

OFFICIAL REPORT OF PROCEEDINGS**Thursday, 15 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 ATTORNEY GENERAL
MR. JOHN CALVERT GRIFFITHS, Q.C.

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

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 ROGERIOD 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.

TH 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 JAMES NEIL HENDERSON, J.P.
COMMISSIONER FOR LABOUR

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

Motion

Address of thanks to His Excellency the Governor

Resumption of debate on motion (14 November 1979)

THE ATTORNEY GENERAL:—Sir, a fortnight ago, the Senior Unofficial Member, Mr. Oswald CHEUNG, put forward the suggestion that in future Official Members should expound in more detail than is possible in your address, Sir, upon topics outlined by you, and that their speeches should precede those of Unofficial Members in this debate. The intention, as I understand it, is so that Unofficial Members would be able to have a fuller picture of the matters that Government propose to raise and thus would be able to consider that and debate it with the full picture in mind. Sir, this idea has attractions. Mr. Cheung suggested that the Government, perhaps through the financial Secretary and the Chief Secretary and other relevant Officials, should then exercise a right to wind up, and that, Sir, I would respectfully suggest, is an important matter and would be an important safeguard for the proper functioning of this Council in that the relevant Official Member should remain at liberty to reply and comment upon suggestions made in the speeches of Unofficial Members as if, I hesitate to use the old Chinese proverb, that the bird whose nest was under scrutiny (even if not attack) should be the one to defend it (*laughter*). Sir, under the Standing Orders of this Council there are, however, some difficulties: because as at present drafted a Member may not speak more than once on a question unless he has moved the motion and wishes to reply, or unless he wishes to explain a misunderstanding arising from his speech. Similarly, another suggestion made that Official Members should make statements would not be possible under the present Standing Orders because the debate may not follow upon a statement and so the authority for that is in Parts F & H of Standing Orders.

It seems to us, therefore, that if the procedure proposed by Mr. CHEUNG is to carry with it a right of reply—which would obviously be a sensible and very necessary thing, then the Standing Orders will require amendment. And it would seem best that matter be discussed with Unofficial Members so that Mr. CHEUNG's attractive suggestions may be implemented and we could discuss privately how best to carry out that implementation and do so prior to the debate upon the address next year.

Legal Advice and Assistance Schemes

Sir, may I turn next to the Legal Advice and Assistance Schemes. I noted, Sir, with interest the observations of Mr. Peter WONG about the Legal Advice and Assistance Schemes. As honourable Members may know the Legal Advice Scheme to which the referred is serviced by 170 lawyers, and that is 67 members of the Bar, 72 solicitors and 31 Government lawyers.

I have been heartened to learn of the dedication of these volunteers whose services are rendered without any fee and without any recompense even for out-of-pocket expenses, and speaking personally, Sir, I am particularly heartened to see all three sections of the profession involved in it, both the Bar, solicitors, those in private practice and those also in the Government service, and so this all goes well, in my view, for the future of the Scheme. I would suggest that these individuals who give their time, and indeed to some extent their money, deserve the thanks and congratulations of the community for the services which they freely offer to it. So the Legal Assistance Scheme in the Magistrates Courts similarly has an active participation. There are 103 practitioners (barristers and solicitors in private practice) who, on a roster system, act for a fee on this particular work as 'duty lawyers'. Many of these people who do so are also participants in the Legal Advice Scheme. As my learned predecessor pointed out in his speech to this Council on the 5 July 1978, the operation of the Assistance Scheme is to be limited to three Magistracies, partly due to the extent of available resources and partly because of the experimental nature of the scheme. One can now say with some confidence that those schemes appeared to be working well, the Government will follow progress in them eagerly, and proposals for expansion will be seriously considered. Sir, it is a matter, I am sure, of great service to the community, both schemes, that people who otherwise might not have the benefit of legal advice and assistance should have it and should have it in part freely given by the members of the profession.

Sir, I wish to turn now to another matter coincidentally raised by Mr. WONG as well on a previous occasion before this Council. Honourable Members will remember a question put by Mr. WONG on the 9 May 1979 to my learned predecessor as to whether there were any plans to amend the Public Order Ordinance with respect to the control of meetings and public gatherings. This Council was told that the Government recognized the need for a review of these provisions of that Ordinance which related to public meetings and processions, and that that review was in hand. The reviewing process has made constructive progress, I am pleased to say. A Working Group was established with membership from the relevant departments of Government, including my Chambers, including the Police, and they have considered the problem together. The group has met regularly since the 16th of May, and has found indeed as anyone who study it will know that the problem itself is not one easy for solution. There are great difficulties in it if one is to balance on the one side the liberties of people freely to associate but on the other side the interest of other people in not being disturbed by such meetings and such associations, However the group have now reached the point where they are agreed amongst themselves so that drafting instructions will be finalized very soon. I ought to say of course that these proposals once finalized will go before Your Excellency sitting in Executive Council so that the matter then may be considered for the Members to tender their advice to you, Sir, and for you, Sir, to direct if you think fit. Thereafter, if Executive

Council so advise and you so direct, I will bring this matter before this Council for legislative action. But without in any way prejudicing that consideration by Executive Council, I would like if I may to inform Members of the general nature, though not the details, of the proposals to which the Working Group have come up with:

First, the new proposals embody a narrower definition of 'meeting'. The basis of the present definition, namely a simple physical coming together of people is considered to be too broad, and it is intended that gatherings for social, recreational, cultural and other defined purposes should be excluded from the definition and thus excluded from control.

Secondly, at present the provisions for 'prior control' by the Police in the form of applications to and the issue of licences by the Commissioner of Police extend, by virtue of the way 'public place' is defined, also to meetings in private premises. The proposal of the Working Group is that prior control, that is licensing by the Commissioner, should not encompass private premises save where the attendance exceeds a given figure. Honourable Members will of course have in mind that apart from the public order aspect there are other important aspects to be considered such as fire control and the organization of meetings with sufficient stewards to see that there aren't stampedes and injuries to people in that way so that it is felt that where large meetings take place, there must be some measure of control to prevent danger from fire and these other matters.

So thirdly, the present system of licensing for public meetings should be replaced by a notification procedure as opposed to a licensing procedure. Meetings in general will be permitted to be held upon proper notification unless they are expressly prohibited by the Police by written notice on specified statutory grounds. It is felt necessary in a place like Hong Kong, or indeed in any country volatile or not, that there must be the power of prohibition to prevent mischief makers reeking havoc in a deliberate or indeed even an unintentional way. So there will be a back-up provision allowing the Police on certain defined statutory grounds to prevent meetings believed to fall into that category as defined.

So fourthly, with regard to public processions, this is at present defined as any procession 'in, to or from a public place'. Suppose it might be that some Members came here in procession (*laughter*), walking up the hill. A new and more precise definition is to be introduced which I hope will remove that hazard from honourable Members. It is considered that the present system of requiring public processions to be licensed should be continued, with an exception in the case of processions of a small number, say, perhaps 15 or something of that order. Again in regard to public processions there is a duty upon Government to see that the lawful business of other people not involved with the procession is not interfered with.

Sir, there are two matters in regard to this matter of public order which I wish to emphasize. Firstly, that I have merely dealt with the gist of the main proposals of the Working Group, and I hope no one will scrutinize, as if it were statute, the words that I have said. Secondly, that it is not intended to relax provisions which are designed to ensure that those meetings and processions which are in fact held are conducted peacefully and within the law.

Sir, I beg to support the motion.

SECRETARY FOR SOCIAL SERVICES:—

Rehabilitation

In his speech Dr. FANG has referred to the work of the Rehabilitation Development Co-ordinating Committee. For my part I must record my appreciation of the role of that Committee under the chairmanship of Dr. FANG, including the assistance afforded by its sub-committees. Without their advice and hard work the annual reviews of the Rehabilitation Programme Plan could not have been completed so expeditiously and authoritatively.

As Dr. FANG has observed, the shortage of trained manpower for rehabilitation work is a matter for concern. This is particularly true of speech therapists, educational psychologists, physiotherapists and occupational therapists. Full-time three-year courses were commenced at the Polytechnic in September 1978 in respect of the latter two fields. In the case of speech therapists our needs have been fully set out to the University and Polytechnic Grants Committee for its advice on the establishment of a suitable course at one of our tertiary institutions. As regards educational psychologists, the Director of Education has been in discussion with the authorities at the University of Hong Kong, and we hope that a Masters programme will soon be established there.

I should like to make particular reference to the training of occupational therapists. The Polytechnic course now provides for about 40 places each year. However, the small number of practitioners in this profession currently at work in Hong Kong cannot possibly provide sufficient practical clinical training with adequate supervision for this number of final year students over the next few years. Accordingly, with the full co-operation and support of the Polytechnic, the Government has approached the World Health Organization to assist with overseas placements for up to 3 months for each member of the entire final year class. We hope to do this for about three years. This could add to our initial training costs, but once we have built up a wider base of practising professionals in this field, future practical clinical training should cease to be a constraint on manpower training. The steps we propose to take here indicate our determination to succeed in meeting the targets in the Rehabilitation Programme Plan—the ultimate aim of which is integrating the disabled into the community.

Dr. FANG's other area of concern refers to the need to gather and update information on the numbers of disabled in the community and the forms of their disabilities. Fortunately, this lack of precise information has not impeded our work. This is because we have so much leeway to make up, and we are already going as fast as we can with our available manpower and other facilities. Furthermore, we have introduced a comprehensive observation scheme and established the first child assessment centre in order to identify disability in children as soon as possible. With this comprehensive observation scheme we will soon be able to determine our own prevalence rates. This, in turn, will enable us to refine our planning targets by the time the initial constraints posed by the shortages of trained manpower and facilities are being overcome.

In the meantime good progress is being made in implementing the Rehabilitation Programme Plan. Apart from the developments in the social welfare field already described by the Director of Social Welfare, expansion in the Medical Development Plan will improve hospital and clinical facilities for the disabled.

The Codes of Aid for Special Education have been revised to provide for para-medical staff and social workers in special schools so that a comprehensive and multi-disciplinary approach in rehabilitating disabled school children can be carried out more effectively. And next year, the number of school places for disabled children will grow from 23,000 to 26,000 with a major effort being made to increase the provision for the mentally handicapped. Vocational training facilities for disabled people will be brought within the aegis of the Education Department, and subject to the voting of the necessary funds these facilities will be further developed. Physical access is being improved to enable more disabled students to take advantage of and gain admission into technical institutes and tertiary institutions; these measures will naturally facilitate the fuller participation of the disabled in the normal life of the community.

A comprehensive review of the special transport needs of the disabled is currently being undertaken and I hope to submit this study to the R.D.C.C. for its advice shortly. Further, the Director of Public Works is considering whether the Code of Practice on Access for the Disabled to Buildings should be given statutory effect, at least in part.

Finding employment for disabled people is the ultimate goal in the rehabilitation process, and here the Secretary for the Civil Service has given a lead by instructing Heads of Departments to accord some degree of preference to qualified disabled candidates seeking employment in the public service. A centralized selective placement service for vulnerable groups will be established in the Labour Department early in the next financial year.

Education

I am grateful to Miss BENNETT, Dr. HUANG, Mr. YEUNG and Mr. F. K HU for the interesting points they raised on education. This is always a subject of concern to parents for the sake of their children. The Government fully shares this concern.

Mr. YEUNG has concluded that we should now switch to the teaching of Chinese through the use of simplified characters in writing and of putonghua (or Mandarin) in speech.

As regards the teaching of simplified characters I think I cannot do better than quote from the Director of Education's reply to a question in this Council on 15 November 1978 when he said, in part:

‘... what we teach in our schools cannot be completely divorced from the realities of the society in which our schools exist. As long as the traditional script remains the normal method of written communication in our community, we should be most unwise, and indeed be doing a great disservice to the pupils, to stop teaching it in the schools. The introduction of the simplified characters would then add an additional classroom task which can more conveniently be undertaken by individuals when they find a need for this specific skill’.

The use of putonghua as the speech of instruction in our schools is, of course, an option which is open to school sponsors. I understand there is at least one aided primary and middle school complex which has been doing this for some time, and the Director of Education will certainly not stand in the way of other schools wishing to follow suit. However, I must observe that with normal speech in the home, at play, at work and in the market place remaining Cantonese, the use of putonghua at school is not likely to increase our students' fluency in communication; and if I have understood him correctly Mr. YEUNG accepts this as one of the aims of language teaching. While it may not fully meet his point on the promotion of putonghua, Mr. YEUNG may be pleased to learn that this is, in fact, one of the most popular subjects in our Adult Education Classes. Putonghua courses offered by the Extra-Mural Departments of our two Universities and the Language Department of the Polytechnic are also well supported.

Miss BENNETT has taken me to task for not providing her with a copy of the report of the interdepartmental working party studying the needs of the pre-primary child for her reference in preparing her speech for this debate. She deduced from this that the report is not yet ready because of the problems arising from the Education and Social Welfare Departments working together. The position is that this study and a further report on primary education were completed and referred to the Board of Education and the Social Welfare Advisory Committee for advice a few months ago. Following this advice my Branch is now in the final stages of drafting a Green Paper on Pre-Primary and Primary Education which, subject to

translation and printing, should be ready before the end of this year. Had I agreed to Miss BENNETT's request for a copy of the Pre-Primary Report I fear she would already have started the debate on the Green Paper—*before* its publication. I am sure honourable Members will understand my preference for this debate to take place *after* the Green Paper has been published.

At first sight Miss BENNETT does appear to have a point about the appropriateness of members of the Welfare Class being responsible for the Schooling of juvenile offenders in correctional institutions run by the Social Welfare Department. However, when one looks more carefully into this matter— particularly in an historical perspective—then the present deployment need not seem all that extraordinary. In the first place these correctional institutions are residential, and the residential care duties arising are more related to social work than school work. Secondly, not more than 25% of any officer's time is at present spent on teaching. Thirdly, when the post for an institution are created regard must be had not only to the principal and subsidiary duties to be performed (i.e. 75% social welfare work. 25% classroom duties), but also to flexibility—both in regard to interchangeability for duty rosters or shift work and for possible postings elsewhere within the department. Finally, in an historical perspective, when these institutions were first developed in the 1950s and 1960s our primary school expansion programme was in full swing and qualified teachers were better deployed on 100% teaching duties. In the light of these considerations, the present staffing arrangements were developed. But the Social Welfare Department has recruited to the posts concerned only candidates with basic educational standards which are not lower than those required for entry to the Colleges of Education, and only interested persons apply for these jobs knowing they have to work with juvenile offenders. Furthermore, the staff concerned, who are trained initially in social work, are encouraged to obtain Certificated Masters' qualifications through full-time or part-time courses at the Colleges of Education. And who can gainsay the fact that the ideal requirement is social work training, plus teacher training and the vocation for working with juvenile offenders? Although this ideal situation has not yet been achieved, 22 of the 56 officers concerned are now fully qualified teachers in addition to their basic social work training.

However, the overall shortage of trained social workers has highlighted the desirability of freeing them from non-social-work duties which can be performed by other staff. I am sure Miss Bennett will be pleased to note that a general survey of the educational requirements of these institutions has recently been completed by the Education Department, with a view to determining the type of teaching staff and curricula best suited to their needs. This survey shows that there is undoubtedly room for improvement and the Social Welfare and Education Departments are now considering ways in which the educational requirements can be met most effectively—in particular whether it is feasible to separate the teaching and non-teaching duties carried out by the staff of these institutions.

On the possibility of supervisors of caput grant schools being paid, raised by Miss BENNETT, the position is that these remain private schools until they become fully subsidized, if all goes well, within the next three years. Until that time they will continue to derive part of their income from fees collected in their senior secondary classes.

Miss BENNETT's remarks on the relative roles of supervisors and principals is interesting, but I note she did *not* say that the principal of an aided school who becomes its supervisor has his salary stopped! Incidentally, I can see no good reason why the sponsors of an aided school should not consider nominating the principal to be the supervisor as well in appropriated instances of proven ability, and there is an effective management committee to whom he is answerable. However, for the purposes of the Education Ordinance, which applies to aided as well as private schools, the distinction between these roles is a valuable one and allows for the clear demarcation of the responsibilities and the degree of accountability of each at law.

The absence of provision for an administration allowance payable to sponsoring bodies is due to two basic considerations. In the first place the Codes of Aid are ground rules for the payment of grants to individual schools: the grants are not for the benefit of sponsoring bodies. Secondly, when these rules were first drawn up the private funds of sponsors were not subject to Government scrutiny, or audit by the Director of Audit. As the Director of Audit now has this right of access to the accounts of the sponsors, to this extent there is some material change in the position which may merit a reconsideration of the overall cost of administration of such schools. In saying this I must stress that what remains unchanged is that our grants are calculated for the support of, and should be adequate for, the operation and administration of schools. Should there then not be economies of scale for bodies sponsoring a group of schools? Accordingly, what may be needed is an arrangement permitting the administration grant for each of the schools within a group to be channelled into a common pool. I am sure this and other matters will be carefully looked into in the current review of the Codes of Aid by the Education Department.

Miss BENNETT also asked what thought has been given to adapting the open university idea here. I would say that a great deal of thought was given to this matter in the working party study which ultimately resulted in the Green Paper published in November 1977 on senior secondary and tertiary education development over the following decade. The conclusion in paragraph 11.4 of the Green Paper was that the requirement for financial resources and academic and technical personnel would be beyond our capacity to supply. This remains the present position.

As regards part-time degree courses, the Government has asked the University and Polytechnic Grants Committee to invite our two Universities to prepare proposals, including the courses they feel they can most appropriately offer, for consideration. The Government envisages these courses to

be designed mainly for mature students with a combined total of about 1,000 students being enrolled thereon at the two Universities by the mid-1980s. These students would be additional to the universities targets for full-time students.

Dr. HUANG has urged that the concept of more open Government should be extended to the field of education, and I can say that the Government is very conscious of this need. The steps taken have included a significant increase in the membership of the Board of Education in 1973, with successive further widening of its spectrum of participation since then. Its membership now totals 21 citizens ranging from the grass roots to the leading lights in academia. The Hong Kong Examinations Authority is another recent development with wide representation prescribed by the Ordinance enacted in 1977. Our leading academic institutions, for their part, have sought to keep themselves abreast of the times as evidenced by the 1976 Ordinance for the Chinese University of Hong Kong and the amendment of the Hong Kong Polytechnic Ordinance in 1978.

The need for the fullest possible consultation on the curricula is also well recognized, and the Curriculum Development Committee appointed by the Director of Education allows for wide consultation among all sections of the education system.

Dr. HUANG's commendation of the scheme of assistance for the approved post-secondary colleges set out in the recent White Paper is appreciated, and I note that he considers a system of periodic review of their registration, to ensure their maintenance of standards, to be needed. As a result of the changes proposed in the White Paper the provisions of the Post Secondary Colleges Ordinance will need revision, and this Council will accordingly have an opportunity to debate these and related issues during the current session when an amendment bill is introduced.

Industrial Training

I welcome the strong support of Mr. CHEN, Dr. HUANG and Mr. Allen LEE for further development of industrial training facilities and programmes.

Turning to the more detailed remarks on manpower planning and training made by Dr. HUANG, I must correct any impression given in his speech that nothing has been done to improve the quality, flexibility and utilization of our labour force, or that there is no policy which aims at endeavouring to match the supply of with the demand for trained manpower.

Indeed, as far back as 1965 Government initiated action with the specific aim of achieving these objectives by setting up the Industrial Training Advisory Committee (I.T.A.C.). On the advice of the I.T.A.C., Government embarked on a massive expansion of technical education, particularly at the technical institute and Polytechnic levels, and accepted the introduction of training schemes for the construction industry and the clothing industry financed by levies on those industries.

In 1973, His Excellency the Governor appointed the Hong Kong Training Council to develop this work further. Unlike its predecessor, the Training Council is responsible for advising on manpower training not for industry alone but also for commerce and services, and not only at technician and craft levels but also at the technologist level. With the recent establishment of training boards and committees to cover training in the commercial and service sectors, Hong Kong has, in the Training Council, the basic machinery needed to determine the future manpower demands of Hong Kong's industries and, much more recently, its commerce and services; and it has been advising the Government on measures necessary to ensure a comprehensive system of manpower training geared to meet the developing needs of Hong Kong's economy since its inception. Following the biennial surveys conducted by its Training Boards, the Training Council published in 1977 a Report on Technical Manpower Demand and Supply covering the period 1977 to 1982.

Based on the success of the construction and clothing industries' training centres and the Training Council's manpower findings, the Council has recommended that Government should introduced a scheme which would make available training centres for training manpower not only specific to individual industries but common to all industries, as well as have the flexibility needed to respond to rapidly changing manpower demand. This recommendation is under consideration by Government, and I hope that it will be possible for swift action as soon as the Advisory Committee on Diversification has completed its work.

Five-day Working Week

Mr. LEUNG has suggested that a five-day working week should be introduced for office workers in Hong Kong.

Government is always ready to consider suggestions for improving workers' conditions of employment but, as Mr. LEUNG himself acknowledged, in our present state of economic development, particularly in the industrial sector, it would not make economic sense to introduce a five-day working week generally. At present, in the commercial sector, most office workers work fewer hours a day and fewer days a week than industrial workers. To introduce a five-day working week for office workers only would accentuate the existing disparity in working hours between office and industrial workers and the Government would be anxious not to widen these differences: on the contrary, our ultimate aim must be to narrow the gap.

As regards the civil service one of its primary roles is to provide services for the public. It is thus evident that Government offices must remain open on Saturdays so long as the community it serves continues to work these hours. this is common ground. However, if Mr. LEUNG were to look more closely into the number of departments in this position, and the proportions of their staff involved, I think he would find that only a very small part of the civil service could switch over to a five-day working week without some curtailment of service to the public.

Mr. LEUNG also relies on a five-day working week having been the practice in developed countries such as the United Kingdom and the United States of America to support his case. However, among our neighbours in Asia, with whom we normally compare ourselves in these matters, a five-day working week is not at all common, except perhaps in Japan where economic development is more advanced than elsewhere in the region, including Hong Kong. Even so, I understand that a fair number of commercial employees in Japan, including bank staff, still work a 6-day week.

Mr. LEUNG further refers to a Saturday syndrome as another reason for stopping Saturday work. However, I understand that in certain developed countries with a five-day working week a 'Friday product' is now a figure of speech for an article or machine which does not work or otherwise falls apart (*laughter*)! I also believe there is a Friday syndrome where traffic and people pour out of the cities and towns from early Friday afternoon (*laughter*) (and not to return until late on Monday morning) to take fuller advantage of the weekend!

For these reasons I feel it is not appropriate, at the present time, for Government to contemplate the introduction of a five-day working week in Hong Kong, either generally or for office workers only, or for a small section of the civil service. This does not mean that individual employers should feel inhibited from introducing a five-day week for their workers if they think this would be practical and beneficial. I understand that some firms already work a five-day week and I am sure the arguments adumbrated by Mr. LEUNG will be relevant for other enterprises in their consideration of this matter. Indeed, in most developed countries where the five-day week has become prevalent this has not arisen through direct Government action or legislation. Thus the Government feels it should follow, rather than lead the private sector on this issue.

Sir, I too support the motion.

DIRECTOR OF MEDICAL AND HEALTH SERVICES:—First of all, I should like to express my sincere appreciation to Dr. FANG and my UMELCO Friends who have, despite their varied and many commitments, spent so much of their valuable time in concerning themselves with the administration of Government and subsidized hospitals especially when this is undertaken during recess. May I say at once that I very much welcome any constructive and practical suggestions for improvements of the medical services resulting from this exercise.

The delivery of medical and health care in Hong Kong has over the years become increasingly complex owing to numerous factors, one of the most basic and important of which is that of population growth. Such growth in the past has at times been sudden and overwhelming because of unexpected and repeated massive influx of immigrants. The resultant effects of such

acute imposition of pressure on existing services, which allows little or no time for considered and deliberate planning, can well be imagined.

However, I shall not venture into the complex field of population dynamics as such, but should like to confine myself to more familiar grounds, i.e., the strategy of how standards of medical and health services should be maintained and improved given the special circumstances of Hong Kong.

This in simple terms calls for action in two directions, namely the reprovisioning and improvement of existing services on the one hand, to cushion against the immediate effects of acute demands, and the provision of new facilities and areas of services on the other, so as to meet the needs of the community in the longer term.

I am therefore most thankful to my friend, Dr. FANG, for this opportunity to clarify the points that he has raised and inform honourable Members of the measures that are being taken to improve the medical and health services.

Honourable Members will recall that one of the major objectives of the regionalization scheme for the medical and health services is to secure a more even use of hospital beds in Government and Government-assisted hospitals.

While I would agree with Dr. FANG that much remains to be done, it is only fair to say that significant progress has also been achieved in this direction. This can easily be seen when one compares the numbers of camp beds which were in use in the major regional Government hospitals, i.e., Queen Elizabeth and Queen Mary Hospitals before April 1977 when the scheme was first brought into effect and the situation as it is today.

At the beginning of 1977, on an average, there were 90 and 120 camp beds in daily use in the Queen Mary and Queen Elizabeth Hospitals respectively. The corresponding and latest figures for the previous month of October were only 3 and 28 camp beds in the two hospitals. This greatly improved situation has been reached as a result of much strenuous efforts on the part of both Government and University staff in the hospitals as well as at Medical Headquarters. The exercise has been made doubly difficult because of the existing policy of admitting any and every case that requires admission especially cases of an emergency nature which have accounted mainly for the comparatively few camp beds that are still in use in the hospitals. This performance is all the more creditable when one takes into account the increasing pressures that are being exerted on the medical services by incessant population growth—services that are available to the public at minimal cost and with practically no means test.

A major reason which has brought about this significant improvement is in fact the more effective use of beds in the subvented hospitals as a result of the regionalization scheme. On the average, the occupancy rates for beds have improved significantly from 75% to 89% in these hospitals. Occupancy rates, however, will vary in individual hospitals depending on a number of factors,

such as effective co-ordination and co-operation between the managements of Government hospitals and of the subvented hospitals, availability of specialties and staffing. In this respect, it is agreed that there is a minority among the subvented hospitals where the occupancy rates have not come up to expectations as mentioned by Dr. FANG. It would therefore appear that special efforts need to be, and will be, made in these areas. Hopefully, with better co-ordination and co-operation among the managements of Government and the subsidized hospitals concerned, their occupancy rates will improve in the future.

Dr. FANG mentioned that in the last few years the number of beds in the Queen Mary and Queen Elizabeth Hospitals has almost doubled from the original numbers, with no corresponding increase in staffing and facilities. The facts are that while the number of beds in the Queen Mary Hospital has been increased by 106% and in the Queen Elizabeth Hospital by 40%, such increase has taken place over a period of 28 years in the case of Queen Mary Hospital and 15 years in the Queen Elizabeth Hospital. During these periods, various major and minor extensions and structural alterations have been carried out in these two hospitals. Further, the numbers of medical, nursing and paramedical staff have also increased fourfold and doubled in the Queen Mary and Queen Elizabeth Hospitals respectively. Therefore, it can be seen that expansion of accommodation in the two hospitals has been reasonably matched by corresponding increase in staff and facilities. However, I would agree with Dr. FANG that more should be done to improve the situation even further.

The real solution to problems of overcrowding and maintenance and improvement of standards is not the mere extension of existing facilities alone but must also include ultimately the provision of new facilities. I shall be pleased to inform honourable Members of the plans and action taken in this regard later on.

I would again agree with Dr. FANG that the quality of similar or identical clinical units in both the regional and subsidized district hospitals should not be different. The recognition of this principle is incorporated in the present policy for subvented hospitals. Under this policy, these hospitals are given the necessary resources to obtain the equipment and posts that they need and it is then left to the managements of these hospitals to recruit suitable staff. The fact that most assisted hospitals are now being subsidized on the much more favourable deficiency basis, i.e., the Government subvention meets in full the difference between total approved expenditure and the income of the hospital, should ensure that the standard of medical care in the subvented hospitals be quite similar to those in Government hospitals. In the circumstances, I should like to reassure Dr. FANG that in fact the subvented hospitals are not regarded as inferior to Government hospitals but that these hospitals, having been given the necessary resources, are by and large, playing their proper roles within the ambit of the regionalization scheme.

However, because of its very nature, the level of sophistication in the fields of services offered at the regional hospitals must perforce be of a higher order and the range of services more comprehensive.

Regarding Dr. FANG'S point on hospital equipment—under the Special Expenditure Sub-head for the years 1977-78 and 1978-79 are provisions of \$12.3 million and \$15.4 million solely for the purchase and replacements of hospital equipment and the allocations have been put to good use. However, specific items and equipment will have to be purchased within the amounts allocated. Again, I agree with Dr. FANG that there is a need to replace worn-out and out-dated equipment whenever and wherever required. In this connection, Dr. FANG will be pleased to learn that steps are in hand to establish in the first instance a master inventory of hospital equipment and instruments in all hospitals with a view to producing a co-ordinated schedule for on-going replacement of equipment at appropriate times. Given the funds, such a schedule for regular replacement will ensure that unnecessary duplication of facilities are avoided and that resources are put to maximal possible use, bearing in mind that efficiency and high standards must be maintained. It is only natural that in the choice of clinical equipment professional staff are always consulted.

On Dr. FANG'S point on 'borrowed' beds in subsidized hospitals—this has been a long standing and special arrangement at some subsidized hospitals where a certain number of beds in these hospitals are set aside for transfer of chronic or convalescent cases from the acute regional hospitals. Such patients naturally do not need full-time medical care, hence, the arrangements whereby doctors from the regional hospitals continue to look after their own patients after their transfers. Of course, there should be no objections to the doctors of the subsidized hospitals taking full charge of the patients if this is mutually agreed between the attending physicians. This arrangement is quite in accordance with the spirit and intention of the regionalization scheme which is to provide patients with that level of medical care consistent with their illnesses. I would certainly agree with Dr. FANG that if the conditions of the patients allow, if places in care and attention homes are available, if the homes will accept the patients and finally, if the patients themselves are willing to be admitted, suitable cases should be transferred away from the hospitals.

On the point of a link between staff of the district hospitals and the clinical departments of the Hong Kong University's Medical Faculty, I am of the same opinion as Dr. FANG that it is highly desirable for these hospitals to establish such links. In fact, some district hospitals such as the Tung Wah Group of Hospitals, the Nethersole Hospital, the Duchess of Kent Hospital, the United Christian Hospital and the Grantham Hospital already have such links and I would urge that the managements of those district hospitals which have not made such arrangements to take the initiative in this direction.

Sir, there is a real need to view the whole subject of health care delivery in the Hong Kong context with perspective and balance.

While there is always room for improvements and none for complacency, the facts and figures mentioned above represent definite results as a whole in the relief of overcrowding, and the better utilization of beds in the regional and subsidized district hospitals.

Such is the proof as shown by the records that the recommendations of the Medical Development Advisory Committee for a regionalized medical service have certainly been vindicated.

Dr. FANG's other useful suggestions regarding certain principles and practices for improvements are much appreciated. In fact, if one were to keep a tally of the number of times that I have agreed with Dr. FANG in the last few minutes, it will be noticed that this is no less than six (*laughter*). Seldom has so much been agreed with in so short a time (*laughter*). This is indeed good cause for rejoicing and in order to preserve this happy state of affairs, I shall yet again agree with Dr. FANG on his point that in principle voluntary help is welcome in hospitals provided that such help is acceptable to the hospital concerned, and that proper co-ordination and planning for such services are undertaken.

At this stage, it is necessary for me to recount briefly the steps which have been taken to expand and to bring about improvements to the present services as well as on-going programmes for the provision of new facilities. Concrete steps are now being taken to improve and expand facilities and accommodation in the major regional hospitals, namely, the Queen Mary and Queen Elizabeth Hospitals. These expansions will be matched with corresponding increases in staff and equipment.

In the Queen Elizabeth Hospital, a new project consisting of an 8-storey extension incorporating intensive care facilities, extra clinical wards, including a new paediatric department, coronary care facilities, staff accommodation, a library and a new pathology building is scheduled to be commissioned by 1983.

In the Queen Mary Hospital, plans for an additional 600 beds in a separate new clinical building is to be included in the Public Works Programme which will incorporate accommodation for other new services such as operating theatres, haemodialysis, oral surgery and a burns unit.

In the improvement of existing services, the subsidized sector have by no means been forgotten. The Government have recently approved funds for the extension of the Yan Chai Hospital at Tsuen Wan with a view to upgrading this hospital eventually to undertake the role of an acute district hospital of 400 beds.

Members of this Council concerned will no doubt remember that a short while ago, the Finance Committee of this Council approved plans for significant

improvements to the Caritas Medical Centre for the reprovisioning of operating theatres, support facilities and the construction of a new approach road to facilitate easier access to the hospital.

Other projects include the conversion of the Grantham Hospital into a cardio-thoracic centre, extensions and improvements in the Pok Oi Hospital and the Tung Wah Group of Hospitals.

In regard to new facilities, a 1,300-bed psychiatric wing of the Princess Margaret Hospital will be completed and brought into use before the end of next year. Other major hospital projects which should be completed and brought into use between 1982-85 include the 1,400-bed Sha Tin Teaching Hospital and another major hospital comprising 1,300 beds at Tuen Mun.

Further to these three major hospital projects, there are also plans for another major hospital in the East Kowloon area which I have requested for inclusion in the Public Works Programme.

My Department has always laid emphasis on the provision of good primary and secondary health care facilities. Therefore, in addition to the above projects, plans have also been drawn up for at least 15 clinics or health centres to be completed in the next 7 to 8 years.

Thus, looking at the overall picture of the medical and health services for the next decade, I should like to reassure Dr. FANG that given the resources at the appropriate times, the programmes which I have mentioned should ensure that the quality and standard of our medical and health services be not only maintained, but improved significantly in the years to come.

Sir, I support the motion.

DIRECTOR OF HOME AFFAIRS:—Sir, the Governor in his address announced new measures for improving departmental co-ordination and public consultation at the local level in the urban areas and these were supported by the Revd. Joyce BENNETT and Mr. WONG Lam.

It was made clear, Sir, that the initial stage in this process would be to strengthen the City District Office at Kwun Tong. The first step has now been taken with the appointment on 1 November of a City District Commissioner to take charge of the Kwun Tong District Office.

The new Commissioner and the present City District Officer and his staff will be responsible for working out means, in consultation with other Government departments, to ensure that the total Government effort in the Kwun Tong District is better co-ordinated and directed towards the needs of those who live there.

By the end of December a District Management Committee will have been set up under the chairmanship of the City District Commissioner on which the departments principally responsible for Government services in the Kwun Tong District will be represented.

This team will study the whole range of Government services and programmes that exist or are planned for the district. It will also consider what additional co-ordinating machinery is needed to ensure a quick Government response to day-to-day problems arising in the district.

It is not intended immediately to change the existing system for local public consultation. However, this vital aspect of the reorganization will be examined carefully with the aim of bringing responsible local opinion to bear upon and participate more in the conduct of public affairs at an early date.

The overall objective is to make steady rather than spectacular progress towards more effective and responsive Government by tried measures that will lend themselves to adoption in other urban districts when the time is right to do so.

The Revd. Joyce BENNETT in welcoming these proposals has said that it is essential that they receive the full support of all Government departments and statutory bodies with responsibilities in Kwun Tong. I can assure her that these proposals do have the support of the departments concerned and I have no doubt at all that they will also receive the backing of the statutory bodies as well.

Miss BENNETT has expressed concern about possible deficiencies in Kwun Tong. I can assure her that such questions will be receiving the early attention of the District Management Committee and that people in the district will also be asked to give their views.

Miss BENNETT is aware of the study carried out by the Home Affairs Department last year into social services and community facilities in the Sau Mau Ping and Lam Tin Estates and was in fact a member of the Advisory Committee on that study.

The study not only reviewed these facilities but also sought the residents' views on whether they were appropriate and adequate. There was extensive consultation with local organizations and a public opinion survey commissioned by the Home Affairs Department and carried out by the Department of Business and Management Studies of the Hong Kong Polytechnic. It is a good example of what can be achieved by systematic consultation and I would envisage that the district deficiencies Miss BENNETT refers to might well be examined in a similar way.

Mr. WONG Lam, like Miss BENNETT, has been a steadfast friend and supporter of the City District Offices and the Home Affairs Department. He is a man closely in touch with the life and thought of people at the district level and his support for the Kwun Tong proposals is therefore very encouraging.

Mr. WONG said that he feels that the Government should take the initiative more in seeking out opinions from the general public and I fully agree with him. However, he was also a member of the Advisory Committee on the

Sau Mau Ping and Lam Tin Estates Study I have just referred to and I am sure that he will concede that in that case, at least, every effort was made to solicit the views of the silent majority.

Mr. WONG sounded a warning note about proliferation of staff by the operation of Parkinson's Law. The point is well taken and as a further reassurance to him on this matter I am sure that there are others in this Chamber who will see to it that the Kwun Tong griffin does not easily evade the Beecher's Brook of budgetary strategy.

I would like to say, Sir, how much my City District Officers and I appreciate the interest and concern shown by Miss BENNETT and Mr. WONG Lam in the problems arising at the local level in the urban areas. We recognize the enormous demands made upon the time of Unofficial Members of this Council but we would be most grateful to any Member who could find the time to adopt a particular urban district, assume an on-going interest in its problems, and help residents to get their views across to Government. Honourable Unofficial Members are in a uniquely favourable position to see to it that where community views and aspirations are reasonable, there is an appropriate Government response. If this response can only be achieved by adjustments in the deployment of existing resources or generation of new resources, Unofficial Members are also well-placed to assist the Government in making these adjustments.

Sir, I support the motion.

SECRETARY FOR SECURITY:—Sir, I would like to contribute a little to the debate and update the Council on the problems of Chinese legal and illegal immigration and also on the problems of refugees from Vietnam.

Immigration from China

The great number of people who have come to Hong Kong both legally and illegally in the last 12 months stand out as one of the main subjects of public concern. Sir Murray has said that we cannot disregard what is happening and that a marked reduction in numbers for both is now essential. Miss DUNN gave the containment of population growth as her second top priority. Mr. LOBO, DR. FANG, Father MCGOVERN and Dr. Rayson HUANG all referred to the effect of immigrants on our plans for the future. The fact that they did not dwell on our predicament in no way detracts from its seriousness.

We know Hong Kong to be a very overcrowded place. There is deep uneasiness that the large influx of immigrants and, to a lesser extent, of refugees, has already created pressures which will be difficult to absorb or reduce. The response of the Security Forces (on whose behalf I should like to thank Miss DUNN for her tribute) and those departments involved has been impressive and to this list I would like to add, if I may, the voluntary services, voluntary agencies and the officers of Security Branch,

These unwelcome developments have been countered with resourcefulness, dedication and ingenuity. Over a prolonged period, now entering its second year, all have done their utmost to contain the problems and I know they will go on doing so.

The strategy to keep illegal immigration to the minimum is to make the land border and the flanks of Hong Kong so secure that a high rate of apprehension is achieved. Not only do we wish to reduce to a minimum the number of those who slip through the net, we also want a high arrest rate to be a deterrent to those who are thinking of trying to come here illegally.

Given the length of our coast line and the attraction which Hong Kong appears to represent to people living in Guangdong, the Security Forces have been hard pressed to achieve this strategy. To meet this commitment H.M. Forces have already been reinforced, more Gurkha soldiers have been deployed, additional vessels ordered, more fencing, observation towers and lighting on the border have been constructed, small boat units have been established and plans made to ensure that our Security Forces are provided with the manpower and other resources to contain and reduce the flow. We are maintaining and will continue to maintain a high degree of vigilance and patrolling.

The assurances given by Chinese leaders that action would be taken to deal with the problem of illegal immigration are very welcome. Effective action was taken in June and in July with the result that numbers dropped sharply. Unfortunately this trend was not maintained. In October the Security Forces were arresting an average of 374 illegal immigrants a day, a very high figure which was more than twice the daily rate for September. So far this month the figure is lower, at an average of 220 a day. But although this trend is in the right direction, little comfort can be derived from such a high figure. By all historical measures it is still abnormally high. It shows that the problem is still far from being brought under control.

Vietnamese Refugees

Anxiety about immigration seems to be concentrated on Vietnamese refugees in particular. Compared with the permanent increase in population caused by legal immigration from China and those illegal immigrants who evade arrest, the problems of Vietnamese refugees represent a burden which I still trust is transitory. U.N.H.C.R.'s history of resettlement of refugees has been good, but success depends upon time, no resurgence of inflow and the offer of resettlement places.

At present world concern is understandably focussed on the tragedy of the people of Cambodia. Starvation and suffering on an appalling scale is occurring. Their situation, whether in Cambodia or in the camps in Thailand, is ghastly and a problem of compelling magnitude calling for massive relief supplies of food and medicine. However this added dimension to the suffering of the people of Indochina does not lessen Hong Kong's

need to make greater and much faster progress with resettlement of its boat people from Vietnam. Mr. P. C. WONG has already reminded resettlement countries that action speaks louder than words. I therefore reinforce his call for an increase in the number of resettlement places being offered to Vietnamese refugees in Hong Kong.

Hong Kong is, of course, most grateful for the help it has received, notably from the United States, Canada, the United Kingdom and the Federal Republic of Germany. However its treatment overall by countries offering resettlement places has been less generous than for other places of first asylum as regional resettlement figures show. If one takes the boat refugee population at the end of 1978 and adds to it arrivals to the end of October 1979 then Hong Kong had 30% of the total, Malaysia 38% and Indonesia 19%, but so far this year Hong Kong has received only 17% of all resettlement places in the region for boat refugees compared with 61% for Malaysia and 10% for Indonesia, and its departure figures reflect these percentages. As a result of this relatively low departure rate, at the end of October Hong Kong had 38% of the total regional burden of boat refugees compared with 26% in Malaysia and 25% in Indonesia.

I am disappointed that despite the efforts at the diplomatic level, the many briefings and representations which we give and make to distinguished visitors to Hong Kong, and the visit overseas by Mrs. LEE and Dr. STUMPF, we still have over 61,000 refugees here. We shall of course continue to urge upon U.N.H.C.R. and potential resettlement countries the need to increase the rate of resettlement. In the last 3 months this has averaged 3,300 per month which is less than the target figure we had hoped to achieve. We still hope to reach 4,000 a month at least for the next few months but even at this rate, and without any new arrivals, it would take until Spring 1981 to resettle all the refugees. With the effect of the shadow cast across the southwest China Sea by the possibility of renewal of outflow from Vietnam, this is pretty cold comfort. It is also rather meagre international recognition of what Hong Kong has done for the Boat People.

I support the motion.

SECRETARY FOR THE CIVIL SERVICE:—Sir, I am grateful to Miss DUNN and to Mr. WONG Lam for their remarks on the civil service. I trust that my speech this afternoon will show that I agree entirely with what they had to say earlier during this debate.

Today the question uppermost in the minds of most civil servants is, without doubt, the First Report on Civil Service Pay, which was published last month by the Standing Commission on Civil Service Salaries and Conditions of Service.

Staff association disagreement with the Report has received wide publicity, while a number of groups such as Nurses, Health Inspectors and Dispensers

have taken or threatened disruptive action. All this has given rise to considerable, though often unvoiced, public concern. I believe therefore that it would be helpful if I made a statement this afternoon setting out the Government's position.

First, however, I should like to spell out the essential background to the Standing Commission's recommendations, so that both civil servants and the general public may better understand the issues at stake; for these issues are important not just for the civil servants involved, but also for the future stability of our community.

The Hong Kong Civil Service is an extremely large and complex organization. Its 130,000 staff are organized into 630 grades in 48 separate departments. They perform a far greater variety of work than civil servants in most other countries, for in Hong Kong a single unified civil service undertakes duties which elsewhere tend to be split between the staffs of central government, local government and various public bodies.

In an organization of this size and complexity, it is hardly surprising that questions of pay and rank should give rise to lively argument. Nor since civil service salaries are a matter of public knowledge, is it surprising that civil servants should make full use of the media in furthering their views.

Turning to the subject of civil service remuneration, there are *two main questions* to be considered.

The first question, and in many ways the easier one to answer, concerns the appropriate general level of pay and fringe benefits (such as pensions, leave and medical care) for the civil service as a whole.

Fortunately, Hong Kong's prosperity in recent years has enabled the Government to provide the civil service with a general level of pay and fringe benefits which has compared favourably with the private sector, and which most civil servants have accepted as reasonable.

The second question, and by far the more difficult to answer, is what should be the differentials between the pay of different grades of civil servant doing different kinds of work. For example should Nurses be paid more or less than Radiographers or Health Inspectors, and how much more or less? It is this second question which for many years has been at the root of most arguments within the civil service about pay.

Over the years the Government has tried various ways of arriving at decisions on pay relativities between one grade and another. These have included salaries commissions composed of visiting overseas experts, special committees of enquiry to look into the problems of individual grades, and reference to the Senior Civil Service Council. These methods were all found unsatisfactory and in recent years it had been left to the Civil Service Branch to decide these important questions of rank structure and relativities

with other grades. Staff were naturally unhappy that in the event of disagreement between staff and management, it was management in the form of Civil Service Branch which appeared to take the final decisions.

This lack of effective machinery for dealing with civil service pay scales had various consequences. Staff mistrust meant that decisions were constantly under appeal; a backlog of work accumulated; departmental organizations were not modernized as quickly as they should have been; and there was a loss of efficiency. More important, there was a loss of confidence on the part of both staff and management in the ability of the civil service to resolve these difficult problems. Something clearly had to be done.

A year ago today I announced in this Council that, after most careful consideration, and after extensive consultation with staff, the Government intended to set up entirely new machinery in the form of a Standing Salaries Commission. In January 1979 the Members of the Commission were appointed and on 9 February 1979 the Commission held its first full meeting.

The Standing Commission has five important features to which I should like to draw attention:

First, it is a local body and its nine members are all long-term residents of Hong Kong.

Second, it is a permanent body with a permanent staff of its own.

Third, to help ensure that the Commission's advice is impartial, there are no civil service staff or management representatives sitting as members of the Commission.

Fourth, staff and management do have equal rights to be heard by the Commission.

Fifth, the Commission is required to keep all matters within its terms of reference under continuing review, and to recommend to the Governor any necessary changes.

Soon after starting work the Commission decided that its first report should deal with questions of underlying principle. I quote now from paragraph 8 of the Commission's subsequent report:

'8. Before beginning our examination of key principles and practices we were anxious to obtain the views of staff and management. Thus our next step, on 14 February 1979, was to call for representations. While not unnaturally many staff were primarily concerned with individual grade issues, over 130 representations had been received by the end of March. These representations raised a number of issues on which we believed staff and management should be further consulted and accordingly we embodied the major points in a consultative document which was issued to the civil service on 14 May 1979. The response to this document was gratifying with over 100 submissions being received from staff and management representatives.'

I have drawn attention to this passage from the Commission's first report because it illustrates the care which the Commission took to provide both staff and management with opportunities to express their views before the Commission reached any conclusions. Indeed the extent of consultation with staff and management by the Commission during the first nine months of its existence has far exceeded anything that the civil service has known before.

The Commission's First Report on Principles and Practices Governing Civil Service Pay was accepted by the Governor in Council in August this year, and has provided the Commission with an approved framework for its First Report on Civil Service Pay, which was published last month.

The Commission makes it clear in its First Report on Civil Service Pay that it has considered carefully all representations made by both staff and management. The Commission also makes it clear that it has taken account of the principles enunciated in its earlier Report. The result is a closely interlocking and more up-to-date salary structure for the whole service.

Because the Commission's recommendations are interlocking, any alteration now to the pay scales recommended for a particular grade would call for simultaneous reconsideration of the Commission's recommendations on other grades. This would require reference back to the Commission, and would delay submission of the Report to Executive Council for many months. The Government took the view that such a delay would not be in the best interests of either the civil service or the community. Accordingly, I announced on 27 October that it was proposed to submit the Report to Executive Council with a recommendation that the revised pay scales should be generally approved, but (and this is the point I wish to stress) with the recommendation also that the Standing Commission should be asked to include in its future programme of work those matters in the Report which staff or management consider merit re-examination.

Disagreement with some of the commission's recommendations was to be expected, particularly from those groups whose representations were not accepted by the Commission. It was also to be expected that public interest would focus on those groups who have threatened or taken disruptive action.

But it is necessary to see things in perspective. The number of grades who have threatened or taken disruptive action is a small minority. Many others, although disappointed with some aspects of the Report, have acted responsibly and have decided to pursue their case further by making fresh representations to the Commission. They include the various staff associations in the disciplined services, as well as the three main staff associations which comprise the Staff Side of the Senior Civil Service Council. The Staff Side did have reservations about certain aspects of the Report and I have undertaken to refer these back to the Commission for further study as part

of its future programme of work. But, and this is significant, the Staff Side of the Senior Civil Service Council agreed that because of the interlocking nature of the recommendations on pay scales, any amendment now would cause undesirable delay which would not be in the interest of the civil service as a whole. The Staff Side has therefore recommended that the Report should now be forwarded to Executive Council with a request that all matters in dispute should be referred back to the Standing Commission for review as soon as possible.

Within the civil service there is without doubt a large body of responsible opinion which does not support the attempts being made by some groups of staff to force the Government to modify the Commission's recommendations in their favour. These pressures must be resisted if the Government is to command the respect of the moderate majority among its employees.

It remains therefore the Government's intention to put the Standing Commission's First Report on Civil Service Pay to Executive Council for decision without delay, so as not to deprive staff of the substantial benefits which will result if the recommendations are accepted. Moreover, there are many recommendations in the Report which will help recruitment, assist in the management of departments, and generally lead to improved efficiency.

Pending a decision from Executive Council I should like to reiterate that this is a Standing Commission and, as the Commission itself recognizes, its First Report does not pretend to solve all pay problems or meet all civil servants' expectations. Thus the Commission remains ready to review pay scales as necessary in the light of comments from both staff and management I therefore urge civil servants who have reservations on the Report to act responsibly and put their cases back to the Commission.

Finally, Sir, I should like to touch on the future work of the Standing Commission. During this first year of the Commission's existence the focus has been very much on civil service pay. We should not overlook the fact that the Commission will also have an important role to play in relation to housing and other conditions of service. The Commission will also have a major role in improving consultative procedures. In all this I see much scope for developing a greater staff contribution to the work of the Commission.

There is no doubt that civil service pay and conditions of service are matters of such importance and complexity that a prestigious standing body of some kind is now necessary to deal with them. It was with this in mind that the Standing Commission was appointed earlier this year. I believe that it is in the best interests of everyone—staff, management and the public alike that we should now develop and strengthen the Commission, so that it may successfully carry out its future on-going programme of work.

Sir, I am quietly confident about the future of our civil service and on that note I have pleasure in supporting the motion.

SECRETARY FOR HOME AFFAIRS:—Sir, I thank Mr. F. K. Hu for his support for our decision that the Music Administrator's Office and the Recreation and Sport Service should be transferred to the Home Affairs Branch. Implementation of this decision should place us in a better position to ensure that resources are deployed to the greatest possible effect and that planning, monitoring and controlling of Government's effort in these fields are effectively carried out.

I should like to allay Miss BENNETT'S concern over the transfer of the Music Administrator's Office from the Education Department. This Office, being quite separate from the Music Section of the Advisory Inspectorate of the Education Department, has neither the responsibility for general music education in schools nor for music curriculum in schools. These will therefore remain unaffected by the proposed reorganization. I should add, Sir, that the instrumental scheme conducted by the Music Administrator's Office is designed specifically for selected primary school children who have shown potential for music training as well as providing further training for existing young musicians in order to assist in the formation of our youth orchestras. There are, of course, other functions of the Music Administrator's Office, such as arrangements of master classes and workshops, the 'Music for the Millions' scheme, the instrumental music exchange programme and the promotion of interest in music generally in the community through weekly concerts in schools, parks and playgrounds, community halls and factories.

Mr. F. K. Hu made a number of points concerning the promotion of culture in Hong Kong. First of all, he raised the question of co-ordination between the Urban Council and the Government. This point I fully accept and I explained the Government's position last year at this time. As Mr. Hu himself knows, there is already considerable consultation between the Government and other bodies, including the Urban Council. A senior officer from my Branch sits as an observer on a number of Select Committee meetings of the Urban Council; Urban Councillors and Government representatives, including my deputy, work closely together on the committees of the Hong Kong Philharmonic Society. But, again as I said last year, Sir, there is as always room for improvement. I see the setting-up of a new Division of Recreation and Culture in my Branch as a firm step towards even closer co-ordination. This is certainly one of the aims with which the new Division will be tasked.

I agree with Mr. Hu that there is a need to provide long-term and full-time scholarships for overseas training of outstanding local talent in the fields of music, dance and drama. This is precisely the function of the Royal Hong Kong Jockey Club Music Fund. Apart from meeting its other aims, the Fund is sponsoring a number of full time scholarships for the training of outstanding local talent in music and ballet in overseas countries. As at today, a total of seven Hong Kong students are receiving full-time training overseas. It is certainly the intention that after completing their training, they should

return and make their contribution to our community by teaching our younger musicians and artists, or by performing, or by carrying out other professional duties here in Hong Kong. While these overseas scholarships may well continue, we must aim at a position where those who have shown promise should be able to receive their training in Hong Kong. The Hong Kong Conservatory of Music and the Hong Kong Academy of Ballet have made a good start. Both Miss BENNETT and Mr. Hu mentioned the need to provide training in music and other forms of performing arts at university level. I believe that this will have to be looked at once we have drawn up a definite policy on the long term development of culture and art in Hong Kong.

In this connection, Sir, a planning team comprising representatives from various Government departments has been working since May this year on such a long-term programme plan for the development of both music and the performing arts. This is still of course the preliminary planning stage, aimed at working out broad guidelines for the overall future development. I can assure Mr. Hu that this development plan will incorporate principles on the long-term needs of voluntary organizations, who will be consulted at an appropriate stage. This plan will also include an examination of the need for financial or administrative support from Government. I must point out however that already the Government is providing financial assistance to the Hong Kong Philharmonic Society and the Hong Kong Arts Festival.

Sir, Mr. HU also touched on the Government's scheme for offering financial assistance to governing sports bodies. The aim of this scheme is to help these organizations to engage executive secretaries and meet office expenses. This scheme, started two years ago in respect of four associations, has now been expanded to cover 12 associations. As office premises for governing sports bodies have been included in the new Queen Elizabeth Stadium, a special sub-committee of the Council for Recreation and Sport (under the chairmanship of Mr. HU) is now studying the existing scheme and ascertain whether or not modifications are required to meet the new situation. I understand this sub-committee is also considering the possibility of setting up a central secretariat for certain governing sports bodies.

Mr. HU also referred to the emphasis of the Recreation and Sport Service on mass participation rather than on quality. I should point out, Sir, that the aim of the Recreation and Sport Service is, and has always been, to provide physical recreation and sport at the grassroots level for the greatest number of people. In doing so, it attempts to provide them with an interest in a sport of their own choice and to inspire them to make active and positive use of their leisure time. Though the Recreation and Sport Service maintains a good standard in its programmes, it is not concerned with the pursuit of excellence. This is the province of the governing sports associations and the Jubilee Sports Centre.

Sir, both Mr. WONG Lam and Dr. Rayson HUANG emphasized the need to improve our efforts in gathering public opinion. I can assure them that this has always been our objective, especially in the interest of building up better mutual understanding and trust between the Government and the community.

It is already the practice for major policy proposals submitted to Executive Council to contain a separate public relations section with an assessment of community reaction conducted by appropriate departments or Secretariat branches and cross-checked with the Home Affairs and Information Group of departments. I would like to assure Mr. WONG that, in addition to consultation on specific issues through green papers and special surveys, liaison staff of the Home Affairs Department also keep in touch with different sectors of the community so that prevailing spontaneous public feelings on matters of concern are closely monitored and regularly relayed to departments and branches. Through these arrangements, the opinion of the majority of the community, and not just that of outspoken individuals or affected groups, has always been taken into consideration in the formulation and implementation of policies.

Nevertheless, I agree with Mr. WONG that there is no room for complacency. We have therefore recently completed a review of these matters and have established that there is indeed scope for developing and improving the system. There are, for instance, a number of departments other than the Home Affairs Department which could usefully contribute to a general assessment of public opinion in relation to both general trends and specific issues because their staff are also in daily contact with large numbers of people. Consequently, an input from these departments could, of course, help to improve whatever may have been collected through our existing machinery.

It is intended therefore that steps should be taken to establish a special unit in the Home Affairs Branch. The unit will include a professional community research officer and its task will be to develop a wider network of opinion gathering through departmental contacts, building on existing channels as far as possible, but also making greater use of professional opinion surveys. I hope such a unit will become functional in the new financial year.

Apart from the need for Government to listen, Dr. Rayson HUANG also mentioned the need for Government to explain, especially the reasons for not accepting the advice it receives. It is certainly our policy both to listen and to explain, and to ensure that Government's 'feedout' machinery will respond accordingly with what is gathered through its 'feedback' system. In this connection, I should perhaps mention that, in the first nine months of this year, some 1,600 press conferences explaining Government policies or decisions were arranged; and nearly 15,000 press releases issued. In addition, answers to questions in this Council as well as official replies to debates on bills often explain Government's policies and why some views cannot be accepted. Furthermore, the City District Officers and the District Officers of

the New Territories Administration are also playing an important role in this direction.

As part of the refinement to the opinion gathering system I mentioned earlier, it is now a standing arrangement that in modifying the advice of an advisory body, if this should ever happen, the reasons must be stated when the proposals are submitted to Executive Council. In our endeavour to improve the two-way communication between Government and the public, we do pay as much attention to explaining Government policies as to gathering public opinion. It is largely for this reason that the Information Branch, under the Secretary for Information, was re-established at the beginning of this year to better co-ordinate Government efforts in this direction.

Sir, Miss DUNN once again spoke on Government boards and committees, with particular regard to effective use of unofficials and the need to associate the younger generation with the governing process. I should first of all inform Members that following Miss DUNN'S remarks on this subject in March 1978, a Working Party chaired by the Director of Administration and Management Services was set up to review the nature and extent of unofficial participation on Government boards and committees. As a result of the Group's in-depth studies, much information was collated and some of it is still being evaluated.

The Group has already recommended certain improvements for streamlining procedures for the maintenance of records and the scouting of new talent. We are, as a result, improving the register of serving and potential unofficials kept in the Home Affairs Branch; and paying special attention to enlisting the services of the younger generation. In this regard, department heads and secretaries have been reminded to look out for new talent in the age group of 30 to 40. The Group's study revealed that half of the 300 Government boards and committees are chaired by unofficials and that over 75% of that membership are also unofficials. These facts indicate that effective use is being made of a large number of unofficials.

The Group's study is continuing and the ultimate aim being to strengthen our network of boards and committees and to ensure more meaningful participation by every possible means. The Group will continue to examine other aspects not yet covered in detail. In this connection, and in view of Miss DUNN'S suggestion, I shall ask the Group to consider what further arrangements might be made to ensure that the individual as well as collective advice of unofficials should be actively sought on major policy issues within the jurisdiction of particular boards and committees.

Before I resume my seat, Sir, I should like to quote a short passage from the speech of the then Chief Secretary in the 1978 budget speech concerning advisory committees. He said: It is the task of the Secretary for Home Affairs to maintain a register of serving and potential members of Government committees. I hope that Unofficial Members of this Council will submit

to him the name of anyone whom they think would be suitable for appointment.’ Returns have been disappointing (*laughter*). Accordingly I would like to take this opportunity to repeat that plea, with special emphasis on the younger generation; say persons between 30 and 40 years of age.

Sir, I support the motion.

THE FINANCIAL SECRETARY:—

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Introduction

Once again, Sir, the debate on this motion has been as wide ranging as the scope of the Governor’s address: as the last speaker it only remains for me to deal with a few points not covered by my Official Colleagues these past two days and, at the same time, I think honourable Members would wish me to bring them up to date on the state of our economy.

Taxation treatment of credit unions

2. Mr. Andrew So was quite right when he said that this Government believed in the concept of self-help. We have always sought to promote an environment which encourages people to believe in the precept made famous by the fishermen’s co-operatives of Nova Scotia that ‘the Lord helps those who help themselves’. But I cannot accept that the Inland Revenue Department is guilty of harrassment of credit unions. The Commissioner of Inland Revenue must administer the law as it stands. There has been no hounding and no harrassment. Having cleared the air on that point, I undertake to examine, from a policy point of view, the question of the liability of credit unions to interest tax, not that I believe their present liability under the law involves a threat to their very existence. The Commissioner and I will also examine the treatment of their counterparts overseas. So far as we know the new United Kingdom Act referred to by Mr. So affords limited relief only and the *quid pro quo* is that there will be, eventually, a personal liability to tax in respect of dividends received; and I need hardly remind honourable Members that the rates of tax prevailing in the United Kingdom

even now are considerably higher than here. By way of a footnote, I might add that I am not infrequently lobbied by groups of taxpayers ranging from bankers to stockbrokers to golfers to footballers who claim that, because their activities benefit the community in one way or another, they ought thereby to enjoy total or partial exemption from tax (*laughter*). Without in any way wishing to detract from the undoubted value to Hong Kong of such groups, it by no means follows even as a matter of logic that they should be exempt from tax.

Government administration

3. So that Hong Kong will be in a position to cope with the challenges of the 1980s, Miss DUNN pressed for an in-depth study of Government's top management structure. As 'the adaptation and modernization . . . of the institutions and practices of Government', to quote her words, as the adaptation and modernization of the institutions and practices of Government to meet changing circumstances is now accepted as a continuing task by the Administration Branch of the Government Secretariat, I am doubtful whether a specially organized 'in-depth study' is appropriate. Indeed, I myself think that our management overheads need strengthening rather than reorganizing such has been the pace of growth and change in recent years. This is not to say that bureaucracies are not slow to realize that management structures need a thorough overhaul from time to time and, perhaps, it is difficult for such overhauls to be satisfactorily handled in-house. And therefore I would certainly agree with Miss DUNN that Unofficials are, 'in a very real sense', part of the Government, any specific suggestions from them as to how the Administration might be better 'tailored to meet present day needs' would be very welcome. Before she makes an obvious retort, I accept that she is *still* owed a definitive response to her suggestion in this year's debate that land administration should be centralized in one department.

The British dimension

4. Whilst Miss DUNN quite properly laid stress on H.M.G.'s 'obligation' to Hong Kong 'in view of Britain's constitutional responsibility' *for* Hong Kong—which obligation H.M.G. will fulfil—Mr. Lo Tak-shing rightly reminded us, if I took his point correctly, that the wider the economic and commercial relationship between Hong Kong and Britain—and the wider it is seen to be—the more easily that obligation will be understood. I agree; and, without compromising our free trade philosophy, the Government would like to see British firms establishing themselves in this market. To this end, for example, our Commissioner in London is tireless in his endeavours to publicize the opportunities to be found here.

Public debate on economic policy

5. I must confess to being surprised and rather hurt, but not chastened, by Dr. HUANG'S allegation that 'little public consultation seems to take place on many of the economic issues which affect us all', by his claim that the public

is under the impression that this is a Government interested only in ‘the prosperity of large companies and corporate institutions’, and by his implied suggestion that, if only there was more ‘open contact... (with) avenues of informed opinion such as the Universities’, then what he described as ‘the effectiveness of alternative economic policies’ would be more ‘thoroughly ... evaluated’.

6. Leaving aside the readily available opportunities in Hong Kong for formal and informal contact between officials and unofficials and interested members of the public, I would remind Dr. HUANG that it is the practice of this Government to expose its thinking in budgetary, fiscal, economic and monetary fields at some length (*laughter*) in both the written and, dare I say it, the spoken word. We do this not just because we have an obligation to explain our thinking in these all important fields—and we *do* have such an obligation—but also with a view to provoking commentary. Such commentary, no matter how it is publicized, is always studied by my colleagues and me with interest, albeit, sometimes, interest mixed with irritation (*laughter*). But commentary is never ignored; and because it only occasionally leads to a visible response (such as a change in policy direction) this does *not* mean it is without influence. I feel constrained to add, however, that I do not think the opportunities for commentary provided by the wealth of published material offered in the pages of Hansard, in speeches outside this Council Chamber and in our several series of publications, I do not think all this material is matched by the responses of what Dr. HUANG described as ‘informed opinion’, including ‘informed opinion’ in the Universities.

Budgetary policy in 1975-76

7. Choosing to ignore the present high level of expenditure on capital account so quickly established during the past three years, Mr. LI Fook-wo took me to task for slowing down the growth rate of expenditure on capital account in the 1975-76 budget. He claimed that there was ‘now . . . general agreement’ that what he chose to call ‘the cut back’ in Government expenditure at that time was ‘short-sighted and unnecessary’. Admittedly, he did not blame me personally for the under-expenditure against available vote provision on capital account in 1976-77⁽¹⁾. But this is not a budget debate and I shall not be provoked into turning it into one.

8. So I shall simply *deny* (*laughter*) that the budget strategy devised in the middle of the 1974-75 recession was ‘short-sighted and unnecessary’. I shall simply *point* to the speed and duration of our recovery from late 1975 onwards for which the 1975-76 budget can claim some credit. I shall simply *ask* honourable Members, and Mr. LI in particular, to note carefully what the Secretary for the Environment had to say yesterday about land production in recent years. I shall simply *assert* that the growth rate of expenditure (on both recurrent and capital account) since the recession years has been faster,

(1) For the reasons for this, see concluding speech, 1977-78 budget debate, paras. 8-17.

sometimes very much faster, than the growth rate of the economy⁽²⁾. I shall simply *remind* honourable Members, and Mr. LI in particular for he once took the view that even our total fiscal reserves were dangerously low, I shall simply remind honourable Members that our 'free' fiscal reserves⁽³⁾ are now at a level which safeguards our ability to maintain a given level of expenditure as and when a purely financial constraint emerges. I shall simply *repeat*, yet again, that the constraint on the growth rate of public expenditure which had to be exercised this year arose largely from macro-economic considerations and from the excessive demands being made on the building and construction industry. And, finally, I shall not resist an unworthy temptation gently to *chide* Mr. LI for not being a student of Hansard: at the time, he was percipient enough to commend the 1975-76 budget as 'balanced', 'indeed satisfactory' and constructed with 'acumen and expertise' (*laughter*). And for the benefit of those honourable Members, Official and Unofficial, who are students of the archives of this Council, the reference is pages 596 to 597 of the report of the 1974-75 session.

The economy: growth versus stability

9. There were two recurring themes in many speeches, Sir, in this debate: a fear that price stability was being sacrificed on the altar of growth; and an implied complaint that the Government did not have a sufficiently ambitious perception of the growing needs of this developing community, particularly as regards housing. Apart from reminding honourable Members, yet again, of the growth rate of public expenditure in recent years, I shall not deal with this latter theme here. After all, honourable Members have the exciting prospect ahead of them of listening to next year's budget speech (*laughter*). I trust they will find it an unforgettable experience (*laughter*).

10. I shall confine myself today to the present state of, and of the Government's responsibility for, the economy. Miss DUNN, Mr. CHEN, Mr. Allen LEE and Mr. NEWBIGGING stressed that inflation was 'a cause for concern' and, therefore, we must continue 'vigorously . . . to combat (it)' despite the difficulty of influencing 'imported inflation', for inflation is 'Public Enemy No. 1'.

(2) Growth rates in real terms:

<i>Fiscal year</i>	<i>Consolidated Account</i>		<i>G.D.P.</i>
	<i>Recurrent</i>	<i>Capital</i>	<i>(Calendar years)</i>
	(%)	(%)	(%)
1975-76/74-75	2.3	-7.1	2.9
1976-77/75-76	10.3	-7.3	16.7
1977-78/76-77	12.8	29.8	11.9
1978-79/77-78	13.4	62.3	10.0
1979-80/78-79	10.0(*)	7.0(*)	12.0(**)

Notes: (*) Revised estimates (based on September returns). (**) Revised forecast.

(3) That is, the excess of monetary assets held on General Revenue Account over short-term liabilities, *less* cover for contingent liabilities.

11. I can assure Miss DUNN that ‘the (achievement) of economic growth with stability’ is regarded as one of the Government’s top priority tasks or, rather, objectives: it always has been and will continue to be a top priority objective into the 1980s and beyond. But the growth momentum achieved in these four post-recession years, which has increased real G.D.P. by 61% since 1975 and real G.D.P. *per capita* by 44%, has inevitably put pressure on the internal price level. Unfortunately, we are now also importing inflation again: import prices of consumer goods, for example, in the first nine months of this year were 16% higher than in the same period last year, whereas the C.P.I. increased by 11% only. Although it takes time for increases in import prices to work their way through to retail prices, the evidence is there that imported inflation is now more significant than domestically generated inflation; and, unfortunately, imported inflation is caused by factors beyond our control. I would add, however, that the strengthening of the exchange value of the Hong Kong Dollar (as measured by the trade weighted exchange rate index) since the end of July by 7.3% is helpful.

12. But no matter how significant imported inflation may presently be, the task of easing back the pressure of demand on domestic resources is likely to remain with us for some time yet. And, if the growth rate of (total) exports eases off next year, we must be on our guard to ensure that the growth rate of domestic demand also eases off in order to ensure that the cost/price structure adjusts appropriately: in other words, we must avoid the situation that arose in 1978⁽⁴⁾ when, to make matters worse, the growth rate of demand by the public sector also exceeded the growth rate of demand by the private sector⁽⁵⁾.

13. A recurrence of the 1978 situation would be a great pity, inasmuch as present trends indicate that the economy is now adjusting: my revised forecast of the growth rate of domestic demand this year, which I gave in a speech at the Foreign Correspondents’ Club on 14th September last is 12%⁽⁶⁾. This is *less* than my revised forecast of the growth rate of (total) exports at 16%⁽⁷⁾, a reversal of the 1978 situation⁽⁴⁾. My revised forecast of the growth rate of demand by the public sector is 10%⁽⁸⁾ and this is *less* than my revised forecast of the growth rate of demand by the private sector at 12%⁽⁹⁾, a reversal of the 1978 situation⁽⁵⁾. All these growth rates are, of course, in real terms.

(4) Growth rate (in real terms) of:

	1978/1977 (%)
Domestic demand (private consumption expenditure, Government consumption expenditure and gross domestic fixed capital formation)	17
Exports	14
(5) Growth rate (in real terms) of:	
Public sector demand	21
Private sector demand	16

(6) C.f. budget speech forecast of 9%.

(7) C.f. budget speech forecast of 8%.

(8) C.f. budget speech forecast of 8%.

(9) C.f. budget speech forecast of 9%.

14. Statistics now available up to and including the third quarter of this year largely confirm my revised forecast of expenditure in real terms on the various components of G.D.P. on which I based my view of two months ago that the economy is now adjusting.

15. Briefly, as regards the external sector: the growth rate of *domestic exports* (in real terms) actually accelerated in the third quarter and my revised forecast of 13% for the year as a whole⁽¹⁰⁾ is almost certainly on the low side and so, also, is my revised forecast of the growth rate of (total) exports at 16%. Without wishing to detract, in any way, from the enterprise and business skills of our manufacturers and exporters, I would argue, with respect to Mr. NEWBIGGING and Mr. LI Fook-wo, that this performance is due not only to their 'magnificent efforts', but also to the depreciation of the Hong Kong Dollar in the early part of this year and the buoyancy of overseas demand which has firmed up export prices. High export prices, and a slowing down in the growth rate of domestic demand from 17% in 1978 to 12% this year, have enabled manufacturers to acquire a larger share of available resources⁽¹¹⁾.

16. The growth rate of *imports* (in real terms, of course) so far this year is rather higher than my revised forecast for the year of 15%⁽¹²⁾, but this is a reflection of the better than expected export performance: the growth rate of imports of consumer goods has continued to slow down as forecast, but the growth rate of imports of raw materials and semi-manufactures has slowed down less rapidly than I expected, whilst the growth rate of imports of capital goods has actually accelerated⁽¹³⁾.

17. At the same time, there is no evidence that the growth rate of *re-exports* (in real terms, remember) will be less than my revised forecast of 27%⁽¹⁴⁾:

(10) C.f. budget speech forecast of 7%.

(11) The employed labour force was 5.6% higher in March 1979 than in March 1978, whereas manufacturing employment in June 1979 was 9% higher than in June 1978.

(12) C.f. budget speech forecast of 10%.

(13) Growth rates of imports in real terms:

		<i>Foodstuffs</i>	<i>Consumer goods</i>	<i>Fuels</i>	<i>Raw materials and semi-manufactures</i>	<i>Capital goods</i>
		(%)	(%)	(%)	(%)	(%)
1978/1977:	Q3	7	35	2	36	24
	Q4	11	39	8	32	27
1979/1978:	Q1	3	24	-1	23	26
	Q2	6	14	21	17	43
	Q3	11	6	25	15	56
1979/1978:	Q1 to Q3	7	14	15	18	42

(14) C.f. budget speech forecast of 12%.

so the upsurge in the re-export trade which began to get under way in late 1977 has now been sustained for the second year running. This seems to confirm that our role as an entrepot for the region, and again for China, is now a significant factor in our developing and diversifying economy.

18. I am grateful, Sir, to Mr. CHEN for emphasizing the narrowing of the trade 'gap', that is to say, the proportion of the *value* of our imports not paid for by earnings from our (total) exports. I say this, I say I am grateful, because, in the press and elsewhere, far too much emphasis is placed on the absolute size of our trade deficit which, inevitably, will increase as the total value of our trading transactions increases. If the trade 'gap' is stabilizing or falling and the exchange value of the Hong Kong Dollar is steady or strengthening (as it is⁽¹⁵⁾) and interest rates are in line with or below relevant rates overseas (as they are), it is reasonable to assume that the visible trade deficit is being satisfactorily financed by net invisible earnings and net capital inflows. The visible trade deficit for the first nine months of this year at \$7,000 million was, in absolute terms, larger than for the corresponding period of last year, but the visible trade 'gap' was only 11.5% compared with 13.6% last year. This is a significant improvement and is due to the value of exports growing faster than the value of imports⁽¹⁶⁾.

19. As regards the demand for, and supply of, labour: a better balance appears to be developing in the labour market as a whole, inasmuch as the unemployment rate for September, adjusted for school leavers, was around 3% compared with 2.3% in March. But the demand for labour in the building and construction industry is still such that wage rates are still increasing at a fast pace (and faster than in the manufacturing sector). Together with rapid increases in the prices of construction materials, this has lifted the labour and material cost index in August to a level 43% higher than a year ago, and the tender price index for Government contracts in the third quarter of this year was 32% up on the same quarter last year. So much for Mr. LI Fook-wo's contention that '(the) pressure (on the building and construction industry) appears to have eased . . .'. How much room there will be next year for an acceleration of the growth rate of P.W.N.R. expenditure remains to be seen; but let me, Sir, just remind all concerned, and Mr. LI in particular, that the public sector as a whole (including the M.T.R.) now absorbs no less than 48% of the output of the building and construction industry.

(15) The trade weighted exchange rate index fell to a low of 87.2 on 26 July. It edged up during August, September and October and stood at 93.6 on 13 November.

(16)

	<i>1978/1977</i> (Q1 to Q3) (%)	<i>1979/1980</i> (Q1 to Q3) (%)
Value of imports	+25	+38
Value of (total) exports	+17	+42

20. As regards prices generally: my revised forecasts for the year of 11% for consumer prices and 14% for the G.D.P. deflator⁽¹⁷⁾ may be a little on the low side because world prices of oils, commodities and industrial raw materials are still accelerating. But we must not allow ourselves to be too preoccupied with these high rates of increase in prices. In saying that I am *not* unaware that rising prices have an unsettling effect on people; and, despite many public allegations to the contrary, I am certainly *not* complacent about the uneven impact of 'inflation' on the real incomes—or rather the growth rates of real incomes—of different groups of people within the community. The fact is, however, that real incomes generally have increased rapidly in the past four years and are continuing to do so (although Miss DUNN was quite right to warn us of the threat to the well-being of Hong Kong people if inflows of immigrants are not stemmed). I have already pointed out that real G.D.P. *per capita* has increased by 44% in the four post-recession years and, just to take further evidence, real wage rates in that sector of the economy which employs two-fifths of our labour force have increased by 45% over the same period. So let us not allow the many irritations and frustrations caused by 'inflation' to obscure the undeniable fact that this community as a whole is prospering, one manifestation of this being, as the Secretary for Housing said yesterday, a pent-up demand for housing.

21. As regards the monetary aggregates: they now seem to be behaving in a manner consistent with developments in the economy. It is true that the annualized growth rate of M2 accelerated in the third quarter to 27%, compared with 22% annualized on the basis of the first half of the year; and the annualized growth rate of bank lending in Hong Kong only slowed down to 35% in the third quarter, compared with 39% annualized on the basis of the first half of the year, despite the hike in the Best Lending Rate by 1½ points on 21 August. However, the growth rate of the total amount of credit made available to the economy by banks and deposit-taking companies together, annualized on the basis of the third quarter, was 30% and the growth rate of M3, annualized on the same basis, was 28%. Both these rates are now not far out of line with the revised forecast of G.D.P. at current prices of 27%. I say 'not far out of line' in the sense that the growth rates of the monetary aggregates are doing no more than accommodating both the growth rate of real economic activity and the rate of increase in prices, but they are not yet *restraining* inflation and so they remain a cause for concern.

22. I am aware, Sir, that our present banking statistics, collected as they are for prudential control purposes under the Banking Ordinance, are not sufficiently precise for analytical purposes: for instance, the heading 'bank loans and advances in Hong Kong' includes an element of credit made available in Hong Kong for use overseas and which, therefore, has no impact on our own economy. But this does not entirely account for the growth rate of bank lending this year, which continues to be rapid despite the deterrent effect on

(17) C.f. budget speech forecasts of 9% and 8% respectively.

some borrowers of a substantial increase in interest rates. I know that some locally-incorporated banks feel that their willingness to supplement that deterrent effect by voluntarily restraining their lending to customers who can afford to pay high rates for their funds is not being matched by foreign banks. They argue this way: their restraint means that they are very liquid and so they are forced to put their additional unlent deposits (created in part by the lending activities of other banks⁽¹⁸⁾ *either* into the local money market *or* into foreign currencies. In both cases, funds are available to overseas banks in Hong Kong at relatively low cost. Those banks can, therefore, lend at a margin over cost of their funds which produces a charge to the borrower sometimes even below B.L.R. But I am sure overseas banks realize that our general economic situation requires a slowing down of the growth rate of domestic demand and I am sure that they realize that their long-term interests are synonymous with the economy's. So, although it would be quite *possible* to control credit quantitatively at a cost in terms of the exchange value of the Hong Kong Dollar, despite inequities and, more important, despite unpredictable short-term effects and long-term consequences, so, although it would be quite possible to control credit quantitatively I *sincerely* trust I shall not have to seek powers to implement a contingency package of measures which we have devised.

23. On the whole, I *am* satisfied that the economy is adjusting in response to market forces, suitably aided and supplemented⁽¹⁹⁾, and that we are in sight of stability, but at what growth rate it is difficult to say for the U.S. economy teeters on the brink of recession⁽²⁰⁾ and rising oil prices and doubts about the oil supply situation are exercising destabilizing influences on the world economy. Thus, I come back to the point I made earlier⁽²¹⁾: if we in Hong Kong are to move safely into the first year of the next decade, the growth rate of domestic demand must not again get out of line with the growth rate of (total) exports. So the public finances must continue to be managed prudently. That is to say, the growth rate of public sector demand must not be such as to frustrate the adjustment process by helping to generate a non-sustainable growth rate of imports and by prematurely taking up any slack in the economy and thus preventing the cost/price structure deflating. If, as widely forecast, the growth rate of world trade does slow down during

(18) The increase in bank lending in the first nine months of this year accounted for 115% of the increase in M2, the highest proportion since 1973.

(19) By slowing down the growth rate (in real terms) of public sector demand; by slowing down the growth rate of demand by the public sector on the output of the building and construction industry; by limiting the extent to which the Government's Hong Kong Dollar balance can be used as a base for domestic credit creation; by the withdrawal of the instalment payment system for premia on large commercial/residential sites, thus limiting the sources of credit available to developers; by maximizing land sales; and by a continuing emphasis on the role of the interest rate weapon.

(20) Defined as a situation in which zero or negative growth of G.N.P. is recorded for two consecutive quarters.

(21) See paragraph 12 above.

the next few months, our cost/price structure *must* deflate if we are to improve our relative competitiveness and thereby survive.

Sir, I beg to move.

Question put and agreed to.

First reading of bills

PROBATION OF OFFENDERS (AMENDMENT) BILL 1979

HAWKER CONTROL FORCE (REPEAL) BILL 1979

IMPORT AND EXPORT (AMENDMENT) BILL 1979

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

Second reading of bills

PROBATION OF OFFENDERS (AMENDMENT) BILL 1979

THE DIRECTOR OF SOCIAL WELFARE moved the second reading of:—‘A bill to amend the Probation of Offenders Ordinance’.

He said:—Sir, I move the second reading of the Probation of Offenders (Amendment) Bill 1979.

Under sections 6(4) and 6(5) of the existing legislation, a person who is currently the subject of a probation order imposed by the High Court or the District Court has to be dealt with by the Magistrate’s Court if he is convicted of a further offence. This has given rise to a situation where the magistrate has to pass sentence on the second offence without knowing what course of action would be taken by the higher court regarding the original offence. This unsatisfactory situation, resulting occasionally in inconsistent sentences being passed, has recently been the subject of judicial criticism. The main purpose of the Bill is to amend these sections to make it possible for a Magistrate’s Court, in such circumstances, to refer the case to a higher court for action concerning the original offence before passing sentence on the second offence. Further amendments are proposed to enable the higher court to refer the offender back to the Magistrate’s Court after he has been dealt with in respect of the original offence or to deal with also the second offence itself.

Other minor amendments are made to increase the penalty for breach of a probation order and to delete two subsections which are redundant.

Sir, I move that the debate on this motion be adjourned.

Motion made. That the debate on the second reading of the Bill be adjourned—THE DIRECTOR OF SOCIAL WELFARE.

Question put and agreed to.

HAWKER CONTROL FORCE (REPEAL) BILL 1979

THE SECRETARY FOR THE ENVIRONMENT moved the second reading of:—‘A bill to repeal the Hawker Control Force Ordinance and to make consequential provisions’.

He said:—Sir, I rise to move the second reading of the Hawker Control Force (Repeal) Bill 1979.

The Hawker Control Force was disbanded on 1 April this year due to difficulties in recruitment of staff and the limited area within which the Force operated. In its place, and increasingly effective control over hawkers is being achieved through the combined efforts of the Police and the Urban Services Department’s General Duties Teams.

The purpose of this Bill is, therefore, to repeal the Hawker Control Force Ordinance and to provide for the dissolution of the Hawker Control Force Welfare Fund.

Sir, I move that the debate on this motion be adjourned.

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

Question put and agreed to.

IMPORT AND EXPORT (AMENDMENT) BILL 1979

THE DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS moved the second reading of:—‘A bill to amend the Import and Export Ordinance’.

He said:—Sir, I move the second reading of the Import and Export (Amendment) Bill 1979.

The purpose of the Bill is to exempt from inclusion in cargo manifests any article contained in the personal baggage of, or carried by, passengers entering or leaving Hong Kong.

As the law stands at present, only items required for the *personal* use of passengers need *not* be listed in the cargo manifests. In practice, however, many passengers bring in goods which are not for their personal use but which are rarely, if ever, manifested; consequently, even though they orally declare such goods and pay whatever fees may be appropriate, they are, in effect, importing unmanifested cargo and are technically in breach of the law.

The controls provided in the Import and Export Ordinance are, of course, intended to protect the economic interests of Hong Kong and help safeguard those of the shipping and airline companies. In fact, however, such interests are in no way jeopardized as a result of goods properly declared being imported and exported by passengers. In the circumstances, it seems unreasonable that a person should render himself liable to prosecution by openly declaring that he is carrying goods solely because those goods are not listed on a manifest.

The proposed amendment will exclude from the definition of ‘cargo’ any article which a passenger may carry or have in his personal baggage. This in turn will remove the need for such articles to be listed in cargo manifests and, provided passengers properly declare the goods and pay the appropriate fees, they will no longer be in breach of the law.

Sir, I move that the debate on this motion now be adjourned.

*Motion made. That the debate on the second reading of the Bill be adjourned—*THE DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS.

Question put and agreed to.

INLAND REVENUE (AMENDMENT) (NO. 7) BILL 1979

Resumption of debate on second reading (17 October 1979)

Question proposed.

Question put and agreed to.

Bill read the second time.

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

COMPANIES (AMENDMENT) BILL 1979**Resumption of debate on second reading (17 October 1979)**

Question proposed.

Question put and agreed to.

Bill read the second time.

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

HONG KONG PRODUCTIVITY COUNCIL (AMENDMENT) BILL 1979**Resumption of debate on second reading (17 October 1979)**

Question proposed.

Question put and agreed to.

Bill read the second time.

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

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 1979**Resumption of debate on second reading (17 October 1979)**

Question proposed.

Question put and agreed to.

Bill read the second time.

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

HONG KONG TRADE DEVELOPMENT COUNCIL (AMENDMENT) BILL 1979**Resumption of debate on second reading (17 October 1979)**

Question proposed.

Question put and agreed to.

Bill read the second time.

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

PENSIONS (AMENDMENT) BILL 1979**Resumption of debate on second reading (17 October 1979)**

Question proposed.

Question put and agreed to.

Bill read the second time.

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

Committee stage of bills

Council went into Committee

INLAND REVENUE (AMENDMENT) (NO. 7) BILL 1979

Clauses 1 and 2 were agreed to.

COMPANIES (AMENDMENT) BILL 1979

Clause 1 was agreed to.

Clause 2

SECRETARY FOR ECONOMIC SERVICES:—Sir, I move that clause 2 be amended as set out in the paper circulated to Members. The amendment seeks to correct a printing error contained in the Bill.

Proposed amendment

Clause 2

That clause 2 be amended in the proposed new section 71A(3) by deleting paragraph (b) and substituting the following—

‘(b) if the application is made by a person other than the registered holder of the relevant shares without his consent or the latest value of the relevant shares exceeds \$20,000, the notice shall be published in the *Gazette* once in each of 3 consecutive months,

and for the purposes of this subsection “latest value”, in relation to the relevant shares, means the value thereof calculated at last recorded price paid for shares in the company of the same class, prior to the application, at a recognized stock exchange.’.

The amendment was agreed to.

Clause 2, as amended, was agreed to.

Clauses 3 to 5 were agreed to.

HONG KONG PRODUCTIVITY COUNCIL (AMENDMENT) BILL 1979

Clauses 1 to 4 were agreed to.

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 1979

Clauses 1 to 4 were agreed to.

HONG KONG TRADE DEVELOPMENT COUNCIL (AMENDMENT) BILL 1979

Clauses 1 and 2 were agreed to.

PENSIONS (AMENDMENT) BILL 1979

Clauses 1 and 2 were agreed to.

Council then resumed.

Third reading of bills

THE LAW DRAFTSMAN reported that the

INLAND REVENUE (AMENDMENT) (NO. 7) BILL

HONG KONG PRODUCTIVITY COUNCIL (AMENDMENT) BILL

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL

HONG KONG TRADE DEVELOPMENT COUNCIL (AMENDMENT) BILL

PENSIONS (AMENDMENT) BILL

had passed through Committee without amendment and that the

COMPANIES (AMENDMENT) BILL

had passed through Committee with an amendment and moved the third reading of each of the Bills.

Question put on each Bill and agreed to.

Bills read the third time and passed.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 28 November 1979.

Adjourned accordingly at five o'clock.