

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 26 March 1980****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, G.B.E., K.C.M.G., K.C.V.O.

THE HONOURABLE THE CHIEF SECRETARY
SIR JACK CATER, K.B.E., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY
SIR CHARLES PHILIP HADDON-CAVE, K.B.E., 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 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, C.B.E., 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 WILLIAM DORWARD, O.B.E., J.P.
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

THE HONOURABLE JOHN MORRISON RIDDELL-SWAN, J.P.
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE DAVID ROBERT FORD, M.V.O., O.B.E., J.P.
SECRETARY FOR INFORMATION

THE HONOURABLE JOSEPH CHARLES ANTHONY HAMMOND, J.P.
COMMISSIONER FOR LABOUR (*Acting*)

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

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

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

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

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

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

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

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

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

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

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

DR. THE HONOURABLE HO KAM-FAI

THE HONOURABLE ALLEN LEE PENG-FEI

THE HONOURABLE ANDREW SO KWOK-WING

THE HONOURABLE HU FA-KUANG, J.P.

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

ABSENT

THE HONOURABLE JOHN HENRY BREMRIDGE, 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.

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

THE HONOURABLE DAVID KENNEDY NEWBIGGING, J.P.

IN ATTENDANCE

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

Papers

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

<i>Subject</i>	<i>L.N. No.</i>
Subsidiary Legislation:	
Gasholders Examination Ordinance. Gasholders Examination (Amendment) Regulations 1980	55
Evidence Ordinance. Evidence (Authorized Persons) (No. 4) Order 1980	59
Public Health and Urban Services Ordinance. Public Health and Urban Services (Public Markets) (Designation and Amendment of Tenth Schedule) (No. 3) Order 1980.....	60
Interpretation and General Clauses Ordinance. Commonwealth and British Territory Notice 1980.....	61
Public Health and Urban Services Ordinance. Hawker (Permitted Place) Declaration 1980.....	62
Public Health and Urban Services Ordinance. Declaration of Markets in the New Territories (No. 3).....	63
Registration of Persons Regulations. Carrying of Identity Cards (Sai Kung Country Parks and Village Areas) Order 1980.....	64
Commodities Trading Ordinance. Commodities Trading (Amendment of First Schedule) Order 1980	65
Tax Reserve Certificates Ordinance. Tax Reserve Certificates (Fourth Series) (Amendment) Rules 1980	66
Library By-laws. Library (Listening Areas and Viewing Areas) Fees Notice 1980	67
Places of Public Entertainment Ordinance. Places of Public Entertainment (Licences) (Specification of Fees) Notice 1980.....	68

<i>Subject</i>	<i>L.N. No.</i>
Public Health and Urban Services Ordinance. Civil Centres By-laws 1980.....	69
Public Health and Urban Services Ordinance. Commercial Bathhouses (Amendment) By-laws 1980	70
Public Health and Urban Services Ordinance. Food Business (Amendment) By-laws 1980.....	71
Public Health and Urban Services Ordinance. Frozen Confections (Amendment) By-laws 1980.....	72
Public Health and Urban Services Ordinance. Funeral Parlour (Amendment) By-laws 1980	73
Public Health and Urban Services Ordinance. Milk (Amendment) By-laws 1980	74
Public Health and Urban Services Ordinance. Offensive Trades (Amendment) By-laws 1980.....	75
Public Health and Urban Services Ordinance. Places of Amusement (Amendment) By-laws 1980	76
Public Health and Urban Services Ordinance. Swimming Pools (Amendment) By-laws 1980.....	77
Public Health and Urban Services Ordinance. Undertakers of Burials (Amendment) By-laws 1980.....	78

Statement

Hong Kong's Participation in the Olympic Games

THE CHIEF SECRETARY:—Sir, as I have already informed you, in accordance with Standing Order 20(1), I wish to make a statement regarding Hong Kong and the Olympic Games.

The time is approaching at which the Amateur Sports Federation and Olympic Committee of Hong Kong has to take a final decision on whether a Hong Kong team should participate in the Olympic Games in Moscow. Though this decision lies with the A.S.F. and O.C., there are certain aspects with which this Government is unavoidably involved.

I say 'unavoidably' because, although the Government subscribes to the high Olympic ideal and to the principle that the Games should be divorced from politics, it will have become clear to all concerned that this year participation in the Games will have very definite political implications in terms of international relations. This is a fact which Hong Kong can do nothing about, and Hong Kong as a community is uniquely dependent on its international relations. This is consequently a situation in which the Hong Kong Government is involved and must offer advice.

On the substance of the issue this Government accepts the view of those governments which assert that participation in Olympic Games in the Soviet capital would be inappropriate while Soviet troops remain in Afghanistan. The Hong Kong Government takes this view firstly because we believe it to be right in principle and secondly because, in our judgment, it would not be in Hong Kong's interest to attend the Games in the light of the view taken by those governments with which Hong Kong has closest relations. I must therefore urge all concerned to consider very seriously the advisability of not attending the Games in Moscow, and to reach no hasty decision.

As I said earlier, the eventual decision whether to participate or not lies with the members of the A.S.F. and O.C. However for reasons already stated and as things stand, this Government could not allow itself to be associated with participation by providing financial assistance. This position of the Government on financial support is based on political principles: even if A.S.F. and O.C. has other funds at its disposal which would enable participation, I hope a decision on whether to go or not will nevertheless be on the basis of where Hong Kong's overall interests lie. Meanwhile I appreciate that members of the A.S.F. and O.C. may have entered into financial commitments. If the A.S.F. and O.C. decide not to go, and these expenses are rendered nugatory, it will be because Hong Kong's overall interests have been placed above athletic and sporting interests. In this case the Government would be ready to consider reasonable requests for reimbursement.

It follows that if, in this connection, international games not at Moscow are arranged and A.S.F. and O.C. decide to participate in them then this Government would be prepared to consider providing support in the normal way if it is asked to do so.

Members may wish to know that a letter on the lines of this statement has already been issued to the President and members of the A.S.F. and O.C. of Hong Kong. I have also stated my willingness to meet with them to answer any questions which they may have.

Government business

Second reading of bill

APPROPRIATION BILL 1980**Resumption of debate on second reading (27 February 1980)**

Question proposed.

MR. LOBO:—Your Excellency, we live in one of the most remarkable and successful societies in the world today and we have every reason to be proud of our achievements.

The Financial Secretary's budget address is the account, in economic terms, of a community which recognizes its shortcomings and uses its own resources to overcome them.

This budget, and its predecessors over the last two decades, are unique documents of progress and change.

Our financial and economic planning must maintain that momentum of progress and change. Its origins are not easily expressed in economic or financial terms. They spring from the personal expectation of every member of this community that their work and their initiative, thrift and patience will contribute directly to a fair and orderly society.

Public policy must be monitored constantly to ensure that it is meeting those expectations, or is at least proceeding as fast as possible in the right direction.

We are realistic and patient so we do not expect to solve all our problems at once, but we need to know that our targets for the basic social services of health, housing and education are attainable and appropriate.

Because this is Hong Kong nothing stands still—even our progress creates new situations and new problems. Therefore today's solutions must inevitably take account of tomorrow's problems.

Improved health standards, for example, are bringing to light the growing problem of care for the elderly. We are nowhere near a satisfactory hospital bed situation but the shortfall certainly should not be compounded, as it is, by diverting beds to the care of the elderly whose needs may be quite different.

A survey conducted last year revealed that there were 5,000 elderly patients in Government and subvented hospitals, of whom about 20% no longer required medical attention but only minimal nursing care.

For elderly people, an initial stage of medical treatment must often be followed by a prolonged period of care and attention. Confinement to hospital may even work against full recovery and rehabilitation.

Our housing programme itself may be imposing living patterns which make it more difficult for sons and daughters to accommodate and care for their elderly parents. If so, we owe it to the senior members of our community, and to the preservation of family ties, to provide more accommodation

where old people can live with dignity, with appropriate professional care, and contact with their relatives.

This should be supplemented by a wider extension of a visiting nursing system to help young people at work to retain responsibility for their parents.

This approach to a pressing human problem also has the merit of being an efficient, economical application of our resources.

It will be a sad day for us when our elderly and the handicapped are deprived of the love and concern of their families and instead become institutionalized, under the sole charge of the Government, forgotten and left to await the time to meet their maker, in the most forlorn manner.

It is time, too, to look at the relevance of at least some aspects of our education policy in the light of changing priorities and circumstances.

The importance of the educational level of our workforce has been emphasized by the Advisory Committee on Diversification and the Financial Secretary has, fairly, credited expanded educational facilities with the improvement noted by the Advisory Committee. But their report did not point out that there is plenty of scope for further improvements. After all, the 1978 figures show that well over half-a-million people working in our manufacturing industries have had no secondary education at all. That is not a figure to be complacent about, and we can hardly avoid the conclusion that as a result of recent high rates of immigration the situation may have got worse rather than better.

It is my theme that our policies must offer opportunity to everyone. For those half-a-million people it is too late to turn back to secondary school and it is not realistic to suppose that many will have a chance for formal technical education.

Their best chance to regain lost ground must be through part-time study in an adult education programme when the proposals of the 1978 White Paper on Senior Secondary and Tertiary Education are implemented. I believe we should know what progress has been made since the publication of the White Paper, and the results of consultations with voluntary agencies working in this field.

Specifically, I must point out that, if the development of adult education is to involve voluntary agencies, current policies concerning the allocation of premises in public housing estates should be reviewed. Those running non-profit making courses receive no priority even when local demand is demonstrated, yet it is clear that they cannot expect to obtain additional premises at current market rates.

That brings me inevitably but without apology to housing. In his address the Financial Secretary was defensive and quoted figures to refute 'misdirected

claims that more could be done if only the Government was more imaginative and diligent'.

Unfortunately, that form of argument does not tell us where we should direct our concern if we feel, as I certainly do, that more should be done.

This is by far the most important of the areas in which public policy must meet the reasonable expectations of the community.

We must not slip any further into a situation where those who thought they had earned the right to the security of their own homes now see that modest expectation receding day by day.

These are the people who have done most for Hong Kong and yet have asked for the least in return. They have worked and saved for the future and now, sandwiched between high prices and high interest rates, their prospects of home ownership are more remote than ever.

If our policies on land and housing are penalizing this deserving and significant group, then they must be re-examined and if lack of imagination, diligence and land are *not* the problem, let us find out what it is and do something about it urgently.

While present policies take several years to mature, hundreds and thousands are meanwhile disappointed and disillusioned and this is not good enough.

To aggravate the situation, the effects of illegal immigration have increased the population of squatters to the extent that in certain areas where there was some hillside greenery, today one sees only clusters of boards and metal sheets. I understand that there are no more sites available for temporary housing and the long list of applicants for the existing sites is causing concern to many. One wonders what will happen in the coming dry season when fires are unfortunately more frequent. Will the provision of \$36½ million shown under Head 74, Subhead 306 be sufficient to meet our requirements?

What is our answer to the NIL availability of temporary housing sites?

Sir, I have dealt with three aspects of social policy. I hope that it will be noted that in each case I have been talking about providing opportunities for people to help themselves: elderly people who would rather stand on their own feet or rely on their families than stay in hospital; young workers who wish to improve their education; families who want to buy their own houses. I have also voiced my concern over the ever increasing squatter population.

These are people who merit attention.

I sometimes think that our most frequent detractors abroad are motivated more by frustration and envy than by righteous concern for our living and working standards. What they must envy most is our ability to improve our living standards year after year, without whining to anyone for handouts. This is the spirit which Government policies must preserve and encourage.

With these remarks I support the motion.

MR. F. W. LI:—Sir, first of all, may I congratulate the Financial Secretary on the surplus of \$2,500 million predicted for the current year. He has also estimated that revenue over expenditure will be \$2,904 million for the next year. These are indeed enormous figures and, as he has pointed out, will allow us ‘a most comforting degree of security in these most uncertain times’. The bumper Budget presented for 1980-81 has been very well received. The Financial Secretary’s assessment of the economy over the next four years is reassuring, but his reference to ‘unusual uncertainties’ should not be overlooked and this will no doubt be in our minds as we enter the 1980s.

The fact that he has recommended no new proposals for additional taxation in the next financial year is a mixed blessing. On the one hand, this has been acclaimed with relief by the not inconsiderable number of middle class families whose total income in 1979 did not increase to the same level as the rate of increase in prices. On the other hand, this failure to tap the ‘considerable reserves of taxable capacity in Hong Kong’ will leave unrestrained at least some of the funds which contribute to the inflationary rate of growth in domestic demand.

In his Budget Speech last year the Financial Secretary had repeatedly expressed concern over the excessive rate of growth of the money supply. He came to the conclusion that, if the economy in 1979 was not to develop further into a situation whereby continuing inflation would erode the real incomes of many groups within the community, it would be necessary to control the growth rate of total final demand and to do it in such a way as to facilitate a relative shift in favour of exports. He then proposed a slow down of some new projects in the Public Works Programme and various restrictions on the liquidity requirements of Government’s Hong Kong dollar balances.

We are now informed that the situation appears to have eased and that in 1979 the growth rate of domestic demand and private consumption expenditure slowed to more acceptable levels. In addition, the growth rate of total exports has exceeded that of imports. All this is very encouraging, but we are reminded that this improvement in the economy has important exceptions: inflation, property and land.

The Financial Secretary has attributed the record surplus for the current year to a flush of revenue rather than to a failure of expenditure. While this is technically correct, it must be remembered that because of the overheated state of the economy in 1978, there was a cut back in public projects. It therefore appears that part of that surplus could be ascribed to the rephasing exercise.

The Financial Secretary estimates capital revenue at \$6,630 million, of which land transactions alone are expected to bring in \$6,169 million or an increase of \$3,311 million as compared with the revised estimate for 1979-80. Although he concedes that it may be rather heroic crystal ball

gazing, the outlook for land revenue will mean that the financing of Government's capital account in the next few years can continue to be less dependent on the surplus on recurrent account than hitherto. With provision for capital expenditure at \$7,326 million this is likely to be true for 1980-81, but the actual position for the forecast period of 1981-82 to 1983-84 will depend a great deal on whether we can produce land at the rate required. The revised estimate of \$2,858 million from land transactions for 1979-80 is some 45% over the original estimate, and it can be argued that Government's success in raising revenue from this source has a less virtuous aspect in that the margin by which land sale revenue has surpassed budget is a fair reflection of the extent to which the 1979-80 Budget's anti-inflationary policy failed. By the same token, with an estimate of no less than \$6,169 million from the same source for 1980-81, it can firmly be stated that the new Budget is more than likely to be inflationary.

Deducting the proposed tax concessions the surplus for 1980-81 is estimated at \$2,904 million. This surplus seems to be mainly due to a flush of revenue in land sales. It is a simple task to subtract the \$377 million proposed for compensation under Subhead 306 of Head 71 of the Expenditure Estimates from the increase of \$3,311 million expected from land transactions in 1980-81 to arrive at the figure of \$2,934 million, which is near enough to the forecast surplus! This does not, of course, take into consideration many relevant factors, including the high cost of producing land, but it does underline the importance of land sales to the Budget and as a consequence to the man in the street. He is aware that the state of the property market may, if not directly then indirectly affect him and his family. If revenue from land sales will spare him from increased taxation, it would be less intolerable.

The production of land is, however, not only expensive; it is also time-consuming. Under the existing system there is an excessively long lead time before unformed land can be prepared for the market. This is due to fragmentation of authority, resulting in numerous discussions and lengthy exchanges of correspondence among the departments whenever an issue is raised. When addressing this Council on 31 October last year, I suggested that the time has come for us to plan ahead for the period up to and beyond the mid-1980s, so that there will be enough land *at the appropriate time* for all the essential purposes of the community. I pointed out that by taking all necessary measures to devise and implement a comprehensive programme for continuous land production, an adequate supply of land for housing and industry would be ensured. Sir, we should now seriously consider bringing under one roof all major issues relating to land, inclusive of administration, policy, planning, development, production and allocation. This is all the more necessary, if land sales are to remain a key factor in our budgetary policy.

We are informed that in 1980-81 it is expected 853 acres will become available, and in the three years of the forecast period it is estimated the

gross area likely to be produced will be 1,100 acres per annum of which 219, 151 and 193 acres will respectively be sold in those years. These figures are up-to-date forecasts, but will the land made available be able to meet with legitimate demand in both the public and private sectors? If not, are we likely to see a continuing escalation in the price of land and all that it portends for this community? Sir, the Advisory Committee on Diversification has recommended that Government should continue to form land as long as the cost of production is *lower* than the market price. It appears this will continue to be the case in the foreseeable future.

In the recent debate on the Landlord and Tenant (Consolidation) (Amendment) Bill 1980, the Secretary for the Environment stated that, in addition to private residential accommodation, there is also the need to provide more land for public housing, industry, commerce and community facilities. He accepted that land is a particularly scarce and costly resource in Hong Kong, described to this Council a number of short-term and long-term measures which are in hand to increase further the supply of land and concluded his address with the assurance that Government means business with its land development policy. While this is reassuring, it appears that the major proposal of concentrating in one Government agency the authority relating to land matters has not attracted a positive response.

Land and its proper utilization is at present subject to a multiplicity of control within the Administration. This must inevitably have an effect on the rate at which land can be produced, and thus on its availability for the many essential purposes for which there is such a heavy and competing demand. With the existing Government machinery there can be only minor improvements in the speed of land production. I would therefore urge Government to consider the early introduction of a system of unified control, which could either be in the form of a separate branch or department.

Although the inflation now suffered by Hong Kong was to a significant extent imported, it is clear from the need to impose extensive rent control that the imbalance between the demand for and supply of property and land has been a contributing factor to the double-digit inflation sustained by Hong Kong in 1978 and 1979. It is equally obvious that any increases in consumer prices of this order will more severely affect the middle income groups, many of whom are not eligible for public housing accommodation. With the present state of the property market, few are financially able to purchase their own homes unless they are fortunate enough to have been selected for participation in the Home Ownership Scheme.

The four concessions in personal taxation are therefore timely and appreciated by many breadwinners. While I would agree with the Financial Secretary that personal taxation in Hong Kong is not punitive, I believe the economic pressures to which the middle income groups are increasingly subject should not be ascribed to growing affluence alone. After all, he has just informed us his forecast for the rate of increase next year in consumer

prices is 10%, and the general price level 11%. This is an improvement on the actual rates of increase in 1979, of 11.6% and 13.3% respectively. Even in an affluent society it would surely be unthinkable to expect a large section of the community to suffer a drop in their standard of living, merely because their income has not kept pace with inflation.

The increases in personal allowances, child allowances and dependent parent allowance are not ungenerous in money terms, but they will barely match the erosion in purchasing power in real terms. This point has been amply illustrated in the various representations received by UMELCO. As suggested by the Financial Secretary, Annexes 13, 14 & 15 to the Budget Speech have been carefully examined. We have also made comparisons of the past, present and future effective rates of tax for persons in various personal circumstances, using 1973-74 as the base year and the lower half of the civil service's Master Pay Scale as income levels. Those salaries have increased from approximately 75% to 95% since 1973-74 (the year personal allowances were last substantially adjusted), and we concluded that the proposed increases were set at the lower limit. However, taking into consideration that the cost of these tax concessions to the revenue is already substantial, we agree to support the proposal though not without some reluctance. We would accordingly request that the allowances and assessment provisions should be reviewed periodically in the light of revenue returns.

Speaking for myself, I would add that the personal allowances might have been more generous, and the child allowances left undisturbed. This would have been more consistent with the current population policy adopted by Government, and in respect of which I first raised the subject in this Council back in November 1973. Before the recent influx of immigrants and refugees into Hong Kong the population had virtually reached a stage of zero growth. Are we now so confident of our capacity to maintain full employment that we have reverted to incentives for larger families?

With these remarks, Sir, I support the motion.

DR. FANG:—Your Excellency, the Financial Secretary has proposed a fair and generous budget. Almost every citizen has benefitted to some extent, though perhaps not to the full satisfaction of all concerned. However, there are a few clouds on the horizon and it would be prudent for all of us to tighten our belts a little in order to make a positive effort to dampen inflation.

Subvented Hospitals

Much has been said about subvented hospitals recently. The Government assists financially a large number of hospitals run by voluntary bodies providing a total of 8,630 beds as against 9,445 Government operated hospital beds: the mere size of the subvented sector makes it very difficult for the

Government to assume full responsibility for it, even if it were considered desirable to do so. At present the two largest subvented hospitals besides the Tung Wah Group, namely the United Christian Hospital and the Caritas Medical Centre, are running at a cost of \$155 and \$130 per bed per day respectively as compared to \$300 and \$290 per bed per day at the Queen Elizabeth Hospital and the Princess Margaret Hospital. The staffing ratio of the subvented hospitals only averages about two-thirds that of the Government hospitals.

At the last Medical Development Advisory Committee meeting, the Director of Medical and Health Services submitted a paper on regionalization and subvented hospitals. The paper proposes the upgrading of a number of subvented hospitals to acute general hospital status so that they could share the load of the overstretched Government hospitals. If this aim is to be achieved, the subvented hospitals must have adequate finance to enable them to improve their staffing standards and facilities so that they are on a par with Government hospitals. I hope that the Financial Secretary will agree to make the funds available to allow this to be done. The hospital visits made by my Unofficial Colleagues left no doubt that the voluntary bodies are struggling to do a good job despite limited finances and poor conditions of service for their staff. Their dedication and capacity for good work compare most favourably with their Government counterparts and they deserve all the encouragement they can get.

Care and Attention Homes

To reiterate the words of wisdom of my good friend, Mr. LOBO, on care and attention homes for the elderly, I wish to add my comments in that. A survey by the Medical and Health Department recently showed that at least 1,000 beds in our hospitals are occupied by chronically old patients. I use this term advisedly because these patients are not chronically ill but are elderly people who are senile mentally and/or physically. They can be quite adequately looked after in care and attention homes or indeed at home, with some nursing supervision. What these people require is tender loving care rather than round-the-clock medical attention. Surely it is both socially and economically sound to build more care and attention homes for these elderly patients, thus relieving our much needed hospital beds for those who require medical or surgical treatment. This suggestion has been strongly recommended by all three advisory bodies—the Social Welfare Advisory Committee, the Rehabilitation Development Co-ordinating Committee and the Medical Development Advisory Committee, and is one of the aims in the expansion of services for the elderly. However, I wish to suggest that the running of care and attention homes should be made the responsibility of the Medical and Health Department, rather than the Social Welfare Department, either as a direct service or as a subvented service, because the former has the expertise and can better provide for the nursing coverage. Moreover,

the Medical and Health Department is in a better position to co-ordinate the use of these facilities with other facilities already in its charge in the overall medical and health plan. I urge Government to give serious consideration to this proposal and make a determined effort to provide the necessary funds, to expand care and attention facilities.

Welfare Class Review

The Social Welfare Department has taken two years to review and restructure the professional ranks within the Department and has implemented the necessary changes, including certain new salary scales, with effect from 1 April 1979. I should like an assurance from the Government that it is the Government's intention to treat the voluntary agency staff equally and equitably with their Government counterparts; and that any salary adjustments that may arise from the present review of the voluntary sector will apply retroactively from April 1979. The social workers in the voluntary sector have been generally sensible and well disciplined in this matter and it would be most unwise for the Government to be seen to be taking advantage of them and to put at risk the congenial partnership that now exists in the provision of welfare services in Hong Kong.

Rehabilitation

On rehabilitation, Sir, I am most pleased to see in the budget that there is a 60% increase in the recurrent expenditure for the implementation of the rehabilitation programme plan in 1980-81 as compared with the previous year. It is true that we have not progressed as fast as we would have liked in the care of the disabled, but the constraints have been mainly the lack of trained manpower rather than hard cash. However, we have been faced recently with the problem of finding employment for disabled graduates from our two universities. Government, being the largest single employer in the community, must take a lead in this field if we are to reap the full benefits of the considerable efforts, time, and money that we are devoting to the rehabilitation programme. There must surely be scope for doing more in view of the steady expansion of the civil service. Increases have been almost 8,500 and 7,500 new posts in the last two years and I believe that in 1980-81, departments are expected to seek an additional 19,000 new posts; and while the Financial Secretary has said he will not countenance an increase of this size, even half of this figure would be a huge increase and surely Government can find a few posts suitable to accommodate disabled graduates.

I am also concerned at the apparent delay in providing funds to implement certain services identified in the rehabilitation programme plan. It has been the intention to establish a new selective placement service for disabled job seekers in April this year under the auspices of the Labour Department. But I understand that seven months after a draft Establishment Sub-Committee paper had been agreed by the policy branch and the department concerned, we are still no further forward. Consequently, it will not be possible to meet

the original target date. A proposal by the Director of Medical and Health Services to create much needed additional physiotherapy and occupational therapy posts appears to have suffered the same fate. Recruitment of more staff in this very important para-medical field must proceed. I shall be glad to learn when the Finance Committee will be requested to approve funds for these purposes.

School Medical Service

Finally, Sir, the School Medical Service Scheme enables the doctors taking part in it to perform a very useful community service in much the same way as lawyers participate in the legal aid scheme. They are involved with students from Primary I to Form III. Students in the two universities and the Polytechnic are covered by their own medical staff but there is an apparent gap as far as students from Form IV to Form VII. As far as these students are concerned, they are not covered by any specified medical scheme. perhaps the School Medical Service should be approached to extend their service to this group of students as well?

With these observations, Sir, I have pleasure in supporting the motion.

MR. LO:—Sir, the Financial Secretary has said that the sum of departmental staff requests already made known to Finance Branch for 1980-81 is in excess of 19,000 posts. This is more than double the number of new posts created this year.

All requisitions for new posts are subject to the scrutiny of the Establishment Sub-Committee of the Finance Committee. As its current chairman I would like to discuss the method of control and vetting used up to the present time and what is proposed for the future.

The present procedure has changed little in the past 20 years. Basically it involves three stages: first the departmental submission, then the Finance Branch examination, and then finally the Establishment Sub-Committee examination and Finance Committee approval.

The weaknesses of this procedure are that:

Firstly each post is created for a specific function so that each time when a new job needs to be done the procedure is roughly the same irrespective of whether the department reallocates an existing post or seeks to create a new one. This obviously takes away the incentive for a department to examine whether a function found necessary 10 years ago is still needed today. It also takes away the incentive to fully utilize the time of a holder of a post whose duties have become less onerous over the years. Consequently, it may fairly be said that a number of posts may now be redundant either wholly or in part. This means waste.

Secondly it is becoming increasingly difficult for the Establishment Sub-Committee or the Finance Branch to examine the overall manning position of a department when both are inundated with individual and separate submissions for individual and separate posts. This leads to a loss of control.

Thirdly, given the limited manpower resources of the Finance Branch and the vast number of submissions a bottle neck is obviously building up and the time gap between departmental submission and Finance Committee approval is lengthening. This results in inadequate service to the public.

This position is intolerable. Accordingly the Establishment Sub-Committee had a discussion on it with the Finance Branch, as well as the Civil Service Branch. The result is a proposal to adopt a new system.

Before describing this new system I hasten to add that we must expect some teething troubles, but I trust that given good will on the part of everyone concerned it will turn out to be a workable system and a vast improvement on the present procedure.

The new procedure very broadly speaking is simply that authority will be delegated to the controlling officer of a department (usually the department head), to reallocate existing functions and to create new posts below the directorate level within a predetermined financial ceiling but without the prior approval of the Finance Branch, Establishment Sub-Committee or the Finance Committee. Going hand in hand with this will be that each department head will have the responsibility to streamline the staff structure of his department so as to achieve optimum efficiency.

What this is intended to achieve is therefore:

Firstly to enable department heads to have greater responsibility and freedom to shape their own departments.

Secondly to enable departments to create posts with much less delay than hitherto possible.

Thirdly to stimulate each department to examine all functions at present undertaken by it and to decide whether they are all necessary, and are getting the right priority.

Fourthly arising from the examination that I have just mentioned to decide what redeployments might sensibly be made.

Fifthly to free the Finance Branch to a large extent to conduct reviews in depth of the overall position of each department. That Branch may be strengthened by involving the staff of the Civil Service Branch or Organization and Method Section as well as professional advisers.

Sixthly to free the Establishment Sub-Committee to a large extent to conduct meaningful reviews in depth of the staffing needs of each department. I expect that each department will be reviewed in this way once in about every 3 years.

I don't intend to describe all the safeguards which go with this new procedure as Members may well find it somewhat tedious, but suffice it for me to say at this stage that I think it is reasonably foolproof and the worst that can happen appears to be a return to the present procedure, which I sincerely hope will not happen. I am confident that this will not happen if there is good will on all sides, if departments embrace this new procedure and take their new responsibility seriously, and if the Secretariat can resist the bureaucratic temptation to claw back any lost power or control.

I should finally say, Sir, that I hope that this new procedure will start next month.

MR. TIEN:—Sir, I wish to draw attention to the need of a permanent trade exhibition centre, one that is sadly lacking at present in Hong Kong.

In reply to my question in this Council on 15 February 1978 regarding the setting up of a permanent Hong Kong Products Trade Centre, the then Director of Trade, Industry and Customs, Mr. David JORDAN, stated that 'before Government could consider the support it might be able to give to a venture of the type proposed, there would have to be some very clear indication from the private sector, principally through the main trade and industrial organizations, that a sufficient demand for such facilities exists to make the concept viable'. Sir, I wish to provide this 'clear indication': so clear that you might think that I might be using bells, gongs and flashing lights to indicate my intention.

In my view, there is an economic justification for such a project and I can do no better than to refer honourable Members to paragraph 487 of the report by the Advisory Committee on Diversification in which the Committee recommended, subject to the proposed project's viability, 'that Government should lose no time in seeking further advice on how such a facility should be created'.

The problem, as I see it, is whether the proposed project is one which requires Government intervention before it could be created. Put another way, is the project one that can more easily and conveniently be created by the private sector without Government assistance? I think the answer must be 'no'. This suggests to me that the proposed project cannot be created without a considerable degree of input of both planning and resources by the Government.

This brings me to the form of the Government's involvement in the proposed project.

I do not think that Government should be directly involved in the construction or management of the proposed centre. This is because Government departments do not have the experience and are in any case notoriously bad at running business. However, Your Excellency should not regard me as belonging to the lunatic fringe who regard everything done by civil servants as inspired by incompetence, and indeed all the seven deadly sins with the possible exception of lust (*laughter*).

I feel that such an exhibition centre should be created as a public corporation by statute, somewhat along the lines of the M.T.R.C. Ordinance. In addition to setting out the objects and functions of the corporation, and making sure that the composition of its management body would enable Government representation, we would need to ensure that the corporation is required by law to manage the project along commercial lines (a feature which is present in the M.T.R.C. Ordinance). So the M.T.R. is in all respects a model railway.

Having outlined the framework of the proposed corporation, I envisage that Government would provide it with a capital structure, which can be defined in terms of an arbitrary number of shares. The Government could then make a private treaty grant of a suitable site to the proposed corporation at full market value in exchange for the corporation's equity. This would ensure that the Government would be the sole owner of the proposed corporation and, because equity is exchanged against the full market value of the site (as in the case of the sites granted to the M.T.R.C.), no question of subsidy would arise.

Having obtained the grant of land (which will, of course, be subject to very careful definition as regards use and development potential), the corporation would then have acquired a valuable asset. It would then be opened to the corporation to negotiate with real estate, construction, banking and other business interests for the creation of the proposed project (including the proposed exhibition centre). In short, the proposed project would pay for itself, and any profits the corporation might make could be transferred back into general revenue (provided that the statute creating the proposed corporation would enable the Financial Secretary to effect such a transfer).

As regards the operation of the proposed centre, I envisage that the corporation would initially make a loss, but subsequently recover the loss when it picks up a greater volume of business. To cover this contingency, it must be open to Government to lend monies to the corporation at whatever terms this Council may deem fit. As long as sufficient statutory safeguards are built into the corporation's statute, and as long as the people running the corporation do so consciously along business lines, the Government should be able to take a rather relaxed view about the centre's operating income and expenditure. In short, the Government is being asked to do no more than open the door, turn the key, or prime the pump, to let this

venture work. Nothing ventured, nothing gained. Indeed the only way to prove this project right or wrong would be to allow it to proceed.

Finally, I would suggest that a working party be set up for this project to be followed by the creation of a provisional authority to ensure progression of the project as was the case in practically every statutory corporation of recent creation—the M.T.R.C., the H.K.I.E.C. and the H.K. Examination Authority—which fades out after—

- (a) the substantive legislation creating its successor has been piloted through both the Executive and Legislative Councils; and
- (b) the chief officer of the corporation has been appointed.

I strongly recommend that the sequence which I have just outlined should be adopted. Let us remember the words of Sir Winston CHURCHILL: ‘Give us the tools and we will finish the job’ (*laughter*).

With these words, Sir, I support the motion before Council.

MR. CHEN:—Sir, the Financial Secretary is to be congratulated for the supreme confidence with which he presented his ‘Year of the Monkey’ Budget, budgetting yet for another staggering surplus of \$2,904 million, an all-time record.

The apparent lack of surprises in the Budget proposals has been interpreted by some as an indication of optimism on Hong Kong’s economic future. One may be excused therefore for asking if such a view were justified in face of innumerable problems confronting us— inflation both internally as well as externally generated, growing protectionism and unpredictable oil prices. Despite our performance in recent years against almost impossible odds, there are few who would not concede that our economy is more vulnerable than most to external factors such as changes and uncertainties in the world general economy, and there will be no shortage of these in the coming year. So while I would like to share the optimism of others, I tend to take a more conservative and cautious view of our economy in the coming year and would like to air a few reservations I have on the Budget.

Sir, I am concerned about the growing proportion of capital expenditure both in absolute terms as well as a percentage of total expenditure. In the appendix attached to my speech, it can be seen that since 1976, this ratio of capital to total expenditure has increased steadily over the years, from approximately 20% in 1976-77 to over 40% for the year 1980-81. Furthermore, the public sector’s share of the output of the building and construction industry has been increasing sharply in the past decade, reaching the level of 49% in 1978 and easing back only slightly to 47% in 1979.

We will all no doubt recall that last year’s budgetted proposals for capital expenditure had to be constrained in order to reduce the disproportionate effect they had on prices and demand for resources available in our building and construction industry. Despite the constraint, pressure on demand for

output has remained high as clearly reflected by the rapidly rising labour and material cost index from 395 at the end of 1978 to 545 in 1979 (I quote this from footnote (103) of the Financial Secretary's speech).

The proposed provision for capital expenditure for 1980-81 is \$7,326 million, which represents an increase of 42% over the revised estimate for 1979-80 or almost 80% above the original estimate. In his Budget Speech, the Financial Secretary also estimated that in 1980, the public sector's share of the output of the building and construction industry will increase once again to 49%. Although the Financial Secretary has reassured us, albeit guardedly, that this can be accepted without seriously risking crowding out the private sector and/or diverting labour away from manufacturing employment, I am not altogether happy. I find it hard to accept that such a large volume of Government capital works will not have a significant effect on prices of the building and construction sector and ultimately on general prices in the rest of the economy.

Moreover, one has also to bear in mind that the estimate of capital revenue for 1980-81, a staggering \$6,630 million, is nearly double that of the revised figure for 1979-80. It will finance as much as 90% of the estimated capital expenditure. We were told that the bulk of this staggering sum is to be realized from land sales which means that almost all will have to come from the private sector. Will the private sector have the ability to finance such purchases without seriously affecting its ability to finance investments in other areas such as capital plant and machinery for the manufacturing sector? Also in the light of recent events will the projected land sales bring in the anticipated revenue? Would it therefore be advisable to continue relying heavily on income from land sales to sustain a heavy capital development programme in future years?

In the Budget proposals for 1980-81, the estimated recurrent revenue will finance only 82% of the total estimated expenditure, which means that the guideline figure will have fallen for the first time since 1975 below 88%. But for the very substantial increase in capital revenue, there may be a need for boosting the recurrent revenue income. I am surprised therefore that the Financial Secretary did not grasp this opportunity to correct the imbalance in the fiscal system and to improve the recurrent revenue structure where the ratio of direct to indirect taxation, revised from 45:55 to 55:45 in 1978, will now further increase to 63:37, which suggests a need to improve the yield from indirect taxes.

There are many avenues for increasing the yield of indirect taxes, one of which is dutiable commodities such as liquor, tobacco, perfume, etc. Duties from this source will in 1980-81 contribute to only 6.4% of total revenue, compared with 6.7% in 1979-80 and 16% in 1970-71. I am rather surprised to see this progressive drop in contribution which accounts at least partly for the increase in the ratio of direct to indirect taxation. There is no evidence to suggest, as far as liquor is concerned, that a point of

diminishing returns has been reached and this is clearly reflected by the rapid increase in yearly consumption which has risen continuously from \$296 million in 1975 to a height of \$672 million in 1979.

The point I wish to make, Sir, is that we must endeavour to reduce the dependence on large capital revenue which, as I have warned earlier, may be difficult to raise in future. It would therefore be wise for contribution from indirect taxation to be kept at a more reasonable level in relation to direct taxation which is income sensitive. Furthermore, an increase in indirect taxation may help to discourage private sector consumption which is perhaps what Hong Kong needs to keep inflation down to a more acceptable level.

Sir, with these words, I am pleased to support the motion before Council.

APPENDIX

Ratio of Capital to Total Expenditure

1976-77	20.57
1977-78	23.76
1978-79	32.49
1979-80 (original)	32.75
(revised)	36.19
1980-81	40.63

MISS DUNN:—Sir, our economy was in better balance at the end of 1979 than it was at the end of 1978. Although the adjustment process was assisted beyond expectations by the surge in the labour force and a better than forecast export performance, it was the Financial Secretary's budgetary strategy for *1979-80*, designed to attack the problem of public sector led inflation, which cooled down the overheated economy and helped to bring the overall trade deficit down to \$500 million. The Financial Secretary proved, once again, his support for, and understanding of, our free enterprise system and demonstrated, once again, how well suited to Hong Kong's particular circumstances are his fiscal and economic policies. I am, therefore, delighted that the Financial Secretary's term of office has been extended and that Hong Kong will continue to benefit from his wise and prudent management during what will be a particularly exciting period in Hong Kong's history.

But I am afraid that there are several aspects of the Financial Secretary's budgetary strategy for the coming year, *1980-81*, which puzzle me.

In paragraph 95 of his Speech, he said: '.... the growth rate of total final demand must not be allowed to get out of line again with the growth rate of G.D.P.'

He then went on:

‘Among other things, this means that the public finances must continue to be managed prudently.’

And later, in paragraph 101, he said:

‘The emphasis of budgetary policy in 1980-81 should be to hold the public sector’s share of resources at (its 1979-80 level).’

But this is precisely what the 1980-81 Budget does *not* do, for the relative share of the public sector will increase further: from nearly 19% to nearly 20% and the public sector’s share of the output of the building and construction industry will increase again to 49% (its 1978 share).

It seems to me that the three salient features of the Financial Secretary’s view of how our economy will fare in 1980 are as follows: first, the growth rate of domestic demand in 1980 will be *higher* than the growth rate of total exports. Secondly, the growth rate of public sector demand will be *higher* than the growth rate of private sector demand and higher than the growth rate of G.D.P. Finally, the Financial Secretary forecast the visible trade ‘gap’ will *widen* again from 12% in 1979 to 14% in 1980. He contended in paragraph 128 of his Speech that ‘(this) should be largely offset by the surplus on invisible trade account’. But, as that surplus will only grow by 20% to \$12,000 million, the overall deficit in 1980 will be nearly \$3,000 million or six times the deficit in 1979.

In these circumstances, I find it difficult to believe that the rate of increase in consumer prices will actually slow down from 11.6% in 1979 to 10% in 1980 and that the rate of increase in prices generally will actually slow down from 13.3% to 11%. Certainly, in these circumstances, I find it difficult to understand why the Financial Secretary is allowing the growth rate of public expenditure to accelerate, thus lifting the relative size of the public sector to nearly 20%. Whether one is concerned with Consolidated Account or General Revenue Account the growth rate will be well in excess of the forecast growth rate of the economy and yet it is the economy which has to pay for the public sector.

In short, it seems to me that the Financial Secretary’s budgetary strategy for 1980-81 is putting at risk his achievements in 1979-80, inasmuch as the effect must surely be inflationary, particularly in the building and construction industry, which is already operating to the limit of its capacity as evidenced by the continuing rapid increases in costs. In this connection, I was particularly interested in the short-falls of completions of private residential and non-residential accommodation in the private sector *even in 1979* given in footnote (104) of the Budget Speech. The fact is the public sector can always ‘bargain’ resources away from the private sector because

the public sector does not have to operate within the constraints of a profit and loss account.

It is true that the Financial Secretary sternly warned us that the level of capital expenditure envisaged in 1980-81 may not be sustainable in the longer term because we cannot assume that capital revenues will be buoyant for ever. It is true also that we have reserves of taxable capacity, but I doubt whether they are sufficient to replace a substantial decline in revenue from land sales. So I think there is a very real possibility that the scenario which will unfold in the next few years is one in which our *fiscal* reserves are seriously eroded.

In other words, my conclusion is that the implications of this Budget are *not*, 'just about tolerable' as the Financial Secretary claimed in paragraph 100 of his Speech, for either the future growth and balance of our economy or for our public finances. I would ask him, therefore, to monitor the course of our economy closely over the next few months and be ready to take remedial action, if necessary; and I would remind him that, faced with the prospect of growing protectionism, our manufacturing industries will need to be more flexible and cost efficient than ever before. So the demands of the public sector for available resources must not be excessive. To this end, the Financial Secretary must insist on cash limits being observed by departments in respect of capital works as well as recurrent services. I would also remind him of what he himself said in paragraph 163 of his Speech, namely,

'... that within our presently buoyant financial situation lie seeds of trouble for the future'

and ask him not to delay (and I quote him again):

'... considering whether our (budgetary) guidelines need to be revised to provide a new framework within which to discipline our thinking'.

My general concern about the capital account brings me, Sir, to two questions which are of particular concern to me: *land administration* and the priority accorded by the Government to *transport facilities*.

The forecast of land production and sales over the next few years, is a distinct improvement on the past, if realized, but let us not forget that, as an interim measure, this Council had to pass the Landlord and Tenant (Consolidation) (Amendment) Bill 1980, a make-shift piece of legislation which will lead to anomalies and inequities. The effect has been, however, temporarily to contain the rental spiral caused by the shortage of supply of accommodation in relation to demand, but probably at a not inconsiderable cost in terms of investors' intentions and unsettled markets.

The question to which we should now address our minds is this: *why* have we failed to produce and sell more land in the past and can we

be confident that the Budget Speech forecasts for the next four years *will* be realized? The Secretary for the Environment, the Director of Public Works and the Secretary for the New Territories have defended the Government on many occasions over the years and have done their best to sound convincing. But there is one factor, which has been contributory, at least in my opinion if not in theirs, and that is the unnecessarily complicated arrangements for land administration.

As I understand it responsibility for land administration is split between the New Territories Administration for land in the New Territories and the Crown Lands and Survey Office of the Public Works Department for land in the urban areas. The Environment Branch of the Government Secretariat has a policy-making function and, of course, the Registrar-General's office is involved on the legal side.

This seems, on the face of it, fairly straightforward but it is not so in reality. At various times and at various stages, the involvement of a bewildering multiplicity of departments, offices, branches, committees and sub-committees is required. To name but a few: the New Territories Development Department of the P.W.D., the Land Development Policy Committee, the Town Planning Office, P.W.D. Land Conference, the Housing Department, the Economic Services Branch and the Finance Branch of the Government Secretariat, the Public Works Vetting Committee, the Public Works Priorities Committee, the Public Works Sub-Committee, the Special Committee on Land Production and, now the new Strategic Planning Unit. I accept that ideas must be screened and appropriate authorities obtained in a proper sequence, but present arrangements for land administration seem quite ridiculous and must involve also a great deal of duplication of effort and unnecessary waste of time and manpower.

One consequence of this splitting up of responsibilities is that there is no central record keeping. This is a fact, not an allegation. I know, for I am a member of the Special Committee on Land Production and am, in a sense, part of this amazing scene (*laughter*). The Special Committee has made a start on centralizing record keeping, but on a rather makeshift basis, and the whole exercise is complicated by the absence of any systematic record keeping at district and departmental level.

Furthermore, there are no uniform concepts. Time and again, for example, one department or office or branch or committee or sub-committee refers to gross areas while another to net. There is not even, I suspect, an agreed definition of what is meant by 'land production' and the land sales programme seems to change daily, but I shall not embarrass anyone by asking why we only sold 95 acres of land in 1979-80 instead of the estimated 134 acres.

In his speech in this Council on 11 April, 1979, the Secretary for the Environment agreed, and I quote, that 'the present organization is undoubtedly

complex' and that, although the Government was 'in the course of setting up a strategic land planning unit in the Environment Branch, this may not be enough and we may have to search for a simpler structure of responsibilities and relationships'. To my call for a single Lands Department, he promised 'a thorough review ... in the course of (1979)'. I am well aware of the political and economic implications of land administration, but nearly a year has passed by now and I have, so far, not been informed of the outcome of this review, and I cannot help but note that the Secretary for the Environment made no reply at all to a similar suggestion by my Unofficial Colleagues last month! I would ask him to offer us, in this debate, a definitive statement of the stage his review has reached.

I expressed misgivings earlier, Sir, about the level of capital expenditure, but those misgivings aside, I am doubtful whether the development of our transport infrastructure was adequately catered for in the Draft Estimates for 1980-81. Modern Hong Kong must be mobile as never before: that is one price we have to pay for being an international city and having a diversified economy.

Yet no one can deny that the congestion on our roads has reached the point where the patience of Hong Kong's usually tolerant community is wearing thin, and I, personally, doubt whether we are spending enough on our roads. It seems from paragraph 167 of his Speech that the Financial Secretary is also doubtful that the Draft Estimates adequately reflect priorities in terms of the community's needs, let alone the community's aspirations: the Government seems most reluctant to accept the fact that, as our economy continues to expand, it is only natural that more families will be sufficiently affluent to buy their own cars.

Private cars *are* inefficient road users, and it may be their unnecessary *usage* should be discouraged, but the Government would do well to accept that the numbers of private cars *will* increase. So, instead of devising ways and means to frustrate this natural aspiration, it is up to the Government to improve the network of roads to cater to this fact of life.

But aspirations aside, if the growth in the number of private cars on the roads is a matter for concern, the Government is largely to blame, because car usage, and even car ownership, reflects the inadequacy of our public transport services and I am referring particularly to the bus services. There is no excuse for the services of the two bus companies to deteriorate to the extent that they have; and I cannot accept the oft-quoted reason that the buses are prevented from offering an efficient service because the roads are clogged up by private cars and taxis.

Private cars and taxis may be the cause of road congestion at times, but people have to move about for many reasons (including getting to work!) and meanwhile, buses lie idle because of a shortage of workers and wholly inadequate maintenance arrangements. It is no use berating private

motorists and taxis when the bus companies have failed to order sufficient buses to meet demand, thereby forcing people into private cars and taxis, not that the latter are always readily available, partly due to a negative approach by Government. The responsibilities of the enfranchised bus companies are prescribed by legislation and the legislation provides for sanctions if the companies fail to meet their obligations. It is intolerable that the Government appears so helpless to enforce the law in the face of such obvious shortcoming. Instead, the public are told that they must pay more if the bus companies are to meet their obligations under their franchises! So, before I sit down, Sir, I would ask the Government just one more question: what assurance is there that the bus companies will improve their services after the recent fare increases?

Sir, I support the motion.

DR. HENRY HU:—Sir, it is indeed gratifying to listen to the 1980-81 Budget Speech presented by the Financial Secretary. It is a good budget and I think it will do a great deal of good to Hong Kong. We all know that the economic and financial climate of the world is constantly changing, but so far as Hong Kong is concerned, there are a few fundamental characteristics in our economy which have not changed over the years. The first is a free economy where the Government only steps in when there is a clear necessity to do so. The second is Hong Kong's unique geo-political position in the Far East. On the one hand, Hong Kong's essential supplies are supported by a vast Chinese hinterland, and on the other it is endowed with well-built facilities in commerce, industry, transport, finance and tourism. Although from time to time we have influxes of illegal immigrants, our community has so far managed to absorb them. We have done a good job in humanitarian terms, but we need to do more to turn this burden into an economic asset.

Two years ago, in my response to the Financial Secretary's 1978 Budget Speech, I emphasized the growing importance of the tertiary industry and re-export sector to Hong Kong's economy. These are two sectors which are needed to strengthen our economic base and to give us a better balance against global economic fluctuations. The fact that these are the growth sectors we should emphasize already became clear in 1977 even before the launching of the four modernizations plan in China. Therefore, I urged the Government in March 1978 to consider promoting their development. My views are clearly supported by our performance in the last three years. First, employment in the tertiary industry has increased by 24.5% over the last three years, compared with 12.6% in the manufacturing sector over the same period. Next, let us examine the value of re-exports. In 1977, the total value grew by 10.1%, and in 1978, by 34.3%. In 1979, the growth rate was 51.7%. In other words, the value of re-exports has more than doubled between 1977 and 1979. These figures compare favourably with those in manufacturing industry. Over the same 3-year period, the value of domestic

exports of manufactured goods grew by 7.3% in 1977, 16.3% in 1978 and 37.3% in 1979. These trends may increase even more rapidly in the years of 1980s.

The report by the Advisory Committee on Diversification is very good and comprehensive. However, I feel that it has not dealt in depth with the tertiary industry and re-export sectors, due perhaps to its rather limited terms of reference. I therefore suggest that a more detailed study of these two sectors be conducted.

In order to further expand our tertiary industry and re-export sectors, we ought to spend more to improve our infrastructural facilities. For example, a replacement airport should be built as soon as possible. In addition to being justified on purely economic grounds, a new airport would improve environmental conditions in a large part of Kowloon, release large areas of land and enhance investment confidence in Hong Kong.

The strong position of Hong Kong's economy has enabled the Financial Secretary to present a very sound budget. He has also spelt out clearly the right priorities for future expenditure in the early years of the 1980s:—

- (a) maintenance of law and order;
- (b) integrity of our land and sea borders;
- (c) transport infrastructure;
- (d) land production; and
- (e) housing.

I believe the public will be very glad to support these priorities, in particular the maintenance of law and order.

Our need for more land, roads and housing units has been made more desperate by the sudden increase in population as a result of illegal immigration. Under tremendous population pressure, we would soon be confronted with the question of what would be economically manageable population for Hong Kong. The answer in turn depends on how much land can be made available for future development. If the intensive development of Lantau materializes, including the construction of the new airport at Chek Lap Kok and the Lantau fixed crossing, then our economically manageable population would probably be between six to eight million. It is therefore important that an early decision be made to fully develop Lantau so as to provide sufficient infrastructure, the most important one of which is land, to cope with our likely population growth.

In this year's Budget Speech, the Financial Secretary also mentioned that we had considerable reserves of taxable capacity, but he decided not to propose any increase in tax rates because our financial position is sound and he did not wish to add to inflation by raising rates of charges. This

principle is sound and beneficial to our community. There is no need to increase tax rates when there is already a large reserve. Reserved taxable capacity should only be tapped when additional revenue is needed for public expenditure in future. Our future economic prospect is bright, our present economic condition is strong, so our present taxable capacity is likely to increase over the years without having to resort to basic changes in our tax system. As far as financial resources are concerned, it appears the Government should have little problem in meeting its commitment in important capital projects such as a new airport, another fixed harbour crossing and more public housing units. Housing is of course still a very severe problem that has to be tackled with vigour.

Sir, while I am optimistic about our economic future, I would however give some warnings about the pattern of public expenditure. First, the Government machinery has become so large that it risks becoming a machine without a soul. Therefore, it is important to improve the supervision of public spending, to ensure that public money is spent according to established policies and to make necessary adjustments at the right time before it is too late. Secondly, it seems that we are spending too much on recurrent expenditure and not enough on capital expenditure. I wish the Government would take a close look at this question. Thirdly, we have not spent enough money for the less fortunate members of our community: the children who for one reason or another have not been properly looked after by their parents, the street-sleepers, the aged and the boat-dwellers. I am concerned with the boat-dwellers in particular. I recall that when part of the Aberdeen area was reclaimed in 1965 and 1966, public housing was provided for the boat people at that time. I think that more liberal policies should be applied to those really needy members of our community.

With these remarks, Sir, I have pleasure in supporting the motion.

MR. LEUNG:—Your Excellency, I rise to say a few words about the Financial Secretary's proposals in regard to personal taxation. First of all, I would like to congratulate him for his enormous research on the subject, and to compliment him on his timely move to alleviate somewhat the tax burden of the lower taxable income group.

However, it appears to me that the proposals in respect of personal, child and dependent parent allowances are rather on the low side. They may be barely acceptable at the present time, but I doubt they will remain so for long, due to the continued ravages of inflation. Therefore, I suggest that the Government should review the situation at frequent intervals, say annually, in order to retain a proper perspective, based on the prevailing needs of our community.

Due to the age limit of 60 or above, the dependent parent allowance scheme has failed to reach many who would and should have benefitted from its concession. For many valid reasons, a taxpayer may have to

support his parents who have not yet reached the age of 60 years. Accordingly, I recommend a review of the age criterion and suggest that it should be lowered to 55, which is the normal retirement age in Hong Kong.

It is accepted generally that as responsible citizens, we have a duty to pay tax and to contribute to the general well-being of the community. Likewise, it is the responsibility of the Government to administer in our best interests. On the other hand, the tax burden should not be pitched at such a level as to relegate the living standards of the lower taxable income group to below the subsistence level. Otherwise, they will become a charge to the rest of the community.

Sir, I support the motion.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 tomorrow afternoon when debate on the second reading of the Appropriation Bill will be resumed.

Suspended accordingly at nine minutes past four o'clock.