

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**IN THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 1 OCTOBER 1980
IN THE
TWENTY-NINTH YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER
Wednesday, 1 October 1980
The Council met at 2.30 p.m.**

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 (*Acting*)
SECRETARY FOR ECONOMIC SERVICES
MR. DAVID GREGORY JEAFFRESON, J.P.

THE HONOURABLE THE ATTORNEY GENERAL (*Acting*)
MR. FREDERICK THOMAS MCHARDY JONES

THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR. DENIS CAMPBELL BRAY, C.M.G., C.V.O., J.P.

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

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 ALAN JAMES SCOTT, J.P.
SECRETARY FOR INFORMATION

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 JAMES NEIL HENDERSON, J.P.
COMMISSIONER FOR LABOUR

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 DONALD LIAO POON-HUAL, O.B.E., J.P.
SECRETARY FOR HOUSING

THE HONOURABLE GRAHAM BARNES, J.P.
DIRECTOR OF HOME AFFAIRS

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.

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

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

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

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

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

THE HONOURABLE ALLEN LEE PENG-FEI, J.P.

THE HONOURABLE DAVID KENNEDY NEWBIGGING, J.P.

THE HONOURABLE ANDREW SO KWOK-WING, J.P.

THE HONOURABLE HU FA-KUANG, J.P.

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

THE HONOURABLE CHAN KAM-CHUEN, J.P.

THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.

ABSENT

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

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

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

DR. THE HONOURABLE HO KAM-FAI, J.P.

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN, J.P.

IN ATTENDANCE

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

Affirmation and Oath

HIS EXCELLENCY THE PRESIDENT:—We have an Affirmation and an Oath.

Mr. CHAN Kam-chuen made the Affirmation of Allegiance and Mr. John Joseph SWAINE took the Oath of Allegiance and assumed their seats as Members of the Council.

Valedictory

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, since we last met Mr. LEUNG Tat-shing has retired from this Council. After four years of distinguished service and having reached the honourable age of 64, he is entitled to a well-earned retirement. He has a very long record of public service, including membership of the Labour Advisory Board, the Hong Kong Productivity Council and the Medical Development Advisory Committee, and that is just to name a few. He will be particularly remembered in this Council for the contributions he made on labour affairs and on social welfare. I know all Members will join me in wishing him and his wife a very well earned retirement.

MR. CHEUNG:—Sir, Unofficial Members would wish to associate themselves with every word that Your Excellency have said.

Address by H.E. the Governor

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INTRODUCTION

Welcome to new Members

1. First I would like to welcome Mr. CHAN and Mr. SWAINE to this Council.

UMELCO

2. There are far too few occasions on which I have an opportunity to give the work of Members of U.M.E.L.C.O. the public acknowledgement it deserves. This is an occasion on which it is my pleasure and my duty to do so. U.M.E.L.C.O. is a unique institution which has evolved under imaginative and devoted leadership to perform a vital role in a constitutional situation which is itself unique. It carries an ever increasing work-load, which reflects the vigour with which it performs its legislative functions, the evolution of its position as a court of counsel or appeal to the public, as well as the increasing complexity and scope of the Government of Hong Kong. The time devoted by Members to their public duties is enormous and I should like to record my deep personal debt of gratitude to them. To ease their load two extra have been added to their number this year. In the light of experience there could well be room for further additions.

3. Honourable Members will note that during the year the trend towards unofficial chairmanship of statutory committees has continued. Mr. Lo Tak-shing has taken over the chairmanship of the Transport Advisory Committee, and Miss DUNN of both the Special Committee on Land Production and the governing body of the Prince Philip Dental Hospital.

Scheme of speech

4. Honourable Members I think you will agree that this has proved a more prosperous year for Hong Kong than most of us would have forecast at this time last year. I will start this address by describing the performance

of the economy and its prospects in the year ahead, and then go on to deal with the problem of immigration which is becoming an insidious threat to our economic and social well-being. Against this background I will review progress in our major social programmes, and also in services relating to law, order and security. After speaking about a group of environmental problems—in land, pollution, transport, and the cleanliness of our city—I will conclude by reviewing reactions to the Green Paper on District Administration, which proposals, I might add, are highly germane to the group of environmental issues I have just mentioned. During the year Hong Kong has shown a characteristic volatility for instance in dealings in real estate and on the stock exchange. It is a natural response to confidence and has rightly attracted attention. So has the problem of immigration from China and the presence of Vietnamese refugees. But my report will show that underneath these more newsworthy items much good work has been done. Businessmen and industrialists have done splendidly in increasing production and exports; more is being built than ever before; and as for your Government, it has, generally speaking, got on with its job of doing the things it has said it would do to improve the standard and quality of life of our people, while maintaining economic stability.

THE ECONOMY AND ITS PROSPECTS

5. So I will start with the economy. In 1979 the gross domestic product grew by 11% in real terms. And this was the economy's fourth consecutive year of rapid growth. Moreover during it the problems of imbalance and overheating experienced in 1978 were reduced. The growth rate of imports slowed down considerably because total final demand was more in line with the economy's output. There was also a redistribution of resources into the manufacturing sector as domestic exports grew faster than domestic demand. Thus, economic growth was once again export-led. This process was aided by the recovery of demand in Hong Kong's major markets in Europe. The slowing down of the growth rate of public sector demand provided for in the 1979-80 budget particularly in respect of building and construction also contributed. So economic growth in 1979 was associated with stability to a much greater extent than in 1977 and 1978.

6. Immigration reduced the extreme tension in the labour market and helped manufacturers to meet increased demand for exports by increasing output, but it also had a significantly depressing effect on what the real incomes of our workers would otherwise have been. And I shall return later to this and other aspects of our immigration problem.

7. But there were exceptions to the general picture of stability and rapid growth, most notably as regards inflation. Excess demand persisted in such sectors as property and land with consequent pressure on their prices. The rates of increase in world prices generally and the prices for oil products in particular in 1979 were higher than we had expected. So Hong Kong imported inflation, the impact of which was further intensified by the

delayed effects of the depreciation of the Hong Kong dollar. So the rate of inflation accelerated sharply.

8. This year, in 1980, in broad terms the economy has continued to adjust in the direction set last year. The growth of the economy has continued to be export-led, and it is satisfactory that exports have done so well despite the recessionary state of the economies of Hong Kong's major markets. The increase in domestic exports in the first eight months of this year over the same period of last year of 28% in money terms, is truly remarkable. The growth rate of domestic demand appears to be picking up but probably still lags behind that of domestic exports.

9. Re-exports have grown rapidly in 1980 as Hong Kong's re-emergence as a major entrepot port continues, with much of the growth attributable to China's trade.

10. The growth rate of the value of imports in 1980 has almost caught up with that of total exports, presumably as a result of increased domestic demand. But the visible trade gap for the first eight months of this year was still slightly narrower than for the same period last year.

11. Pressure of demand on domestic resources has eased further in 1980, particularly in the labour market. The seasonally adjusted unemployment rate for the economy as a whole increased from 2.8% in September 1979 to 3.2% in March this year. I have no doubt that the September figures will show a continuation of this trend. These percentages by current world standards are very low, but the trend reflects an aspect of adjustment that presses hard on some individuals, and of course the impact is made worse by the effects of immigration.

12. There is also some indication that a closer balance is developing between the demand for the output of the building and construction industry and the industry's ability to supply. Whilst building and construction costs are still increasing the rate of increase has eased considerably. The property market which had been very much over-heated in 1979 cooled somewhat this year at least partly as a result of higher interest rates and of the success of developers in maintaining a high level of production.

13. So during 1980 domestically generated inflation has eased. Imported inflation was dampened to some extent in the first half of 1980. So overall inflationary pressure in the economy has been reducing during the year so far. But because of the substantial inflation at the beginning of the year, the index of general price levels in 1980 is expected to average about 14% higher than in 1979 instead of the 10% forecast in the budget.

14. This is a generally favourable picture, and it appears likely that the growth rate in real terms of the gross domestic product will be somewhat higher than the budget forecast of 9%. But the growth rate of *per capita* gross domestic product in 1980 will depend on the level of immigration.

If, as seems likely, it is not much less than last year, once more the G.D.P. per head will grow much more slowly than the G.D.P. itself.

15. Turning to economic prospects in the last months of 1980 and into 1981, the greatest uncertainty lies in whether the high growth rate of domestic exports can be sustained. Perhaps not, and export order books are reported to be getting shorter. But recession in our export markets and demand for Hong Kong products often do not move on parallel lines, and if the growth rates of imports of raw materials and semi-manufactures are anything to go by, export prospects in the immediate future are much better than one might expect from the otherwise poor performance of the economies of our main markets. But obviously war in the Gulf, and the impossibility of assessing at this stage what effect it will have on oil supplies and prices and the economies of our trading partners, makes the future particularly difficult to forecast at this time. In the longer run, we should see a recovery in the world economy and I remain confident that the stability of the Hong Kong economy will enable us to take full benefit from it.

16. Although the longer-term prospects for growth of our economy remain good, immigration threatens it in two ways. Firstly the dilution of the labour market is reducing the growth of individual incomes, and this is grossly unfair to the individual worker. Secondly though in the short term it may be beneficial to some employers, it is extremely bad in the long term because it removes the incentive for higher productivity and movement into the more sophisticated and capital intensive production. It is surely on the latter that we hope to build Hong Kong's future and the standard of living of our people, and not on a relapse into cheap-labour enterprises whose products are more and more subject to restriction in overseas markets.

17. Finally I am very much aware that in the course of the coming year we must renegotiate the Multi-Fibre Agreement and that the outcome will be critical for us. With unemployment so prevalent in our export markets political pressures for restriction will be strong. At the same time, I am encouraged by the greater comprehension in Europe, though to a lesser extent in North America, of the commercial and industrial realities that so often make the case of protection untenable. I think it is also fairly generally realized that, as we predicted, our bilateral restraints agreement with the E.E.C. did little or no good to either the E.E.C. or the alleged beneficiaries of our sacrifice—the developing countries—but only harmed our trade to the benefit of rich and developed competitor countries.

The public finances

18. As regards the state of our public finances, recurrent revenue this year is likely to exceed the original estimate. But the excess will be more than offset by the estimated increase in recurrent expenditure, due largely to the substantial increases in salaries.

19. The estimated deficit on the capital account in the budget is now expected to become a surplus because revenue from land sales has been very much higher than even the optimistic budget forecast. This results from the prices paid for some very valuable sites in the urban area, and we cannot count on sites of this sort coming on the market every year. However as the development works of the last few years bear fruit the greater volume of land coming on the market should help to maintain income. Of course the value of land and thus income from sales could be influenced by extraneous events, but by and large I think we can continue to count on a substantial income from land sales provided we keep up our land production programme and the ancillary works that make the land attractive to developers.

20. While it is still too early to reach a conclusion on the final outturn, present indications are that the budgetted surplus will be exceeded, due largely to the estimated increase in revenue from land sales.

21. So, honourable Members, the picture I have to give of our economy is not at all bad, and of our budgetary position, distinctly good.

Legislation of significance to the tertiary sector

22. With regard to legislation, this time last year I said that a number of legislative proposals on commercial law would be put to you during the last session. Its object is partly to build up international confidence in our tertiary sector, and partly to protect the small investor and the consumer.

23. We have made good progress. A bill with some 255 clauses proposing to amend the Companies Ordinance in the light of the recommendations in the second report of the Companies Law Revision Committee has been published in the *Gazette*. We are now analyzing the public reaction. Our intention is formally to put the Bill to this Council as soon as the consultative process has been completed. Meanwhile, during the last session we implemented a further recommendation of the Committee, dealing with lost share certificates, ahead of the main Bill.

24. Our efforts to bring up-to-date the Securities Ordinance and the Commodities Trading Ordinance to accord with our experience since the Securities Commission was established was deflected by the need to concentrate on the Stock Exchange Unification Bill which passed into law at the end of the last session. Nevertheless, work on the first draft of the two amending bills is now fairly advanced and, provided the processes of consultation are reasonably smooth, they should be before you in the coming session. In the meantime, the Commodities Trading (Amendment) Ordinance was enacted in the last session to control the activities of 'fringe' gold operators and also to strengthen control over trading practices in commodities.

25. As I predicted last year we have made good progress with insurance legislation. Interim legislation regarding paid up capital requirements and solvency margins for insurance companies will be introduced very soon. As

regards the comprehensive Bill, the Registrar General has been able to recruit appropriate expertise; and I understand that if the present rate of production of the draft legislation and if the co-operative attitude of the insurance industry continues, this Bill should also be put to you in the coming session.

26. We have been less fortunate in our efforts to recruit expertise on weights and measures with the result that we have not been able to make much progress with the Weights and Measures Bill. But we are hopeful that an expert will be with the Trade, Industry and Customs Department early next month, although this is unlikely to give us enough time to get the Bill to you in the coming session. Other legislation designed to protect consumers include the Pyramid Selling Prohibition Ordinance passed last session and progress with difficult draft legislation to control hire purchase. The Trade Descriptions Bill is already before this Council.

27. Legislation relating to deposit-taking companies was passed last session. For the coming session we are planning bills to bring the Banking Ordinance and the Deposit-Taking Companies Ordinance into line with today's requirements. A third bill we would like to introduce would make the Exchange Banks Association into a statutory body.

28. A Monetary Statistics Ordinance aimed at getting more comprehensive statistics to enable us to improve our measurement of developments in the monetary sector was enacted in July, and it is hoped that it will be brought into force in time to allow us to start collecting statistics from the end of this year. This is part of our on-going programme to improve statistics on our rapidly growing tertiary sector.

29. Much of this legislation is germane to the recommendations of the Advisory Committee on Diversification. Throughout the year, the Executive Council has been asked to consider a steady flow of memoranda on the 47 recommendations of the Advisory Committee. This process has been completed and the Executive Council is now getting reports every six months on progress with implementation. And these progress reports will be sent to Members of this Council for information.

IMMIGRATION PROBLEMS

30. I now turn to our two very different problems of Vietnamese boat refugees and immigration from China.

Vietnamese Boat Refugees

31. When I addressed you last year, the signs were that the Geneva Conference in July had achieved its immediate objectives of persuading the Vietnamese Government to stop the organized outflow of ethnic Chinese and some Vietnamese, and of securing pledges in money and resettlement places that would progressively relieve territories of first asylum such as Hong Kong of the burden of these refugees.

32. In fact, in marked contrast to assistance given by countries of resettlement to the countries of ASEAN, only half the refugees who were here last October have been resettled. Though there have been arrivals direct from Vietnam, the numbers are not great, and are consistent with the undertakings given by the Vietnamese Government at Geneva. At present we still have 28,200 refugees from Vietnam in our care.

33. We are grateful for the help of all countries of resettlement, and for the work done by the United Nations High Commission for Refugees and by our own and overseas voluntary agencies. We are particularly grateful for the major contribution made by the United States, Canada and the United Kingdom. On the basis of pledges already given we are expecting about 7,000 more to be resettled by the end of this year. However without firmer pledges for next year there is a danger that the rate of resettlement could drop considerably. We realize the plight of other countries, and particularly of Thailand. But the efforts made and the humanity shown in this small overcrowded territory also deserve recognition, and in the only practical way possible—pledges of resettlement. We have 50% more boat refugees than any other country of first asylum. They are an international problem, not ours, and they should not be swept under the international rug as forgotten people. We will do everything we can to ensure that they are not. It is not as if we did not have our own towering problem of immigration from China.

34. In addition, we have under detention some ethnic Chinese who originally sought refuge from Vietnam and were resettled in China, but subsequently made their way here. The Chinese authorities have shown sympathetic understanding of this problem, and these people are gradually being returned to their places of resettlement.

Immigration from China

35. Immigration from China is a much more serious problem. There are two streams, legal and illegal. They are composed of rather different sorts of people, and represent very different problems. The 'legal' stream consists of persons to whom the Chinese authorities have issued permits to leave their places of residence for extended visits to Hong Kong. But in practice at least 96% remain here permanently. Generally the stream is composed of complete family groups, often with skills and education and normally with family connections in Hong Kong. Their absorption would not present a difficult problem were it not for their numbers. In response to representations the volume has been brought down from a daily peak of 310 a day in December 1978 to an average of about 150 a day this year. This still represents an addition of about 55,000 a year to our population. And it is far too much, and should be greatly reduced.

36. The 'illegal' stream is composed of quite different people. 85% are between the age of 15 and 30, most are single and the proportion of male

to female is 3:1. The educational level is usually poor and they have little to offer in skills. There is a noticeable lack of sympathy for them here; and their presence poses potential problems for law and order though this is impossible to quantify. Illegal movement across frontiers inevitably operates within the criminal world.

37. The problem has grown fast. In 1977, 1,800 illegal immigrants were arrested and we believe that about 6,600 evaded arrest and entered. In 1978, it had risen slightly to 8,200 arrests and 28,000 who entered. But in 1979 the figures rose to 90,000 arrested and 102,000 who entered. And this year from January to August the figures are 56,000 arrested and 55,000 who have entered. Moreover when the 'legal' stream is added, the extra numbers Hong Kong has had to absorb from immigration become:—

in 1977	31,000
in 1978	95,000
in 1979	178,000
and this year	91,000 to the end of August.

And it looks as if this year the total figure will be worryingly high and not much short of last year's. I will come back to the significance for our society of these figures. The point I wish to make now is that the illegal stream, which is the major element, would be very much higher but for the immense exertions of the security forces on both sides of the border. On our side, night after night, there are deployed at least 190 patrols of the army, 150 road blocks and ambushes by the Police, small boats of the Royal Marines, a similar unit of the Marine Police, and in deeper waters 22 police launches, three naval craft, and all are supported where necessary by helicopters. Control of movement across the land frontier has been improved by construction of a lit fence for almost its entire length, observed from watchtowers and accessible from a newly built road. Both by land and sea the most sophisticated detection devices are used, and co-ordination for all operations whether by Armed Services, Police or Marine Police is provided from the Colony Police/Military joint command post. I have no detailed knowledge of the measures on the Chinese side, except that they are active, and are believed to result in the arrest of three times as many people as by our own security forces. In fact we reckon that out of every five attempting to penetrate this Sino/British screen only one succeeds. And yet in the last 12 months 94,000 did succeed. The implication is that the number of people who attempted to reach Hong Kong and either succeeded or were arrested must have been something like 450,000 in one year, and obviously many more must have turned back undetected. So if the guard slipped on either side of the frontier and adjacent seaboard, we would literally be overwhelmed by this wave of half a million or more that hangs over us. This is the dimension of the threat.

38. Such surges of movement have occurred from time to time in our recent history, but none has been so prolonged or proved more difficult for

the Chinese authorities or our own security forces to control. Clearly the root cause lies in the current urge to reach Hong Kong, and the only long-term cure lies in deflating this urge at its source, that is to say in the communes of Guangdong. Meanwhile unremitting efforts to intercept and return this traffic to China are essential.

39. I do not want to leave this section without paying a very sincere tribute to our security forces. The mounting efficiency, determination and technical skill with which they have attacked this distasteful task is beyond all praise. You will have noted from the figures I have quoted that their skill has resulted in the evasion ratio being cut down from something like 3.5:1 in 1977 to about 1:1 this year. The strain on them has been great, and to Armed Services and Police alike, I would like to record my grateful thanks. In doing so, I should not fail to mention the valuable contribution made by our own part-time volunteer units, the Royal Hong Kong Regiment, the Royal Hong Kong Auxiliary Air Force and the Auxiliary Police.

SOCIAL PROGRAMMES

40. Against the background of our economic situation and our current problem of immigration I will now review the progress in our major social programmes.

Housing

41. I will start with housing. You will recollect that in the Budget for 1979- 80, after reassessing the demands upon the economy made by the public sector in general and in particular of its demands on the construction industry, the annual production target of the Housing Authority was set at 35,000 flats a year for rental and home ownership combined. It is possible that the original higher targets in excess of 40,000 were unrealistic and would not have been achieved in any case at that time, and in the event in 1979-80, because of slippage, the number of flats completed was a little above 32,000. The overall production by the public sector when the Housing Society contribution was added, was 33,000. Even this was more than double the output in the previous year. In the private sector production was over 28,600 flats. So this produced a total production of over 60,000 flats which is by far the highest figure for the decade.

42. This year it looks as if the Housing Authority will complete about 35,000 flats of which nearly 9,000 will be for the Home Ownership Scheme. But once again slippage looks like preventing last year's shortfall from being added to this year's production. The private sector expects to complete another 30,000 so this will mean an overall increase of about 65,000 new flats this year, thus slightly improving on the high level of production achieved last year.

43. The housing programme has been plagued by slippage, and in the light of experience it is apparent that granting authority for a given level of

contracts will not produce a similar level of completions because of the intervention of a host of extraneous and often quite unforeseeable factors. Consequently contracts are now being let to a level of about 10% above target to ensure that at least 35,000 flats will be completed each year. This will show results from 1983-84 onwards.

44. The Home Ownership Scheme has proved extremely popular and this reflects the strong demand for home ownership at a reasonable cost. The Government is looking into the possibility of expanding this programme. But this will not and must not be at the cost of rented accommodation which is needed so badly for those who cannot afford the capital outlay of home purchase and are on the waiting list, and those who lose their homes through clearance or natural disaster.

45. It is satisfactory that out of the first 10,300 households so far allocated flats in the Home Ownership Scheme, almost 5,000 are vacating rented accommodation in Housing Authority estates. So the Scheme is, as intended, fulfilling a double purpose of providing new homes for those who can afford to buy them and of simultaneously making available rented accommodation for those who cannot.

46. Honourable Members we have at least achieved a very large annual completion rate of public housing whose continuity is assured throughout the five-year forecast period. Moreover this will be accompanied by a private sector production that will maintain the combined total of about 65,000 flats a year, at least for the next two years, and probably for several years thereafter though completions by the private sector in the longer term are not predictable.

47. We have every right to be proud of these figures which are much higher than we have ever achieved before, and are greatly to the credit of the Housing Department and private developers alike. Nevertheless we still have to look squarely at where this rate of completions is getting us, and when it will bring the chronic problem of inadequate housing nearer a solution. So a new study of this old problem has been undertaken and will shortly be submitted to the Executive Council and in due course I hope will be published. While I am not prepared at this stage to commit myself to figures which are still subject to research, it is nevertheless clear that by the mid-80s there will still be a very large number of people in shared, overcrowded non self-contained, or otherwise sub-standard accommodation. I do not contest that the level of output to which we are now committed, that is to say 35,000 flats a year by the Housing Authority for rented and home ownership, may have been all that the construction industry and the economy as a whole could manage without being subjected to intolerable inflationary pressures. Nevertheless we must also face the fact that taken in conjunction with the expected production of the private sector by 1984-85

we will still be two or three years from achieving our target. It is therefore abundantly clear that for many years to come we must strive to improve on the level of flats now being completed in both public and private sectors and plan our land production accordingly.

48. The position has of course been worsened by immigration. Immigrants are not immediately eligible for public housing, but the demand on our housing stock that will eventually be made by the numbers that arrived last year is equal to at least a full year's building programme. The longer the influx continues the more difficult will it become ever to correct the situation. Meanwhile the spreading squatter settlements and overcrowding in the private sector tell their own tale.

Education

49. After housing, education is one of the principal concerns of our population, and it is one of our biggest and most complex programmes. The aim of providing our children with nine years of free, universal and compulsory education has now been realized. So our present efforts are directed in the main to the implementation of the White Paper on Senior Secondary and Tertiary Education published in 1978.

50. As a result of immigration we will be marginally short of the 1981 Form IV target of subsidized places for 60% of the 15-year age group. By our best effort, we will only be providing for about 58% of this age group, but at 58,700 places next year, this will still be an increase of 24,700 places over this year. In consequence of the decline of the 15-year old population and our large school building programme we should exceed the 60% target by 1982 and should reach 68% by 1984.

51. To meet these requirements we have a building programme of 130 schools of which 59 had been completed by this July. As the programme progresses dependence on bought places in the junior sector will be reduced.

52. To alleviate the effects of delays in the building programme, the Director of Education has arranged to operate additional Form IV classes in new and developing schools, and to advance the opening of some schools by the use of borrowed premises. These measures will cause inconvenience, but they are temporary and will only be needed for one school year in most cases.

Technical Institutes

53. The original target for the five technical institutes was for a total of slightly over 40,000 full-time, part-time day and part-time evening places. This has now been revised to 43,000 places by 1983-84. A sixth technical institute at Tuen Mun is planned to open in 1985.

54. In accordance with the 1978 White Paper consideration is now being given to the phased transfer of a total of about 5,000 technician course

places from the Polytechnic to the technical institutes over a four-year period commencing next September, to make room at the Polytechnic for higher level work. Plans are also in hand to add extra storeys and annexes to the existing technical institutes to help absorb this transfer.

Post Secondary Colleges

55. The Baptist College and Ling Nam College which accepted the Government's offer of financial assistance began their new two-year post- Form VI courses in September. At the same time, the United Kingdom Council for National Academic Awards has agreed to assess the appropriate awards for students who complete these courses.

Adult Education

56. Finally, to complete this review of implementation of the 1978 White Paper, a scheme to subvent projects in adult education of a retrieval nature run by voluntary organizations was introduced in September on a trial period for one year. Some 3,300 students in 18 separate projects will benefit. Should the scheme prove successful it is intended to extend it in 1981-82.

Selection and Allocation of Places

57. Honourable Members will be aware of the concern felt by the public about the systems of selection and allocation. A working party will report on the secondary schools allocation procedure by the end of this year, and an Advisory Committee is shortly to be set up to monitor the proposed new Form III assessment and allocation procedures.

English-Speaking Schools

58. All Government English-speaking schools, secondary and primary were disestablished in September 1979 and they are now administered by the English Schools Foundation. I should like to record my appreciation of the comprehensive review undertaken by the Committee chaired by Mr. Q. W. LEE of the application of the principle of parity of subsidy to the English-speaking schools. This report has been accepted by your Government.

Primary Education

59. The Green Paper on Primary Education and Pre-Primary Services was published in April. Comments on it, which were generally, but not universally, favourable, are now being digested and a White Paper will issue during the current session.

60. The publication of this White Paper will complete the series of reviews of the Hong Kong education system, which started in 1974 with the White Paper on Secondary Education, continuing in 1978 with one on Senior Secondary and Tertiary Education. The change achieved both on the ground up to Junior Secondary Form III already, and in planned expansion of senior education up to the mid-80s, is spectacular, and is radically changing the

level of education in Hong Kong. But there is still much room for modification, adjustment and improvement in quality. Nevertheless we now have a well-defined background against which any further change can be considered. This should make it timely to conduct in 1981 the promised overall review of the entire system to examine the coherence and effectiveness of the education service and the balance and priorities between different disciplines.

Universities

61. The enrolment of the two universities for the academic year now starting is expected to be marginally higher than the target of 10,330 set in 1978 White Paper. The 3% annual growth rate in student numbers set in the White Paper would have produced a target of 11,300 students. For a variety of reasons, not least of which is the increased cost of university education for our students overseas, the Government has asked the U.P.G.C. to consider the feasibility of increasing the annual growth rate immediately to 4%. This is an interim measure. But we are conscious that circumstances are changing, and also have noted the concern of the Committee on Diversification that facilities for tertiary and technical education may not prove adequate. An official review is therefore being undertaken as a matter of urgency.

Polytechnic

62. The Polytechnic continues on its successful way and no problems are foreseen in reaching the target of 12,000 full-time equivalent students by 1983-84. Within this total the Polytechnic hopes to start offering some courses at degree level, and to increase the number of students on higher level work. Detailed proposals, as for the universities, are about to be made by the U.P.G.C.

Social Welfare

63. In social welfare the past year has been devoted largely to detailed planning and implementation of the policies laid down in the White Paper published in April last year, which are still in their early stages of development. Provision for social welfare in 1980-81 increased by 19% over the previous year, but larger increases are expected over the next few years as White Paper projects, now being planned, are brought into operation.

64. The disability allowance was extended to the profoundly deaf and the disability supplement was introduced at the same time for partially disabled people receiving public assistance. Last month the rates of public assistance and special needs allowance were raised by 22% to maintain their purchasing power. The Director is now examining whether public assistance allowances adequately reflect changes in the standard of living for the community as a whole and whether the rent allowance is realistic.

65. Programmes for the elderly have been delayed for lack of suitable sites for institutions, but it is hoped that at least 5,000 new places in

institutions for the elderly will be provided over the next four years whether in public housing estates or separately built homes; and I trust this modest target will be met. The situation should be eased by the introduction of a quota for elderly people who will be given quicker access to public housing.

66. For the rest I will leave the Director to answer honourable Members' question or comments on the rapidly developing programmes which are now in his charge. As in so many other fields the adequacy of the provision in them could look radically different if the normal growth of population continues to be swollen by massive immigration.

Rehabilitation

67. Satisfactory progress in implementing the 1977 Rehabilitation White Paper continued. The first essential is to spot handicaps at an early age. Considerable progress has been made with establishing various types of screening and vetting to detect and identify handicaps amongst children and 90% of primary schools are now so covered. The next major step will be to form the central registry of the handicapped recommended in the White Paper, and I very much hope that this will be done in the coming year—which incidentally will be the International Year of the Disabled Person.

68. Some progress has also been made with steps to integrate the handicapped into the community. A section has been established in the Education Department to deal with vocational training for the handicapped, and the Labour Department has set up a Selective Placement Service to help the disabled find employment in commerce and industry. At the same time Civil Service Regulations should now make it easier to employ more disabled persons in the civil service.

69. There are 26,000 places for special education this year, and it is hoped there will be 50,000 by 1985-86, though this still represents a substantial shortfall below the 73,000 who it is calculated may need such places by then. And this takes no account of immigration influx. But the places cannot be provided until teachers with the necessary training are available.

70. Provision of day and residential facilities for the mentally handicapped will amount to 1,740 places next year and 4,700 in 1986, against a calculated demand of 7,400 and 8,200 respectively.

71. As these figures show, we have a long way to go, though against the history of the urgent pressures under which Hong Kong has evolved it is not surprising that these services have come late in the queue. However the work that is being done is of a high quality and our resources now make possible a co-ordinated advance across the whole field.

Para-Medical Services

72. The development of medical services and also of rehabilitation services whether directed by the Medical, Education, or Social Welfare Departments,

is very dependent on provision of trained supporting personnel of which we are extremely short. A determined effort has been made to establish courses to produce the people required, whether at the Polytechnic, universities or directly by the Education, Medical and Social Welfare Departments. I was glad to have a very favourable report from the University Polytechnic Grants Committee on the progress made. But the field is wide and in many disciplines the build-up of the cadres required is likely to progress over at least the decade rather than the next few years. This is something that is going to need careful planning by the departments concerned and a close monitoring by the Central Co-ordinating Committee on Rehabilitation and the Medical Development Advisory Committee.

73. With this long course of expansion ahead the Supplementary Medical Professions Ordinance enacted last session was a particularly timely piece of legislation to preserve standards in the para-medical professions.

Medical and Health Services

74. This year has been a year of intense activity and significant progress in the medical and health field.

75. The South Kwai Chung Hospital has been completed, providing 1,300 beds for the treatment of the mentally ill and thus relieving pressure at the Castle Peak Hospital. The Schools Dental Care Service was initiated last month, when the first school dental clinic was opened. The new School for Dentists has been established in the Hong Kong University, the accompanying Prince Philip Dental Hospital is being commissioned (and I believe that it is a show piece by any standard), and in a little over four years from now, Hong Kong will see its first batch of locally trained dentists. Finally arrangements for the new medical school at the Chinese University are progressing well, and the new 1,400-bed hospital at Sha Tin which will complement the school, should be completed by September 1982. I am delighted that His Royal Highness has agreed that it should be called the Prince of Wales' Hospital.

76. These items, taken together, in themselves represent an extraordinary effort. They are however only the peaks in a programme too wide to cover in this address. But I would like to mention the community nursing service. The 150 nurses now in this service will be doubled within the next two years to improve health care as well as to free hospital beds. This service has proved both successful and popular.

77. Rapid expansion in the Medical and Health Department, together with regionalization have thrown up management problems, and a review has been undertaken of its organization. It is hoped that during the next year it will be possible to strengthen the management structure and improve deployment of its resources.

78. As honourable Members know, in addition to the 1,400-bed hospital under construction at Sha Tin, others of similar size are planned for completion to the end of this decade at Tuen Mun and East Kowloon. With these, numerous clinics, and other improvements planned for the medical services, by 1989 we would have reached the target of the Medical Development Advisory Committee of 5.7 beds per 1,000 population, and in clinics seven consulting rooms per 100,000 population, instead of 4.4 and five respectively as at present. The improvement in service would have been dramatic. This assumed a normal population growth rate of about 1.5%. But if current immigration levels are not reduced we can abandon any hope of achieving such improvements. We would make virtually no advance on present levels, and in crude terms the shortfall would be four major hospitals, ten standard clinics, 520 doctors and 3,200 nurses. This is yet another example of the size of threat that continued immigration at present levels represents to standards the population has deserved and had every right to expect, and the progressive strain it is placing on public services.

79. Nor is it irrelevant to our services dealing with law, order and security, to which I now turn.

LAW, ORDER AND SECURITY

Narcotics

80. Our campaign against the twin problems of drug trafficking and drug addiction has continued to be successful. Despite a recent decrease the price of heroin is still three times that of June last year thanks to the success of law enforcement agencies in intercepting supplies. The Government and voluntary agencies are doing everything they can to exploit this situation to free addicts from their addiction. An average of 7,000 persons are now attending the 22 *methadone* clinics every day, while another 7,000 are undergoing other forms of voluntary or compulsory treatment, rehabilitation and aftercare. Compared with an estimated addict population of about 40,000 this figure of 14,000 under care represents quite good coverage.

81. Young people's addiction has continued to decrease. Between 1973 and 1979, the number of addicts under 21 years of age admitted to Prisons Department drug addiction treatment centres, and to the voluntary centre at Shek Kwu Chau, declined by 66% and 72% respectively, so that at present mended three new pieces of legislation which I hope will be submitted this and 2% of those being treated at Shek Kwu Chau.

82. These are significant achievements which reflect growing support and assistance from the public. But the battle is a continuing one and, to add power to our efforts, the Action Committee Against Narcotics has recommended three new pieces of legislation which I hope will be submitted this session to provide for the confidentiality of records of drug addicts; to

impose stringent penalties on ships repeatedly found to be carrying dangerous drugs into Hong Kong; and to strip convicted drug traffickers of their profits.

The Royal Hong Kong Police Force

Expansion and Recruitment

83. After a long period of rapid expansion, last year the Police Force entered a phase of consolidation and this has continued at an annual expansion figure of 5%.

84. The Force's own management capacity has been reinforced, and a new senior civil administrator, equivalent to a Deputy Commissioner in rank, has been appointed with the responsibility of co-ordinating all forward planning and ensuring that the resources necessary for the implementation of plans are forthcoming.

85. Last year saw a concentration on improvements to welfare and recreational facilities which will continue. This includes improvements to police canteens, and to sports and recreation centres, the latter greatly assisted by private donations, and a pilot scheme to provide fitness rooms in police stations. Some 20 holiday homes in Macau and New Territories, of which 16 are for junior officers, are now available. The scheme whereby 400 public housing units a year are allocated to junior officers is working well and when taken in conjunction with plans for construction of more police married quarters should alleviate the Force's serious housing problem.

86. In 1977-78 more than 2,200 junior Police officers were recruited. But last year, because of the policy of consolidation that I have referred to and because of a reduced wastage rate, it was found necessary to recruit only 1,600. This has permitted the Force to be more selective and require that candidates have five years secondary education. This in turn will permit in future a larger number of Inspectorate Officers to be promoted from the ranks. 174 such promotions were made during the last three years compared with 51 in the preceding three years. At the same time efforts have been made to obtain Inspectorate candidates at matriculation and degree level, and with some success. But rapid expansion has left the Force exceptionally young, and lack of the experienced officers essential for effective management continues to be a problem; and it has been aggravated by an unacceptably high exodus of mainly expatriate Inspectors after their first tour. A working party to advise on ways of improving Inspectorate working conditions has been set up; in the short term and as a stopgap measure only, the Police are recruiting from overseas on limited contracts a number of Senior Inspectors with specialist qualifications in the field of commercial crime, training, and possibly seamanship.

Crime

87. Over the years the Police have been successful in reducing robberies— the crime which causes such general fear in the population. Last summer

there was a sharp increase to a daily rate of about 30. This was an unwelcome side effect of success in intercepting drugs, forced up their price, and thus produced a crop of quick cash crime, such as thefts from vehicles, but also mugging. Counter measures were taken which were successful in containing and fighting back this upsurge. And robberies have now been reduced to about 26 a day, but obviously must be reduced further before there is any room for complacency. But as a measure of Police success and effort over the years this figure of 26 compares with a daily rate of 40 in 1974. There is also a disturbing tendency towards more violence and more frequent use of fire-arms. It is by concentrating on crime prevention that the Police hope to reduce further the number of robberies. The triple alliance of Government/ Police/Public is essential for success. The Police will develop this alliance through its Community Relations Officers, its Neighbourhood Policing Units and by more extensive deployment of Crime Prevention Officers to advise the public how to protect themselves. Police preventive methods have been particularly successful in reducing bank and goldsmith robberies which were so prevalent in late 1979 and early this year.

88. Public co-operation through mutual aid committees and perhaps through an overall improvement in civic mindedness has resulted in an increased number of criminals being arrested by the public. The proportion was 8% in 1978, 10% in 1979 and 12% this year. And this is a remarkable and highly satisfactory trend, and is an indication of the steadily improving working relationship between Police and public.

89. I am sorry to say there has been a significant increase in the number of crimes committed by juveniles between seven and 15 years of age. Before the Fight Crime Campaign it was normal for 10% of crimes to be committed by juveniles. This percentage dropped to 7% by 1975. This remained at about this same figure until 1979 when it rose suddenly to 11% and it looks like rising to 16% this year. This reversal in a trend in which we were having such obvious success is both disturbing and bewildering. Not least because it runs contrary to the trend in juvenile drug addiction. I have asked the Fight Crime Committee to undertake a thorough study of both the statistics and causes of this upsurge.

90. It is however inevitable that the additional burden placed on the Police in connection with illegal immigration has to some extent detracted from the strength available for anti-crime duties. Though there is little statistical connection between illegal immigration and crime, it is generally believed in the Force that a connection exists. I think the Force has done extraordinarily well under the double burden.

Marine Police

91. In view of the increased commitments of the Marine Police in combating illegal immigration and policing the waters of Hong Kong the Government has agreed in principle to a ten-year expansion programme to

expand the fleet by 24 vessels. Additionally over the same period it is intended to replace 34 existing vessels. The Marine Police will also continue to deploy fast small boats in anti-illegal immigration operations.

Customs and Excise Service

92. A word about the Customs and Excise Service. Although it is the activities of the Customs and Excise Service in the field of anti-narcotics work which usually make the headlines, we hear comparatively little about the other activities of their 1,500 members and their civilian staff. But they do collect over 5% of the total revenue and their success in the suppression of copyright offences in recent years has been held up as a model for other countries, and has relieved Hong Kong of some vociferous international criticism.

93. This Service has grown by 20 per cent in the last three years, reflecting the growth of travel by air, land and sea, the expansion of overseas trade, the development of the Kwai Chung container port and, more recently, the demands of the increase in traffic of all kinds between Hong Kong and China.

94. The requirements of law enforcement and the protection of our international trading reputation will place a growing responsibility on the Customs and Excise Service and it is being expanded and modernized to meet it.

Prisons Department

95. Although the Prisons Department has not been required to divert so much of its resources this year to Vietnamese boat refugees, the number of illegal immigrants being held in the Department's custody has increased sharply. These are the ones I have already referred to who were originally from Vietnam but subsequently settled in China. At the same time, the regular prisoner population has increased to 6,900 compared with just over 6,000 twelve months ago.

96. Increased numbers of regular prisoners, particularly of long-term and high security prisoners, require additional accommodation. So a second institution for women at Tai Tam Gap has been opened, and funds have been provided for a new maximum security prison at Shek Pik on Lantau.

97. The detention centre programme for young offenders of the 14-20 age group has continued to prove most effective and a second centre has opened on Hei Ling Chau. Of those who have passed through the programme, 95% have not been reconvicted of any offence in the year following release, and nearly 80% have not been reconvicted during the three years following release. In August 1977 the programme was extended in a modified form to young adults between 20 and 24 and the first results have been equally encouraging.

Fire and Ambulance Services

98. A mention of the Fire and Ambulance Services in this annual address is overdue. In Hong Kong's crowded environment and long dry winter fire poses a constant threat, and there are the particular hazards of both high rise development and squatter settlements. The Fire and Ambulance Services have met these challenges exceptionally well.

99. As Hong Kong has expanded so have the demands on these services. Seven years ago they had to respond to an average of 320 emergency calls a day. Today the figure is 650. Moreover in spite of congested streets, appliances and ambulances in the urban areas are almost always on the scene within six minutes of an alarm being received. For this short response time to be possible the Service has been expanded over the last seven years from just under 3,500 to over 5,000 men of all ranks with a corresponding increase in fire stations and ambulance depots as well as fire appliances and ambulances. Plans provide for the continued expansion of the Service and its equipment at an average rate of 15% per year over the next five years.

100. Fires are better prevented than cured. Since the early 1970s the Fire Services Department has required new buildings over a certain height to be provided with automatic fire detection and suppression systems. The benefits of these requirements are now becoming apparent. It is hoped that with the wider application of modern systems and as property is redeveloped, the risk of devastating fires in multi-storey buildings will continue to decrease. But the co-operation of property owners and occupiers is essential.

I.C.A.C.

101. The war against corruption continues, and the staff of the I.C.A.C. have continued to acquit themselves with vigour and dedication.

102. Up to 31 August this year, the Commission has received about 1,080 complaints of corruption compared with about 1,100 for the same period last year. Despite the fact that fewer of this year's complaints provided grounds for investigation, 220 people have been taken to court compared with 180 during the same period last year. Certainly there has been no relaxation in the effects of the Operations Department to bring offenders to justice.

103. The number of allegations about the Police has dropped to less than 30% of all complaints of corruption instead of over 40% which has been the average for some years. Complaints of corruption in the private sector now account for over 30% of the total.

104. The Corruption Prevention Department of the Commission has continued to work closely with Government departments and some public bodies to change procedures which invite corruption. It has also increased its capacity to train departments to undertake their own preventive measures.

105. In response to persistent efforts of the Community Relations Department, an increasing number of individuals are making clear their own stand against corruption. And attitudes and behaviour which were once regarded as unchangeable are giving way to new values. But let us have no illusions; there is still too much corruption and there are too many people who are still prepared to tolerate its existence. Great as has been the improvement, we still have a long way to go before we can be satisfied that there will be no relapse. So the Commission must maintain unrelenting pressure, and in this it may count on the determined support of the Government.

106. In his leadership of the I.C.A.C. the retiring Commissioner, Sir Donald LUDDINGTON, has added yet another and very successful chapter to his long record of wise and able public service.

The Garrison

107. I conclude this section on law, order and security with a word about the Garrison. It has been under exceptional strain in intercepting illegal immigrants. Reinforcement, begun in mid-1979, has continued, and its principal elements consist of a British battalion, a Royal Marine Raiding Squadron, three additional helicopters, two hovercraft, a fast patrol boat and supporting staff.

108. From what I have already said about illegal immigration it is clear that we shall have to maintain our present high level of operations indefinitely. Moreover, it has become apparent that the reduction of the Garrison in 1976 from $6\frac{2}{3}$ to $4\frac{1}{3}$ major units was probably excessive.

109. Discussions with the Ministry of Defence were therefore begun in March with a view to adding a fifth battalion to the permanent strength of the Garrison provided we and H.M.G. could afford the additional cost. This in turn led to a recalculation by the Ministry of Defence and our own Security and Finance Branches of what the cost of the Garrison really was, with a view to agreeing a new Defence Costs Agreement. From the series of preliminary discussions and calculations that have taken place it is clear that we have been somewhat under-charged in the past and that the Garrison is going to cost considerably more in future. Exactly how much more will emerge from the substantive negotiations that will start in a few days. Assuming these negotiations are successful, and it is agreed a new battalion should be added, it will become operational in early 1982. In the meantime reinforcement will continue at a level necessary to guard our land and sea borders.

LABOUR

Legislation

110. Turning now to labour legislation the last session saw further progress. The Employment Ordinance was amended to require the posting up of

relevant extracts of labour legislation by employers, and bring under control those employment agencies dealing solely with the recruitment of domestic servants. The Workmen's Compensation Ordinance, now retitled the Employees' Compensation Ordinance, was extended in scope to cover all employees and to provide substantially increased levels of compensation, employers' liability for the costs of repair and renewal of prostheses and surgical appliances, and a new schedule for assessing loss of earning capacity. Most of the new benefits will come into effect on 1 November this year.

111. The recently enacted Pneumoconiosis (Compensation) Ordinance establishes a scheme of compensation for affected persons and for dependants of those who die from the disease. This will come into operation on 1 January next year. In the meantime *ex gratia* payments are being made by the Government to those persons who have been diagnosed as suffering from the disease before the commencement of the Ordinance.

112. The Factories and Industrial Undertakings Ordinance has been amended to allow regulations made under it to provide for fines up to \$50,000. Amending regulations covering the increased penalties will be made by the Commissioner for Labour and put to this Council for approval during this session.

113. Drafting instructions further to amend the Employees' Compensation Ordinance during this session are being prepared; these include provisions for compulsory insurance, the establishment of more effective machinery for assessing compensation, and measures to expedite settlement of compensation claims.

114. The report of the inter-departmental working group on maternity benefits was circulated early this year to trade unions, major employers' associations and other interested parties. Most of the recommendations were well received and amending legislation will be introduced during this session.

115. Improvements on the application of eight International Labour Conventions were made last year. At present 43 Conventions are applied either in full or with modification.

Industrial Safety and Industrial Training

116. The state of industrial safety in Hong Kong is not something we are proud of. But there are welcome signs that employers and workers are becoming more conscious of the need for industrial safety. A number of employers' associations have been co-operating more closely with the Government about preventive measures. And some workers' organizations have also been involved in promoting industrial safety. I hope this trend will continue and help to reduce the present unacceptably high number of industrial accidents. For its part the Government will continue to expand the Factory Inspectorate to enforce safety legislation and undertake safety education.

117. The Apprenticeship Ordinance has brought about significant improvements in the training of technical manpower. Since the enactment of the Ordinance in 1976, I have specified 37 trades as designated trades under the Ordinance and, as a result, some 15,000 apprenticeship contracts have been registered.

118. On the wider issue of industrial training and related technical education, the Executive Council has advised acceptance of most of the relevant recommendations on this subject by the Advisory Committee on Diversification. One of the most difficult questions was the method of financing additional training schemes. The Training Council has advocated a general levy on exports or on imports and exports, the Advisory Committee on Diversification recommended that this should be a charge on general revenue.

119. The Governor in Council has now agreed that the Government should accept this commitment as a charge on general revenue, but with two provisos. Firstly that the Government subvention should be in the form of a block grant to the Training Council or Training Authority, which would assume a role similar to that of the University and Polytechnic Grants Committee, so as to achieve maximum flexibility. Furthermore, commitments would be accepted by the Government to permit forward planning. Secondly, the existing Construction Industry and Clothing Industry Training Schemes should remain intact with their levies if that is their wish. Legislation will be introduced this session.

THE PUBLIC SERVICE

120. Your Government has continued to put much effort into the administration, welfare and training of the public service. The Standing Commission on Civil Service Salaries and Conditions of Service has continued its arduous and very valuable work, first under the chairmanship of Sir Y. K. KAN, and now under Sir S. Y. CHUNG. It has completed its first major task of reviewing the pay and structure of some 130,000 staff in more than 600 grades. Its recommendations were accepted and the great majority have been implemented. Since the Commission is a permanent and not a temporary body, it is able to review its own recommendations, and in some cases it has already done so. Since clearly it would not be humanly possible to get so many interrelated recommendations absolutely right first time, and particularly when new facts are brought to its attention, this capacity to review its own decisions is likely to prove one of the great strengths of this new organization and one which should allow the staff side to have confidence in it.

121. The Commission's latest report, on improving consultative arrangements in the civil service will be published shortly, and is likely to have great long-term effect. It offers the opportunity to improve both the formal consultative machinery and the informal dialogue between staff and management.

122. The Commission has identified a number of other issues for its next review. Probably the most important will be its examination of the present system of making service-wide pay adjustments.

123. Last year I mentioned that we had completed a review of the arrangements for housing of civil servants and that the service was being consulted on the Government's proposals for a home purchase scheme. The consultation is now complete, and proposals will shortly be put to the Executive Council. If accepted, it is likely that the scheme may have to be implemented in phases because of its far-reaching financial and economic implications, but I sincerely hope that we shall be able to make a start in the next financial year.

124. I end this section with a very sincere word of thanks and congratulations to the public service. The ever-expanding size and complexity of the new Hong Kong that we are building places ever-increasing burdens on the public service and particularly on its more experienced members. I am profoundly grateful to the service for the enthusiasm and dedication with which this challenge has been met.

125. Before speaking about the response to the Green Paper on District Administration, I will deal briefly with a group of what might be described as environmental issues: land production, pollution, transport and communications, and the cleanliness of Hong Kong.

Land Production

126. Production of land is vital to our economic expansion. It is a very scarce commodity in Hong Kong and its high cost does us no good, to some extent offsetting the many attractions which Hong Kong otherwise offers investors. It is for this reason that I attach such importance to the work of the Special Committee on Land Production, now under the chairmanship of Miss DUNN. I should add that a complete official review of our system of land planning administration and production is being undertaken and the association of Unofficials with it.

127. Last year I said that we had succeeded in raising production to a considerably higher level than before, but that the 120 net hectares that should be available for sale in the two-year period up to 31 March 1982 was probably inadequate. I am glad to say that thanks to the exertions of the land authorities, this figure has now been raised by 25% to 150 hectares, and that even this may well be exceeded. With regard to land sales in the following year a target has been set by the Committee of 50 hectares net for private residential and 30 hectares net for light industrial use or 80 hectares in all. This does not include 49 hectares additionally being produced for the Industrial Estates Corporation in this period. In addition the target of land production for public housing between now and March 1983 is 190 hectares gross.

Pollution

128. Much work has been done on the essential framework of legislation necessary to contain and gradually reduce the problems of pollution. The Water Pollution Bill and Waste Disposal Bill were both enacted in the past session, and the regulations necessary before action can materialize are being drafted and will be submitted to the Executive Council during the year. An Air Pollution Control Bill will be introduced this session. During the last session the Summary Offences Ordinance was amended to provide powers to control construction noise. Work is proceeding on the preparation of a Noise Abatement Bill but it is not certain whether it will be ready this session.

Transport and Communications

129. Despite the relief to the road system resulting from the opening of the Modified Initial System of the Mass Transit Railway, Hong Kong is experiencing growing traffic congestion. Vehicle registrations are now 40% above their level three years ago and private car registrations are 50% above that level.

130. Substantial progress has been made in the road programme. The Ap Lei Chau Bridge, Glenealy Flyover and the Wu Hu interchange at Hung Hom have been completed. The major projects which will be completed in the coming year include the Kwai Chung section of the Tsuen Wan By-pass, the Aberdeen Tunnel, the East Kowloon Corridor and flyovers at Canal Road, Stubbs Road and the junction of Pok Fu Lam Road and Hill Road. Starts are being made on the Island Eastern Corridor between Causeway Bay and North Point, on the Tai Kok Tsui section of the West Kowloon Corridor, on the coastal highway from Sha Tin to Tai Po, and on completion of the Tuen Mun Highway. Consultants will finalize their report on the expansion of cross harbour links within the next few months. Consultants are proceeding with the design of a fixed crossing to Lantau and will submit their report by June 1982. A study of a major new road between Sha Tin and Tsuen Wan will be commissioned shortly.

131. It will be sometime before these projects afford significant relief to Hong Kong's inadequate road systems, either in the Urban area or in the developing North East and North West. The rephasing of such projects from time to time in response to economic necessity has undoubtedly been prudent, but equally undoubtedly there is a price to pay in terms of convenience, time wasted, and perhaps most important of all if it is allowed to go too far, the attractions of Hong Kong to some industrial investors. Meanwhile more economic use will have to be made of the existing road system, and if unavoidable the growth of vehicles in use will have to be curbed. It is the unenviable task of the Transport Advisory Committee to wrestle with these complicated, intractable and most controversial problems and advise the Government on practical solutions. I am sure we all wish the new Unofficial Chairman, Mr. Lo, every success (*laughter*).

132. Although traffic accidents and casualty figures have declined marginally, and much good work in this field has been done, none of us accept the position to be satisfactory. A Road Safety Division is being formed to undertake more scientific identification of the cause of accidents and to take counter-measures.

133. The Mass Transit Railway is having a major effect on transport patterns. A decision will be taken shortly on whether it should be extended on Hong Kong Island. In any event the effect of the M.T.R. will continue to be carefully monitored to ensure that all forms of public transport are integrated into an efficient network.

134. In February this year agreements were signed between the Government and the major bus companies, including programmes to improve their standards of service. To give you an example of the scale of these programmes they include the acquisition of altogether 420 new double-decker buses this year and 640 next, as well as improved maintenance facilities.

135. Ferries are a very important part of the public transport network, and the Government intends to introduce a Ferry Service Ordinance later this year under which new franchises with the major ferry companies will be designed to ensure the future efficiency and viability of ferry operations.

136. The \$2,000 million programme to modernize and electrify the Railway from Hung Hom to Lo Wu is now well under way. The planning stage is largely completed and work will be seen increasingly on the ground as more contracts are let on the route of the entire railway, which should be completed by December 1982. When the interchange with the M.T.R. at Kowloon Tong is completed in April 1982, the two systems should greatly improve the convenience of our public transport.

Cleanliness in Hong Kong

137. Honourable Members, the Keep Hong Kong Clean Campaign, which was first launched in 1972 was a success, and from a dirty city produced a clean one with astonishing speed and to everyone's gratification. Hong Kong is still cleaner, neater and much greener than it was before the Campaign, but we all know the standard has fallen in the Urban areas and is unsatisfactory in the New Territories. The ubiquity of construction with its accompanying mess and litter is partly to blame; so also is the sheer volume of the problem of refuse collection—there has been a 46% increase since 1972. But clearly the co-operation and interest of the public has slipped, and I suspect that on the Governmental side too low a priority and too little encouragement has been given to the cleansing services. However that may be, unless we do something about it Hong Kong will slip back into the dirty, uncared-for appearance of a decade ago, and no one wants that, either for ourselves or our international reputation. The Government and the Urban Council therefore intend to embark on a new Keep Hong Kong Clean

Campaign in both the Urban Area and the New Territories to begin in October 1981. Clearly parallel action will be necessary in the country parks.

138. In this Campaign we have no intention of substituting publicity gimmicks for action, fun though gimmicks are. But we do need to be sure that we have the men, machines and collection points to do the job better; so an urgent review of resources has been undertaken. For instance it looks as if it will be necessary to spend about \$50 million on new equipment in the New Territories. We also need to consider what measures could reasonably be taken to enforce the anti-litter laws more effectively. When we are sure that the Governmental side of the operation is in better shape, measures will be taken to enlist the support and co-operation of the public. Provided the Government and the Urban Council play their part, I have no doubt the public will play theirs.

DISTRICT ADMINISTRATION

139. And, now I come to the Green Paper on District Administration. Its theme is provision of a district focus for administration, consultation and participation. The main proposals are well known to honourable Members and I will not repeat them here.

140. They have provoked thoughtful comment and this has been carefully recorded and studied. It will of course not be complete until honourable Members' own comments have been made later in the debate, after which a White Paper will be drafted. I cannot anticipate what the contents or recommendations of that White Paper will be, but from reading the comments on the Green Paper there does appear to be universal agreement on the need for more emphasis on district administration, consultation and participation, so I am encouraged that we are heading in the right direction. Discussion and criticism have focussed on whether the powers of the District Boards will be sufficient to command interest, and on the proportion of elected to appointed members and whether there should be direct election to District Boards in the Urban areas as well as the New Territories. I note that while there is much support for the principle of adding an elected element, there is also support for the retention of appointed membership as well. There appears to be a very large measure of support for elections on a constituency rather than a territory-wide basis, and indeed it does not seem possible to achieve the local focus aimed at by any other means. Some advocate retaining the ten City District Offices rather than amalgamating two districts on each side of the harbour. 21 has generally been supported as the right age for voting rights though some have argued for both higher and lower ages, and some also for educational qualifications. But I note a wide band of opinion which considers three years' residence too little in the present circumstances of Hong Kong. Some have argued that there should be more stringent qualifications for candidates than voters. Honourable Members will also have noted counter proposals for a two-tier electoral system in the Urban Area which would retain the existing territory-wide

Urban Council elections by which sitting members have been elected but would be augmented by separate elections for District Boards with the candidates with the most votes having a seat on the Urban Council.

141. All these views are now being carefully considered and we hope to be able to publish the White Paper by the end of this year. Subject to the views of honourable Members, appropriate legislation might then be introduced into this Council early in 1981 to pave the way for elections under a new system perhaps in the spring of 1982. To make this possible a substantial deployment of Government manpower would be necessary, and a tentative programme has been worked out progressively to set up District Management Committees and District Boards in all districts (though until elections are held Boards would consist of appointed members only). The first step would be to set up a District Management Committee in Wong Tai Sin and a District Board in Kwun Tong where there is already a Management Committee. Similar steps would follow we hope at about three monthly intervals in other Urban districts until all are covered.

142. There are two points on which I would like to reassure honourable Members:

First the membership of Management Committees must be of adequate calibre and the powers and authority of their members in the departments they represent must be clearly defined. In no district will we proceed to the setting up of a District Board until an adequate Management Committee is in place to work with it. No one will wish to serve on a Board that cannot achieve results because of the absence of adequate official support.

Secondly, the Boards must have funds that they can spend on their own initiative for defined purposes. This applies particularly in the New Territories where Urban Council funds are not available but also to a lesser extent in the Urban districts too, and I am sure that the latter could be achieved without infringing the Urban Council's prerogatives. While the real power of the Boards will be through the influence they exert in partnership with officials, I do not think that the Boards will attract interest unless, in addition, they have some financial resources of their own.

143. Hong Kong is now too large, too complex, and geographically too spread out for the old system of centralized Government to continue to be the complete answer; it must be supplemented with more strength at District level. Similarly though there are good arrangements that work well for unofficial advice and participation at central Government level, they are not matched in the most effective way at District level and for this there is now an obvious and growing need. The Green Paper was not the first word on this subject, and it is certainly not intended to be the last. But I hope that when modified in the light of public comment, it will enable

us to take a significant and practical step towards closing this gap between public and Government at District level.

SINO-BRITISH RELATIONS AND HONG KONG

144. Sino-British relations are now settled into a pattern of friendly co-operation. This is true also of the relationship as it affects Hong Kong and I think there is a growing understanding of the positive part that Hong Kong can play in this relationship and indeed in other respects.

145. Our dealings with the many officials of the Chinese People's Republic in Hong Kong continue to be on a basis which is both positive and satisfactory. The extent to which our businessmen are engaging in compensation deals and joint ventures in China has considerably expanded. It was with this development in mind that I asked Sir Yuet Keung KAN to lead a group to Guangdong to get a clearer picture of how Hong Kong and United Kingdom interests could contribute to Guangdong's development plans. Guangdong's Director of Foreign Trade will be coming here on a return visit later this month. I believe this closer co-operation on economic matters will be welcomed both in Hong Kong and Guangdong.

146. With improved communications, I hope that Hong Kong can play an increasing part in the growing tourist industry of China.

147. As the new economic policies of China become clearer and firmer, so business interest in China will expand. Inevitably this will increase interest in the role which Hong Kong can play in this process. I have no doubt that on the one hand this will mean that some enterprises now in Hong Kong will take advantage of the lower land and labour costs in Guangdong; on the other hand, that firms and industries will open up in Hong Kong which otherwise would not have done so.

148. There is nothing in this rapidly evolving situation which we have to fear. But naturally it involves new problems as well as new benefits. It is therefore important that we should keep in close touch with the Provincial Government of Guangdong and find ways by which any new problems can be solved by mutual co-operation. And this we are doing.

RELATIONS WITH THE U.K.

149. With the United Kingdom our relations—if that is the right word—have been marked by deepening understanding on both sides. The quick response to our appeal for reinforcements was a case in point; so too was the brisk response of the Secretary for Trade to the exclusion of Cathay Pacific from the cabotage route. Of course in so close a relationship problems are bound to arise, but the degree of Ministerial interest in and first-hand knowledge of Hong Kong has been a great help. So too has the work of the All-Party Parliamentary Group under the chairmanship of Sir Paul BRYAN. I also believe our Commission in London has done and is doing a first class job.

150. The economic basis of the relationship remains satisfactory, and this is obviously of great importance. With United Kingdom exports to Hong Kong this year looking as if they would top (500 million, and taking into account invisible earnings and other indirect advantages to the United Kingdom, I believe the mutual advantage of the relationship to be on a sound basis.

CONCLUSIONS

151. Honourable Members, the Report I have made to you is a long one. Even so, for the sake of brevity, I have not mentioned some fields of particular interests such as the arts, sporting facilities and services and country parks. But all are making good progress along lines laid down, and there is no need for me to go into detail. But the report is on the whole an encouraging one, although it has some darker features. There is war in the Gulf, and naturally we are worried at the implications. There is the obvious worry of immigration, which is a problem that can only be solved in close collaboration with our neighbours in Guangdong. Thirdly I would like to make a point which is less obvious but which deserves careful thought. While I see the situation developing in China and in the South West Pacific region to be highly favourable to Hong Kong, and to hold a prospect of bright opportunities, I am concerned that we should have the facilities—that is to say the land for new industry, the roads, the housing—that will ensure that the new opportunities can be grasped by Hong Kong. Curbs on Government construction have been necessary for the economy in the short term, and have been prudent. But we must show prudence also in ensuring that we are not at a disadvantage in the economic prospects further ahead. Enormous as has been the expansion of our capital works programme over the last decade and greatly to the credit of our engineers, architects and planners as it has been, we must constantly consider whether the speed of production is adequate for the needs of the decade to come. It is the infrastructure of our economic progress.

152. But as I say, generally speaking the picture is an encouraging one, with a surprisingly buoyant and balanced economy, fine work by our industrialists, exporters and builders, and solid progress in our social programmes coupled with budgetary stability. These, taken together with our friendly relations with China and continuing support and interest from the United Kingdom form a good basis from which to face the future.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until same time next week.

Adjourned accordingly at ten minutes past four o'clock p.m.