unit and \$7 per unit for non-ocean going vessels and ocean-going ships respectively. The Government intends to revise these charges to \$5.50 per unit and \$12 per unit respectively. It is also the Government's intention to revise the charges for construction supplies from \$5 per unit to \$8.50 per unit, and the charges for pre-paid supplies from \$4 per unit to \$5.50 per unit.

(3) *UNDERLYING CONSIDERATIONS*

(a) *The waterworks accounts*

8 In devising the new price structure for water charges, the Government has had regard to the no-subsidy principle on the basis of which we seek to manage our public utility type undertakings⁽¹⁾ and to the present and likely future state of the waterworks accounts.

9 The accounts have been re-examined and, in addition to up-dating the forecasts of various elements over the four years 1979-80 to 1982-83, significant revisions have been made. As regards *operating costs*: the only amount included for the desalter is for its maintenance and depreciation. The charge for interest on capital employed has been recalculated in the light of up-to-date details on capital expenditure and the timing of capital projects coming on stream. The amounts included for the bulk purchase of water have been adjusted upwards to take into account the recent increase in the price and quantity of water purchased from China; but the increased expenditure involved is more than offset—and I wish to stress this point is

(1) *BS, 1978, paragraph 187.*

more than offset—by a reduction in the amount allowed for interest, as it has been assumed that the substantial capital expenditure involved in developing additional catchment areas will no longer be required having regard to the expectation of further supplies from China after 1982.

10 As regards the *income side* of the accounts: the income from water supplied for Government and free standpipe purposes has been increased from a rate of \$4 per unit to the full in-year production cost per unit of potable water, which is estimated to range from \$7.90 to \$8.30 per unit over the four years ending 1982-83. Similarly, the free allowance to domestic consumers, at present calculated with reference to the existing charge of \$3 per unit, will be related instead to the difference between estimated in-year production costs and the estimated contribution from Rates, that is to say, the allowance will cost General Revenue between \$4.90 and \$5.69 per unit over the four years ending 1982-83. The effect of these adjustments is to increase substantially the income accruing to the Water Undertaking from General Revenue, leaving a much reduced deficit to be met by consumers.

11 Over the four years 1979-80 and 1982-83, the total income from chargeable supplies is estimated, on the current price structure, to be about \$1,239 million and the total deficit to be about \$389 million. Leaving aside the estimated cumulative deficit of about \$170 million at the end of the current financial year, which we are not seeking to eliminate, the Government's starting position is that an *overall* increase of approximately 31.4% on water charges is required to balance the accounts over the four years we are concerned with.

12 But, while the application of a flat 31.4% increase to each of the current water charges would meet the objective of bringing the waterworks accounts into balance, there is a need to reconcile this objective with various social and economic considerations and to encourage conservation⁽²⁾. The new price structure seeks to do this.

(b) Domestic supplies: free allowance

13 The current free allowance of 2 2/3 units per four-month billing period per separate dwelling, whether separately metered or not, was introduced in 1971 and based on a consumption of approximately 4 gallons per head per day, this being the minimum quantity of water required to maintain a healthy life. The calculation assumed a household of six and the figure of 4 gallons per head per day corresponded closely with the average consumption during the severe water restrictions of 1963-64. However, the consumption figures of the 1960's were depressed not only by water restrictions, but also by the difficulties experienced by many people living in squatter areas in obtaining sufficient water for their basic needs. With a much larger proportion of the community now living in permanent housing, the opportunity

(2) *BS, 1978, paras 190-193 and BS, 1979, paras 30-40.*

for achieving improved standards of hygiene is greater. Having regard to this and other considerations, the Government has decided to increase the free allowance from 2 2/3 units to 4 units per four-month billing period. The increase provides a free allowance of about 6 gallons per head per day for an average household of about five persons in public housing and rather more for smaller households.

(c) Domestic supplies: charges

14 For pricing purposes, the weighted average cost of potable water over the four years 1979-80 to 1982-83 is estimated at \$8.13 per unit. After deducting the contribution from Rates of \$2.83 per unit, the basic charge for domestic supplies should be \$5.30 per unit consumed *above* the free allowance. But to apply an overall charge of \$5.30 per unit four-month billing period to all domestic consumers irrespectively of their level of consumption would not encourage the conservation of water. Accordingly, the Government intends to introduce four tiers of charges which rise with consumption, and which will also enable the waterworks accounts to move into balance.

15 The first tier of charges will be for consumption of over 4 units and up to 8 units and the rate to be charged will be, as I have said, the existing rate of \$3 per unit. The next tier will be for consumption of over 8 units and up to 14 units, a level considered necessary to maintain a reasonable standard of living, and the rate to be charged will be \$5.50 per unit.

16 While these two tiers of charges may encourage conservation of water, we believe that positive steps are necessary to positively discourage extravagant and excessive use. For this purpose, the Government intends that consumption of over 14 units and up to 20 units should attract a charge of \$8.50 per unit, or roughly the full production cost per unit over the four years 1979-80 to 1982-83. As consumption above 20 units is clearly very excessive, it should attract an even higher deterrent charge and so the Government intends to set a charge of \$12 per unit.

(c) Trade supplies: basic charge

17 Turning, now, to trade supplies: I have said repeatedly that, apart from the contribution from Rates, the no-subsidy principle should apply for at least three reasons. *First*, its application would avoid an indiscriminate contribution from either General Revenue or from domestic consumers to the profit of certain trade consumers. *Secondly*, the application of this principle would encourage consumers to appreciate the true value of water and to use it economically. And, *thirdly*, the application of this principle should reduce the need to expand water resources purely to cope with extravagant and excessive use. For these reasons the Government intends to revise the charge for trade supplies from \$4 per unit to \$5.50 per unit, representing the difference between the estimated weighted average production cost and the contribution from Rates over the four years 1979-80 to 1982-83.

(d) *Trade supplies: concessionary tariff*

18 Very careful and detailed consideration has been given to the introduction of a tiered system of charges for trade supplies. However, since the importance of, and the demands for, water vary considerably from trade to trade and process to process, it has not proved possible to devise a system for general application that is both practicable and equitable. At the same time, the Government recognizes that, for *certain* trade consumers, the increase in their costs as a result of the increase in the charge for trade supplies requires the introduction of some transitional arrangements.

19 So the Government intends to introduce a concessionary tariff at the current charge of \$4 per unit for consumption in excess of 6,000 units per four-month billing period, to give those who qualify for it time within which to introduce, if they so wish, measures to help them to economize in their use of water. This is a temporary measure and will be withdrawn at the end of three years, that is to say, at the end of 1981-82.

20 The concessionary tariff would apply to those consumers who, on application, are able to demonstrate, *first*, that consumption at a rate in excess of 6,000 units per four-month billing period is likely to be sustained for at least 12 months; *secondly*, that such high levels of consumption are essential for the processes involved; *thirdly*, that water is used economically; *fourthly*, that practical steps have been taken to conserve or re-cycle water; and, *finally*, that the cost of water represents a large element in operating costs. In due course, the Director of Water Supplies will let trade consumers know how they might apply for the concessionary tariff.

(d) *Flushing supplies*

21 At the present time, as I have said, the existing salt water flushing system serves about 70% of registered consumers and the Government's policy is to extend the system to the whole of the urban area, the new towns and the rural townships. About 10% of registered consumers are supplied with fresh water for flushing and the balance receive supplies through wells and streams.

22 Owing to the silty and corrosive nature of salt water, meters for salt water require constant repairs and maintenance. Hence metering is really not practical and, the consumption of salt water as I mentioned earlier, is assessed as 25% of metered consumption of potable water. Since it is not practical to meter salt water supplies it is not possible to devise a system of charges that would encourage conservation. Moreover, the complications for the billing system arising from small bills of less than \$1 (which could arise if the consumer used 4 units of less of potable water) should obviously be avoided. For these reasons indeed, the Government has decided that no charges will in future be levied for salt water flushing purposes.

23 In order that consumers, who through no fault of their own are forced to use separately-metered fresh water for flushing, in order that they do not

suffer in relation to those who *can* use salt water for flushing, the Government has also decided that, whilst fresh water used for flushing should continue to be charged so as not to encourage the misuse of fresh water for domestic purposes, a deduction of \$20 per dwelling (or the actual charge, if it is less) should be made in each four-month billing period. The \$20 deduction is equivalent to a free supply of 6 2/3 units in a four-month billing period, which approximates to the current level of salt water consumption per dwelling. Accordingly, the Government intends to continue charging at the existing rate of \$3 per unit for all units consumed above the free allowance of 6 2/3 units.

(e) Miscellaneous supplies

24 The remaining supplies (that is to say, shipping, construction and prepaid supplies) cover a wide variety and mixture of domestic and trade uses. As most of these uses involve relatively small quantities of water the Government has decided to retain the present categories and to revise current charges in line with those set for other supplies.

(4) LIKELY EFFECT OF THE NEW PRICE STRUCTURE

(a) On domestic consumers

25 Although the new price structure for domestic supplies envisages increased charges for potable water at higher levels of consumption, the increase in the free allowance will partially offset the effect of this new price structure on all consumers whether or not they are separately metered. For example, the new price structure will actually *reduce* the cost of potable water where consumption is 9 units or less per four-month billing period. Only where consumption reaches 10 units will there be an increase, and a marginal one of \$1 at that. The average consumption per dwelling is at present 11.4 units, and the increase for this level will be about \$3.50 per four-month billing period (or about 3 cents a day). For a consumption level of 14 units, the increase will be \$11 per four-month billing period (or about 9 cents a day). For levels of consumption over 14 units and up to 20 units, the increases will range from \$13.50 to \$26 per four-month billing period (or from 11 cents to 22 cents a day). Finally, for excessive levels of consumption, from, say, 21 units to, say, 30 units, the increases will range from \$32 (or about 27 cents a day) to \$86 (or about 72 cents a day).

26 The increase in the free allowance in respect of potable water will mean that 15% of all consumers will pay no charges (compared with 9% at present), while another 32% will pay less than what they are paying at present. Another 26% of consumers, who use between 10 and 14 units, will pay between \$1 and \$11 more per four-month billing period. The remaining 27% of consumers, who use over 14 units, will pay appreciably more.

27 The figures I have just given relate to increases in the cost of potable water only, as offset by the larger free allowance. These increases will be

further offset by the new free allowance for fresh water flushing supplies and by making salt water flushing supplies free of charge. Thus, whilst the larger free allowance in respect of potable water means that 47% of all domestic consumers will either continue to pay nothing or to pay less than at present, the Government's proposals in respect of flushing supplies mean that as many as 55% of all domestic users will continue to pay nothing or to pay less than at present.

(b) On trade consumers

28 The increase in the basic charge for trade supplies from \$4 to \$5.50 per unit will mean, for 88% of trade consumers, and in no more than \$1 per day to their bills; and I should add that there are only about 200 trade consumers with consumption in excess of 6,000 units out of a total of 85,000 trade consumers.

(c) On the waterworks accounts

29 I estimate that the new price structure will result in a net surplus of about \$28 million over the four years 1979-80 to 1982-83. This will reduce the cumulative deficit of about \$170 million at the end of the current financial year to about \$142 million at the end of 1982-83.

(d) On the economy

30 The implications of the new price structure for the economy can be assessed in terms of the *direct* effect of the revised charges on consumer prices and on manufacturing costs.

31 Assuming that the pattern of household expenditure in 1973-74, on the basis of which the present CPI is constructed, is still applicable, 0.4% of total household expenditure is accounted for by water consumption. As income from chargeable domestic supplies in 1979-80 is likely to increase by 7.8%, the effect of the revised charges would be to increase the consumer price index by no more than 0.03 of a percentage point.

32 As regards the manufacturing sector, the 1973 Census of Industrial Production indicated that average water consumption represented only 0.2% of total costs. Assuming that this average figure is still applicable, the revised charge for trade supplies would increase average manufacturing costs by less than 0.1 of a percentage point. But, as I have already mentioned, the Government has decided to introduce as a temporary measure, a concessionary tariff to give those industries which have to use large amounts of water, time in which to introduce measures to help them economize in their use of water, if they opt to do so.

(5) CONCLUSION

33 The new price structure and the revised charges will come into effect on 1 April 1979. Because there are no fixed billing dates this means that the revised charges will apply to water consumption which has wholly taken

place after 1 April 1979. The revised charges will thus be reflected for the first time in bills issued as a result of meter readings after 1 August 1979.

Motion made. That the debate on this motion be adjourned—THE FINANCIAL SECRETARY.

Question put and agreed to.

	<i>Current charges per unit \$</i>		<i>Revised charges per unit \$</i>
(a) Construction purposes	5.00		8.50
(b) Domestic purposes—			
(i) for the first $2\frac{2}{3}$ units	Free*	(i) for the first 4 units	Free*
(ii) over $2\frac{2}{3}$ to 14 units	3.00*	(ii) over 4 units and up to 8 units	3.00*
(iii) 15 units and above	6.00*	(iii) over 8 units and up to 14 units	5.50*
		(iv) over 14 units and up to 20 units	8.50*
		(v) over 20 units	12.00*
(c) Trade supplies	4.00		5.50 †
(d) Shipping supplies—			
(i) non ocean-going	4.00		5.50
(ii) ocean-going	7.00		12.00
(e) Pre-paid supplies	4.00		5.50
(f) Fresh water for flushing	3.00		3.00 ‡
(g) Salt water for flushing	0.70		Free

* These charges relate to consumption per unit per 4-month billing period.

† A concessionary tariff of \$4 per unit for consumption in excess of 6,000 units in any 4-month billing period will apply if certain criteria are met.

‡ A deduction of up to \$20 per dwelling will be made in each 4-month billing period.

DELEGATION OF FINANCIAL POWERS

THE FINANCIAL SECRETARY moved the following motion:—That where the sum of revenue to be applied as an appropriation-in-aid of a vote shown in the Schedule to an Appropriation Ordinance is less, or is likely to be less, than the sum of appropriation-in-aid shown in such Schedule in respect of that vote, the Financial Secretary may, pending the approval of the Legislative Council, authorize the charging on the general revenue in respect of that vote a sum equal to the sum by which the revenue to be applied as an appropriation-in-aid is less, or is likely to be less, than the sum of appropriation-in-aid shown in that Schedule.

He said:—Sir, following the introduction of the appropriations-in-aid system in 1976-77, Honourable Members are invited in the annual Appropriation Bill to authorize, *inter alia*, the application of certain receipts as appropriations-in-aid of the gross expenditure on the services and purposes under each head of expenditure in the Schedule to the Bill. Honourable Members are also

invited to authorize the charge to General Revenue of a sum equal to the net expenditure for each head of expenditure, that is to say, the gross expenditure for that head of expenditure less receipts applied as appropriations-in-aid.

In the event of a shortfall occurring in receipts applied as appropriations-in-aid, heads of departments should effect a corresponding reduction in gross expenditure in order to ensure that net expenditure is not exceeded. This, at times, is not possible without seriously disrupting the services provided. There is at present no delegated authority for maintaining the level of gross expenditure in such circumstances.

The purpose of the motion before Honourable Members therefore is to seek to delegate to the Financial Secretary, pending the approval of the Legislative Council, the authority to charge to General Revenue a sum equal to the sum by which receipts applied as appropriations-in-aid is less, or is likely to be less, than the sum shown in the Schedule to the Appropriation Bill. The gross expenditure would continue to be maintained within the approved provisions.

Sir, I beg to move.

Question put and agreed to.

First reading of bills

Inland Revenue (Amendment) (No 2) Bill 1979

Supplementary Appropriation (1977-78) Bill 1979

Crown Land (Amendment) Bill 1979

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 2) BILL 1979

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

He said:—Sir, section 28 of the Inland Revenue Ordinance provides for exemption from tax of interest payable by the Government, by licensed banks and by certain specified public utilities, provided that the rates of interest do not exceed the percentages specified by the Financial Secretary by notice in the *Gazette*.

As regards interest payable by licensed banks, this percentage rate has for many years been varied to accord with the rate paid by banks on savings accounts. If this interest were not exempted, large numbers of small depositors would become liable to tax, which the banks would be obliged to deduct and account for, and there would subsequently be a large number of claims for refunds through the personal assessment system.

Until 1975 changes in the exemption rate were made by Resolution of this Council. In 1975 the law was amended to give power to the Governor in Council to alter the exemption rate. Last year a further amendment delegated this power to the Financial Secretary. This series of reforms was designed to avoid the timing problems involved in ensuring that the exemption rate remains the same as the savings account rate. Even a few days delay, when interest rates are raised, could create the very small anomalies that our policy is intended to avoid.

Throughout this series of reforms one factor has remained unaltered, and that is the ceiling of 5% on the authority set out in the Inland Revenue Ordinance for the exemption rate to be changed. Until the beginning of this year, that ceiling had never been effective, since the rate of interest on savings accounts had never been higher than 5%. From 2 January, this year however, these accounts have borne interest at 5¼%.

The Bill before Honourable Members today accordingly seeks to raise from 5% to 7½% the ceiling on the powers of the Financial Secretary to specify the rate of exemption. Honourable Members will be aware that this Bill was in fact brought into force on 2 January by means of a Revenue Protection Order, and on the same day I signed a notice specifying 5¼% as the rate of exemption for the time being.

It would have been open to us to refuse to raise the rate of exemption above 5%, to avoid the increasing cost to the public revenue of this long-standing policy, but that refusal would have been costly in terms of administrative effort in the Inland Revenue Department for they would have to cope with a very large number of claims for refunds. This exemption applies to interest on savings accounts, which of course are very numerous—though we have no exact figures, the latest estimate is over four million individual savings accounts; and it also applies to interest paid by the public utility companies—and at least one of those companies pays the same rate as the bank savings account rate. So the consumers of power from that utility company will now be earning on their surety deposits a rate of 5¼%. Without the benefit of this Bill, and of continuing exemption, they also would be forced to seek refunds of tax withheld by the utility company. The effect on savings account holders of withdrawing this exemption could well be to deter them from attempting to save their money: that effect I would not welcome at all.

It accordingly seems appropriate to avoid a substantial increase in administrative costs and great inconvenience, leading probably to an unwelcome

reduction in the savings habit, by continuing our present policy of exempting this interest from tax; we, therefore, need to amend section 28 of the Ordinance to enable changes in the rate of exemption to be synchronized with the changes in the rate of interest paid on savings account.

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

Question put and agreed to.

SUPPLEMENTARY APPROPRIATION (1977-78) BILL 1979

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to approve a supplementary appropriation to the service of the financial year which ended on 31 March 1978.’

He said:—Sir, this Bill seeks to give final legislative authority to the supplementary expenditure authorized by Resolutions of this Council, and is the last stage in disposing of expenditure incurred during the financial year 1977-78. It also seeks an appropriation to meet expenditure incurred by departments where receipts appropriated-in-aid fell short of the sums originally estimated.

The original estimates were given legislative form in the Appropriation Ordinance 1977, which authorized a specific sum under each Head of Expenditure. It is necessary now to legislate further in respect of those heads of expenditure where the net effect of supplementary provisions, shortfalls in receipts appropriated-in-aid and underspending has resulted in an excess over the net sum appropriated in the Appropriation Ordinance 1977. The total supplementary appropriation required is \$1,164 million under 24 heads of expenditure as against savings of \$349 million under various other heads.

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

Question put and agreed to.

CROWN LAND (AMENDMENT) BILL 1979

THE SECRETARY FOR HOUSING moved the second reading of:—‘A bill to amend the Crown Land Ordinance.’

He said:—Sir, the amendments proposed in this Bill arise from experience in the operation of the Crown Land Ordinance since it came into effect in October 1972.

The development of the new towns has increased the temptation for occupiers of leased land to convert structures lawfully erected for agricultural purposes, to unauthorised uses; for example, industrial use. The only present remedy is re-entry under the Crown Rights (Re-entry and Vesting Remedies) Ordinance (Chapter 28) which, apart from being a laborious process, is usually too severe a measure in relation to such offences. In order to prevent repetition of the widespread conversions previously experienced in New Kowloon, a summary remedy is proposed in clause 5 of the Bill, which will enable the Housing Authority to demand that the lessee discontinue the wrongful use and restore the structure to its original use; failing which, the Authority may do the restoration for him or may demolish the structure.

In the control of unlawful occupation of unleased land, the existing legislation has not proved a sufficient deterrent to individuals and groups engaging in the unauthorized construction and sale of structures on Crown Land. At present, when squatter control staff come across a structure being erected, they are obliged to post a notice requiring its removal within a prescribed period. At least 24 hours notice is required, and this gives enough time for the unscrupulous operator to complete the structure and sell it, and for purchaser to occupy it, before Housing Authority staff can carry out demolition. Clause 3 of the Bill will enable staff to demolish structures *before* they are sold and occupied, and to prosecute those who engage in their construction as a business. In this connection, may I reassure Honourable Members that the Housing Authority will continue to provide accommodation for persons rendered homeless as a result of squatter control action.

The wider powers of entry and inspection proposed in clause 6 of the Bill will facilitate survey work for the clearance of areas before development and will ensure that accurate information is obtained. The penalties for providing false information proposed in clause 7 will deter those who attempt to gain unfair advantage in respect of housing or the payment of compensation and *ex-gratia* allowances. These latter penalties are identical to those in the Housing Ordinance (Chapter 283).

Finally, Sir, the gradual hand-over of responsibility for general squatter control in the New Territories from the New Territories Administration to the Housing Authority is reflected in clause 8 of the Bill.

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

Question put and agreed to.

INLAND REVENUE (AMENDMENT) BILL 1979

Resumption of debate on second reading (10 January 1979)

Question proposed.

MR YEUNG:—Sir, as a result of the recent increase in estimated rental values, the property tax liability borne by non-profit making clubs, associations and similar institutions has increased substantially and in some cases the increase is as much as twenty times. This has been the subject of wide interest, especially among non-profit making sports and recreational associations and a question on these institutions was raised by me in the last session of this Council.

The proposed exemption of clubs and similar institutions not carrying on a business or using their properties commercially from property tax will no doubt gain acclamation from the general public and sports and recreational associations.

The extension of such exemption to trade and professional associations, to clans, families and t'ongs will be welcomed as it is a definite sign of Government's intention to assist trade and professional associations and its recognition of the importance of the family and communal spirit as well as long-standing traditions in the New Territories. This Bill before Council will be particularly welcomed by the indigenous people of the New Territories as the concept of property tax is new to them and they cannot see any reason why their Kung Sors (公所), Chi Tongs and other communal buildings which are for the benefit of the community and not bearing income should be chargeable to tax.

It is therefore my great pleasure to support this Bill.

THE FINANCIAL SECRETARY:—Sir, in writing the paper to Mr Charles YEUNG for his support, I should like to counter a possible misconception which I feel in my bone, is inevitable anyway. As I explained in paragraphs 4 and 5 of my speech moving this motion, the purpose of the Bill is to implement one of the recommendations of the Third Inland Revenue Ordinance Review Committee relating to the present anomaly in respect of a property tax treatment of clubs and similar institutions. That is the purpose of the Bill. That is to say, the purpose of the Bill is not simply to alleviate the property tax liability of non-profit making clubs and similar institutions but rather to exempt them from property tax unless their property is exploited commercially.

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).

CRIMINAL PROCEDURE (AMENDMENT) (NO 4) BILL 1978**Resumption of debate on second reading (20 December 1978)**

Question proposed.

MR LO:—Sir, the introduction of this Bill has aroused considerable public interest, particularly among the lawyers. Bail has long been a subject of controversy, and the Legislation Scrutiny Group of Unofficial Members of this Council has carefully studied the Bill and discussed its provisions with the Attorney General. We have decided to support the Bill, but there are a number of points which I feel warrant further elaboration.

Firstly, when moving the second reading, the Attorney General stated that ‘an accused person who is refused bail has always been able to apply to the High Court for a review and is able to apply to one judge after another if he is unsuccessful’. This does not appear to be the position as laid down by Judge LI in *WONG vs R* in 1976. However there is no harm in restating the law particularly when in the minds of some doubt exists.

Secondly, the proposed new section 12B which provides in effect that no appeal shall lie from the decision of a court or a judge if bail is refused. At first sight this may seem odd, as it is always possible for a court or a judge to go wrong on a matter of principle. However the Legislative Council Group has been persuaded by the Attorney General’s argument that as bail is always discretionary and each case has to be considered on its own merits, the question of principles will not arise in practice.

Thirdly, the Legislative Council Group feels that it is essential for Government to ensure that the power of applying for review of a bail order is exercised with great care. In this connection, my Unofficial Colleagues consider that such power should be exercised by the Attorney General personally and not delegated below his immediate Branch heads. We have been told that he will give us an assurance on this.

Fourthly, we feel that in cases where the review of a bail order is the result of the failure of the prosecution to adduce all the material evidence before the Court when bail was first applied for, the Court should be given the discretion to award costs against Crown and we have been assured that the Attorney General will move an amendment to this effect.

Finally, I wish to say a few words on the delay aspect, in regard to bringing an accused person to trial which inevitably has some bearing on a Court’s exercise of its discretion on bail. My Unofficial Colleagues and I are most concerned about the present order of delays before an accused is brought to trial. Although we are given to understand that in this respect Hong Kong compares reasonably well with comparable jurisdictions elsewhere, we think there is no cause for complacency and that there is a real

need for Government to see what needs to be done to expedite the dispensation of justice.

With these remarks, Sir, I support the motion.

THE ATTORNEY GENERAL:—Sir, the depth of feeling which the subject of bail for accused persons can provoke one way or the other is clear enough. And the concern of those who believe that bail should not be withheld except on the most compelling grounds must be respected. Concern for that point of view led the Legislation Scrutiny Group to examine the Government's proposals with a keen eye.

Sir, I have to admit that I was not aware of the decision in WONG v. Regina. However, as Mr Lo has said, some doubts exist in some minds and the provisions of the Bill clearly debarring further applications to the High Court for bail, except in changed circumstances, will settle the matter decisively.

I confirm that decisions to seek a review of a decision of a magistrate or District Judge to grant bail will be taken only by the Law Officers or by the Director of Public Prosecutions. And I also confirm that I shall be moving an amendment in Committee to give effect to the very fair proposal of Unofficial Members that the judge hearing an application by the Attorney General for a review of a decision to grant bail should have power to award costs against the Crown.

The subject of trial delays is one which constantly exercises the minds of both those who are directly involved in the administration of criminal justice and concerned onlookers. It is however right to say that views as to what is a reasonably acceptable interval between arrest and trial differ considerably. Naturally, both the Chief Justice and I take seriously Mr LO's expression of the concern of Unofficial Members about the present order of delays. Three new posts of High Court Judge were approved quite recently by the Finance Committee of this Council and this is but one example of the continuing review of the state of judicial business. Members may feel sure that the matter is closely monitored at all times.

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.

INLAND REVENUE (AMENDMENT) BILL 1979

Clauses 1 to 4 were agreed to.

CRIMINAL PROCEDURE (AMENDMENT) (NO 4) BILL 1978

Clause 1

THE ATTORNEY GENERAL:—I move that clause 1 be amended as set out in the paper before Honourable Members.

Proposed amendment

Clause 1

That clause 1 be amended by deleting ‘(No 4) Ordinance 1978’ and substituting the following—
‘Ordinance 1979’.

The amendment was agreed to.

Clause 1, as amended, was agreed to.

Clause 2

THE ATTORNEY GENERAL:—Sir, I move that clause 2 be amended as set out in the paper before Honourable Members.

Proposed amendment

Clause 2

That clause 2 be amended, in the proposed section 12C(7), by inserting after ‘in the matter’ the following—
‘including an order as to costs’.

The amendment was agreed to.

Clause 2, as amended, was agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that the

INLAND REVENUE (AMENDMENT) BILL 1979

had passed through Committee without amendment and that the

CRIMINAL PROCEDURE (AMENDMENT) (NO 4) BILL 1978

had passed through Committee with amendments 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

Motion made and question proposed. That this Council do now adjourn— THE CHIEF SECRETARY.

4.10pm

Small-Scale Industry in Hong Kong

MR CHEONG-LEEN:—Last November, a Hong Kong Team under Dr Victor SIT of the University of Hong Kong Centre of Asian Studies completed a 426-page draft report entitled ‘Small Scale Industry in a *Laissez Faire* Economy—a Hong Kong Case Study’.

According to the Report, the small industrial sector in 1977 made up 92.1% of total manufacturing establishments.

They contributed 40.2% of total manufacturing employment or 303,553 persons in 1977 (which represented 18.1% of total employment in all sectors).

There is a loose system of support for industrial development in Hong Kong, consisting of more than a dozen Government departments, semi-official institutions and trade and industrial associations. The draft report suggests that Government has no overall policies to develop the small industrial sector. The Government is content so far to concentrate on preserving an open business environment which offers small enterprises maximum freedom to exploit their own opportunities with minimum assistance, financial, technical or otherwise.

Of the 415 establishments which were interviewed, less than 4% felt that there was any encouragement or support from the Government, and most viewed the Government as permissive or neutral towards their endeavours.

One of the most serious problems of small industry was found to be the shortage of suitably-sized factory units. On the one hand, small factories comprise 92.1% of all manufacturing establishments; on the other hand,

between 1975-1977, the supply of small factory units of less than 2001 sq. ft. (or about 184 sq. metres) was below $\frac{1}{3}$ of the total number of factory units supplied.

At present, operators of squatter factories with an area of over 50 sq. ft but not exceeding 3,000 sq. ft, and surveyed in 1976, are given on clearance the option of an *ex-gratia* allowance or re-provisioning in a Housing Authority flatted factory. However, due to inadequate long-term planning, even the Housing Authority for the next 2 years will face a serious shortage of flatted factory accommodation for clearance purposes.

Environmental protection and improvement will have increasing impact in the future, particularly in the urban areas, where there are over 10,000 small-scale factories operating in domestic and domestic-commercial premises. Government has only recently become more conscious of the shortage of factory accommodation for small-scale factories. It has now decided to sell a proportion of industrial land becoming available in the near future with a condition requiring the developers to provide 50% of the accommodation in the form of units not exceeding 100 sq. metres, or approximately 1,090 sq. ft.

This is a step in the right direction, and I would urge that this policy be implemented both in the urban areas where feasible as well as the New Territories.

I suggest that Government go even further and encourage the building of flatted factory complexes in the New Territories to accommodate both medium and small scale factories, with nearby warehouse facilities, round-the-clock security, banking and other essential services. I have provided the Director of Trade, Industry & Customs with a brochure on one such Flatted Factory Complex which was built 2 years ago in another global city to give some idea of what I have in mind. I think the Government can do even better than that in the New Territories.

Government should seek to upgrade the quality and design of such flatted factory complexes, so that they will attract small-scale industrial establishments gearing up to higher technology. The Government should also ensure that there will be capable and permanent management in the complexes once they are completed.

For the time being, Hong Kong is fortunate to have a low unemployment figure, despite the large number of immigrants and refugees who are coming in every month. With the drive for industrialization gathering momentum in China, one wonders what will be the economic and industrial situation in Hong Kong 4 or 5 years from now.

On many occasions in the past, I have declared myself in this Council as a confirmed optimist. However, I foresee that if the Hong Kong economy is to remain healthy and vigorous 5 years from now, the Government will

have to come out of its *laissez faire* cocoon, particularly in its attitude and approach towards the small industry sector.

As Dr SIT's Report has explained, there is already a loose system of support for industrial development in Hong Kong. The pertinent question is whether the Government is consciously giving enough attention and support to the small industry sector, by exploiting more fully the support facilities which are already in existence.

For example, should the Hong Kong Productivity Centre, which is performing excellent work for industry as a whole, be given future financial resources to provide more rapidly technical information, manpower and industrial development services, quality control, technology transfer, and other services to small-scale industries?

Can we learn more from the experience of Japan, where there is a Small & Medium Enterprise Agency, where the Government there is cognizant of the crucial role small businesses play even today in the Japanese economy, and where a variety of support services are provided to small industry, such as management diagnosing consultancy to rationalize operations and provide technology at little or no cost?

Last year, Hong Kong probably had a net inflow of over 100,000 immigrants and refugees. In another 5 years, our population could be well over 5 million. What will be the employment prospects for our young people in the coming years as China's modernization proceeds apace? What is Government's thinking and its future plans to sustain and enhance the small-scale industrial sector, which relatively speaking has been neglected by Government?

Sir, these are leading questions resting at the core of today's Adjournment Debate.

MR JAMES WU:—Sir, as Chairman of the Federation of Hong Kong Industries, I am grateful to Mr CHEONG-LEEN for drawing attention of this Council to the difficulties and plight of small industries in Hong Kong. Mr CHEONG-LEEN has been in the export-import business for decades, and he is speaking from personal knowledge and experience of the problems confronting small industrialists, *ie*

- (1) High cost or rental of factory premises
- (2) Lack of technical and management assistance
- (3) Financial worries
- (4) Labour shortage and problems

Time would not allow me to elaborate further on these difficulties. Suffice it to say that in the first instance, they have to let speculators and landlords have their pounds of flesh for the premises, and in the situation of too much

money chasing after too little land fair market prices are a mockery and a synonym of higher rental and premium beyond viability. Investment in productive capacity therefore slackens as money is drawn to the more speculative fields that promise to offer more lucrative and quicker returns. In the latter 3 instances, small industrialists are generally of modest beginning. Working hand to mouth, they are hard pressed with a multitude of problems, so that if left to their own, they are poorly equipped and ill-prepared to solve these problems. In today's circumstances of high inflation, rapidly rising material costs and tight labour situation created in no small measure by greatly increased internal demand, the situation has become even more untenable. For example, high overheads dictate larger production volumes and orders, but rapidly rising material and labour costs could upset earlier costings upon which orders are negotiated and accepted. For those in the garment industry, unpredictable quota prices and availability, aggravated by fervent speculation, could mean non-shipment of finished goods and irreparable losses.

Our other small industries are also mainly of low technology and high labour intensity, and what little lead we enjoy in manual skills is being rapidly eroded by our keen competitors, who, with their governments' assistance and co-operation, have been able to advance farther in technology and in larger in scale.

Sir, in a public speech last week, you so rightly said and I quote:

'To maintain an export-led growth, there must be sufficient resources of labour and capital at the right terms, to enable our export industries to fill the orders that are available; there must be sufficient flexibility in the economy to enable industrialists to adapt to new demands and opportunities; imports retained for consumption must be commensurate with our foreign exchange earnings, the bulk of which are from exports,' unquote.

Sir, I need scarcely remind this Council that due to increased internal demand and sluggish real export growth, our trade deficit has reached HK\$9.13 billion in 1978 compared to HK\$3.87 billion for 1977 and over 130% increase. Not used to exaggeration, I had estimated and publicly stated in early December that the deficit could be 8 billion. Also, there is little doubt that the near 20% reduction in the purchasing value of the Hong Kong dollar during the last two years has resulted from this worrying situation. In the light of revealing developments in the past few years, apprehension is growing as to whether Government's once great economic policy has outlived its usefulness. Indeed, Sir, if industry is to continue to play its leading role in creating export earnings so vital to our economic survival, it would appear that Government must increase its input and participation so as to provide for more assistance and facilitation to small industries so that these productive and wealth-creating ventures can prosper for the general good.

MR CHEN:—Sir, as the Chairman of the Hong Kong Productivity Council, I am most grateful to my Friend Mr CHEONG-LEEN for citing the work of the Productivity Centre, as an example of the many Government subvented bodies which should be given further financial resources to provide the much-needed support services to small-scale industries. Suffice for me to say that with the increasing sophistication of Hong Kong industries and bearing in mind that small-scale industries have neither the technical capability nor the financial resources to develop the service facilities for their own, the need of Government assistance directly or indirectly, but without necessarily increasing Government interference, is more important than ever.

You will recall, Sir, that in the Budget Debate last year, I did touch upon the subject of helping small industrial operators. A 'Factory Ownership Scheme' was put forward which would provide small industrial operators with a measure of security against spiralling rent increases and at the same time would help solve or reduce environmental and other problems. In his concluding speech of the same Debate, my Friend the Financial Secretary said that he was 'sorely tempted to respond in great detail to these important questions and proposals' (of which the 'Factory Ownership Scheme' was one), but unfortunately he did not do so because he felt that it would be premature and discourteous to the Advisory Committee on Diversification. I am therefore very glad, Sir, to have this opportunity to bring this matter back to the fore.

With these remarks, Sir, I support the motion.

DIRECTOR OF TRADE INDUSTRY AND CUSTOMS:—Sir, for a number of reasons I am not in a position to give the definitive Government reply to my honourable Friends.

However, I will take only partial shelter behind the Advisory Committee on Diversification on this occasion.

Mr CHEONG-LEEN has the advantage of me: I have not yet found time to read Dr SIT's voluminous report which is, as he says, still in draft form. I have, however, seen the draft chapters summarizing Dr SIT's major findings.

Incidentally, I think we should warn Dr SIT and his co-authors that with the title they have chosen 'Small Scale Industry in a *Laissez faire* Economy' they have one strike against them before we can get the Financial Secretary as far as page one. The title should of course be 'Relatively Small Scale Industry in a Positive non-interventionism Economy.' (*laughter*)

The definition of 'small scale industry' used in Dr SIT's report is, simply, factories which employ fewer than fifty workers. This, as I believe Dr SIT himself recognizes, is arbitrary and has a number of shortcomings.

First, it includes some plants which are Hong Kong's largest, most technologically advanced and most capital intensive. One that immediately

springs to mind was established only a few years ago with a capital investment of a hundred million dollars. Of course, there are not many plants like that in Hong Kong which fall within this definition of small industry. But then, there are not many plants of that scale in Hong Kong at all, with either more or less than fifty workers.

That brings me to my second point on the usefulness of the definition. It covers, as Mr CHEONG-LEEN has said, ninety-two per cent of all establishments in our manufacturing industry. We are therefore talking not about a minority sector with special problems, but about the overwhelming majority of industrial establishments in Hong Kong. These are the factories that occupy the hundreds of flatted factory buildings, which provide, again as Mr CHEONG-LEEN has said, forty per cent of employment in manufacturing industry, and contribute substantially to our exports. I don't think the needs of so broad a sector can be considered separately from the development of manufacturing industry as a whole: which is, of course, what the Advisory Committee on Diversification, is doing.

I can't anticipate what that Committee will recommend, but I believe it is right to continue our present policy towards industrial development, including small scale industry, so far as it involves allowing them freedom to establish themselves, to develop according to their capabilities and to take advantage of the services which are available to all industry. I agree with those industrialists surveyed by Dr SIT and his colleagues who felt that the Government was largely permissive or neutral toward their endeavours, but I don't take that as an adverse criticism of our policy—or of its results. I suggest that in many ways the absence of bureaucratic interference is something for which entrepreneurs are generally grateful; or should be.

My honourable Friend Mr Wu paints a depressing picture of the present situation of our small industrialists and is pessimistic regarding their prospects. Indeed the picture he paints is so gloomy that when I first read his draft speech yesterday, I began to wonder whether we were both living in the same city. (*laughter*)

For one thing, the increase in factory rents slowed down in 1978 and the rents even decreased slightly towards the end of the year. Secondly, rather than slackening, investment in plant and machinery grew by fifteen per cent in *real terms* during the year.

The unit value index of imports of raw materials rose only two per cent in the first nine months of the year and the year's real export growth was far from sluggish. At twelve per cent in real value terms, it was, in fact, above the trend for the years 1970 to 1977 period and more than twice the growth in 1977.

None of this is to say that the Government is unaware of, or unsympathetic to, the problems of smaller industrialists. The greatest of these, as Mr CHEONG-LEEN has said, is the shortage of suitable accommodation, but this

does not affect all of them. It affects only those who require very small units. The number of those requiring these small units is much smaller than the number of those who come within Mr CHEONG-LEEN's definition of small factories, that is those employing less than fifty workers.

Nevertheless a great deal of effort has recently been put into attempting to alleviate this situation. I use the word 'alleviate' rather than 'resolve' for it would be unrealistic to believe that the Government will be able to satisfy everybody, at least for a number of years.

But I must also stress that, for small scale industries that are suitable for location in ordinary flatted factories, and these represent the majority, there should be no shortage of space in the near to medium term. In 1979 it is estimated that an additional thirteen million sq. ft.—I am sorry I cannot say how many sq. metres that is,—of flatted factory space will become available. This is about three million sq. ft more than in 1978 and over four million more than in 1977. There will, of course, always be those who will choose to operate in domestic or commercial buildings and others, including marginal industries which would not be viable if they paid market rents, will continue as squatters.

It is true that there is at present a shortage of Government-financed flatted factory accommodation for resettling squatter factories, owing to an acceleration in the number of factories being cleared. A large construction programme is now in hand. In the meantime, squatter factories eligible for resettlement and cleared from land required for redevelopment but which cannot be accommodated immediately will be given temporary resite areas until the buildings are ready for them. Others not eligible for or not interested in such accommodation will get *ex-gratia* cash payments, which have recently been substantially increased.

The problems arising from the many small factories in non-industrial, and particularly residential, buildings are problems not only for the factories but also for the other occupiers of the buildings, whose safety and welfare must be taken into account. The Government's policy is to prevent proliferation of these factories in the new towns and in new buildings where industrial use is in contravention of the lease conditions. Lease enforcement action in existing buildings is presently taken only in respect of the more objectionable factories, *ie* those which are positively dangerous or obnoxious. Only when there is adequate and suitable industrial accommodation available will this action be extended to cover other factories in existing non-industrial buildings.

One of the steps being taken to create more suitable premises is the proposal mentioned by Mr CHEONG-LEEN to sell the leases of some sites subject to a condition that units of one hundred sq. metres are constructed on them. I am glad that he thinks it a step in the right direction. Consideration is being given to a possible extension of this experiment, but the Government has to take into account the fact that in so doing it would be denying the

use of the sites in question to other larger scale industry. Clearly it is necessary to try to balance the interests of the community as a whole.

All industrial areas are planned to provide the services required by the industries which will occupy them. The Government is, nevertheless, conscious of the need to keep up with the development of industry in this regard and is actively examining the need to change its layout plans as a result. Consideration is already being given to the need, and the means, to stimulate improvements in the quality and design of flatted factory accommodation in general.

Mr CHEN has reminded us of his suggestion for a Factory Ownership Scheme. While I can see drawbacks as well as good points in the idea, I think we must suspend judgment until the Advisory Committee on Diversification has had the opportunity to consider Mr CHEN's scheme. As a member of the Committee, he seems to me to be in a good position to persuade them to consider it.

I suppose it is fair to describe the system of support for industrial development as 'loose', as Mr CHEONG-LEEN quotes Dr SIT as saying. But I believe there are advantages in this. After all the opposite of loose is tight and a synonym for that is 'restrictive'.

I note that Dr SIT has concluded that this loose system of support has created an active business environment which offers small enterprises more business opportunities and other indirect benefits. But here again is an area which is being considered by the Advisory Committee on Diversification.

I think there is a strong case for encouraging the Productivity Council to continue to increase and improve upon the services which it offers to Hong Kong industry as a whole. This too is something which is before the Advisory Committee. But let me say that the Hong Kong Productivity Council already concentrates on providing services specifically geared to the smaller and medium sized factories. Its fee structure, moreover, is frequently related to the client's ability to pay, as it is the Council's policy to provide cheaper services to the smaller scale enterprises. And it is steadily widening the ambit of its services to those who seek to use them.

It is true that the economy has its problems, though I don't think they are quite as severe as Mr WU's speech would suggest. And they have to be tackled. You, Sir, in your speech to the Hong Kong General Chamber of Commerce last Friday referred to them and also to the high priority that the Government has given to tackling them.

I should like to close with a final reference to Dr SIT's draft report, in case it might be thought from the few references we have made to it today, that it too paints the whole picture in gloomy tones.

The report concludes that, in general our small factories are quite efficient in their use of labour and capital resources and that they produce a higher rate of return on capital than larger factories.

Sir, I support the motion. (*laughter*)

Question put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—I remember when we meet again, it will be the Year of the Ram. I therefore take this opportunity to wish you all, 'Kung Hei Fat Choy'.

Adjourned accordingly at thirty-eight minutes past four o'clock.