

OFFICIAL REPORT OF PROCEEDINGS**Thursday, 26 March 1981****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. 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 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 DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR ECONOMIC SERVICES

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

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

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

THE HONOURABLE GERALD PAUL NAZARETH, O.B.E., Q.C.
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-HUAI, O.B.E., J.P.
SECRETARY FOR HOUSING

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

THE HONOURABLE SELWYN EUGENE ALLEYNE, J.P.
DIRECTOR OF SOCIAL WELFARE

THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.
DIRECTOR OF EDUCATION (*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.

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 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, O.B.E., J.P.

DR. THE HONOURABLE HO KAM-FAI, 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 WILLIAM CHARLES LANGDON BROWN, J.P.

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN

ABSENT

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, C.M.G., J.P.
CHAIRMAN, COMMITTEE TO REVIEW POST-SECONDARY AND TECHNICAL EDUCATION

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

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

THE HONOURABLE CHAN KAM-CHUEN, J.P.

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

IN ATTENDANCE

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

Second reading of bill**APPROPRIATION BILL 1981****Resumption of debate on second reading (25 March 1981)***Question proposed.*

MR. PETER C. WONG:—Sir, in a world of uncertainties, the Financial Secretary's cautious optimism is most reassuring. Although recent events in certain sectors of our economy have not been encouraging, there is no cause for alarm. I would view them as cyclical or technical adjustments, which are necessary and desirable, if our objective of stability with growth is to be achieved.

However, there is no room for complacency, particularly when we take into account the multiplier effect. Stated simply, upswings and downswings of business activity tend to be cumulative. A small decrease in activity can be magnified into a much larger decrease in G.D.P. It is therefore important that our management of the economy especially in the coming months should as far as possible guard against this effect.

I welcome the five tax concessions and I have no quarrel with the estimated \$7.8 billion surplus. According to economists, a budget surplus, if left idle, is anti-inflationary. Since the surplus will be transferred to reserve, it is an indirect weapon against inflation.

Turning to the Draft Estimates of Expenditure, I shall comment briefly on two areas, civil service training and leased office accommodation and quarters.

A sum of \$26.5 million is provided for civil service training. This appears to be a relatively small amount in view of the size of our civil service. Enquiry, however, reveals that the bulk of training expenditure is provided for departmentally and the actual amount might well exceed \$100 million. This 'hidden' expenditure is certainly very substantial and I presume would be sufficient to cater for our training needs. While it is appreciated that it may not be easy to itemize with accuracy expenditure of this nature in the departmental estimates, a note showing approximate amounts to be incurred would certainly be desirable. Such information would, I am sure, be useful to the Government in the management of the civil service and to quote the Financial Secretary, to serious students of our affairs.

A sum of \$550 million is provided for rents and fitting out of premises. There is, however, no breakdown to show the amount for leased office accommodation

or for rented quarters. Government, I understand, is currently renting some 2.7 million sq.ft. of office premises and by the end of the year this figure is expected to reach 3.3 million sq.ft., almost five times the total lettable floor area of Connaught Centre. There is already an acute shortage of office accommodation. Is Government competing with the private sector and thus inducing a steeper upward swing of office rentals? Admittedly, it is neither possible nor desirable to conduct all Government business in Government buildings, but given the present imbalance it would be prudent to reduce progressively the dependence on rented premises. It will be in Government's own interest to formulate a long-term policy aimed at the optimum provision of its own office premises within a definite time schedule. The same comments would apply to rented quarters for civil servants.

Sir, during the past ten years, the Financial Secretary has steered our economy with outstanding success. His achievements are many, but to my mind, his refusal to yield to temptation and indeed pressure to adopt a policy of intervention, so popular with many countries in the 70s, is a singular achievement. In the Financial Secretary's own words: 'Our experience in the post-recession years is a vindication of our reliance on the adjustment mechanism to achieve growth with stability and emphasizes the need to be very careful indeed not to damage inadvertently the efficiency of the operation of that mechanism.'

Sir, I support the motion.

MR. WONG LAM delivered his speech in Cantonese:—

督憲閣下：一九八一——八二年度的財政預算案，是夏鼎基爵士任財政司的最後一次預算案。過去十年來，夏鼎基爵士為本港經濟穩步進展所作的貢獻，大家有目共睹。固然，這十年間本港的發展，並非夏氏一人之功，但他憑着無比的魄力，為政府建立良好的財經體系，以卓絕的見識和過人的眼光，釐定符合本港經濟發展的政策，功勞肯定極大，值得廣大市民表示感謝。

由七二年至八一年，本港在經濟上經歷了不少的波動。七三年的投機狂潮及隨之而來的經濟衰退，令港人生活水平，大受影響。幸而七五、七六年的經濟復甦，及本港官民的努力，帶來七十年代末期的繁榮。踏入八十年代，本港社會可算豐裕，市民生活水準日高。財政司本年度的預算案，不論在收入或支出方面，較諸七二——七三年，皆多出近七倍，無論在教育、醫療及社會福利計劃方面的撥款，都大有增加，一般市民自然因此大為得益。不過，本人認為目前有兩類市民的福利，仍然值得政府關注，和利用目前良好的財政狀況，提供更佳照顧。

首先，是部份不幸不能照顧自己的市民，例如傷殘弱能人士。當然，在為這類人士提供服務時，很多時會受社會工作者人手不足或其他行政上的困難而影響進展速度。但本人認為部份服務對專業社會工作人手之需求並不大，這些服務在財政情況許可下，政府不妨加速其發展。例如在提供傷殘及弱智者之津貼時，是否能考慮放寬目前的申請條件？又如老人宿舍之設立，是否可以大為加速？家務助理計劃方面，亦應快速擴展。又如復康巴士方面，政府目前的政策是否未夠慷慨？當然，剛才所提及的各類服務，政府已有白皮書及種

種計劃書釐定發展方針。但在目前情況下，相信政府有能力以更快速和慷慨的態度來推展，使這些不幸的一群，能夠因為本港社會的富裕而獲益。

其次是部份中等收入的市民，財政司今年所提議的較高入息免稅額，對他們無疑是很好的消息，但本人認為這些人最關注和最感頭痛的住屋問題，仍有待政府幫助解決。財政司提議將印花稅豁免額提高，對有能力置業的中等收入人士，當然有所幫助，但這種幫助，作用並不大。政府應當以更有效的方法，協助因入息而未能入住公屋或購買居屋的人士。這是本港目前民生一大問題，也是政府面臨的極重大挑戰。

純粹以入息作為主要因素，以決定能否入住公屋或購買居屋，可能是不公平的政策。相信部份現居於公營樓宇人士，無論在表面收入方面，或扣除屋租後之實際收入方面，都比部份中等收入人士為佳。政府應當考慮以更大膽或新穎的方法，甚至擺脫傳統的考慮方法，以尋求新的安排，以幫助夾層人士的住屋問題。

去年本人在預算案辯論時，曾提議政府考慮容許夫婦分開報稅及課稅，當時未為接納。但本人認為財政司的論點，並未能令人信服。合併報稅制度下受波及的對象，主要是中等收入人士，較高或較低者都不受影響（或影響極微）。既然財政司有意令稅制對各階層納稅人都達到公平的目的，則在這問題上，相信有再作考慮之必要。

督憲閣下，本人支持此項動議。

(The following is the interpretation of what MR. WONG LAM said.)

Your Excellency, the 1981-82 budget is Sir Philip HADDON-CAVE's last budget in his capacity as the Financial Secretary. We have all witnessed Sir Philip's contributions to the steady progress of Hong Kong's economy in the past decade. Of course, Hong Kong's development over the past decade could not have been brought about by Sir Philip's efforts alone. However, with his unparalleled energy, Sir Philip has established for Hong Kong a sound financial system; with his superb knowledge and excellent foresight, he has laid down policies that are in keeping with our economic growth. He has done much for Hong Kong, and the public should be thankful to him.

From 1972 to 1981, Hong Kong has experienced quite a few economic upheavals. The fever for speculation in 1973 and the ensuing economic recession greatly affected the people's livelihood. Fortunately, 1975 and 1976 saw an economic revival and, with the joint effort of the Government and the people, Hong Kong again enjoyed prosperity towards the latter part of the seventies. The eighties are an era of social affluence, with the people's standard of living getting higher each day. The budget for 1981-82, in terms of income and expenditure, is nearly seven times that for the year 1972-73. Appropriations for educational, medical and social welfare services have increased considerably, thus benefitting the man in the street. However, I think the Government should pay more attention to the well-being of two groups of people, and take advantage of the present favourable financial position to do something for them.

The first group is the unfortunate people who cannot look after themselves, e.g. the physically-handicapped. It is true that in many cases progress in providing services for these people is hampered by shortage of social workers or by other administrative difficulties. But some of these services, I think, require

less professional skill than others. The Government should accelerate the expansion of these services where financial conditions permit. For instance, can the Government consider relaxing the present criteria in respect of the eligibility for disability allowance? Could we not speed up the construction of homes for the aged and the expansion of the home help service scheme? And on the subject of Rehabus Scheme, is the Government generous enough in its present policy? Admittedly the Government has laid down an overall development plan for the services mentioned above in its various white papers, but the situation being favourable as it is, I believe the Government is capable of implementing these services more expeditiously and generously so that the unfortunate group may benefit from our community's affluence.

The second group is some of the middle-income earners. The Financial Secretary's proposal to raise the personal allowances for salary tax assessment has, no doubt, come as welcome news to them. But I believe that for this group, Government assistance is still needed in the area of housing which is their utmost and gravest concern. The Financial Secretary's proposal to raise the limits for exemption of stamp duty would certainly be helpful, but only in a limited sense, to middle-income earners who can afford to purchase their own homes. The Government should devise more effective means to help those who are neither eligible for public housing nor for Home Ownership Scheme flats because of their level of income. This is a problem which affects many people in Hong Kong and is a major challenge to the Government.

To base the eligibility criteria for public housing or Home Ownership Scheme solely on income may not be a fair policy. I believe that some tenants of public housing estates are better off than a large number of middle-income earners living elsewhere, both in terms of gross income and of net income after deduction of rentals. The Government should consider taking more radical and innovative measures, or even do away with the traditional approach, to seek new arrangements to help the sandwiched class solve their housing problem.

In the budget debate last year, I proposed that the Government should consider introducing separate assessment and taxation for married couples. The proposal was not accepted. I do not think, however, that the argument put forward by the Financial Secretary was very convincing. Under the present system of combined assessment, it is essentially the middle-income group that suffers. Those at the higher or lower ends of the income scale are not affected (or only to a very small extent). Since the Financial Secretary has every intention to make the tax system fair to all classes of taxpayers, I believe that reconsideration of this issue is necessary.

With these remarks, Sir, I support the motion.

DR. HO:—Sir, by virtue of the prudent management of public finances by our Financial Secretary, our economy has experienced more than satisfactory growth continuously for five years since recession, bringing the total fiscal reserves to a record in 1981 of \$10,300 million. This is an amazing achievement

by any standards. However, I would suggest some measures which our caring Government may consider to take in order to spread these economic gains to the less privileged sectors of our community.

I. *Income Security for the Vulnerable*

In November 1977, the Government published a Green Paper entitled 'Help for Those Least Able to Help Themselves: A Programme of Social Security Development'. In the course of discussion, the Government conceded that 'there are still significant social risks which are uncovered (by the existing improved social security system)' (paragraph 8.3). These risks may arise when a person becomes ill, unemployed or retired from work. The only form of assistance on which he can now rely for a basic living, when he has exhausted his own savings or the limited protection provided under the existing Employment Ordinance, is the Public Assistance Scheme. Thus, the Government recommended, pending the reaction of the general public, the introduction of a contributory Sickness, Injury and Death Benefit Scheme, as a measure to protect against these risks.

Later in April 1979, the Government produced a White Paper on Social Welfare into the 1980s. In the document, the Government affirms the desirability of widening protection for the working population, but admits that 'it has not yet reached a conclusion on what the best method of proceeding would be' and promises to continue considering this matter (paragraph 3.21).

The incidence of social risks mentioned in the Green Paper has persisted since its publication and there is a need to provide for those being hit by prolonged involuntary absence from work. I believe that a contributory scheme, that is, the Sickness, Injury and Death Benefit Scheme proposed in the Green Paper in 1977, will in the long term provide an effective and equitable method of providing income security for those unemployed. The increase in the number of industrial and occupational accidents in recent years which totalled more than 70,000 cases in 1980, coupled with the considerable stresses and strains and illnesses associated with urban life would reduce the number of working days for the average workers. In view of such factors and that the Government has taken a rather long time to consider the scheme, I therefore urge that a decision be made as soon as practicable.

In the interim, Government might consider a scheme which could provide some relief for those persons who have been forced to be absent from work for a prolonged period due to unemployment or disablement but are not eligible to qualify for public assistance. The fact is that a person who is currently out of job and is genuinely affected cannot at present receive any income-protection, unless his family income is extremely low.

Hong Kong's working population is a relatively young one and it has so far only experienced periods of prosperity and rapid economic development. In times of recession, it is important for those who live from hand to mouth to have

some relief to fall back on. It is socially desirable, Sir, that a safety net be provided for those least able to help themselves, particularly in rainy days.

I therefore, while affirming the Public Assistance Scheme as the mainstay of Hong Kong's social security system, venture to propose that the special needs allowance be extended to include an unemployment allowance. Similar to the disability or old age allowance, the unemployment allowance should be based on need established by reference to the circumstances of the individual, and not by reference to low income. A flat-rate, non-means-tested allowance equivalent to the basic public assistance rate for a single person could be made payable to an involuntarily unemployed person, subject to certain conditions being met.

Hong Kong's workers are generally hard-working and industrious. This is evidenced by the general enthusiasm of the younger generation wishing to become self-reliant at an early age. As the level of the allowance is rather low, it would not have an adverse effect on the individual's work incentive. Misuse of the scheme can be kept to a minimum by imposing various criteria. For example, the applicant must be above 17 years of age and has registered with the Local Employment Service of the Labour Department for one month and must have been an employee for the last five years as defined by the Employment Ordinance. The eligibility requirements will ensure payments are only made to those persons who have actively contributed to the economy and who are serious to regain economic independence.

The provision of such an unemployment allowance will no doubt provide a welcome relief to Hong Kong's wage earners. It will not only alleviate the workers' financial burden associated with the costs of living depressed by loss of income arising from unemployment, but will also be a crucial stabilizing force for the Hong Kong community in times of crisis and economic recession.

II. *Services for the Mentally Retarded*

Turning to another subject and as a tribute to the International Year of Disabled Persons, I would like to draw the Government's attention to the development of rehabilitation services for the mentally retarded. The Green Paper on Rehabilitation estimated that 2% of our population suffer from mental retardation. For the purpose of rehabilitation, mentally handicapped people are classified into three groups, according to the degree of mental deficiency, and their number in 1980 is estimated as follows:

- mildly retarded—72,000 persons,
- moderately retarded—15,000 persons, and
- severely retarded—3,000 persons

Mentally retarded people have difficulty in understanding and communication, in forming a relationship with others and in adapting themselves to new situations. Many of those with profound mental deficiency have physical handicaps or personality disorders as well. This means that a mentally retarded child or adult causes great strain on the family as a whole. As the child grows

older, his demand on the family in terms of attention, care and money will increase disproportionately. In order to assist the family in looking after their mentally handicapped members and in developing them to their full potential, community resources and services must be provided, and easy access to these services must be ensured. Among this wide range of services, I choose to propound on vocational training and job placement services.

The object of training is to teach the mentally sub-normal people how to use simple tools, to equip them with some skills, to develop in them work habits and to enhance self-reliance. However, the current provision of vocational training places in the Government-run and voluntary institutions falls far short of the demand for them. A total of 196 of such places are provided by the Education and Social Welfare Departments. More resources should be allocated to increase these places. The types of training provided should be made suitable for the changing characters of our industries.

The movement from the training centres into remunerative employment for the mentally handicapped is not a smooth one. Because of community's bias, employer's misconception of the handicapped person's working ability, public transport and access problems, and lack of information about job situation, a rather substantial number of the mentally retarded persons are unable to secure employment after leaving training centres. A recent local research conducted by the Hong Kong Polytechnic Social Work Faculty showed that almost half of the 'leavers' (i.e. 48%) were not employed. The employment situation of the older mentally handicapped persons is even more unsatisfactory. Apart from community education and promotion campaigns as long-term remedies, the Government must take immediate measures in strengthening the social work and job placement staff in the training centres and in the Social Welfare Department, and in upgrading the functions of the Selective Placement Service of the Labour Department to place mentally retarded job-seekers as soon as practicable.

Among the mentally handicapped persons who have got a job, the size of those engaged in open employment is disproportionately small relative to the total number of those capable of being employed. This means that a large number of the mildly mentally retarded workers are not making full use of their productive potential and a corresponding loss of productivity has thus incurred to our economy. The local research cited earlier bore out this fact. In addition, the research also indicated that those handicapped workers in open employment on the average earned a much higher wage than their counterparts in sheltered work. Almost 60% of the disabled workers in open employment in the survey earned \$400 or more per month, whereas almost 90% of those in sheltered work earned \$200 or less per month. Despite their low wages, most of the handicapped workers in sheltered workshops are not qualified for disability allowance, because their disability is not assessed to be of the severe grade. They therefore have to rely on their families for support. Would it be feasible for the Government to consider relaxing the requirements for disability allowance for those mentally retarded workers in sheltered workshops?

Employment gives purpose for life. This is especially important for the mentally disabled persons. While the development of more open employment opportunities is a long-term goal for the Government, it should take more immediate action to expand job opportunities in sheltered work. The present situation is that the demand for places in sheltered workshops far outstrips the supply. The Review Reports 1979 and 1980 of the Rehabilitation Programme Plan recommended an addition of 1,700 sheltered work places by 1983-84, whereas the total population of the mentally retarded persons is estimated to be about 90,000 in 1980. I wonder whether the rate of provision can be stepped up, so as to reduce the shortfalls in this service area.

The investment in educational and employment programmes for the mentally handicapped yields an economic cost-benefits dividend that most people do not realize. Experiences overseas showed that educational services provided at prevocational level to the mildly retarded can be justified on the basis of earnings alone. The earnings of the mildly retarded males increased by almost \$7 for each \$1 spent on their education; for females, the gain was \$4 for each \$1 invested. Likewise, expenditure on vocational training also proves to be a lucrative investment. Furthermore, financial benefits arising from these rehabilitation programmes resulted in reducing the mentally disabled person's reliance on public assistance.

Finally, accessibility to the workplace is essential for enabling the mentally handicapped persons in holding their jobs and cheap transport can make it economically worthwhile for them to retain their jobs. Public transport in Hong Kong is quite a problem even for the able-bodied (*laughter*). I would like to suggest that Government allocate more resources to improve transport for the disabled people, including more subvention for the Hong Kong Society for Rehabilitation to expand its Rehabus Scheme.

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

MR. ALLEN LEE:—Sir, 1980 was an outstanding year for Hong Kong. Judging from the economic performance despite the uncertainties and recessionary economic climate in our major markets, we have managed to achieve a 9% G.D.P. growth rate. If I have to single out one factor which contributed to this success, it must be the basic policy of free enterprise maintained by the Government.

Certainly we had our share of problems in the economic front, such as inflation, high interest rates, spiralling rent increases in commercial and industrial complexes, stronger trends of protectionism, slow economic recovery of our major markets—many of these problems are still with us today and some are beyond our control, but I believe as long as we can maintain a high growth rate it is well justified to provide the people in Hong Kong with a better living standard. Therefore I welcome the Financial Secretary's tax concessions, particularly the increase in personal tax allowances. Some may argue the increase in tax allowance is not sufficient, but I feel it is timely and adequate.

I must emphasize again the importance of maintaining economic growth. I will focus my speech on three areas which may not be totally related, however their long-term implications to our economy are, in my view, of significance.

Industrial Estates

It has been four years since the formation of the Hong Kong Industrial Estate Corporation. To my knowledge there are twenty-nine sites which had been under construction or were earmarked for the successful applicants which occupied approximately half of the first two stages of 45 hectares of land in Tai Po. A third stage of development of a further 20 hectares of land is proposed. Furthermore, a second industrial estate will be formed in Yuen Long which will provide 72 hectares of land.

I agree with the concept of industrial estate, even though it is not new, but it should stimulate industrial investment and development in Hong Kong. Therefore, I watch the progress of industrial estates with great interest. However, judging from the number of applications during the last two years, it has not been overwhelming even though I believe the quality of applications had been improved. If the same pace is to be maintained, it will be eight more years before the Tai Po Industrial Estate will be filled with factories, provided we do not run into problems with the lease conditions.

Personally, I believe the progress has been too slow. There might be a number of factors involved which are not attractive to investors or prohibits potential investors from investing in the estate. I suggest the Government should reexamine several critical areas namely: (1) promotion, (2) criteria and (3) conditions of lease. Sir, it is inevitable that the Tai Po and Yuen Long Industrial Estates must succeed in the original goal of attracting technology-intensive industries, therefore I believe more weight should be placed upon the management of the Hong Kong Industrial Estate Corporation in order to speed up the process of further investments. If we are unable to attract investors into Hong Kong, our basic aim of diversification of industries will be greatly jeopardized. It is with this in mind that I propose an objective review without delay.

Design and Packaging Councils

The second area of my concern lies in the activities of the Hong Kong Industrial Design and Packaging Councils. I do not intend to bore members with the details of the importance of product design and packaging, however I would like to list the major projects of both Councils in 1981.

The Hong Kong Industrial Design Council projects are:

- (1) Governor's Award Design Competition and the Youth Design Competition
- (2) conduct design seminars and courses

- (3) conduct design consultancy and services
- (4) continue to operate a design depository.

The Hong Kong Packaging Council projects are:

- (1) Packstar Competition
- (2) conduct packaging seminars and courses
- (3) conduct packaging consultancy and services
- (4) continue to operate packaging information service.

All of these projects require proper finance. As Chairman of the Hong Kong Industrial Design Council I rejected the Executive Director's proposal of reducing the activities due to lack of subventions from the Government. I believe these activities must continue and should be stepped-up. Therefore, I urge the Government to consider increasing subventions from the current HK\$120,000 per annum (which is the eighth year of the same amount) to HK\$250,000 per annum as requested. Without this increase, the Councils will be in danger of ceasing effective operation, and all the investments to date will be wasted.

It is unwise, at this point in time, to subsidize with the importance of product design and packaging as I believe we intend to move more rapidly towards better and more sophisticated products, therefore we must continuously educate our manufacturers to be design and packaging conscious.

Student Loans

Finally, I wish to speak briefly on the subject of student loans for Hong Kong students studying overseas. In November 1979, H.M.G. announced that tuition fees for overseas students attending universities and polytechnics in the U.K. would be increased. Furthermore, in recent months, it is said a further increase is in the pipeline. As a result, during 1980 students going to the U.K. for further education reduced by 42% compared with 1979, whilst students going to Canada and U.S.A. increased 54% and 3% respectively during the same period. Even though the Hong Kong Government has made a series of representations to H.M.G., however I do not believe we can alter H.M.G.'s decision.

I am glad that the Hong Kong Government has allocated \$9 million from the Student Loan Fund to re-establish a student emergency loan fund to assist Hong Kong students at present studying in the United Kingdom who are suffering hardship as a result of tuition fee increases. I also welcome the Government's proposal to provide a possible long-term scheme of assistance to enable our students to study in the U.K. It is important that a proportion of our students should attend universities and polytechnics in the U.K. as our relationship with the U.K. must be as close as ever. When these students return to Hong Kong, they will certainly contribute to our economic and social progress, therefore I am in full support of the student loan scheme.

With these remarks, Sir, I support the motion.

MR. NEWBIGGING:—Sir, the budget speech to which we have been treated by the Financial Secretary was even more of a tour de force than usual. Despite the numerous difficult problems facing us, the overall conclusion was inescapably—and rationally—optimistic. Not only does this serve as a testament to the Financial Secretary's ten-year stewardship of our economic affairs, but it also provides an even stronger foundation for our confidence in Hong Kong's future.

Generally, it was a good budget so I will confine my remarks to three main topics.

1. *Land and Housing*

The figures for *land production* and *public housing* have exceeded the forecasts made a year ago, and I congratulate the Financial Secretary respectively on his conservatism and on his forecasting precision. However, I also share his concern at the absence of inroads into the Housing Authority's waiting lists so hope that the improved outlook for land production will result in the setting of higher—perhaps substantially higher—targets than 35,000 units p.a. for housing in the mid-1980s and beyond until we have at least broken the back of this most fundamental social problem.

As to *land sales*, the area sold in 1980/81 (estimated at 156 acres) was dramatically up—indeed by just over 100%—on last year's figure. However in both years the actual acreage sold was significantly less than forecast—by over 20% in each case. Of course in terms of revenue raised—\$8.8 billion or 70% up on the budget estimates—the very opposite is true, reflecting the steep rise in property prices last year. Cynics will no doubt use these figures once again to question the motives of the Government's land sales policy, but I prefer a more constructive approach. The Financial Secretary rightly expresses concern at the public sector's share of G.D.P. rising above 20%. He says, Sir, 'We must *not* over-extend ourselves': I agree with him. However we must also press ahead with our massive infrastructure development programmes. In particular, as I have already suggested, there is a strong case for actually accelerating the public housing programme. Given these imperatives and no change in our present system for sharing tasks between the public and private sectors, the next Financial Secretary may have great difficulty in halting, let alone reversing, the rise in the public sector's proportion of G.D.P. However, there is a method of cutting through this knot. Why should not the Government offer the private sector—and here I must declare all sorts of interests (*laughter*)—large tracts of land (possibly unformed) coupled with the obligation to carry out certain public sector type projects on them. In case the Financial Secretary is concerned that such partial *denationalization* could leave the Government's coffers even more embarrassingly flush with cash, I am sure that the private sector would respond readily to an offer of 'terms' (*laughter*)!

2. *Hong Kong and the United States*

On recent visits to the United States it has been very noticeable to me that Hong Kong still retains there what I have on occasions called a 'rickshaws and refugees' image. The economic dynamism that has been so effectively portrayed by the Financial Secretary, and the virility of our society that has made these achievements possible, are hardly recognized. For instance, even seasoned U.S. businessmen are flabbergasted when told that Hong Kong's exports are roughly 10% of those of the U.S.A.

I would like to suggest, Sir, that this ignorance of today's reality in Hong Kong, let alone of tomorrow's potential, on the part of our largest customer and our largest industrial investor ought to be a cause for concern. Through their individual efforts members of the private sector and Government-subsidized organizations such as the T.D.C. and the Tourist Association are partially combatting this problem. However the impact is bound to be piecemeal. I suggest, therefore, that the time is now ripe—not least with the rising tide of protectionism worldwide and the impending M.F.A. negotiations to which the Financial Secretary referred—for a concerted effort on the part of the Government itself to create the right impact and to develop relationships at the top level in the United States, to nurture an understanding of why Hong Kong is one of the most important cities in Asia, and thus to build up the confidence upon which the realization of our destiny is so dependent. An excellent job has been done in forging and strengthening such relationships with the United Kingdom for very good past, present and future reasons: I suggest a similar effort should *now* be launched towards the U.S.A., particularly at a time when our American friends are 'walking taller' again.

Also, following the euphoria concerning the 'opening up of China' that developed in the late 1970s, particularly in the United States, there is now a danger of an equally excessive swing of the pendulum in the opposite direction. Recent realignments in China's economic policies are often taken to mean that the task of modernizing China is virtually impossible—a belief that I consider totally misplaced. However, given the intimate relationship between progress in China and prosperity in Hong Kong, the prevalence of such opinions adds weight to the argument for the presentation of measured, authoritative views in the United States—and indeed elsewhere—on the realities of the present situation in and near Hong Kong.

3. *The Financial and Securities Markets*

Before embarking on this subject I should declare my interest as a Director of a licensed bank and Chairman of a deposit-taking company. However, I feel I should also declare my interest in seeing Hong Kong continue to develop as a sophisticated and competitive financial centre of world significance.

If Hong Kong is to fulfil the destiny that the Financial Secretary has ascribed to it—that of becoming *the* international city of the Far East—controls affecting

our various markets will require periodic review and revision: no doubt new ones should also be considered from time to time, particularly prudential controls designed to protect depositors and investors. The Financial Secretary referred in his budget speech to 'present day realities' as criteria for amending legislation, and also to the need for 'respect to be paid to the twin concepts of the market disciplined economy and the free enterprise system'. I believe we should welcome this affirmation of the Government's economic *philosophy*.

However, the spate of proposed new or amended legislation involving various forms of what some might see as Government intervention in the financial and securities markets that was foreshadowed in the budget speech, and announced shortly thereafter, appears to run contrary to this philosophy. Whether justified or not, this has given rise to uncertainty as to the Government's true motives and objectives—a fear of the unknown and a feeling of 'where will it all end?'—that could be damaging to Hong Kong as a major international financial centre if allowed to develop unchecked. Financial markets are sometimes illogical, and are frequently influenced by sentiment, so a feeling of confidence rather than uncertainty is vital.

Therefore, my concern is that Government should make its objectives clear when proposing such legislation, particularly if there are no apparent material fiscal advantages, and that it should be totally confident that it will indeed achieve those objectives. References to the consultative processes and so on are not totally convincing to the general public when made *after* bills are introduced into this Council, any more than are comparisons with 'developing international standards'. Sometimes Hong Kong needs to follow, but just as often we need to take an independent line when tailoring legislation to our own 'present day realities'.

Let me take one simple example. If the Government proposes measures to restructure and redefine the role of deposit-taking companies it would be helpful if these were accompanied by a clear statement of precisely what it intends to achieve—and why—accompanied by a convincing argument that the proposed method will indeed achieve it without seriously prejudicing the interests of those involved, particularly the interests of ordinary depositors in which context I doubt if anyone would or could object to tighter *prudential* supervision, if that is all that is intended.

Having made my point (I hope), I will not engage in a debate on the detail of this proposed legislation; certainly not at this stage. However, after a singularly distinguished decade as Hong Kong's economic Czar, it would be a pity if Sir Philip was to add to the admirable—and copious—handover notes for his successor embodied in his budget speech, a feeling of uncertainty and concern on these issues which might well lead to certain sectors of the financial community considering moving their operations elsewhere. This would be a retrograde step, which I am sure he does not intend, and his winding up of the budget debate will provide him with an excellent opportunity for clarification and reassurance.

Before closing, Sir, I would like to offer the Financial Secretary one further bouquet. His decision to remove the 1/2% temporary loading on corporation tax was a welcome concession in itself but, more importantly, it signifies that 'temporary' burdens can be removed and this may serve as some encouragement to others who labour under temporary impositions that some relief may be in sight.

With these remarks, Sir, and—although I cannot match Miss DUNN's eloquence in doing so—with thanks to the outgoing Financial Secretary, I support the motion.

MR. SO delivered his speech in Cantonese:—

督憲閣下：保護香港環境的責任，一向由很多不同的政府部門分擔，單是關注海水污染問題的機構亦涉及十多個。過去有很多人強調，政府應設立一個專門負責環境的政府部門，以便統籌處理保護環境的工作。去年十一月一日，政府設立了環境保護處，並委出環境保護專員，更於本年度撥出一千多萬元，作為配合這個機構積極發展之用。今後該機構的計劃，包括增聘專業及技術人員和購買各種新式的測量儀器。

香港人煙稠密，面積細小，加上工商各業和社區的高度發展，以致保護環境的工作特別艱鉅。香港人對環境的污染，因為接受現實，已作出最大的容忍。環境保護處的設立，對釐定政策和提出意見保護我們的環境，必有一定的貢獻，本人對這個保護環境的中央協調機構，寄以厚望。

本人得悉政府已展開一連串的措施，防止環境繼續受到污染，例如短期內實施水質管制，以及提出空氣污染法案，噪音管制法案，加強管制建築地盤的毒氣和泥塵污染等等。這都足以令人欣慰。

不過，對長久以來，困擾着很多人的港九及新界各大明渠，政府還沒有徹底的應付辦法。它們分佈於啓德、屯門、元朗、錦田、香港仔等地區，經常發出臭氣，而且滋長蚊蟲，使附近的居民心理和身體方面均受影響。本人認為政府應擬出及執行徹底的解決辦法，假如把它們加蓋，然後將路面鋪平，則不但有助環境衛生，更可騰出空地和道路，而香港的美名亦真正名符其實。

督憲閣下，本人謹此陳辭，支持動議。

(The following is the interpretation of what MR. SO said.)

Sir, the responsibility of environmental protection in Hong Kong has all along been shared among many Government departments. On the problem of water pollution alone, more than ten organizations were involved. In the past many people stressed that Government should set up a department to deal exclusively with environmental protection so as to co-ordinate the work in this field. On 1 November last year, Government set up the Environmental Protection Agency and appointed the Commissioner for Environmental Protection. Moreover, over \$10 million has been allocated for the expansion of the Agency for the financial year 1981-82. The future plans of the Agency include the recruitment of professional and technical staff and the purchase of various modern measurement instruments.

Owing to the dense population, the small area and the sophisticated development of commerce, industry and the community in Hong Kong, it is so much more difficult to carry out the work of protecting the environment. In accepting reality the Hong Kong people have shown maximum tolerance of environmental pollution. The setting up of the Environmental Protection Agency will certainly contribute considerably in formulating policy and giving advice on the protection of our environment. I am placing great hopes on this central co-ordinating body of environmental protection.

I understand that Government has already introduced a number of measures to prevent our environment from being further polluted, e.g. the implementation in the near future of water quality control, the introduction of the Air Pollution Control Bill and Noise Abatement Bill and tightening control over poisonous gases and dust at construction sites etc. All these are indeed very encouraging.

However, the Government does not have a thorough means to deal with the large open nullahs throughout Hong Kong, Kowloon and the New Territories which have caused annoyance to many people. These nullahs are found in areas such as Kai Tak, Tuen Mun, Yuen Long, Kam Tin and Aberdeen, they often emit offensive smells and breed mosquitoes which adversely affect the mental as well as physical health of the residents in the neighbourhood. In my opinion, Government should devise and implement ways and means to solve this problem, and, if possible, cover up the nullahs and provide road surfaces. This will not only improve environmental hygiene, but will also provide more open spaces and road surfaces and, moreover, Hong Kong can live up to its name of the fragrant harbour.

With these remarks, Sir, I support the motion.

MR. F. K. HU:—Sir, the Financial Secretary has again presented a budget well received by the general public and has inspired confidence in the prosperity of Hong Kong in this decade. The nature of Hong Kong's economy is steadily shifting from labour intensive and land intensive manufacturing industries to entrepot as statistics show that the acceleration in the growth rate of re-exports increased from 29% in 1979 to 37.3% in 1980. Because of our knowledge and understanding about China trade, we play a very important part in the modernization programme of China to our mutual benefit. However, change in the nature of our economy coupled with a continuously depressed world market has partly caused our unemployment rate to be increased from 2.3% in March 1979 to 3.8% in September 1980, a sign to be watched carefully as it could cause serious problem in future if the present trend is maintained.

Social welfare has often been referred to as the 'Cinderella' of the social services. In this year's budget, such criticism can hardly be justified in terms of the combined percentage increase proposed for the Social Welfare Department and Social Welfare Subventions which is 33% over the Revised Estimates for 1980-81. This is almost five times the combined percentage increase proposed for another major social service programme area, namely, education.

However, while total figures may look impressive, there are certain areas in social welfare which I would like to bring out for special mention and consideration.

A large portion of the provision for the Social Welfare Department goes to various social security programmes which take up almost 85% of the total amount for the Department, leaving only 15% for social work services. The allocation to the Social Welfare Department will be increased by \$229.4 million or 35% from \$655.9 million to \$885.3 million. But out of this increase, \$145 million is intended for the improvement in real terms of the basic scale rates of the social security programmes. Such improvement is very much needed as the rates were related to an index determined ten years ago when the Public Assistance Scheme was first set up. Apart from maintaining the purchasing power of the social security payments by occasional upward revision of the scale rates, there has been no change in the composition of the index or the weightings of its components. In other words there has been no improvement in the quality of the scheme in keeping with the general rise in the standard of living or the higher expectations of the community. The 'basket of goods' which can be purchased by public assistance recipients remains the same as in 1971. The Financial Secretary is to be congratulated for his initiative in raising the basic rates and the rental allowances in real terms, thus improving the standard of living of the people receiving social security payments. However, social welfare does not constitute social security alone. Social work services and social security are complementary to each other and are equally important. There should therefore be more balanced development across the board.

While social work services are being provided both by the Social Welfare Department and the voluntary sector with financial assistance through subventions, the amount to be allocated is intended mostly for maintaining existing services with very little available for improving these services and with even less for new services. There are two particular areas of work which I feel strongly that much more should be done both by the Government and the voluntary sector. I refer to the areas of institutional care for the aged and the handicapped and the treatment of offenders.

The Government has been using the concept of 'Care in the Community' in the planning of certain services, particularly in the care of the elderly and the handicapped. It is true that as far as possible elderly and handicapped persons should be encouraged to remain and be cared for in their own families and communities through the help of public assistance and special needs allowances and with supporting services such as day care, home help and community nursing. However, for the more severe cases, institutional or residential care is essential as any service in other forms will not be effective in meeting their needs and the needs of their families. For example, it is impossible for a family to provide proper care at home for a senile and infirm old person or severely mentally handicapped young adult without seriously disrupting family life and the economic activities of its family members. There is at present a serious shortage of old people's homes, particularly care and attention homes and

homes for the severely mentally disabled. The number of places in care and attention homes in 1981-82 remains at 375 without any increase, and in residential care for the disabled, the increase of about 12% is to cater for all categories of the handicapped. I understand that there are long waiting lists and that a large number of elderly and mentally handicapped persons have been waiting for many years and cannot afford to wait any longer.

Hong Kong has recently been very concerned about the substantial increase in juvenile crime. The resources allocated to the programme of 'Services for Offenders' in the social welfare context is very meagre although it is appreciated that much is being done by other departments and efforts are also being made to tackle this problem in other social welfare programmes in the form of preventive work. However, it seems a good deal more can be achieved through social work services in the area of treatment. There is room for improving our probation service and correctional institutions. Other methods and techniques of treatment should be considered, developed and experimented by voluntary agencies to cater for the different types of offenders. Of course, more social workers are needed.

This brings me to the next topic which is manpower for social work. Figures have recently been quoted to indicate the present serious shortage of trained social workers. There is also indication that the universities, the polytechnic and the post-secondary colleges should try to increase their annual output of social workers by three times. I appreciate that this will be very difficult to achieve through the regular programmes of the training institutions. However, since our social welfare development depends on the availability of trained manpower, we cannot afford to wait. I propose that a special provision should be made to the Social Work Training Fund for re-allocation to various training institutions to run a special training programme for a period of, say, five years aiming at producing a target number of social workers each year. Both the Government and voluntary agencies should participate in the planning of these programmes and contribute resources in terms of teachers, supervisors and fieldwork placement. At the end of the period, the manpower need should be reassessed. The programmes can then either be phased out or gradually absorbed into the regular curriculum of the training institutions.

As regards the daily life of Hong Kong people, Government has accepted that recreation must be regarded as one of the community's everyday needs and that provision for it is part of the general fabric of social services. Hong Kong still lacks a comprehensive long-term plan on provision of recreational facilities. It is regretted that the special survey of leisure pursuit will be delayed from November 1981 to the summer of 1982. Every effort should be made to expedite this survey so as to formulate and implement the overdue long-term plan in the very near future to meet the pressing needs for recreational facilities in the 1980s due to an increase in available leisure time and an increase in disposable income. Once the plan is finalized, Government can consider providing recreational facilities through a combination of the following approaches:—

1. More provision in the New Territories through expanded public works programmes;
2. more provision in the Urban Area through the provision of more open space and allocation of space underneath flyovers to the Urban Council;
3. within the available resources of the Housing Department, the Housing Authority to undertake provision of facilities inside and outside housing estates as a package deal;
4. where possible, include in the conditions of grant for land sold by public auctions and by letter 'B' exchanges to require that recreational facilities be provided by private developers in accordance with Government requirements and that these facilities should be handed back to Government on completion;
5. non-profit making private organizations and voluntary agencies to be encouraged to undertake provision of public recreational facilities;
6. commercial enterprises to be encouraged to provide prestigious outdoor and indoor facilities for people who can afford to pay; and
7. water sports to be energetically promoted as it would only require very limited land space.

For years, Government and the voluntary sector have organized all kinds of training and recreational activities at an accelerated rate which, in turn, generates great demand on trained physical education teachers and qualified specialist recreational leaders to provide back up services and to run the facilities and programmes. At present, we depend upon the colleges of education which run basic training courses and limited third year specialist courses. The University of Hong Kong also runs limited short-term extra-mural courses. These arrangements can only solve a small part of the problems due to the lack of adequate training facilities and teaching staff. For instance, the Grantham College of Education can only produce 30 students per annum out of its third year course. Therefore, we should seriously consider setting up a specialist college of physical education and recreation with emphasis more on practical training than academic achievement. Such a college could provide a sufficient quantity of physical education teachers and recreation leaders who would be badly needed in Hong Kong in the 1980s. Ideally, Government should take the initiative in setting up such a college. Alternatively, Government can encourage non-profit making private organizations to run such an institution. Another possible solution is to develop the Jubilee Sports Centre into a specialist college for physical education and recreation, not just a centre of excellence for athletes, so that it can produce trained physical education teachers, trained recreation and sports personnel besides top class athletes in various sports. Otherwise, there could be a risk of this excellent Centre being greatly under-utilized.

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

MR. WONG PO-YAN:—Your Excellency, the Financial Secretary is to be congratulated for his remarkable budget which has not only given us hope and

encouragement but also, by and large, taken into consideration public feelings and opinions. I have little to add to the carefully thought out and balanced budget proposals which rightly met with acclaim from most quarters. However, the heightening protectionist sentiments in all our main export markets once again focus attention on our industrial and export capabilities. I wish to offer some observations on the subjects of technological research and preferential interest rate for manufacturers.

During the early stages of our industrialization in the 1950s and 60s there had been some success in the transfer of technical know-how, which was hardly sophisticated, by both local manufacturers and overseas investors. The 70s saw further development and diversification of our industries. The kinds of technology called for were more varied and increasingly sophisticated. There were also changes in that competition from our neighbouring countries grew stronger and stronger. So did protectionism in our major markets. Furthermore, world inflation and rising costs continued to erode our competitive edge. In recent years, we have begun manufacturing products requiring higher level of sophistication such as electronic watches and toys, and computer components.

As we move up market, we will need the back-up of more advanced technology. Direct transfer of technology from overseas is one of the ways and means of acquiring such advanced technology. This seems to be a suitable measure for the immediate future. However, such transfer of technology definitely has its limits. In many cases, the owner simply refuses to share it with us or it can be made available to us only at prohibitive cost. Therefore, continued reliance on overseas sources of technology may severely restrict future development of our industrial capability and potential.

Hong Kong's outstanding success story in the face of adversities is due, Sir, in no small measure to your able and open Governorship and the prudent financial management by the Financial Secretary, to whom our sincere thanks are also due. Hong Kong has weathered through successions of rapid changes and economic challenges. It prides itself of its enterprising spirit, remarkable resilience, flexibility, foresight and adaptability. To sustain our flight in industrial take-off, we must seek to diversify and broaden our industrial base to attain new heights of achievement. In her modernization programme, China also looks to Hong Kong as a source of technological know-how. I strongly believe that developing fundamental technological research to meet the needs of our industries is one of those fruitful areas in which we shall mutually benefit. We should act quickly to enable us to cope with the rapid changes and challenges in the 80s.

I hope I have established the need for Hong Kong to develop urgently its own technological research facilities. We have also got the prerequisites. On finance, we envisage the total fiscal reserves to reach a record high of \$10,300 million in 1981. On manpower, we have graduates from the Universities and Polytechnic and a considerable number of research students have returned from overseas. On institutions, the Universities, the Polytechnic, the Productivity Centre and a

number of other organizations are already undertaking basic industry-oriented research work.

Government's acceptance of the recommendations of the Advisory Committee on Diversification in this context is highly commendable. The recent establishment of the Industrial Development Board, and a new Science and Technology Division within the Trade, Industry and Customs Department to provide industrial support facilities and technical back-up services for industry, the setting up of the Calibration Laboratory, and the appointment of a Science Adviser to review the scientific and technological resources available to Government with a view to maximizing their impact on industrial development in Hong Kong, are initial but important steps in the right direction. Nonetheless, these measures are in the main concerned with taking stock of and improving existing facilities and services to meet the short and medium term requirements of our industries.

Research is a costly proposition and the rate of return is sometimes rather slow. It is a long-term investment which requires far-sightedness and determination. As an example, the Japanese Government played a leading role as far back as 1960 in organizing its industries in this field. I would urge that our Government set out plans for establishing a central body in the long term, with joint resources from the private sector and Government, for the planning, coordination and conduct of scientific and technological research and development to meet the needs of our industries. Initially, the office of the Science Adviser can form the nucleus for the future research body which can be made an independent agency, co-ordinating such facilities and services by Government departments, the Universities, the Polytechnic and other institutions. Sir, in the future, a post of Secretary for Science and Technology in the Government Secretariat may be a logical development.

Now I turn to the question of preferential interest rate for manufacturers. The Financial Secretary's concession in depreciation allowances is a great encouragement to our manufacturers who wish to re-equip and upgrade their plant and equipment so as to be better equipped for the challenges of a changing world trading environment. However, I consider that provision of such allowances alone is not enough in these times of high inflation and interest rates, and a generally depressed world market.

In 1979 a number of leading banks offered preferential interest rate to industry for financing imports of raw materials and capital equipment. But this arrangement lapsed when interest rate temporarily dropped in mid-1980. There was also concern that it was difficult to ensure the loans extended on special terms were in fact used to finance manufacturing and not other activities.

Now that the Hong Kong Association of Banks has been formed, I believe the advantages that will be accrued to the bankers by reviving the scheme jointly will far outweigh the initial 'loss' in revenue. We should bear in mind that machinery is bought for production. Once a manufacturer has bought new

plant and equipment, he will have to look for markets, employ his workers, and buy raw materials. The finished products require transport, insurance and related credit facilities. The additional business to the bankers generated by a piece of new machinery and the benefits derived from it will be much higher than the difference in interest they collect from the preferential rate. Therefore, greater inputs and productivity due to the use of more machinery will, as a result of the multiplier effect, lead to greater production and higher level of export and employment. From the broad community point of view, a preferential interest rate for industry is not only necessary economically, but also very desirable socially.

I'm afraid I do not accept that such a scheme could easily be abused. If any, the number would be minimal in that, technically, a preferential interest rate would only be granted when the purchase of machinery is evidenced by a receipted invoice. In any case, a preferential interest rate will surely serve as an added inducement to those manufacturers with a marginal consideration on whether to buy or not to buy new machinery.

The manufacturing industry remains the largest single sector of our economy, particularly in terms of employment. A re-instatement of the preferential interest rate by the bankers—with some encouragement and persuasion by Government—will undoubtedly give new impetus to our manufacturing industry which is now under severe pressure from various sources and beset by depressed markets. Let us not forget that our economy still relies heavily on the manufacturing sector to generate wealth and maintain employment.

With these observations, Sir, I support the motion.

MR. BROWN:—Sir, in this budget debate my Unofficial colleagues have already covered those matters arousing most public interest. I would like, therefore, to offer a few brief observations on the overall impression received by some of us who listened to the budget speech, and subsequently accepted the Financial Secretary's kind invitation to study the printed version together with its comprehensive statistical tables (*laughter*).

The fact that we have a dynamic and successful economy came across loud and clear, but this was accompanied by the picture of an economy of growing complexity, with a civil service rapidly expanding in both size and cost, to administer a public sector utilizing an ever increasing proportion of the community's resources.

Now these matters were all commented on by the Financial Secretary in some detail, and in regard to the better understanding of our economy it is encouraging to learn that steps are being taken to adapt the Financial Information System to provide for forecasting purpose a better model in connection with future Draft Estimates.

It is of course vital that we equip ourselves with adequate tools to manage our affairs in these complicated times, and I would certainly support any measures

to improve the crude econometric model which assists the forecasting of expenditure on the gross domestic product. Relevant to the subject of statistics could I also plead for further work to be done in the production and publication of seasonally adjusted economic data particularly regarding external trade—this would go some way to reducing the degree of uncertainty in the management of some areas of the economy referred to in the budget speech.

Turning to the public sector, I would comment to support and emphasize the remarks made by several other of my Unofficial colleagues, that early in the speech under the heading of growth with stability we were alerted to the fact that the average annual growth rate of public sector demand over the past five years was somewhat higher than the private sector domestic demand—13.6% against 13.1%. Moreover there was a continuous upward trend over the period.

As the speech developed we noted that the growth rate of expenditure on Consolidated Account re-accelerated to 21.4% in 1980-81. The relative size of the public sector—based on the ratio of this expenditure to G.D.P.—also jumped to over 21%.

Looking to the future the forecast envisages that the growth rate of public sector demand—within domestic demand—will reach 14% against 9% for the private sector, and the same pattern emerges in regard to expenditure on building and construction.

In summarizing the management of the public finances in the period ahead the Financial Secretary has indicated that the relative size of the public sector will have increased from 16.2% in 1975 to 22.4% in 1981, and if expenditure is allowed to grow at the 10% guideline rate this percentage will have increased to the unacceptable level of 24% by 1984-5.

When presenting these statistics the Financial Secretary sounded a note of warning which we would do well to heed. Whilst I agree with him that our economy can sustain a public sector at its present size, I also share his belief that any significant increase must be avoided and, Sir, our affairs must be arranged accordingly.

I turn now to the growth in the size and cost of the civil service.

With civil service personal emoluments forecast at \$5,271 million to cover an approved establishment of 125,831 posts we are talking about very substantial figures, notwithstanding that the total cost represents, at 36% of recurrent expenditure, a reduction on the historical ratio of 40%.

Government faces similar problems to the service industries in the private sector—and the vacancy ratio of about 10% is evidence that these problems are real ones. All service industries, however, need to be particularly careful as modern technology in the office revolutionizes many of the traditional methods of conducting business. Such progress may well turn out to be faster than we anticipate, and we must avoid building up a permanent workforce to a size that in the future could be difficult to employ.

I would add that in these circumstances it is also for consideration whether Government and the private sector would derive mutual benefit from a greater degree of interchange of staff at all levels of seniority.

Sir, during this debate there has been considerable comment regarding the proposal to introduce new legislation affecting the financial sector of our economy, and like several other of my colleagues I must declare an interest.

We shall have the opportunity of debating these matters in detail when the relative bills are introduced in this Chamber. In regard to some points of detail concerning tax and stamp duties I hope the consultative progress will resolve some of the concern expressed by those affected before the bills reach committee stage. However, these are only points of detail and I, for one, fully support and endorse the objects of the proposed legislation which I believe are important to the future management of our economy and the stability of our financial markets.

I do not subscribe to the belief that we should proceed slowly in these matters—indeed many of the measures now proposed are long overdue. Nor do I think that the introduction of these measures will damage confidence. I agree with Miss DUNN that confidence is a delicate flower in Hong Kong, but uncertainty is the greatest enemy of confidence and I hope the consultative processes will be concluded and the proposed legislation will be put before us for debate as quickly as possible.

Sir, with these remarks, I support the motion.

MR. CHEONG:—Sir, I would like to join my Unofficial colleagues in this Council in congratulating the Financial Secretary for presenting a budget that provides something for everyone, even the taxpayer. Before Sir Philip relinquishes responsibility for the management of our economy, I would like to comment on several points he raised in his speech, with particular regard to that part of his speech where he focussed on the management of our economy in a changing environment.

On the future of the Multi-Fibre Arrangement, I would entirely agree with his remark that our posture over the next few months must be one of attack. As Francis TIEN has so cogently put them, the argument are entirely on our side. I believe, however, that it is not enough for our textile industries to come up with ‘Myths, Facts, Application’. Nor is it enough to broadcast our arguments at every opportunity that may arise when the M.F.A. is discussed. Over the coming months, we must also endeavour to develop a viable position. In addition to Sir Philip’s little homily to our negotiators in the T.I.C.D., I would like to add mine—just in case our friends over there have not heard the slow movement of Mahler’s Fifth Symphony (*laughter*)—mine comes from the famous work by Hsuen Tse on Military Strategy ‘知己知彼，百戰百勝’ Roughly translated, it goes like this: ‘Know yourself, know your opponent and you will emerge victorious in every battle’. Consistent with this advice, I believe that in

developing a viable position towards the future of the M.F.A., we must have regard to three basic considerations. The first and most obvious consideration must be our own view of the usefulness or otherwise of the M.F.A. This calls for an objective appraisal of our reasons for either supporting or not supporting a successor to the present M.F.A., and of what we would like to see provided for in the new M.F.A. The second consideration would have to be an appraisal of the legitimate—and I repeat, legitimate—demands of our major trading partners. Here we may be in some difficulty, for they have not yet made known their demands. If these demands bear the remotest resemblance to what the industrial and labour sectors of the major importing countries want, I am bound to say that I have yet to hear a single valid argument, based on sound economic principles, that would justify the continuation of restraint on the exports of the developing countries. Thirdly, in formulating our position, we must bear in mind that Hong Kong enjoys a reputation second to none in international textile circles. Indeed, we have come to be regarded as setters of trends and precedents in the G.A.T.T. and in the Textiles Committee, and we are looked upon by developing country suppliers to set an example. Thus, it is important to bear in mind that, whatever position we may adopt, it must not be one that would alienate ourselves from the rest of the developing world.

If the growing trend towards protectionism in the industrialized world poses a serious demand-side constraint upon our exports of textiles and apparel, the present weakness of the finishing sector is in danger of creating a supply-side constraint, particularly for the clothing industry. Hong Kong's dyeing and finishing mills are a polluting industry, and one that is beginning to feel somewhat ill-at-ease and uncertain about the Government's plans for pollution control. It is also a highly land-intensive industry, and the pressures upon this scarce natural resource have already had a profound effect on entrepreneurial thinkings within the sector. Over the past three years, four major dyeing and finishing mills have ceased to operate. The consequences of the closure of these large mills are not readily apparent in our industrial statistics. It is a fact that the number of mills has increased slightly since 1978, while the total workforce in the industry has registered only a marginal decline. What these statistics fail to show, however, are the consequences of a decrease in the number of large mills. These closures have resulted, first, in a reduction in the capacity of the entire finishing sector. But in addition to a loss of productive capacity, there is a loss in the technology that the large mills have in finishing high-quality fabrics. This is an important consideration, for the demand by the apparel industry for quality fabrics must continue to increase as it continues to move up market. It is true that, of the four large mills that have ceased to operate over the last three years, one has successfully re-established itself at Shum Chun. But what degree of reliance can we place on enterprises established outside our borders? Is there not a greater risk of possible interruptions and stoppages in such sources of supply?

Perhaps a more pertinent question that we might ask ourselves is whether the apparel sector is already too dependent on external sources of supply in terms of finished fabrics. I estimate that, in 1979, the apparel sector's requirement for

grey and finished cotton, man-made fibre (m.m.f.) and m.m.f.-blended fabrics was about 1,800 million square yards. This requirement can be compared with the finishing sector's annual capacity, which has been estimated by the Hong Kong Federation of Industries at a maximum of about 720 million square yards. So, even assuming that the finishing sector's output is not exported, the apparel sector has to import about 1,000 million square yards of finished fabrics. This last figure is borne out by the sum of our retained imports of finished fabrics in 1979, comprising 260 million square yards of cotton finished fabric and about 710 million square yards of finished m.m.f. and m.m.f.-blended fabrics. Thus, it would appear that about 56% of the apparel sector's requirement for finished fabrics comes from external sources of supply, and this degree of external dependence is by any standards fairly substantial.

We know, of course, that the key to the success of our export-oriented industries lies in their ability to respond quickly to external demand and this in turn depends upon the availability of resources. In the case of the apparel sector, the speed of response is dependent, amongst other things, on the ready availability of finished fabrics. Given the important part that exports of apparel play in maintaining the health of our economy, the further question that we might ask ourselves is whether there is a case for the Government to intervene, so as to reduce the apparel sector's dependence on external sources of supply. In my opinion a case exists for some degree of Government intervention.

New as I may be to this Council, Sir, I am not entirely unaware of the Government's policy of 'positive non-intervention' in the economy. In the case of the finishing sector, I believe that the Government has a role to play and that the proposal will not constitute a major departure from established economic policy. All that the Government needs to do is to make available a certain quantity of land, in an offensive trades area, for sale or lease to the finishing mills at a price reflecting the cost to the community of providing the land, and with conditions that would limit the use of the land to specific uses. The areas needs to have adequate water supply—natural water supply being the most desirable—and adequate drainage. If this proposal is acceptable, I envisage that individual finishing mills would pool their resources together in planning and installing centralized pollution-control facilities, perhaps even energy-saving, heat-recycling and water-recycling facilities. The result would be a more efficient finishing sector and, in turn, an apparel sector that would be less dependent on external sources of supply.

Sir, if I may, I would like to join Miss DUNN, Mr. NEWBIGGING, Mr. BROWN in commenting on the public sector. I would confine my comments on the size of the public sector relative to the size of the G.D.P. Unless I am mistaken, this Council has already been addressed on the advisability of keeping the relative size of the public sector within an upper limit of 20% of the G.D.P. I believe that it is not the percentage figure that is important, but rather the underlying concept which is that the relative size of the public sector should fall when the economy is enjoying a period of growth or recovery (so that the public sector

would not be in serious competition with the private sector for resources) and, conversely, that the relative size of the public sector should be allowed to grow when the economy is experiencing a decline (so that we would not have to be confronted with stop-go situations in the implementation of the public programmes). The relative size of the public sector—and here I refer to Consolidated Account plus M.T.R. expenditure—has registered an average annual growth rate of about 13.8% at constant prices over the years 1976-77 to 1980-81 a rate much more rapid than the average annual growth rate of the G.D.P. of 11.3%. Moreover, such rate of advance has taken place in a period of double-digit or near double-digit growth in the economy. Whilst the economy may have grown large enough to be able to absorb a larger public sector, I do not believe that it would be prudent for the public sector to consume resources at the rate of advance that we have experienced over the past few years, particularly when we have to consider an economy as externally-oriented and as vulnerable to fluctuations in external demand as ours.

Having regard to the underlying concept I have already mentioned and the fact that the relative size of the public sector has grown to over 21% this year during a period of growth, I am concerned by how much further the public sector may grow when the economy enters a downswing. Therefore, notwithstanding the remarks made by the Financial Secretary in paragraph 86 of his speech (printed version), I would urge him to consider re-establishing a ceiling for the relative size of the public sector. This ceiling might seem to be wholly arbitrary, I agree, but I personally believe that, in our circumstances, it would be prudent to have one.

Finally, Sir, let us not be too carried away by the size of this year's surplus. The major contribution to the surplus has come from the unexpectedly high premia derived from land sales and we cannot assume that such bonanzas will continue indefinitely.

With these remarks, Sir, I support the motion.

MR. OSWALD CHEUNG:—Sir, I would wish to associate myself, as would I think all my Unofficial colleagues, with the tribute which Miss DUNN paid yesterday to the Financial Secretary.

It is well known that during the budget preparation season he lives in purdah, working late into the evening, locked in secret conclave with the officers of Finance Branch and, I am tempted to add, officers of other parts of the Empire (*laughter*), fumes coming from his pipe. He maintains a very tight security on his budget proposals, which so far as I know has never been penetrated.

He has elsewhere said that during the past ten years, numbers of bright ideas flowed in to him from all sides, some of them none too helpful: but he is dedicated to what he calls the System, and as part of it, he feels it his duty to listen to Unofficial Members (*laughter*). That he sometimes did not agree was, I suppose, inevitable (*laughter*). We don't necessarily agree amongst ourselves.

On the matter of the size of the public sector to the G.D.P. I have expressed myself in this Council before that we are in no danger if we don't exceed 25% (*laughter*); there need be no great concern with the present percentage.

We wish him, Sir, equal success in his next appointment. And as a final salute to his series of budgets, I propose to support his motion (*laughter*).

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

Question put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 8 April 1981.

Adjourned accordingly at thirteen minutes past four o'clock.