

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 14 November 1979****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE ACTING GOVERNOR (*PRESIDENT*)  
THE HONOURABLE THE CHIEF SECRETARY  
SIR JACK CATER, K.B.E., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY  
MR. CHARLES PHILIP HADDON-CAVE, C.M.G., J.P.

THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS  
MR. LI FOOK-KOW, C.M.G., J.P.

THE HONOURABLE DAVID AKERS-JONES, C.M.G., J.P.  
SECRETARY FOR THE NEW TERRITORIES

THE HONOURABLE LEWIS MERVYN DAVIES, C.M.G., O.B.E., J.P.  
SECRETARY FOR SECURITY

THE HONOURABLE DAVID WYLIE McDONALD, C.M.G., J.P.  
DIRECTOR OF PUBLIC WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, C.M.G., J.P.  
DIRECTOR OF EDUCATION

THE HONOURABLE DAVID GREGORY JEAFFRESON, J.P.  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE ALAN JAMES SCOTT, J.P.  
SECRETARY FOR HOUSING

THE HONOURABLE EDWARD HEWITT NICHOLS, O.B.E., J.P.  
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE THOMAS LEE CHUN-YON, C.B.E., J.P.  
DIRECTOR OF SOCIAL WELFARE

THE HONOURABLE DEREK JOHN CLAREMONT JONES, C.M.G., J.P.  
SECRETARY FOR THE ENVIRONMENT

DR. THE HONOURABLE THONG KAH-LEONG, J.P.  
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, J.P.  
SECRETARY FOR SOCIAL SERVICES

THE HONOURABLE JOHN CHARLES CREASEY WALDEN, J.P.  
DIRECTOR OF HOME AFFAIRS

THE HONOURABLE JAMES NEIL HENDERSON, J.P.  
COMMISSIONER FOR LABOUR

THE HONOURABLE GERALD PAUL NAZARETH, O.B.E.  
LAW DRAFTSMAN

THE HONOURABLE LAWRENCE WILLIAM ROBERT MILLS, J.P.  
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS (*Acting*)

THE HONOURABLE ROGERIO HYNDMAN LOBO, C.B.E., J.P.

THE HONOURABLE JOHN HENRY BREMRIDGE, O.B.E., J.P.

DR. THE HONOURABLE HARRY FANG SIN-YANG, O.B.E., J.P.

THE HONOURABLE LO TAK-SHING, O.B.E., J.P.

THE HONOURABLE ALEX WU SHU-CHIH, O.B.E., J.P.

THE REVD. THE HONOURABLE JOYCE MARY BENNETT, O.B.E., J.P.

THE HONOURABLE LYDIA DUNN, O.B.E., J.P.

DR. THE HONOURABLE HENRY HU HUNG-LICK, O.B.E., J.P.

THE HONOURABLE LEUNG TAT-SHING, O.B.E., J.P.

THE REVD. THE HONOURABLE PATRICK TERENCE MCGOVERN, O.B.E., S.J., J.P.

THE HONOURABLE PETER C. WONG, O.B.E., J.P.

THE HONOURABLE WONG LAM, O.B.E., J.P.

DR. THE HONOURABLE RAYSON LISUNG HUANG, C.B.E., J.P.

THE HONOURABLE CHARLES YEUNG SIU-CHO, J.P.

DR. THE HONOURABLE HO KAM-FAI

THE HONOURABLE ALLEN LEE PENG-FEI

THE HONOURABLE DAVID KENNEDY NEWBIGGING, J.P.

THE HONOURABLE HU FA-KUANG, J.P.

THE HONOURABLE WONG PO-YAN, O.B.E.

#### **ABSENT**

THE HONOURABLE THE ATTORNEY GENERAL  
MR. JOHN CALVERT GRIFFITHS, Q.C.

THE HONOURABLE JOHN MARTIN ROWLANDS, J.P.  
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE OSWALD VICTOR CHEUNG, C.B.E., Q.C., J.P.

THE HONOURABLE LI FOOK-WO, C.B.E., J.P.

THE HONOURABLE FRANCIS YUAN-HAO TIEN, O.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, O.B.E., J.P.

THE HONOURABLE ANDREW SO KWOK-WING

#### **IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MRS. LORNA LEUNG TSUI LAI-MAN

**Affirmation**

MR. L. W. R. MILLS made the Affirmation of Allegiance and assumed his seat as a Member of the Council.

HIS EXCELLENCY THE PRESIDENT:—I would like to welcome Mr. MILLS. to this Council.

**Papers**

The following papers were laid pursuant to Standing Order No. 14(2):—

*Subject* *L.N. No.*

## Subsidiary Legislation:

Commodities Trading Ordinance.	
Commodities Trading (Amendment of First Schedule) Order 1979 .....	268
Commodity Exchanges (Prohibition) Ordinance.	
Commodity Exchanges (Prohibition) (Amendment of Schedule) Notice 1979 .....	269
Interpretation and General Clauses Ordinance.	
Specification of Public Office .....	270

## Sessional Papers 1979-80:

- No. 17—Hong Kong Trade Development Council—Annual Report and Account 1978-79 (published on 14.11.79).
- No. 18—Hong Kong Housing Authority Annual Report 1978-79 (published on 14.11.79).

**Government business****Motion****Address of thanks to His Excellency the Governor****Resumption of debate on motion (1 November 1979)**

SECRETARY FOR HOUSING:—

*Public housing*

Sir, in this debate, ten Unofficial Members have spoken on housing, delivering criticism both favourable and unfavourable, and offering general advice and specific proposals. Their comments in reflecting the needs and anxieties of the community have ranged across the public housing programme and the provision of housing by the private sector.

The Housing Authority—whose Annual Report for 1978-79 is tabled today —is very much aware that housing needs are so great that for many years it will be necessary for them to try even harder and it chafes against the constraints, just as its critics and supporters do; but recognize these constraints we must, and it is against the background of needs, restraints, resources and achievements that I shall respond to Members.

The public housing programme will this year achieve its highest ever output of 35,000 flats, and is settling into top gear for what will be a long run; but this, as several speakers have said, and the Governor emphasized, must not be regarded as an immutable maximum. It was a great disappointment to everybody that we had to lower our ambitious target in this vital social programme; but when economic circumstances and the capacity of the construction industry permit, we hope to improve upon the present figure. And, in any case, this year the Authority will complete more than twice as many flats as last year.

Members would therefore be surprised if I did not support the plea of Mr. WONG Lam that 'top priority should be given to tackling the housing problem'. He suggested that public construction programmes should be reviewed and the less important ones postponed, so as to redirect manpower and resources into public housing projects. This, Sir, is exactly what was done in the course of preparation of the Financial Secretary's Budget earlier this year: the public housing programme was the least affected, while other programmes were rephased; and in that rephasing, priority was given to the infrastructure and support services needed for the development of public housing.

The pressure on the construction industry is evidenced by the Tender Price Index having increased by 32% over the twelve months ending September this year. The Public Works Department Labour and Materials Cost Index rose 43% over the twelve months ending in August this year; and Housing Authority Building Committee figures show much the same level of increase.

Two years ago, Sir, we were, with some reason, fairly optimistic about the impact of the long-term programme on the housing problem. But in the last two years, a large number of people have added themselves to our population, by way of immigration both legal and illegal. About 250,000 people are estimated to have entered Hong Kong since January 1978. And this is not

just a simple matter of once and for all addition to our population, grievous enough though that is for the hopes of those already waiting for housing and disappointing as it is in its effect on our plans. Most of these illegal immigrants are young people who will either seek to bring relatives from China, or will marry here and create new families in Hong Kong, so that by the middle or late 1980s, the real impact may be as much as twice the figure I have mentioned or even greater. And most of them will want, and under our present policy will become eligible for, public housing.

Evidence of the rapid growth of squatter populations can be derived from the October fires in Lei Yue Mun, Ma Tsai Hang and Sau Mau Ping, which rendered homeless in all 7,276 people. In these three areas, 4,789 people had been recorded in the 1976 squatter control survey. That therefore indicates an increase of over 50% in three years.

The competing pressures for land, for many purposes including housing, were well illustrated by Mr. F. W. LI's suggestion that among other methods of easing the demand for land could be the early release of land occupied by temporary housing areas. But at the same time, in order to enable the development clearance programme to go forward, there is a need for more temporary housing areas. And then there are emergencies: for example, the fires which I have just mentioned. As a result of those fires, we had to find, with the help of the Secretary for the New Territories, additional space to build another large temporary housing area—but the piece of land in Sha Tin which was finally found, had been intended for industrial use. So the land usage jigsaw had to be shifted around yet again.

The Revd. Joyce BENNETT refuted effectively the criticism in a recent newspaper article that Legislative Council debates are dull, when she dramatically categorized the Housing Authority as unconcerned with the effects of its programmes and without much sense of geography, in particular with no clear idea where roads go or are planned to go to, at least in Kwun Tong. I personally admit to a poor sense of geography, indeed I sometimes get lost in Members' speeches (*laughter*). Fortunately, Housing Authority Headquarters are rather closer to Kwun Tong than the Central Government Offices which she also castigated.

Despite her attack, I know that Miss BENNETT appreciates the complex problems of carrying out a huge building programme, that is public housing programme, at the same time as the public works programme and the private sector are heavily engaged, in a rapidly growing and geographically limited community, while trying to minimize the effect on those citizens inconvenienced by the process. It is little consolation to point out that the end result will be a great deal better, both locally and certainly in Hong Kong as a whole, than what was there before. But I do assure her that the power of even the Housing Authority is limited, and that its planning and programmes are influenced by pressures communicated to it by members of the public through the media, and directly to its executive arm, the Housing

Department, and in particular through the close contacts maintained between our tenants and the staff of the Department in the estates. Let me, Sir, finally add that the Authority is composed, as to two-thirds, of unofficial members whose breadth of experience and contacts with a wide range of people is of inestimable value in the conduct of this great social enterprise.

Dr. FANG suggested that the Housing Authority should reassess the income of its tenants at five-year intervals, and that those found to be earning more than the current income limit for rental housing should be required to move into home ownership flats. This has been considered recently by the Authority, but to implement it would produce anomalies and would be seen as arbitrary by many affected. Family incomes vary with the prosperity of different occupations at different times, and with the number of earners in the household at any one time. It would be hard to justify requiring people to buy property because of what might be temporary prosperity; and house-hold incomes change as children grow up, become wage-earners, marry and form separate households. The Authority has recently decided that tenants in Mark I and Mark II blocks who otherwise qualify for voluntary transfer to better flats, shall not be eligible for such transfer if their income exceeds twice the current income limit. This is at least a step in the general direction recommended by Dr. FANG. It is of course true that quite a number of Housing Authority tenants, particularly those in the older estates, are much better off, partly through enjoying subsidized housing for many years, than the current income criterion. But I think that they should be encouraged to move by making available to them a proportion of home ownership flats, rather than by forcing them out.

Mr. LOBO, Sir, spoke with great care and concern about the public housing programme and I endorse wholeheartedly all that he said. He mentioned in particular that because of other demands, people on the waiting list, by the time their names come to the top, have often reached income levels which disqualify them. This is indeed true: in the past twelve months, one-half of those coming up have been found ineligible. This may partly be because when they apply to go on the list, no check is made of their income, and therefore a number of them probably never did qualify in income or perhaps other terms. Let me clarify this by pointing out that to do a check at the time a person applies to join the list would serve no effective purpose, because during the waiting period, incomes and other circumstances change. The term 'waiting list' therefore is a convenient but slightly misleading abbreviation.

The most recent addition to the public housing programme, the Home Ownership Scheme, drew favourable comment from Members. It is getting along satisfactorily, although there was some delay on some of the phase I projects because of site difficulties—and this reflects the urgency with which additional sites were brought forward to get the scheme started. This year we expect to see just over 6,000 home ownership flats completed. Dr. FANG and Mr. F. K. HU urged that the number of home ownership flats should be increased, and Dr. FANG compared the number of flats to be built for

sale with the number already built and to be built for rent by 1982/3. I suggest that as rental housing has been constructed since 1954, whereas home ownership flats are only just beginning to appear, the comparison might be more aptly made with reference to the rate of current building: the proportion of home ownership flats to rental flats, in the building programme over the next six years is about 1:6.

Mr. F. K. HU suggested that the proportion of home ownership flats to rental flats be raised to 50% or 70%. I agree that the proportion should be raised, but not precipitately, for we must bear in mind our policy to help first those who need it most, as I said recently in this Council; the bulk of our effort must continue to go towards the lowest income group, who form the majority of the population. I am glad however to announce that plans are well under way to transfer to the home ownership scheme a number of flats in rental estates which have been built to comparable standards. These will come under the present arrangement for allocation of flats in phase I of the Home Ownership Scheme, that is 50% of the flats for sale go to applicants in public rented housing, thus making their existing rented flats available for new tenants.

On the 5th of November, we invited applications for 1,500 flats in the first two projects of the Private Sector Participation Scheme. These are two excellent developments, and the response is substantial. We are about to award a tender for the third, for 750 flats, and more are in the pipeline. This scheme, although not quite the same as the Revd. MCGOVERN's suggestion, is on similar lines and it does produce flats at well below current prices. We intend to continue with it.

The dominant theme in the speeches of Members was that we need much more housing of all types. There can be no disagreement with that; and I will not harp on the constraints of land, the capacity of the construction industry and the need to avoid further stimulating consumer demand and thus increasing inflation, at a time when Government is committed to fight inflation. I hope that I have convinced Members, or at least fully explained, that the current public housing programme represents a realistic assessment of what can be done at present.

#### *Rent levels*

Mr. WONG Lam referred to 'many families having to spend half of their monthly income on housing'. Undoubtedly, it is true that because of the rapid increase in rents in certain classes of flats, some people are in this very unhappy and undesirable position. But at the risk of being accused of white-washing and other unsavoury practices associated with statistics, I ask Members to look at some facts and figures. From the March 1979 Labour Force Survey and other data, it can be derived that in the private sector 70% of households spend not more than 20% of their income on housing. Nearly one-half of our population lives in public housing, and nine tenths of those households pay less than 20% of their income as rent. Virtually

all households in public housing who pay more than 20% of income as rent are in receipt of public assistance which includes the payment of rent. Thus, Sir, over 80% of households in Hong Kong are spending less than 20% of income on housing.

I repeat these figures are not an attempt to deny or belittle the high rent problem, but to assist in focussing on it and to show that it is confined to a part of the population; and so that the problem, and what is now being done, and what may further be done, can be examined in perspective.

#### *Private sector housing*

This, Sir, brings me to Government's part in and attitudes to the production of domestic property in the private sector. Miss Lydia DUNN asked to be assured that the arguments against some form of extension of rent control really are compelling. I regret that I must reply at length on this complicated subject, but I believe it to be necessary.

#### *Rent control*

I want to make it very clear, Sir, that I am looking at this question, that we have looked at this question, *first* from the point of view of tenants and would-be tenants; *second*, from the point of view of the housing stock and supply as a whole; and *third* from the point of view of that ever-popular scapegoat, the landlord. But it is Government's duty to examine any problem from all points of view, particularly when—and in this case understandably so—the strong feelings are generated in one sector of the population. The Government must be responsive and sympathetic, but it must also be reasonably sure that any proposed immediate palliative is effective and operates equitably, and that the medium and long-term effects will not outweigh its short-term value.

As at the end of September, there were in Hong Kong approximately 863,000 domestic premises, 422,000 in the public sector and 441,000 in the private sector.

396,000 of the 422,000 premises in the public sector are Housing Authority tenancies at subsidized rent levels, which confer security of tenure not only for the life of the present tenant, but also on his successors.

Of the 441,000 premises in the private sector, 230,000 are owner-occupied. (This figure includes 12,000 owner-occupied and partly let; and 6,000 workers' quarters.) 10,000 are used for non-domestic purposes. 159,000 premises (including 8,600 prewar premises) are subject to rent control, with security of tenure. 10,000 of the remainder are exempt from rent control because they are leased by governments or by companies or for leases exceeding three years in duration.

95,000 flats have been built since the end of 1973 when that legislation was brought in that is the last rent control legislation of any substance. Of these, 67,000 are owner-occupied and 28,000 are let.



Of the 441,000 private sector premises, therefore, 43,000 are *not* owner-occupied or subject to rent control—less than 10%. No compelling argument has been brought forward for bringing within the ambit of the rent control the exempted 10,000 flats leased by governments, companies or for periods of three years or more. It is Government's view that this sector of the market must broadly find its own level, with Government's assistance by way of provision of suitable sites for development or redevelopment to which I shall refer later.

This leaves 33,000 flats not owner-occupied or already subject to rent control, to be considered when the question is asked 'What are the benefits of rent control?' I suggest therefore that the question we have to examine is 'What are the benefits *and effects* of *extending* existing rent control?'

In May, Sir, in this Council, when introducing the Landlord and Tenant (Consolidation) (Amendment) Bill 1979, I said that a review had been conducted of 'the supply of and demand for private sector housing, the trend towards increasing home ownership, the accelerating public housing programme and the level of rents on renewal of leases'. I said then that no further extension of rent control was considered necessary, beyond that proposed in that Bill; but that a close watch would be kept on this situation.

Recently, because of our continuing concern, a group under my chairmanship has looked again at the arguments for extending rent control. We concluded that on balance, and bearing most carefully in mind the present difficulties experienced by those affected, what might be feasibly done in this direction would not have sufficient beneficial effect to outweigh the damage that it would do. Let me therefore, Sir, summarize the principal suggestions made, and our analysis of them.

The first suggestion was to extend rent control to the 28,000 flats not under control built since December 1973, either as one measure or in stages as suggested by Dr. Rayson HUANG in his speech. To do it in stages would bring under control in 1980 an additional 7,300 flats approximately in this first stage—that is, the flats built in 1974 which are not owner-occupied, and I might add that the majority are owner-occupied. More would be brought under control in 1981 in the second stage, and so on over the five years to 1985, which year would see the whole 28,000 under control. On the good side, this would undoubtedly in the first year benefit 7,300 tenants; but it would do nothing for the other 20,700 tenants; and it would have no effect at all on the rents of new property coming on stream—at the rate of 30,000 flats this year, 30,000 flats next year, and so on.

Perhaps it was argued, it would therefore be better to bring all 28,000 flats under control in one step. This would certainly protect the tenants—so long as landlords did not sell flats, and thus reduce the number of flats available for rental. There would be an increasing tendency for landlords to prefer company or government leases or to insist on leases of over three years, in

order to get these flats out of the ambit of rent control. It would bring no benefit to people looking for flats to rent—indeed the opposite, for it would increase the pressure on new flats coming onto the market. In short, it would benefit some of the tenants involved, but would work against the rest.

The second suggestion was to freeze the rents of existing domestic tenancies, say for one year initially. This would override existing legislation and contractual agreements between tenants and landlords. It goes further than the first suggestion, for it would not permit even the increases allowed under the present rent control laws. It would therefore confer additional benefits on tenants already protected in rent-controlled flats; but it would still do nothing for those looking for flats to rent. As with the first suggestion, it would benefit some, but work to the disadvantage of the rest.

The third suggestion was that rents be fixed by Government in respect of all new and renewing tenancies. This would put the whole rental market under control, not only as to increases in rent, but as to actual levels of rent: interference on a massive scale, the predictable results of which would be withdrawal of premises from the rental market, the rapid growth of practices to avoid the controls, such as ‘key’ money, special charges for services or notional furniture, sub-letting to ‘guests’, and so on; quite apart from the extraordinary difficulties which Government would face in deciding at what level to fix rents. If I may slip in a word about landlords here: owning property and renting it out is not always disreputable; after all, the Revd. MCGOVERN admitted meeting one non-profiteering landlord between the 6 June and the 31 October. But it is likely, Sir, that not a few of the people who rightly complain about the present level of rents in certain premises have invested or hope to invest their savings in a flat.

There are several variations on the three main suggestions which I have, I almost have, briefly dealt with; but I believe, as Dr. HUANG said, that ‘rent control can only be a temporary measure, and for the long-term there is no alternative solution to an increased production of housing, and to this Government must without delay address itself’.

As I said earlier, my working group concluded that further rent controls would not be equitable and their long-term effects would outweigh their sectional short-term benefits. Nevertheless, because of the seriousness of the situation and the keen public interest in this matter, the whole subject is shortly to be put again to the Governor-in-Council, who considered it six months ago before approving the introduction of the Bill into this Council on the 9 May. In the light of the problems and difficulties which I have expounded, Members will understand that, if I were to be asked, I would have to rate as not very high the probability of any substantial change in the existing comprehensive rent control legislation.

*Speculation in property*

I shall now, Sir, pass on to the price of domestic property, as opposed to the level of rents; and consider the part played by speculators, and what might be done to wipe out or reduce their activities. They have been very much criticized lately, and rightly so, if their activities are as widespread as is commonly asserted. They can of course operate successfully only if final demand for the product is strong. I do not however believe myself that they have any significant necessary function in property development, and therefore refute strongly any suggestion that Government has made no effort to stop them for fear of discouraging development.

*Reasons for strong demand*

Demand for housing is very strong indeed and the factors causing this and influencing it are manifold and complex, and with due respect to those who believe that Government can plan in advance to meet every possible contingency, could not reasonably all have been foreseen coming together as they have done this in the last year of the 1970s. The factors include, against the background of an increasing population and the existing shortfall of accommodation of all types: the diminishing size of the average household, and hence therefore over the years the increasing number of households; rising standards and expectations and greatly increased real incomes over the last ten years which encourage and enable people to improve their housing position; growing confidence in Hong Kong, leading to increased willingness on the part of its citizens to put their money into property as owner-occupiers, and a very good thing too; the relative shortage of rented flats due to the large proportion of flats under rent control; and the increasing proportion of owner-occupiers, thus putting further pressure on the number of rented flats actually available; and most recently, the changed economic and foreign policies of China, and the growth of Hong Kong as a financial centre which have put pressure on large and medium flats in particular. All these factors, and to a degree not easily specified, the activities of speculators large and small have combined to put excessive pressure on the prices of flats and the level of rents, particularly in the middle and upper ranges.

The main reason I believe therefore why speculators are able to operate is this very high demand relative to supply; and because property prices have been rising, people rush in to buy, and thus add to the demand, on the assumption that the short supply will continue and therefore prices will rise yet further. I do not think that this assumption can be justified—at least not for long; and as supply improves, purchasers should increasingly realize that there is no sense in rushing in, thus enhancing demand and actually aiding speculators in their operations. I have been informed recently—and of course it is difficult to quantify this as more than few straws in the wind at present—that flats in some developments are not selling as quickly as they were; and with increasing supply this encouraging breath of sensible consumer resistance should, I hope, develop into a wind to help cool the market.

It was encouraging to see in recent data from the Buildings Ordinance Office that the floor area for residential flats for which consent to commence work was given in the first nine months of this year, shows an increase of 3% over the corresponding period last year; and let us remember it was at a high level then. The average size of flats for which consent was sought has risen a little. This we can take as an assurance of the intentions of developers to maintain the present high level of production of flats.

This is relevant also to Mr. F. K. HU's point that should there be signs of a slowdown in the private sector, Government should take the initiative to increase the public sector target. That point, Sir, was fully taken in the Governor's speech in paragraph 121.

But to return to speculators—as strong as our feelings are about them, we have to find a balance between the freedom of commercial action which has allowed Hong Kong to develop over the years, and the excessive degree of control with which other governments have stifled their economies and limited development. I hope that what I have said about rent control shows the Government has very much at heart the feelings of the relatively small sector of the population which is feeling that pinch so severely at the moment. In the interests of all, however, not least those middle income people who have built their prosperity on freedom of action in business and in the professions, we must be careful in our intervention.

I think the Revd. MCGOVERN may have been exaggerating a little when he talked about speculators buying and selling properties for large profits, 'sometimes two or three times over before the building of property has even begun'. He attacks, with justification, in his usual bold and forthright manner, speculation as 'one removable cause of inflationary high property prices'. One must agree. But, perhaps uncharacteristically, he did not offer proposals on how to remove it. Today is not the first time that experienced people have tried to devise methods, including considering complex legislation, to prevent or to reduce the pre-sale of flats to people other than the eventual owner-occupier, without bringing on other effects which make the cure worse than the illness.

The working group on rent control to which I earlier referred has most earnestly in the last few weeks considered many ideas on how to abolish, or more modestly, how to reduce speculation. It is said widely that speculators are active, both large and small, and there is little doubt that this activity is going on; but little firm evidence is brought forward even by way of anonymous letters, and one cannot therefore analyse with any accuracy the effect it may have on the ultimate price of flats.

Many ways have been suggested to curb speculative activity; they fall into two broad categories: they either seek to prohibit or limit the forward sale of uncompleted flats; or they seek to render speculation unprofitable or less profitable.

The first broad category—to prohibit forward sales—would probably require some criminal sanctions. Control would rest upon the prohibition of the receipt or payment of money in respect of any undeveloped property. Such a restriction on the sale of uncompleted flats could put further pressure on flats about to be completed and tend to push up prices. It would also mean that developers' borrowings to cover construction costs would be higher, which would add to the eventual cost of flats. Enforcement could be difficult, and it is possible that deals would be made which could not be 'surfaced' for prosecution.

A variation on this proposal is that only genuine intending occupiers should be allowed to make agreements for pre-completion purchase: but how does one identify a 'genuine intending occupier'? Can one really exclude people reasonably buying for investment purposes?—and whatever would be the effect on the rental market if people could buy flats only for occupation?

A further variation would be to provide for the payment of the full amount or a substantial proportion of the purchase price of the flat—this would, quite likely, drive out smaller speculators. But how many genuine buyers can afford to pay the full cost of or a large downpayment for a flat? and how many banks are prepared to advance money for mortgages on property a long way from completion? It seems probable that this proposal would drive flats into the hands of larger speculators who could afford to carry the burden of financing over the period of construction. And this in turn would increase pressure on completed flats.

The second broad category—to attack speculators' profits—has more supporters, I think: in the last few weeks, I must have heard fifty pundits on how to abolish or reduce the profits of speculators. Each pundit has his own pet scheme, often derided as unpractical or ineffective by others! The suggestions generally focus on imposing some form of duty (stamp duty is the favourite) on the agreement for sale and purchase; or by deferring stamp duty on the assignment of a flat; or by imposing some form of capital gains tax.

As to the first method, Sir, the Agreement for Sale and Purchase of a flat does not at present carry any stamp duty. The *ad valorem* duty (a maximum of 2.75%) is payable on the assignment. If full duty were to be paid on the Agreement for Sale and Purchase, a speculator would have to pay not only the initial 10% deposit, but also the duty on the full value of the flat; and this might, it is argued, deter him from entering the market. However, this proposal would not touch the booking or reservation fee, and it would still be possible for a speculator to reserve a flat and to sell it before the date when he would have to enter into the Agreement for Sale and Purchase. It is next argued that the document of transfer of the booking or reservation should be made dutiable and this is, of course, legislatively possible. But the problem is enforcement: these documents do not have to be recorded at the Land Office and are not in fact generally

so recorded, and their existence is unlikely to be discovered by the Stamp Office whose job it is to collect the stamp duty. Indeed, sometimes there is no instrument of transfer, merely a cancellation of the booking and the execution of another by the new purchaser. Pretty obviously, neither party to the transfer of the booking would have an interest in having the document stamped. That, Sir, is the most practical argument against the suggestion and it will be recognized by all—both buyers and sellers—in all sorts of transactions; not merely domestic property.

The economic argument, Sir, I advance less confidently, although I think it is broadly right: that in a strong demand market, the effect on the final price of imposing such a duty cannot be determined; in theory, if the seller has to pay the duty, prices will rise so as to reflect partly or wholly the increase in duty, or they will remain the same. If the purchaser has to pay the duty, prices would probably fall but whether sufficiently to offset the duty, cannot be predicted. On the assumption that the duty would have to be very substantial to deter speculation, it would impose a large and unfair burden on those with a legitimate reason to sell, particularly if no profit, or little profit, were involved. Broadly speaking, the likely effect of such a duty would be to redistribute some of the speculators' profit towards the Government, and I simply cannot see that as desirable, apart from it not having the end effect aimed for.

And finally, Sir, with due respect to the Members of the profession in this Council, it appears likely that the legal profession would be able to devise documents designed to avoid duty; and the system would then apply inequitably and be virtually impossible to police.

Deferred stamp duty was the next proposal which my group considered: that is, that duty would not be payable on the assignment of a flat unless it were sold within a fixed period, say five years after completion. Thus, if a genuine purchaser were to acquire and hold a flat for five years, he would be able to avoid stamp duty altogether. Before going on to the mechanics and policing of this, it raises a nice dilemma over the amount of stamp duty: at the present level of 2¾% it would be unlikely to deter sales within the proposed five years or indeed, any period; but if it were to be raised substantially, there would be an unreasonable penalty on people having good reason to sell—for example, executors of estates. But the most potent argument against this again is the development of avoidance devices.

Now, Sir, to consider the proposal for some form of capital gains tax: again, *prima facie*, an effective method of attack. Let us assume it has been accepted in principle. First, decisions have to be made about the level of tax—probably not too difficult, but do not forget that unless the tax is very high, the successful speculator will be prepared to pay, and it will not reduce the ultimate price of the flat to the final purchaser; second, exemptions for various reasons would have to be arranged, for example

people selling one residence in order to move to another. Third, and most important, is enforcement: the staffing implications are simply frightening. And further, we would encounter the problem commonly faced by the Independent Commission Against Corruption—the ‘two satisfied parties’ syndrome. If the selling speculator proposes to the purchaser a way around so that capital gains tax is avoided, a terrible dilemma is placed on the purchaser—he wants the flat, and he would obviously prefer the price not to include capital gains tax. So he is likely to concur in some avoidance device—the most usual, I am told, is ‘the plain brown envelope under the table’ trick. No, Sir, with great regret, we do not see a capital gains tax as an effective, or equitable solution.

We chased all manner of hares, Sir, to find some effective method to tackle speculation in property, even recently hearing that one of the Australian States had relevant legislation—but when that hare was run to ground, it turned out to be a chimaera. We concluded, with enormous reluctance, because we are only too well aware of the possible damage to society of excessive speculation, that the measures we examined would be circumnavigated by the redoubtable ingenuity if entrepreneurs of all shades of honesty in Hong Kong, to the further detriment of honest would-be eventual purchasers. It is certainly not the case, as a prominent newspaper had it yesterday, that appeals for controls or taxes have fallen on deaf ears; and I would be very glad to hear from anyone in this Council or outside it who has practical, effective proposals which will be examined at once.

#### *Increase housing stock*

The basic and durable long-term answer to these problems, Sir, is to increase the housing stock. This is freely agreed, on all sides, even by the proposers of extreme immediate measures. Let me therefore set out what Government is doing, and proposes further to do, to this end.

Housing needs in Hong Kong can be described as a pyramid with a very broad base, narrowing quickly upwards (and let me at this point assure Members that nobody is intending to build pyramids). Government’s concern and assistance are directed proportionately to the groups forming the pyramid. The broad base is the majority of the population, helped substantially by the public housing rented programme. Immediately above that is the group which the Home Ownership Scheme and the Private Sector Participation Scheme are designed to assist—i.e. people with household income up to \$5,000 per month. These first two groups comprise nearly 90% of the population.

The next level in the pyramid is the group which has been uppermost in several Members’ minds in the course of this debate, that is those whose household income is immediately above \$5,000 per month. The Governor announced in his address that he had ordered a review of the position of this group. This review has been started by a team under my chairmanship, and although it is too early yet to make any definite statement about our

proposals, which will be put to the Governor in Council, I should like to outline our preliminary thinking. We are working to identify the target group of households, and the present and forecast level of production of the type of flats which approximately match the target group in terms of income and affordability; and most important, how production can be increased as fast as possible. We shall aim to arrange an additional source of supply of flats at reasonable prices—perhaps along the lines of the Private Sector Participation Scheme, managed by an appropriate agency. Mortgage arrangements would be left to the individual purchaser. The level of production must be such as to have a real impact on demand, in line with the thinking I have outlined earlier in this speech. This particular demand is relatively small in comparison with the figures we are used to dealing with in relation to the public housing programme and to the Home Ownership Scheme itself. Whatever the eventual scheme which the Governor in Council approves, we have already identified some sites suitable for flats in the range of 70 to 100 sq. m. which we perceive as the most important need for the target group.

For the final level in the pyramid, Government's part is to ensure that suitable land is available for developers to build large and medium flats. This group, although representing a relatively small part of total housing stock and needs, is also important, and people have spoken lately about the possible effect on businessmen considering setting up in Hong Kong or who are already set up in Hong Kong, who are finding it increasingly expensive to house their staff i.e. both expatriate and local staff. I will confine myself to the housing rather than the economic or land aspects of this matter, but it is in any terms undesirable that purchasers or tenants should be facing the current level of prices and rents for high class and medium-sized flats housing. My Colleague the Secretary for the Environment will later be speaking about land production and the various other demands for land, as well as housing.

Since I spoke in this Council last May, action has been going forward to add to the sales programme a number of extra sites for the development of high class housing. To date, 13 additional sites have come through the preliminary investigations for suitability. These will be sold with conditions stipulating various minimum unit sizes ranging from 160 sq. m. upwards, and on this basis full development should produce some 2,400 extra additional large flats. The first of these sites was sold last month, and Government expects to sell a further three sites, which should enable production of about 330 large flats before March. The remaining sites, many of which require further geotechnical investigation before sale, will follow on; in addition, the New Territories Administration will in the next financial year be making available over 150,000 square metres of residential land in different areas of the New Territories, which will make a substantial additional contribution to the needs of the private sector.



We shall not, Sir, stop at that: the process of identification from the investigation and release of suitable sites for sales will continue, for demand is unlikely to slacken. Additions to and improvements to communications and services to allow for further development in such areas for example as Pok Fu Lam and Stanley will be put in hand.

Furthermore, Government is looking at the feasibility of redeveloping 17 of its own residential sites. While Government must aim to increase its own stock and thus reduce the pressure of Government leasing requirements on existing housing stock, clearly the most important objective at this stage must be to bring all available sites into the fullest use allowed for in the overall planning of the areas, and by available services and communications. For this reason Government is working on arrangements to have many of these sites redeveloped by the private sector, with provision for parts of the redevelopments to be delivered to Government. The redevelopment potential of these Government sites is estimated at about 1,600 additional flats.

I believe, Sir, that these measures together will over the next few years assist this particular sector of the property market to get into balance.

Miss Lydia DUNN spoke of herself as not a doctrinaire opponent of intervention, indeed as favouring it when market forces are working imperfectly for one reason or another. The adjustment of the economy to which she refers includes the real estate and property market and hence the problems which this speech has sought to cover. I hope that the extent of support and of intervention by Government which I have described meets with her approval and Members' broad approval: namely, the public housing rental programme; the Home Ownership Scheme; the Private Sector Participation Scheme; our plans to assist the middle income group; increasing the provision of sites for high quality flats; and continuing substantial rent control. These are interventions which will continue to have effect for many years. I believe that in the next two years and thereafter the high level of production in the public and private sectors will also have a beneficial effect; and Government will continue to encourage and facilitate private developers to maintain their level of production, as well as maintaining, and when we can extending, the public housing programme.

Sir, I beg to support the motion.

SECRETARY FOR THE ENVIRONMENT:—My friend, the Secretary for Housing has delivered an eloquent and extensive exposition of various aspects of the Governments' housing policy. No housing policy, however, whether for public or private housing, would be possible without the provision of adequate formed and serviced land on which to build. And neither would the expansion of industry and commerce, or the provision of community facilities be possible without adequate land. Despite all our wishes that land should be provided in greater abundance, however, we have to accept that, given Hong

Kong's limited area, its hilly terrain, numerous offshore islands, the need for water catchments and the difficulties of communications, among other problems, the provision of land suitable for development is not easy. And the cost of providing suitable land, whether from unformed Crown land, from reclamations or from resumptions, and the laying on of adequate services, such as water supplies, drainage, roads, electricity and other utility services can be very considerable.

Because of this, land production is one of the Government's most central and most costly endeavours, which is why I welcome Mr. F. W. Li's plea for a continuous and increased land production programme. I understand that the Financial Secretary will be speaking generally tomorrow on Mr. Li's criticisms of the 1975-76 budget. All I can say is that there was an increase, not a slow down, in land production as a result of what was done then. The 1977-78 and 1978-79 production of serviced land from all sources, that is Government, Housing Authority, Industrial Estates and private development was a record at 468 hectares and 355 hectares respectively. The estimated land production for the present financial year is 473 hectares. Almost all of this production was or will be derived from projects decided on or started in between 1973 and 1975 and they hardly merit an accusation of stop-go. As I pointed out in my speech in the Budget Debate on 11 April this year, and I see my friend the Secretary for Housing is also drawing attention to this, the supply of land has been increasing significantly, but the very rapid expansion of demand, fuelled by speculation, has been the major cause of rising land prices.

To Mr. Li's advice that we should be planning our land production for the period up to and beyond the mid-80s I can only reply that this is precisely what the Government is doing. The Secretary for the New Territories will be speaking more specifically on our plans for new developments at Tide Cove and Junk Bay, and in addition, the possibility of a substantial extension of Tuen Mun to the east is being considered and possibilities in areas to the north and west of Yuen Long are also looked into. Furthermore, a great deal of work has already been done on the investigation and physical planning of land development on North Lantau in preparation for an informed decision to be made on this area in the early 80s, in the light of parallel studies on the feasibility of a replacement airport at Chek Lap Kok. And we should certainly not forget the significant development and redevelopment being carried on in the older urban areas by the private sector, some of which is being, and will be, stimulated by the presence of the Mass Transit Railway.

So I think we can honestly say that we are doing the necessary planning now both to sustain and to increase our land production programmes. This will now need to be encompassed in flexible long-term strategic planning to link together, not only the future development of land production, but also the population distribution, communications and services which will

go with it to produce the maximum economic and social benefit within the limits of our resources. This will be the task of the new Strategic Planning Unit which we are about to set up in the Lands Division of the Environment Branch.

To return to more immediate matters, while the Government could perhaps have made more effort to sell unformed land to the private sector for development, there are two private housing estates in Sha Tin which were developed by this method. The greater part of the land in south and west Tsing Yi has also been formed by the owners of the lots. As another example we expect to let early next year a tender for a reclamation on Ap Lei Chau for industrial development. Mr. LI may rest assured that the Government will continue to be on the look out for opportunities to use this method.

I also agree that we should keep in mind the opportunities for private development in the less urbanized areas. The North-West New Territories, about which I have spoken, may be a possible area for this. And another example is the sizeable private housing developments now being undertaken in the Sai Kung area.

Mr. WONG PO-yang's suggestion for co-operative development of industrial buildings is an interesting one and I am having it examined. Mr. WONG may already be aware that some flatted factory developers have already shown considerable interest in the construction of units suitable for smaller factories. The Government has also recently been selling significant areas of industrial land with a condition that 20 per cent of the floor space must be constructed in units of less than 15 square metres. This has generally been well accepted by developers and it should certainly result in considerably better opportunities for the smaller industrialists when these units come on the market.

### *Transport*

I turn now to transport. This subject was uncharacteristically absent from my Unofficial Colleagues' speeches a fortnight ago, perhaps because various aspects of it are subject to frequent and lively attention in this Chamber at other times (*laughter*). But I will say a few words about transport generally and, more specifically, on bus services.

My first point is that development and the provision of adequate communications go together. Obviously it is no good building large housing estates at the end of dirt tracks. There must be adequate roads and public transport to carry the people to and from their homes on their daily business. Neither is it any good creating large new towns in the New Territories without adequate transport links between them and from them into the older urban areas.

This is, of course, why the Government has been investing large sums in developing the transport network in recent years and why it continues to

do so. As one example only, there is no doubt in my mind that without the modernization and electrification of the K.C.R. and its link to the M.T.R., which is now proceeding, the new towns and townships of Sha Tin, Tai Po and Fanling/Sheung Shui would, before long, become white elephants through lack of adequate public transport links.

Certainly, there is a great deal more that needs to be done. In the New Territories, for instance adequate road connections between the new towns and townships are a definite need which will increase as the urbanized areas build up and expand. The proposed Sha Tin/Tai Po coastal road is the most urgent example, but it is only an example. To give some idea of the cost involved, this road alone will cost more than \$600 million. So we must make progress as and when it can be afforded.

In the urban area one of the most difficult traffic situations is now undoubtedly along the north shore of Hong Kong Island. There are vast new housing developments in Chai Wan, Shau Kei Wan and Quarry Bay at one end, and in Pok Fu Lam and the Aberdeen area at the other; and they have created demands which are straining the road and public transport capacity up to and beyond the limit. Here there is no easy panacea for improvement. We must work within the resources available and in the knowledge that significant improvements must take time. But steps are being taken. In the short term I have set up an action group to recommend traffic management and other measures to bring some relief. In the medium term, considerable work has already been done on the feasibility of a light rail transit system to replace the trams and carry more people, more speedily. This will be put forward for further consideration within the next few months. Thereafter, the Island Eastern Corridor road will be another expensive necessity and further road works are also being planned. All this and more is being tied together in an Island Corridor Strategy which will be kept under continuous review.

Sir, in paragraph 139 of his speech, His Excellency promised that I would be saying something about the expansion and improvement of bus services. This I will now do. In connection with the review of the franchises of the two major bus companies the Governor in Council instructed me, in conjunction with the Commissioner for Transport and our staffs, to discuss with the managements of K.M.B. and C.M.B. improvements in their performance in five main areas. These were:

1. the purchase of more new buses;
2. improvements in maintenance and the ordering of spare parts;
3. the recruitment of drivers and mechanics;
4. the provision of adequate depot facilities; and
5. improvements in the management structure and performance in the two companies.

I am now in the middle of full and frank discussions with both bus companies on these aspects. I have impressed on them that long queues and

waiting times, excessively overcrowded and dirty buses and poor maintenance are not tolerable in the conditions of modern Hong Kong. The Companies have responded by agreeing ordering programmes for as many as 874 new buses between now and mid-1981, and by examining with us their plans in the other areas of concern. Of course, whatever improvements are introduced are bound to cost money. And costs for fuel, wages, new buses and spare parts and so on are already rising rapidly in any case. Fares on Kowloon urban routes have not been increased for 8 years, on cross-harbour routes for 7 years, on New Territories routes for 6 years and on Hong Kong Island routes for about 4 years, while incomes, costs and prices in other sectors of the economy have increased very considerably. If the much needed improvements in bus services are to be introduced, therefore, some increases in bus fares will have to be accepted as an inevitable consequence. I am sure that the public will accept this provided that they obtain a better and more reliable service.

#### *Environmental protection*

Finally, Sir, I must say a few words in response to Mr. NEWBIGGING's comments on the quality of life and the dangers of pollution. I am grateful to him for raising this subject. And I agree with him that, unless remedial action is taken at a relatively early stage, the damage to the environment from completely uncontrolled development can build up to a point where we either have to accept serious deterioration or take really drastic actions to counter it.

This is certainly not the route we are taking in Hong Kong. Our line, to quote the old saying is 'a stitch in time saves nine'. In other words, sensible action taken now to build appropriate environmental safeguards into new developments, which need not be very costly, can prevent deterioration later on. All major new developments now are required to agree detailed environmental impact assessments with the Environmental Protection Unit in my Branch and details can be written into lease and other conditions. Examples are the two new power stations at Lamma and Tap Shek Kok and the proposed massive new cement plant, which is near the latter. If, as Mr. WONG Po-yan desires, an oil refinery and petrochemical complex were to be built in Hong Kong, the developers would again be required to provide an environmental impact assessment and to design up to the best environmental standards. And I would emphasize again that in a new plant this need not be costly.

Of the five new pieces of environmental protection legislation we are preparing, the Waste Disposal Bill is already before this Council. The Water and Air Pollution Bills should certainly be presented this session and, hope-fully also, the Noise and Vibration Bill and the Environmental Impact Bill. Before presentation, they will all have been carefully considered, not only in E.P.C.O.M., but also by the major industrial associations.

The Bills are largely enabling bills and the detailed regulations to be made under them, which will lay down standards, will not be drafted until detailed monitoring and measuring work on the state of various aspects of the environment in all parts of Hong Kong has been undertaken. This will be the job of the E.P.U. which will be gradually expanded over the course of the next three years to undertake this task. Departmental control and enforcement units will also be strengthened.

As a result of this we hope to be able to fine tune our controls so as to have the least damaging effect upon industry and economic life generally. For instance, if we do not know in detail what is really happening, it may be necessary to impose blanket controls to be on the safe side, as is the case now with the banning of fossil fuels in the Sha Tin valley and limitations on sulphur in oil in the Tai Po area. In some areas, therefore, the approach we are adopting will be less costly to industry than what is being done now, precisely because we will be able to measure the extent of problems and of the action needed to counter them.

It is probable also that the work of the Environment Protection Unit will lead to more economical means of carrying out certain environmental functions for which the Government is responsible. An example here is the disposal of solid waste, where we may be able to effect significant economies.

As a watchdog over all this activity, the Environmental Protection Advisory Committee (E.P.C.O.M.) has recently been strengthened and industrial representatives have been included in the Committee. Special committees are also now being appointed under the main committee to keep on review all the major aspects of pollution. E.P.C.O.M. is therefore becoming a more effective body to oversee the Government's growing involvement with environmental protection.

In conclusion, I will give a firm assurance that this effort will be practical and pragmatic. We can, I am sure, practise the art of the possible while still acting to prevent any serious deterioration in our environment and, to quote Mr. NEWBIGGING, we will certainly 'avoid the environmental red tape which has made sensible industrial development in many parts of the world virtually impossible'.

Sir, with these words I have pleasure in supporting the motion.

SECRETARY FOR THE NEW TERRITORIES:—Sir, in my speech last year, I said that against the background of rapid development in many places in the New Territories, we should plan to roll our development programme forward, for housing, for industry and for the other needs of the future. Now, with some satisfaction, I am able to assure Mr. LI Fook-wo that these were not idle words. A background examination is now complete and proposals for expenditure on detailed site investigation and design work for an extension of Sha Tin on the eastern side of Tide Cove to Wu Kwai Sha and on the

development of Junk Bay will be put to the Public Works Sub-Committee of this Council this week. If funds are approved, this will enable works to start next year. These two areas cover some 460 hectares—over a thousand acres—with a potential population of over 350,000. If all goes well, and I can see no reason why it should not, formed land will be available from 1983-84 onwards, some two years before the time envisaged by Mr. LI Fook-wo, and at a time when the supply of land in present development areas is beginning to dry up.

Sir, the proposition that we are short of land is an over simplification. There is a vast potential for development in many parts of the New Territories outside the confines of the present programme. We have begun a development study of the plains around Yuen Long, but there are other possibilities, for example, I believe there is scope to extend Tuen Mun New Town not only eastwards towards Tai Lam, but also westwards beyond Tap Shek Kok; and, to my mind, it is not impossible to think of extending Sha Tin around the north of Ma On Shan north towards Three Fathoms Cove. In short we are not running short of ideas or land! Furthermore, not so as to inject a false optimism into this debate but to add a word of reassuring reality, I should add that wherever practicable we encourage private initiative and because of this a number of large private development schemes that have been approved during the past few years at various places in the New Territories will lead to the production of some 9,000 houses and flats in the next three years. Some of these projects will help to relieve the pressure at the upper end of the housing market.

Mr. S. L. CHEN is right to point out that new towns are being developed into self-contained communities with sufficient job opportunities and adequate amenities. But no matter how even the balance is, the need to expand our existing transport network between the towns, as the population, industry and general social activity increase, is inescapable.

Our development plans provide sufficient employment for the number of people we expect in each place, but local supply and demand do not always match the wider social and economic dynamics of the situation. It is a common phenomenon that new residents in new towns do not change their jobs readily and it may take some years before they decide to do so. Thus, some workers at Kwai Chung will come from Kwun Tong and others will travel in the reverse direction. However, I believe that as far as possible we are following the correct development sequence by trying to keep development of industrial buildings somewhat ahead of the growth of population in the initial stages of development. So, in Tuen Mun, there is now some 100,000 square metres in over 10 factory buildings which has not yet been rented or sold. However, several large public housing estates alone will add an additional 100,000 people to the population of Tuen Mun in the next three years and the surplus should disappear. There is a similar situation at Sha Tin where empty factory space at Fo Tan is matched by the nearly completed

Wo Che Estate just across the road. But let me assure Mr. CHEN, we will watch the demand and supply situation as carefully as we can, this is the strength of the package system of development we have adopted, and it is also one of the tasks of the industrial sub-committees set up under the District Advisory Boards in each new town.

I am grateful to Mr. HU Fa-kuang for bringing up the subject of encouraging private non-profit-making organizations to provide recreational facilities in the New Territories. There is certainly no lack of encouragement and the response has been magnificent. Past contributions have enabled the completion of much needed facilities such as the Tsuen Wan Town Hall and squash courts and sports grounds. I am pleased to report that generous donations, some from the Royal Hong Kong Jockey Club, some from individual donors, are in hand to enable work to start on new projects like the Sha Tin Swimming Pool, the Tuen Mun Indoor Sports and Community Centre, the Sheung Shui Town Hall, a sports centre at Tai Po, the Yuen Long Swimming Pool, and many others in a long list. If donors come forward with private funds, they can rest assured that the Government will respond, happily and quickly, in finding a suitable site or project.

While on the subject of private interest and donations for new buildings, I wish there were more interest in preserving some of the old—the rich cultural heritage that is all too quickly disappearing in the New Territories. Speaking from the New Territories, and expressing a somewhat parochial view, this seems to me far more important than maintaining the occasional relics of nineteenth century architecture in the urban area (*laughter*). Fortunately I am glad to say that some clans in the New Territories are showing an interest in these buildings, but access to private donations for this important work of saving old buildings before they crumble into ruin would be a great help.

Mr. HU has also raised the subject of the Letter B exchange commitment—we are exploring all possible means to reduce the commitment, and I agree with Mr. Hu that we should include the possibility of combining the Private Sector Participation Scheme of the Home Ownership Scheme with a Letter B exchange. However it may just be too complicated to mix the two objectives! With regard to the exchange scheme in general, I should add that I believe, as we move into the nineteen eighties with the possibility of further great development schemes ahead of us, we should now examine the appropriateness of the present system in relation to those developments and the expectations of present land owners and the way the system is now working.

Finally, Sir, the pace of work in the New Territories in the last twelve months has not faltered, the evidence is there for all to see; in a few years the new towns with their vastly improved surroundings will be an accomplished fact, and I am greatly encouraged that the people of the new towns are beginning to unite together to tackle the besetting problems of our society and to build a new life for themselves. The staff of all the departments at



work in the New Territories work with enthusiasm and dedication towards this common goal of creating a better life for this and future generations and I wish to thank them publicly today.

Sir, I support the motion.

DIRECTOR OF PUBLIC WORKS:—Sir, I will comment briefly on only three points raised by honourable Members in their speeches in support of the motion before Council.

In his address Mr. LOBO expressed the view that we should take another look at the urban areas to see if there is a need for improved co-ordination of public and private development activities and if we should extend the New Towns Project Manager Scheme to the urban districts.

The P.W.D.'s project management teams, operating on a system of packaged development, have been highly successful in planning and coordinating activities in the new towns but it should not be assumed that this type of organization is necessarily the best arrangement for every situation. I will not repeat today the explanation I gave to this Council about a year ago of the differences between co-ordination of development of new towns and redevelopment of existing urban areas. However, honourable Members may recall that an investigation was proposed to assess the requirements for a co-ordination team to serve the North East Kowloon area.

In February of this year a senior of my Department was appointed on a temporary basis to research this proposal. He has now completed a comprehensive report and as a result I will shortly be recommending not only the establishment of a North East Kowloon Development Office but also the setting up of a small unit to examine the need for co-ordination of public and private sector works in other parts of the urban area.

Mr. LI Fook-wo suggested that as there has been an easing of pressure on the construction industry following the slow-down in Government expenditure in 1979, increased expenditure on land production and all related infrastructural works is unlikely to over-extend the industry. I must say, Sir, that to date there has been no apparent easing of pressure.

Admittedly fewer consent for private building works of all types were given during the first nine months of this year than were given during the corresponding period last year, but this can only be taken as an indication of some lessening of pressure by the private sector in the future—probably during next year. However, the industry has still to contend with the very high level of activity generated by the consents given over the last two years.

As far as Government spending on construction is concerned there has been no reduction in level. Although there has been a rephasing of projects in the programme the actual expenditure on Public Works Non-Recurrent items will reach an all-time record in this financial year.

I can only repeat that so far there has been no easing of pressure. Employment in the industry has increased over last year's level and construction costs continue to rise.

I turn now to Mr. F. K. HU's suggestion that consideration should be given to constructing public housing on Government sites which would otherwise have only ground floor use. In fact, comparatively few sites allocated to departments are developed for ground floor use only as, at least in recent years, consideration is always given to joint-user arrangements to try to maximize site utilization, Housing, either public or private, is one possible additional use considered for inclusion as a means of achieving maximum development potential although of course some sites are too small to support housing or are in areas where housing or additional housing would be unsuitable or undesirable.

Housing cannot simply be put into every available area as the infrastructure and necessary amenities in many areas are already fully utilized and the introduction of further residential accommodation would overload them.

There are, however, sites where a combination of housing with Government uses has proved viable. One example is the Kowloon-Canton Railway depot site at Sha Tin where flats and a commercial complex will be built by private enterprise on a podium over the depot. In the urban area, a site in Oi Kwan Road, Wan Chai, is being developed with Government and Urban Council offices on the lower floors with Hong Kong Housing Society flats above. The Housing Society is also constructing blocks of flats over a market in the Sai Ying Pun area.

I can therefore reassure Mr. HU that consideration is given to including housing to obtain maximum use of Government sites wherever it is possible and suitable.

Sir, I support the motion.

DIRECTOR OF SOCIAL WELFARE:—

*Progress in Implementing White Papers*

Sir, since the publication of the White Paper on Social Welfare in April this year, in the field of services for the elderly two day care centres and three multi-service centres have come into operation. By the end of March 1980, I expect that 26 social centres will have opened, and that about 275 additional places will be available in three hostels for the elderly. The provision of places in old people's homes and in care-and-attention homes necessarily takes longer to achieve, as this is dependent on the completion of new capital projects, but good progress is being made on homes under planning, and I am confident that we can meet the interim targets laid down in the White Paper—that is, 1,600 additional places in homes and 1,400 in care-and-attention homes by 1982-83.

Progress is being made too in the field of personal social work among young people. Funds have been provided in 1979-80 to the Social Welfare Department and voluntary agencies for 8 social workers to receive referrals from primary school Student Guidance Officers, 67 school social workers at the secondary school level, 36 front-line staff for family life education and 150 social workers for outreach work. Subject to approval being obtained from the Finance Committee of this Council later this month, additional funds will be made available in 1980-81 to enable further expansion in these services. So we are able to meet the targets here as well.

In the field of rehabilitation, a major review of the Programme Plan was held earlier this year and the updated Plan has just been published. In this review, estimates of demand have been refined and programmes formulated to meet the full demand as early as considered practicable, and in almost all cases before the end of the planning period in 1987-88. As far as the Social Welfare Department is concerned, the main areas covered in the plan are pre-school care, residential care, social and recreational facilities and sheltered workshops. To give an indication of the scope of the programme, the following places are planned to be provided over the period up to 1983-84: 330 places in ordinary and 460 places in special child care centres, almost 3,000 places in residential institutions, 12 social and recreational centres and over 2,000 places in sheltered workshops or day care centres. Because most of these services require additional premises, either in public housing estates or custom built, supply will be greater in later years than in 1979-80 or 1980-81. But already firm commitments have been made for the premises required for many of these services and I am hopeful that, with the assistance of the Housing Authority and the New Territories Administration, it will be possible to meet our targets in almost all areas.

In the social security field the Finance Committee has recently approved funds for two further improvements, to be introduced in April 1980. These are a disability supplement within the Public Assistance Scheme for the partially disabled and the extension of the disability allowance to the profoundly deaf. It is estimated that some 4,000 people will benefit from these improvements in 1980-81. All social security benefits have been increased by about 15% since September 1979 to keep pace with cost of living. In addition, the level of emergency relief payments which also applies in respect of the Traffic Accident Victims Assistance Scheme and the Criminal and Law Enforcement Injuries Compensation Scheme has been increased by about 26%.

#### *Welfare Class Review*

Dr. Ho Kam-fai urged that the provisions of the welfare class review in the Social Welfare Department be extended to the voluntary sector. I am afraid it is not quite so simple. The review of the welfare grades in the Department had three main objectives: firstly, to reorganize departmental staff into two streams—social work and social security—so as to make maximum use of

trained personnel. This involved the creation of a new grade structure for social security; secondly, to revise salary scales for certain ranks in recognition of changes in the scope of duties undertaken by these officers; and thirdly, to create a new grade of Social Work Assistant and Senior Social Work Assistant to be filled by trained social workers at the non-graduate level in order to improve the quality of direct services provided by the Department. Senior Social Work Assistants would assume certain duties now performed by professional officers. The first consideration does not arise in the case of the voluntary sector since social security is provided exclusively by the Government. In respect of the second objective, that is, revision of salary scales, the Government agrees in principle that where staff in subvented social welfare agencies are performing similar duties with similar qualifications, the revised salary scales should apply. Subject to the provision of funds, it is intended to provide additional subvention for voluntary agencies in 1980-81 to enable them to do so. This leaves the third objective, which also is the most complex in so far as the voluntary sector is concerned. I am not at this stage in a position to assess whether, and if so to what extent, the revised rank structure in the social work stream should apply to the voluntary sector. It is neither desirable nor appropriate to seek to impose a departmental structure on the voluntary sector, given the different characteristics of the two, the multitude of agencies involved, the diversity of services provided and the need to preserve the traditional flexibility of voluntary agencies. In the coming review of the Five Year Social Welfare Development Plan which will begin shortly in December, I intend to consider this aspect in greater detail.

Dr. HO also expressed concern that the cadet training scheme for social work graduates of the post-secondary colleges will result in a drain of personnel from the voluntary sector to the Social Welfare Department. This is not, however, borne out by our recent recruitment for Social Work Assistants and I personally doubt whether the present distribution of trained staff between the Government and the voluntary sector will change very significantly in the next few years.

#### *Manpower*

His Excellency the Governor referred to the shortage of trained manpower in the social welfare field and the restriction that this would place on our ability to carry out the programmes laid down in the White Papers on Social Welfare and Rehabilitation. There are unfortunately no completely reliable or up-to-date statistics in this field. Current vacancies for graduate social workers and non-graduate social workers in the Department and voluntary agencies stand at about 230. In the next four years, it is clear that the additional staff required for new and expanding services and to cover wastage will exceed supply from the training institutions. So the situation will deteriorate and is particularly worrying in view of the steps that have already been taken to increase the numbers of trained personnel.

There are three main ways in which the pool of trained staff can be increased: by increasing the number of social work students being trained, by making better use of the trained staff available, and by reducing the number of trained social workers who leave the profession. The number of social work graduates produced by the two Universities has increased from around 55 in the early 1970s to an average of 90 in the last two years. Both Universities have agreed to increase their intake in 1979-80, and we can therefore expect up to 130 graduates per year from 1981-82 onwards. At the non-graduate level, in 1971 the Baptist College produced 20 social work graduates. Since then, the Institute of Social Work Training has been set up in the Social Welfare Department, and has subsequently become the School of Social Work in the Hong Kong Polytechnic, and Shue Yan College has been registered under the Post-Secondary Colleges Ordinance. Consequently the supply at this level has increased to over 100 graduates per year, and is expected to rise to 150 by 1981-82. These increases from 75 to 280 or 270% are already impressive, but, in view of the serious staffing situation, I intend to seek the advice of the Secretary for Social Services and the Secretary of the University and Polytechnic Grants Committee on the possibility of expanding the supply further within approved student target levels for the coming triennium. I should add one note of warning, however. Social work training is intensive; social work is taught individually or in small groups and to a large extent through supervised practice. There is therefore a limit to the extent to which the supply of students can be increased and we may already be close to reaching that limit.

The second way of increasing the pool of trained manpower is by making better use of what is available. I have referred just now to the review of the welfare grades in the Social Welfare Department. Good progress is being made in its implementation. But this is a complex exercise involving some 1,300 officers and we have allowed ourselves two years to complete all staff moves associated with this review. By this means, a total of 96 posts previously filled by graduate social workers will eventually be filled by staff not requiring social work training, and a further 87 by trained non-graduates. Even so, our standards may still be too ambitious against the known availability of trained staff and it may well be necessary to take another look. There may be scope for additional use of general grades staff in place of professional social workers, for example in certain administrative jobs or in direct services where social work skills are not essential. There may be fewer possibilities for redeployment in the voluntary sector, but voluntary agencies would benefit from a critical review of the way in which they deploy trained staff. There must be some areas where the jobs can be done equally effectively by nonsocial work staff.

It is very difficult to eliminate wastage entirely from any profession, and I do not think that the 5% annual wastage rate for graduate social workers in the Social Welfare Department over the last five years is intolerable or

significantly worse than in other departments. But there is certainly no cause for complacency, and, as Dr. Ho has observed, the available evidence suggests that the situation is less favourable in the voluntary sector. One way of reducing wastage is to improve conditions of service. Over the years, salaries for subvented staff employed by voluntary agencies have improved and as I have stated earlier, it is proposed to provide additional subvention in 1980-81 for revised salary scales for certain comparable grades of staff.

In addition to the three main areas that I have already mentioned, we are also exploring other avenues to help alleviate the existing shortage of trained staff. Among these are a greater use of part-time workers, the possibility of recruiting Chinese-speaking social workers from abroad and expatriates resident in Hong Kong, and the stepping up of in-service training for staff without formal training in social work already working in the social welfare field.

Although there may be further scope in the areas I have mentioned for increasing the supply of trained manpower, for using it properly and for retaining it, I am doubtful whether they will take us very far towards closing the gap between supply and demand. But the exercise must nevertheless be carried out, and we must look too at all other possible alternatives. In this connection, I am grateful to Mr. LOBO for his suggestion that consideration should be given to the recruitment of non-social work university graduates into the A.S.W.O. rank. He pointed out that it is only since 1972 that a social work qualification has been required at this level. This is true, but in 1972 the great majority of those involved, myself included, saw the introduction of this requirement as a major step forward towards professional recognition and towards the goal of providing a higher standard of social work in Hong Kong. It is, therefore, difficult for me, as a social worker, to recommend now the removal of this requirement, but I believe that the situation that we are faced with is such that this must be seriously considered. The available evidence suggests that, in spite of the efforts which have been made, the supply of trained social workers is and will continue to be limited. If we are to meet the increasing demands for social work services arising from the growing expectation of our society, we must be prepared to consider all possibilities, even if they are less than ideal. The time will soon come when we must conscientiously choose between accepting the less ideal and delaying or foregoing projects or services which have been on our plan to meet the needs of the community.

I have accordingly been in touch with the Secretary for Social Services on the setting up of a working party to take a closer look at the manpower situation, to quantify as accurately as possible the present manpower shortage, the additional demands that can be expected over the next decade, and the numbers of trained staff that will be provided by the various measures that I have outlined, and, in the light of this, to devise a longer term strategy.

*Volunteers*

I entirely agree with Dr. Ho on the value of involving elderly people in voluntary work. The use of volunteers is widely practised in many fields of social services, both by Government departments and voluntary agencies, and involves all age groups. I do not myself think that a central recruitment agency is required although if one is desired, the Association for Volunteer Service seems well placed to carry out the task. However, a better way of proceeding would be to make use of the network of multi-service centres, day care centres, social centres and hostels for the elderly, of which there will be an increasing number, to enlist the support of able and willing elderly persons in voluntary work. Many of these facilities are in close proximity to other services for younger age groups and there should be no problem in bringing the two parties together. Some voluntary agencies are already doing this and I am confident that with the expansion of services for the elderly, many more will have the opportunity of tapping this valuable source of volunteers.

*Sir, I have pleasure in supporting the motion.*

SECRETARY FOR ECONOMIC SERVICES:—Sir, I would like to reply briefly to three points raised in this debate.

*Industrial Training*

First, I fully agree with my honourable Friend Mr. Allen LEE on the significance of industrial training to the continuing capability of our manufacturing sector. At this stage I would like to do no more than report that the Advisory Committee on Diversification will be devoting a full chapter to the subject in its Report.

*Statistics on Invisibles*

Secondly, my honourable Friend Mr. NEWBIGGING reverts to his second favourite subject when he deplores the apparent lack of progress on the collection of statistics on our invisible trade. I would like to refer him to what I said *both* when I moved the Census and Statistics (Survey of Imports and Exports of Services for 1976) Order in December *and* in reply to his point during the budget debate on 12 April. I can now add that the Commissioner for Census and Statistics has completed his first survey of imports and exports of services. He should have the results available for analysis at the end of this month. He is also taking the opportunity of another survey to collect statistics on expenditure by Hong Kong residents touring abroad. Whether or not we shall be able to publish the results of these surveys as opposed simply using for analytical purposes will depend on how confident we are of their reliability, given that they represent our first direct efforts to enter into what is in statistical terms a very difficult and sensitive area.

*Oil*

Thirdly, I am a little surprised that more honourable Members did not raise the subject of 'oil', one which has certainly been a preoccupation of the Economic Services Branch this year.

My honourable Friend Mr. Allen LEE urged the Government to adopt an energy policy and an appropriate committee. I do assure him it has both. It has an 'Oil Policy Committee' which during this year until the autumn, was mainly concerned with the world shortage of all oil products. In determining how demand for fuel oil in particular might be reduced, the Committee did indeed adopt the priorities for maintaining supplies my honourable Friend suggests: electricity for industry, oil for industry, electricity for domestic households.

Now that the physical shortage is over, it is the price mechanism that is taking over the work of the Committee, although we shall still have to watch my honourable Friend Mr. CHEN's point very closely to make sure Hong Kong is not being dealt more than its fair share of misery. So the Committee is now turning its attention to the question of strategic reserves. Once we have dealt with that issue, I propose to invite the Oil Policy Committee's attention to the possibility of propagating permanent ways of saving fuel, for example, as my honourable Friend Mr. LEE suggests, better insulated buildings and more efficient electrical appliances.

Both my honourable Friend Mr. CHEN and my honourable Friend Mr. P. Y. WONG have respectively put forward two more dramatic long-term solutions to the energy problem, a nuclear power plant and a refinery. I would like to do no more at this stage than assure them both that the Government is very much alive to both possibilities at the present time.

Sir, I support the motion.

DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS:—Sir, I wish to speak on matters raised by Mr. TIEN, Mr. NEWBIGGING and Mr. P. Y. WONG.

Mr. TIEN pointed to the need for our manufacturers to take a fresh look at their present pattern of purchasing raw materials to see whether they are still buying from the most competitive source. He suggested that the Government and the Trade Development Council should assist our manufacturers in identifying competitive sources of supply and believed that purchases from some of these sources might dull the edge of protectionist pressures.

Mr. TIEN's point comes as a timely reminder not only to our manufacturers upon whom, of course, the principal responsibility must continue to fall, but also of what is already being done in this field by Government and more particularly by the Trade Development Council.

Since January this year the T.D.C.'s Head Office has received or assisted 51 incoming missions from overseas interested in selling raw materials to us.



In addition, many Hong Kong participants in the more than 50 projects organized by the T.D.C. this year have interests in the purchase of raw materials. The Trade Development Council also offers a trade enquiries service to assist in locating sources of raw materials overseas.

This important work of the T.D.C. will continue and the Trade, Industry and Customs Department will do all it can to assist.

I agree entirely with Mr. TIEN's point about such purchases dulling protectionist pressures, and with a characteristic lack of subtlety, Sir, I can inform this Council that a selling mission from the U.S. textile industry has been offered every assistance during its forthcoming visit to Hong Kong.

This leads me to Mr. NEWBIGGING's point about our export performance this year and the uncertain prospects in our major market, the United States.

Government shares the concern that has been expressed by Hong Kong manufacturers and traders about the United States market especially with regard to our textiles and apparel exports, and that concern has already been made known to the United States Administration. I regret to say, however, that despite three rounds of consultations on our exports of apparel to the United States, we have as yet been unable to find common ground.

Our efforts are continuing, and this Council will be aware that Mr. DORWARD is now in Washington where he will see tomorrow the United States Special Trade Representative, Mr. Reuben ASKEW, to reiterate our concern and seek a framework within which talks with the U.S.A. might be resumed.

Finally, Sir, I come to Mr. WONG Po-yan's remarks on export promotion. He proposed the injection of additional resources into our trade promotion agencies and the more effective deployment of these resources, coupled with direct and effective measures to enhance our export capability.

Whilst I doubt, Sir, that we need to increase our export promotion resources, I would certainly agree with Mr. WONG's second point regarding measures to enhance our export capability.

The Government and trade and industrial organizations are already active in their efforts to attract new export capabilities to Hong Kong through industrial investment promotion, by seeking new skills and new technologies from overseas and through such bodies as the Hong Kong Industrial Estates Corporation.

But more could be done and there is a need for greater co-ordination of our efforts.

When the report of the Advisory Committee on Diversification is completed, I would expect the Committee's recommendations to provide us with guidance on how best to proceed in this field.

Sir, with these remarks I support the motion.

### **Suspension of sitting**

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 p.m. tomorrow.

*Suspended accordingly at eighteen minutes past four o'clock.*