

THE LEGISLATIVE COUNCIL DEBATES OFFICIAL REPORT

**THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 7 OCTOBER 1981
IN THE
THIRTIETH YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER
Wednesday, 7 October 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
MR. JOHN HENRY BREMRIDGE, O.B.E.

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

THE HONOURABLE DAVID WYLIE McDONALD, C.M.G., J.P.
SECRETARY FOR LANDS AND WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, C.M.G., J.P.
SECRETARY FOR EDUCATION

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 TRANSPORT

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

THE HONOURABLE ERIC PETER HO, C.B.E., 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, O.B.E., 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 COLVYN HUGH HAYE, J.P.
DIRECTOR OF EDUCATION

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, J.P.
DIRECTOR OF ADMINISTRATION AND ENVIRONMENTAL AFFAIRS

THE HONOURABLE AUGUSTINE CHUI KAM, J.P.
SECRETARY FOR THE NEW TERRITORIES (*Acting*)

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

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

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

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

THE HONOURABLE 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.

DR. THE HONOURABLE RAYSON LISUNG HUANG, C.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 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.

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, J.P.

THE HONOURABLE CHEUNG YAN-LUNG, M.B.E., J.P.

THE HONOURABLE MRS. SELINA CHOW LIANG SHUK-YEE, J.P.

THE HONOURABLE MARIA TAM WAI-CHU

ABSENT

THE HONOURABLE ALLEN LEE PENG-FEI, 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

Mr. CHEUNG Yan-lung, Mrs. Selina CHOW and Miss Maria TAM made the Affirmation of Allegiance and assumed their seats as Members of the Council.

Valedictories

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, this is the first meeting since the retirement from this Council of Mr. Oswald CHEUNG and Mr. F. W. LI, and I would like to pay tribute to the very great services they have rendered.

Mr. Oswald CHEUNG served this Council for eleven years and he was the Senior Unofficial Member since 1978. He has a very long and distinguished record of public service including the University and Polytechnic Grants Committee, the Traffic Advisory Committee and the Economic Advisory Committee; and he was Chairman of the Criminal Injuries Compensation Board and the Law Enforcement Injuries Compensation Board, and he is the Honorary Colonel of the Hong Kong Regiment - and this is by no means an exhaustive list. I am particularly grateful to him for the leadership he has shown

as Senior Member of this Council and also for the way in which he has not only enriched our proceedings with experience and wisdom, but also enlivened them with wit and style, often speaking, unlike us who speak from text, but in the true parliamentary manner from notes on the back of a borrowed envelope (*laughter*).

Mr. LI was appointed to the Council in 1973. He was the first Chairman of the Public Accounts Committee. He has an exceptionally wide record of public service including the chairmanship of the Hong Kong Industrial Estates Corporation and the Working Group on Indebtedness in the Civil Service, and membership of the Industry Advisory Board, the Special Committee on Land Production, the Jubilee Sports Centre, the Council of the Chinese University of Hong Kong, and so it goes on. His sound judgment, clarity of thought, and capacity for hard work, will be a great loss to this Council.

I am fortunate in being able to continue to count on the experience and wisdom of both these gentlemen in the Executive Council.

MR. LOBO:—On behalf of the Unofficial Members of this Council I rise to support all that you, Sir, have said about Mr. CHEUNG and Mr. LI.

We shall also sorely miss their wise counsel and leadership on the many committees of Legislative Council Unofficials which meet to deliberate public business and issues of public importance outside this place.

Recent years have seen major developments in the role of U.M.E.L.C.O. and expanded unofficial participation in the processes of Government.

Both Mr. CHEUNG and Mr. LI have been in the forefront of these developments and their selfless dedication, industry and good sound judgment have been an example to us all.

However, we are also consoled by the knowlege that both Mr. CHEUNG and Mr. LI will continue to serve on the Executive Council and their services and experience will continue to be available to U.M.E.L.C.O.

Address by H.E. the Governor

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HIS EXCELLENCY THE PRESIDENT:—

WELCOME TO NEW MEMBERS

1. I should like to welcome Mr. CHEUNG, Mrs. CHOW and Miss TAM to this Council.

WORK OF THE LEGISLATIVE COUNCIL

2. This is one of the few occasions each year when I get a chance to pay a public tribute to the work, devotion and good humour of the Members of this Council. I do so today with great sincerity. The form of this Council may be an anachronism, but its spirit and performance match those of any legislature in the world for efficient transaction of business, for freedom from faction, and for

concern not for sectional or party interests but for those of the community as a whole. These are precious attributes.

3. I am sure that the steady increase in the number of Unofficial Members—they have more than doubled in ten years - and the expansion of the support available to them in the U.M.E.L.C.O. Office, have greatly contributed to the effectiveness of this Council. I have no doubt that as the scope and complexity of the Government of Hong Kong continues to increase so there must continue to be change in the size and composition of this Council. Meanwhile I record my grateful thanks for the high quality of work done, and the immense devotion of personal time and energy to doing it.

PLAN OF THE ADDRESS

4. I will, as usual, start this address with the economy because this is the base on which all our lives are built. In dealing with it I will begin with the legislation proposed for this session, go on to describe the state of our public finances, and then review our economy and its prospects. Then against this background I will report on what your Government has done and is proposing to do in its major fields of activity, including of course relevant legislation.

ECONOMIC AND FINANCIAL

5. In reporting on financial and economic matters I should start off by saying that in this present situation of world recession Hong Kong and its economy and its people are faring remarkably well. But this comparative good fortune has been unevenly spread and is not reflected in the public mood. There are special reasons for this which it is important to appreciate and will be mentioned in this address. Meanwhile a word about financial and commercial legislation.

Financial and Commercial legislation

6. 1981 is proving to be a year of reform for our banking and deposit-taking industry. The Hong Kong Association of Banks has been incorporated by statute to enable it to play a greater part in the monetary system of Hong Kong. Steps have been taken to limit the registration of new deposit-taking companies. The definition of banking business contained in the Banking Ordinance has been amended; a new category of financial institution (the licensed deposit-taking company) has been created; and after a two-year transitional period, registered deposit-taking companies will no longer be permitted to accept from the public deposits repayable within three months.

7. Also this year, the prudential legislation to which banks and deposit-taking companies are subject has been revised, and new statistical returns are being received from banks and deposit-taking companies under the Monetary Statistics Ordinance.

8. Subject to the advice of the Executive Council, bills will be introduced to amend the Banking Ordinance and the Deposit-taking Companies Ordinance, in order to extend to their operations overseas the system of prudential supervision of Hong Kong incorporated banks and deposit-taking companies.

9. A bill to amend the Companies Ordinance in the light of the recommendations in the Second Report of the Companies Law Revision Committee was published in the Gazette last year. I hope it can be introduced this session.

10. To offer better protection to the investing public and to bring Hong Kong into line with other financial centres, drafting proposals are being prepared on disclosure requirements in relation to the share holding of directors, major shareholders, advisers and officers of public companies. The course of consultation now in progress suggests the subject is as complex and controversial as we expected.

11. At the beginning of this year, two Ordinances were enacted amending the Fire and Marine Insurance Companies Deposit Ordinance and the Life Insurance Companies Ordinance, requiring all insurance companies carrying on the relevant classes of business to have a minimum paid-up capital of \$5 million and to maintain a solvency margin. In consequence a number of insurance companies have been required to increase their paid-up capital, and some others have either dropped out of the market or have had their authorization withdrawn. This essentially interim legislation has therefore effected some weeding out ahead of the comprehensive bill. It is hoped to introduce it this session.

The Public Finances

12. The state of our public finances remains very satisfactory.

13. Revenue collections so far this year have exceeded expectations, due largely to high yields from interest tax and stamp duties, and of course land sales. If the present trends continue, revenue will substantially exceed the original estimate and the budgetted surplus of \$7,800 million will be surpassed, thereby reinforcing its disinflationary effect.

14. Total expenditure for the year is now expected to exceed the estimate by nearly 10%, mainly because of substantial increases in salaries, increased spending on public works, and the desalter.

15. At present we can easily meet the increased expenditure and still achieve a larger budget surplus, and clearly purely budgetary restraints are not a problem. However, not only must we allow for the possibility of revenue falling off while the need for further expenditure does not, but in this inflationary situation there are macro-economic restraints on expenditure that cannot be ignored if our goods are to remain competitive and our currency remain stable. What the Government can do may be limited in comparison to the more massive effect of

the private sector on credit creation and consequently on total final demand; but it is still important that Government expenditure should not fall too far out of step with the growth of the economy. This we will watch.

The Economy in 1980

16. In 1980 the gross domestic product grew by 10% in real terms, the fifth successive year of rapid growth. As in 1979, there was a fair degree of stability with the growth rate of total final demand roughly in line with that of the economy's output. Growth continued to be export-led, though to a much lesser extent than in 1979. But in the second half of the year as Hong Kong became increasingly affected by the sluggish state of the world economy, there was a decline in the growth rate of domestic exports. During roughly the same period, the growth rate of domestic demand picked up. So in the second half of the year, there was a shift from domestic exports to domestic demand as the impetus to economic growth.

17. Continuing the trend started in 1979, prices increased rapidly in 1980. This was due to similar increases in the rest of the world, coupled with the impact of exchange rates on the Hong Kong dollar price of imports. Domestic influences on prices were generally favourable to the slowing down of inflation as there were few marked imbalances between the demand for and the supply of domestic resources. In particular the supply of labour grew rapidly during 1980 because of the direct and indirect effect of immigration, and exceeded the increase in demand for labour, leading to a slight rise in unemployment.

18. The main imbalance was in the land and property market. Prices and rents for property generally, and particularly for commercial property continued to rise, reflecting a demand for commercial property in excess of its supply, in itself a sign of confidence in Hong Kong, and the prices developers were prepared to bid for land rose sharply. But the influence on prices of demand was undoubtedly exaggerated and aggravated by speculation. But in the latter months of 1980, the increasing supply of land and property coupled with high interest rates appeared to be having some effect on demand.

19. I should add that the two disturbing and inflationary features of last year—rapid growth of domestic demand in the second half and very high land and property prices, were both supported by a rapid expansion of credit.

The Economy in 1981

20. In 1981, developments in the economy have been, to some extent, a continuation of the trends of the second half of 1980. In the first six months, the growth of domestic demand continued to be rapid and so the relative shift from domestic exports to domestic demand as the main impetus to economic growth was maintained. Although we can expect the G.D.P. to grow by 10% in real terms such growth is still being led by domestic demand. But we can take comfort from the fact that domestic exports are holding up remarkably well despite adverse conditions abroad, and we expect an increase over 1980 of

about 7% in real terms, helped mainly by fairly buoyant demand from the United States. Although this growth rate is lower than those recorded in the previous three years, at 7% it is a very respectable rate in the circumstances. It is also reassuring that the growth rate of domestic demand now shows signs of slowing down.

21. Re-exports have continued to grow rapidly in 1981, so that total exports will probably show an increase of about 15% over 1980 in real terms. Nevertheless the growth rate of total imports in value terms in 1981 so far has been somewhat faster than that of total exports. But in terms of Hong Kong's overall trade position, the visible trade account continues to show a fair degree of stability, with the visible trade 'gap' having widened only slightly in percentage terms.

22. The relative stability in the economy is also evidenced by there being no obvious imbalance between the demand for and the supply of domestic resources with the obvious exception of housing and land. In March this year 162 000 more people were employed in Hong Kong than in March last year. But in spite of this strong increase in demand for labour, the growth of supply continued to be rather too rapid for the economy to absorb, and there was a further increase in the unemployment rate to 4.1% by March this year, though it has probably not increased since.

23. There are also signs of easing in the property market and of a fall-back in prices. On the one hand, demand is being dampened by high prices and interest rates. On the other hand, supply, particularly of commercial property, is now meeting the previous excess demand. Land prices have similarly begun to ease in most areas. To the extent that the former price levels in the property market were due to speculation the fall-back is to be welcomed.

24. Domestically generated inflation appears to have moderated in 1981, with the gross domestic product deflator now running at about 10% per annum, but the rate of increase in consumer prices, at about 14% per annum has continued to be rapid. This is attributable to increases in world prices and to the depreciation of the Hong Kong dollar. It is undoubtedly a serious matter for our people. Even though, on average, money incomes have been increasing at an even more rapid rate and even though employment is relatively full, and that in these respects there has been some overall improvement over 1980, there are still sectors in which real incomes are static or have fallen, and many more in which the rate of increase in real family incomes has not been as fast as in the latter 70s and with consequential disappointment.

Prospects for 1982

25. As for 1982, the balance of opinion is that some recovery in the world's major economies, albeit hard to quantify, can be expected, with some beneficial effect on world trade. Much turns on the level of interest rates, particularly in the United States, but I repeat that the consensus is that things are likely to be better not worse; the recession is bottoming out. And where there is some

revival in demand we are well placed to take advantage of it. Our ability to react quickly to meet an increase in export orders has been well demonstrated in the past, and with the recent depreciation in the exchange value of the Hong Kong dollar, our prices are now very competitive. So while awaiting the economic tide in the world to turn, I have confidence that when it does, Hong Kong will experience yet another year of prosperity.

Multi-Fibre Arrangement

26. Of course I realize the many worries of our businessmen in spite of the comparative buoyancy of our economy. They result from measures of various sorts in our leading markets aimed at containing inflation. Nevertheless in spite of it all we have not done too badly so far. But there is one particular point of concern. The expiry of the Multi-Fibre Arrangement at the end of this year, and the requirement for its renegotiation cast a big shadow on the future of our textile and apparel exports which provide jobs for nearly half our industrial workforce. Its renegotiation on satisfactory terms is a major objective of your Government. The developing countries have never been so united in their determination to secure a fairer better-defined M.F.A. under whose provisions their bilateral trade with developed countries can be conducted. Our negotiators will shortly be meeting again with those from other developing countries to seek out a common position for the next round of negotiations in Geneva in November. But we have no illusions about our situation. With recession and high unemployment the governments of developed countries are under immense political pressure to take a hard line—however irrelevant statistics may prove our exports have been to that recession and unemployment.

27. At this point one cannot predict the outcome. Fortunately we have some of the best negotiators in the textile world and they are ably advised by the Textile Advisory Board. We will play a full part in our own right in the negotiations and vigorously defend the interests of our industry. We also look to the U.K. to see that the special circumstances of Hong Kong are recognized and that we get fair treatment.

Conclusion

28. As you will have noted, in spite of some dark patches, this picture of our situation is favourable against the background of an unfavourable worldwide situation. But I am obliged to emphasize three unfavourable features.

29. Firstly, the impact of recent immigration has been very great. For instance the average annual increase in population, including natural increase, between 1971 and 1978 was 1.8% per annum, but it more than doubled to 3.8% per annum between 1979 and 1981. The growth in the labour force has been even more dramatic, being 3.4% a year between 1971 and 1978 but 7.4% between 1979 and 1981. Immigrant labour was one direct cause of this increased growth. It also provided an indirect cause in that by restraining wage increases,

additional persons went to work so as to maintain the rising level of family income to which they had been accustomed. The impact of these unforeseen numbers will be felt in many ways for many years to come.

30. Secondly, sharp rises into the cost of accommodation and land, fuelled by the easy availability of credit have caused considerable distress. In the knowledge that large supplies of accommodation and land were coming forward that should arrest or reverse the upward trend, your Government, after some hesitation, decided not to intervene in the commercial sector. As expected the upward trend has been arrested this year partly because of additional supply stimulated by high prices and partly because the high cost of borrowing depressed demand. A closer balance between supply and demand has now been achieved. But, because it takes time for supply in the property market to catch up with increases in demand. I fear that the experience we have been through may be repeated in the future. At the end of each of these cycles, it is true we benefit from a substantial increase in the stock of accommodation but, with the effect of ordinary market forces or forces distorted by speculation, at a substantial social cost. I will be explaining one new departure in the Government's own housing programme to counteract the abrasive effect of inflated land and property prices, and also our extensive plans for land production.

31. Thirdly, while a depreciating Hong Kong dollar helps export competitiveness, it adds inflationary pressures to the economy. But another factor which is adding pressure to inflation, or at least is accommodating it, and is weakening the Hong Kong dollar, is the rapid growth of money supply which in turn is largely the result of excessive credit growth. So obviously we have been giving serious thought to whether or not the growth of the money supply should be contained, and if so, how it might be done, particularly without putting further pressure on our industry which remains the backbone of our economy. This limits the use that can be made of interest rates. The recent rise was unavoidable and was made in the hope that banks will find means of helping industry and exports here. But we sincerely hope external circumstances will permit its reduction as soon as possible. The Financial Secretary has recently spoken in detail about the various possibilities of Government intervention in the special circumstances of Hong Kong, and of his strong preference for restraint of credit by the self-discipline and responsibility of banks and deposit-taking companies. I heartily agree. We are committed in principle to as free an economy as possible. Nevertheless this assumes that we as a community have the good sense to act freely without undermining our economy. Obviously recent events cast some doubt on this, and the Financial Secretary is watching the situation closely.

DEVELOPMENT

General

32. It is against this economic background that your Government must continue to plan the development of Hong Kong. The fundamental problem is

to plan provision for a population of over five million, increasing in numbers and prosperity and aspirations, in a tiny territory whose terrain seems specially designed to impede development on land. The problem is not only to provide the social, medical and security services that all communities need. In the case of Hong Kong one must plan also the demographic redistribution without which no rise in the quality of life is possible, and also the land formation, the employment opportunities, the housing, the community facilities and of course the transport without which new development in new areas would not attract residents. The mismatches that recurred in Tuen Mun and Sha Tin emphasize the importance of co-ordinating provision of community facilities with population composition and build-up.

33. This process is now going ahead fast and the new towns outside the old urban areas are taking shape. The conurbation of Tsuen Wan already has a population of 607 000 and Sha Tin and Tuen Mun together already total 250 000 and should reach 800 000 by 1985. Similar development is taking place at Tai Po, Sheung Shui/Fan Ling and Yuen Long. How to ensure that living, active, satisfied, and cohesive communities are formed amid these towering new edifices where so recently was sea or paddy is one of the great social and administrative challenges facing your Government.

Land Production

34. The key element in the smooth continuation of development is the production and sale of new land. In 1982-83, total land formation is expected to reach 580 net hectares—all these figures are net with 84 hectares designated for industrial development including 34 to be formed by the Industrial Estates Corporation, 48 for commercial and private residential development, and 448 for public purposes, including public housing, community facilities and roads. Total land formation in 1983-84 and 1984-85 is expected to be on average about 12% more than these figures for 1982-83. Although in themselves they represent a startling advance upon land production in the late 1970s, they are no more than sufficient to meet our minimum needs and every effort is being made to improve upon them.

35. Inevitably most of our land production is undertaken by the Government, principally through the new towns development programmes. But there is scope for the private sector to play an important part. Several instances can already be cited in which private sector developers have formed substantial areas of land either for individual projects or larger development packages. Our firm intention is to expand considerably the opportunities for the private sector to become involved in this vital field of activity. In particular, I would wish to see direct private sector participation in comprehensive land production and development and on a scale much greater than ever before. The new town development programme and other large scale development in the New Territories will provide the necessary opportunities.

Land Sales

36. The Special Committee on Land Supply, chaired by Miss DUNN, has compared forecasts of land production up to 1984-85 with the Government's own requirements and those of the private sector. The targets set by the Committee call for the sale in 1982-83 of at least 58 hectares of land for private development. Nevertheless we must aim as far as possible to exceed these targets in order to further housing and diversification and to assist in stabilizing land prices. In fact this year the Government hopes to sell close on 100 hectares of land, and I am confident that we will achieve at least a similar level of sales in 1982-83. I am sure we will be assisted in this by the close watch maintained by Miss DUNN's Committee.

Planning of land use

37. After 1985 and through to the 1990s, the major needs for land should be met initially from developments at Ma On Shan and Junk Bay and probably in the North West. In the longer term the most careful strategic planning will be necessary. The development potentials of Hong Kong Island, Kowloon, the inner harbour, the North Eastern and North Western New Territories and North Lantau are now all being separately investigated, and these investigations include the best site for a new airport and the transport system necessary to sustain it. The results of all these studies will be brought together by the end of 1982 to produce a number of options for the future development of land resources and transport services. Further knowledge of the pattern of development immediately North of the Border, should by then greatly assist us in deciding on our own plans.

38. The complexity and importance of this work for the future of Hong Kong explains the recent appointment of a separate Secretary for Lands and Works.

Commercial and Industrial Building

39. Planned provision of job opportunities is an essential element of development. Construction of commercial buildings in both the old urban areas and also in the new towns has responded fast to the demand created by the increasing size of the tertiary sector and to the very high prices that some were prepared to pay for shops, offices and other commercial premises. Total stock of floor space will increase by 11% this year and by a further 12% next year. Similarly, substantial progress has been made with the construction of factory space of which the total area will increase by 11% this year and 13% next. Taken together a further 2.9 million square metres will be added to our commercial and industrial floor space bringing the increase in total stock over the two-year period to a staggering 25%.

Housing

40. Our hopes for a better-housed population have been constantly deferred— by rephasing in the recession of 1974 and in the over-heated economic situation of 1979, and subsequently and most importantly by the wave of immigration.

Though, as I shall show, our housing production is now beating all records, there is still a clear need for expansion of the programme.

Public Sector

41. Following the completion of 33 000 units in 1979-80 the public sector completed a record number of 37 600 flats in the last financial year: 27 400 for rental including 600 by the Housing Society, and for sale 8,700 under the Government's Home Ownership Scheme, and 1,500 under the Private Sector Participation Scheme. This high level can be maintained; the sites and the money are there; it is good by any standard, but the situation with which we are now faced calls for something more.

42. In the first place we have decided to revise the Home Ownership Scheme as soon as possible so that the high land values that have been included in the price hitherto do not frustrate the social purpose of the average of 5 000 units a year to be built under the Scheme. In future, as in public housing estates for rental, land value will be excluded from the charge. This should reduce prices to about half those in the free market, well within the means of the families for whom the Scheme is intended. The Secretary for Housing is to give details but obviously with such favourable and subsidized terms there must be safeguards against profiteering on resale. The proposal is to forbid resale, except to the Housing Authority, for the first ten years, thereafter a premium would be payable on sale to make good to the Government the large element of subsidy in the original price adjusted to current open market prices.

43. Similar arrangements will also apply to the additional 5 000 units a year planned for sale in the Private Sector Participation Scheme, and the further 2 500 planned for the Middle Income Housing Programme.

44. Thus there will be 12 500 units a year for sale at prices well within the means of the middle and lower-middle income groups, insulated against the vagaries of the land market. Since completions on this scale are essential to our needs, if sites offered to the Private Sector Participation Scheme do not attract adequate tenders they will be taken over and developed as part of the Home Ownership Scheme.

45. With a rental scheme planned to run at about 30 000 units a year, the annual completion of public sector units, including those produced under the Home Ownership and Private Sector Participation Schemes and the Middle Income Housing Programme, should thus steadily rise from the current level of at least 35 000 units to over 42 000 by 1985-86.

The Private Sector

46. The performance of the private sector in the year ended 31 March, with 21 000 units completed, was rather less than in the previous year. However, the forecast for this year's total is to exceed 31 000 units. This should raise the figure of completions for the public and private sector combined to about 71 500 units for the current year, compared with 59 100 units for last year.

Forecast of Future Requirements

47. Where will construction on the scale planned get us? The dimensions of our housing shortage are very hard to quantify with accuracy. A comparison of the number of households recorded in the census against our stock of self-contained flats in the public and private sectors produces a shortage of some 260 000 flats. This is on various assumptions including that 50% of one and two person households will continue to share accommodation with others. If we succeed in completing an average, and I stress the word average, of about 40 000 units a year in the public and 26 000 a year in the private sector, over the next five years, that is to say 330 000 new flats by the end of the financial year 85-86, after allowing for increase in population and demolition of existing flats for redevelopment and the trend towards the formation of more, smaller house-holds, the shortfall should be reduced to about 90 000 and unforeseen circumstances apart the problem should be reduced to manageable proportions in the second half of this decade.

48. I am aware of the many pitfalls in these figures and predictions, but I have dared to use them to illustrate how immense the task facing us is, and how essential it is that both public and private sectors continue to build to their maximum capacity if the task is to be accomplished.

Conclusion

49. Two further points on this important subject.

50. Firstly the solution to this problem assumes a large contribution by the private sector. Consequently if private sector production falls off, other ways of encouraging it, or an increase in Government construction, must be considered.

51. Secondly the sharp rise in land and property prices, in addition to interest rates, has greatly aggravated the effects of housing shortage. Housing otherwise available has become beyond the means of those who need it, and the proportion of family incomes spent on rents or mortgages has been grossly inflated. This is perhaps the greatest single cause of unhappiness and worry in Hong Kong at this time. You will note that the Government's answer is to build over 42 000 flats a year which will be either sold or rented on a basis that totally excludes land value on the open market.

Rent Control

52. In June, this Council passed the Landlord and Tenant (Consolidation) (Amendment) Ordinance, which extended the present framework of rent controls for a further two years, while at the same time adjusting the maximum permitted increase in controlled rents from 21% to 30% biennially, and excluding by two annual phases flats with a very high rateable value.

53. A large number of recommendations made by the Committee of Review remain to be put into effect. Legislation will be introduced this session; to establish a Tribunal system to provide reasonable security of tenure to tenants of premises not otherwise protected by the Ordinance and who are prepared to

pay a fair market rent; additional protection for sub-tenancies; and safeguards with regard to the redevelopment of controlled premises.

Transport

54. An effective transport system is an essential part of our development. I have to admit that the development of our road system, which affects public and private vehicles alike, has been delayed by rephasing in 1974 and 1979. It seemed unavoidable at the time. Now we are trying hard to catch up, and a whole series of road and rail developments in both the old urban areas and the New Territories should steadily transform the present often unsatisfactory state of affairs. This year alone \$4 billion will be spent on transport projects.

55. Though major improvements will be coming into service all the time, such as the Aberdeen Tunnel, the Airport Tunnel, the Tsuen Wan Extension of the M.T.R. and the modernization of the K.C.R. and its interchange with the M.T.R.—all within a year—it will not be until between 1984 and 1986 that some major areas of congestion are cleared by completion of the Island Line and Eastern Corridor, the Kowloon Western Corridor, the Tsuen Wan by-pass and the New Territories circular road.

56. Early relief through works is therefore not possible in many places and meanwhile we must face the fact that our total vehicle population has increased by 64% in five years and private cars by 75%. No doubt it is the result of unexpectedly high and consistent prosperity, but the consequence is unexpectedly high and consistent congestion. I am afraid that the question has become no longer whether restraints on road use are necessary, but only what would be the most effective and least inconvenient form that they should take.

57. In addition to the works I have described which should bring substantial relief by the mid—80s, there are many major transport problems to be studied and solved. They include a further cross-harbour link, access to the new development area in Junk Bay, transport facilities to link with Kowloon the very large additional town that will shortly be built between Sha Tin and Ma On Shan, and of course the siting and transport support for a new airport.

58. With many immediate, medium and long term problems to solve, of such a highly technical and contentious nature, your Government has set up a new Transport Branch in the Secretariat headed by its own Secretary, and is also strengthening the Transport Department by the transfer of some staff from the Highways Office of the P.W.D. The Secretary for Transport and his Branch and his planning unit will work in the closest possible collaboration with the Secretary for Lands and Works and with those responsible for new development whether in the Urban Area or the New Territories.

THE ENVIRONMENT

59. The complement to intensive residential and industrial development in such parts of Hong Kong as can be built on, is to prevent and control pollution and pressure the natural assets of the rest of the territory in country parks.

Environmental Protection

60. Pollution in Hong Kong has grown rapidly, particularly water pollution, and as a community we are becoming painfully aware of what is at stake. The first step has been to engage experts to examine our problems and advise on suitable legislation. This complicated process is far advanced. The Water Pollution Control and Waste Disposal Ordinances were enacted last year. Regulations governing disposal of toxic and hazardous wastes should be brought into force during this session. Also during this session we expect to introduce Bills relating to air pollution, the illegal dumping of earth and trade waste, and the provision of refuse storage chambers in certain multi-storey buildings. Work is continuing on the drafting of a Noise Control Bill.

61. The Environmental Protection Agency has been established to provide expertise, scientific data and co-ordination on all aspects of pollution and its control. With this legislative and administrative groundwork done, the difficult work of enforcement of carefully phased plans of pollution control will gradually gather momentum. To mark this new phase the Chairmanship of the Environmental Protection Committee has been restored to an Unofficial, in this case Mr. FORSGATE.

Country Parks

62. We now have over 408 square kilometres, nearly half the territory, designated as Country Parks, and in them development can only take place after very special consideration. The parks have drawn heavily on United Kingdom experience and particularly on that of the Forestry Commission. They have a staff of over 1 330 and their job is not only to preserve the natural beauty of these large tracts of mountain and beach from despoliation by fire and litter, but also to encourage enjoyment and knowledge of the countryside by the provision of paths and sites for picnics and camping. On a weekend in the dry weather they will be used by up to 100 000 people. All this is part of the planning of the development of Hong Kong.

SOCIAL PROGRAMMES

63. I now turn to the social programmes. Like the physical development I have described their expansion, too, is planned. I have already dealt with housing.

*Education**Pre-Primary and Primary Education*

64. So first education. To start at the beginning. The White Paper on Primary Education and Pre-Primary Services published in July put forward the first comprehensive scheme for the development of kindergartens and child-care centres. In primary schools it envisaged in particular the reduction of class sizes from 45 to 35 for schools adopting the activity approach and to 40 for those following conventional methods. If approved by this Council, these reforms will require 1 500 additional teaching posts.

Junior Secondary Education

65. In junior secondary education, as recently as 1971, subsidized places were only available for 30% of the age group. Now it is free, available, and compulsory for all. This was a giant step forward. But in conjunction with many other and unrelated factors it has brought to a head realization both of new requirements in our education, and of the new strains that are being placed on schools by having to deal with pupils of a much wider spread of ability and including a small minority reluctant to be in school at all. These problems must be faced and I will come back to them.

Senior Secondary Education

66. Universal junior secondary education has brought with it increased demand and competition for places in Forms IV and V. Here too there has been dramatic change. In 1971 the 19 000 subsidized places in Form IV catered for only 20% of the 15-year age-group. This year over 57 000 places will cover 60%, and, on current plans, by the mid-80s the percentage will have increased to 70%. Taken together with other forms of education such as the technical institutes, 90% of that age group will be catered for at that time. As more senior secondary places become available, the significance of the Junior Secondary Education Assessment and the pressures associated with it should fade.

Problems in Secondary Education

67. The problems I have referred to in the secondary stream cover a field stretching from inadequate knowledge of Chinese and English to indiscipline and even delinquency. Your Government is endeavouring to overcome these problems. As you know it has been decided to set up an Institute of Language in Education and the feasibility of establishing a Chinese Language Foundation is being studied. Syllabuses are being introduced into secondary schools that provide a wider and more interesting choice, more suited to pupils with a wider span of ability. Twelve more pre-vocational schools will be built by 83-84, and more will be included in the future building programme, to cater for those whose aptitude is for practical and technical rather than academic subjects.

68. But your Government accepts that schools do need help with extra services and extra staff in their new predicament. Expansion of the School Social Work Scheme at both primary and secondary levels is continuing and it is hoped that by 1982 it will be adequate to the needs of all schools that wish to use the scheme. But the added burden on the schools understandably requires the provision of some more teachers. Your Government is already committed to the provision of two additional teachers for remedial language work for each standard school. In addition, it is considering whether more teachers could help in such areas as career counselling, remedial teaching and extra-curricular activities. However, no decision has yet been taken and any such proposals could require more than 1 600 extra secondary school teachers.

69. Obviously the introduction of so many new teachers into both the primary and secondary streams would require very careful phasing, additional training

facilities, and of course there would be financial implications. No decision has yet been reached; but your Government recognizes that one is urgently needed, and the Secretary for Education hopes to be able to make definite proposals before the end of the year.

Overall Review of Education

70. The Overall Review of our education system recommended by the Board of Education has commenced. The Panel of Visitors assisted by two Special Advisers will follow the well-established practices of the Organization for Economic Co-operation and Development (O.E.C.D.) in examining the education system of its member-countries. Its findings are expected next summer.

Tertiary Education

71. Following advice that our existing growth plans for the Universities may be inadequate, as an interim measure, the Government increased the growth rate from 3% to 4% per year. It also appointed a committee to conduct a comprehensive review of post-secondary and technical education. The Committee's report has subsequently been discussed with the University and Polytechnic Grants Committee and it will shortly be considered by the panel conducting the overall review of education. The Government will then draft a programme for the development of this whole area. While I am mindful of the high percentage of the education budget already devoted to tertiary education, I am in no doubt that our output of technicians, higher technicians and graduates needs to be increased, though to what extent and in which institutions and faculties needs very careful consideration.

72. Meantime, the Government is improving the position by making better use of some existing institutions. With the agreement of the Governors of the Baptist College a bill will be introduced this session to make better arrangements for its future development.

73. I am acutely aware of the problems faced by the 15 000-20 000 Hong Kong students in overseas universities, particularly those studying in Britain, who recently faced severe increases in tuition fees. The Government has introduced a loan scheme for Hong Kong students in Britain with effect from September of this year. This should bring some measure of relief. But whatever we do undoubtedly our local system must be further developed, and our reliance on overseas places reduced.

Technical Education and Industrial Training

74. Subject to the approval of Executive Council legislation will shortly be introduced to create a statutory Vocational Training Council which will have executive as well as advisory powers for the promotion of industrial training. Both Technical Institutes and industry training schemes will come within the purview of the Council, which will have its own department to serve as its executive arm.

75. The Construction Industry and the Clothing Industry Training Authorities will maintain their current financing arrangements and also expand their activities.

SOCIAL WELFARE

Social Security

76. The Social Welfare Department, amongst other things, administers the safety net that protects those who through no fault of their own lack means of support in our competitive society. The past year saw significant improvements in benefits payable under the Public Assistance Scheme. In addition to automatic cost-of-living increases, the basic value of Public Assistance was increased by 25% last July to reflect in part the general improvement in the standard of living of the community. Rent allowances were doubled for single persons and increased 1½ times for households with more than one member.

77. The 1977 Green Paper 'Help for Those Least Able to Help Themselves' advocated a semi-voluntary contributory sickness, injury and death benefit scheme. After much discussion with both sides of industry your Government has concluded that this would be too difficult to apply. But alternative proposals to cover the same risks, without employee contribution under the Employment Ordinance have now been formulated, with the agreement of the Labour Advisory Board and both sides of industry. These envisage entitlement to sick leave with pay under the Employment Ordinance being extended up to an accumulated maximum of 120 days, and again under the Employment Ordinance a death grant being payable to the family of a wage-earner at a flat rate of \$3,000 if the death occurs during employment, and subject to a qualifying period of service. Where this death grant is not payable by the employer, an equivalent grant, subject to certain conditions, would be payable without means-test under the Special Needs Allowance (S.N.A.) scheme administered by the Social Welfare Department. Amendments to the Employment Ordinance in the above sense will be introduced during this session, and arrangements to introduce the death grant under the S.N.A. scheme are being made.

Services for Youth and the Elderly

78. The phased introduction of services for young people and the elderly set out in the 1979 White Paper 'Social Welfare into the 1980s' is continuing. The Secretary for Social Services will give details of the progress being made in providing new Community and Youth Centres and manning them, and the expansion of the various forms of personal social work. The importance of the latter has been underlined by the Working Group on Juvenile Crime.

79. Members will be particularly interested in progress in provision for elderly persons not supported by families. All new housing estates of 3 000 flats or above will now include accommodation for an old people's hostel with a capacity of 150. This should bring the number of hostel and home places in public housing from the present 1 475 to about 7 000 by 1988-89 or a total of

about 10 600 if provision outside further housing estates is included. The special quota for elderly persons applying for public housing in groups will continue to provide 300 flats more each year. In addition, 2 000 new places in Care and Attention Homes will be provided by 1983-84. Other services such as day care centres, home helpers, multi-service centres and social centres are being further developed.

Manpower Shortage

80. A shortage of trained social workers is affecting provision of services and limiting their expansion. A working party is considering solutions to the problem.

Rehabilitation

81. 1981 is the International Year of the Disabled Person. This event, coupled with Dr. FANG's election as President of Rehabilitation International, has helped our community to focus on the problems of the disabled.

82. The activities of the year attempt to awaken us to the problems and needs of the disabled, and to demonstrate how we can assist their integration. This is our declared policy and the Theme for the Year and there are signs of success. But it will be important to maintain momentum, and the public education campaign started in this year will need to continue.

83. I am glad to say that steady progress is being made towards achieving the objectives outlined in the 1977 Rehabilitation White Paper.

84. The developmental screening programme covering children from birth to the age of five which first started in part-time centres in 1978 is now available in 34 family health centres performing 100 000 examinations a year. The school screening service carries on the work of the developmental screening programme, and audiometric screening is being extended to all primary 1 pupils this year. Vision screening will be extended to all primary 1 pupils in 1982 and speech screening to all primary 3 pupils in 1984-85.

85. In special education the current provision of 28 860 places more than doubles the 1977 figure of 12 160, but large shortfalls remain, particularly in provision for the mentally handicapped, and slow learners. This is compounded by a lack of teachers and lack of enthusiasm among school sponsors for expanding special classes for slow learners in ordinary schools. Nevertheless, over 3 000 additional special places are being provided in 1981-82.

86. Kwai Chung Hospital will provide an additional 1 300 beds for the mentally ill, bringing the total provision to nearly 3 800. A further about 1 700 beds for the mentally ill are planned for the period to 1990, together with a further 500 beds for the severely mentally handicapped, when the estimated shortfalls should be largely, though not wholly, eliminated.

87. Significant improvements can be expected in medical rehabilitation services when the new centre of the Hong Kong Society for Rehabilitation at Sandy Bay is completed in 1983.

Medical and Health Services

88. While our educational and social welfare facilities have not been significantly stretched so far by the impact of immigrants, the Medical and Health Department's services have been. It is therefore timely that a number of major projects have come on stream or are about to do so. The Kwai Chung Hospital with 1 300 beds for the mentally ill received its first patients last November. The Prince Philip Dental Hospital, one of the best equipped in the world, was opened by H.R.H. Prince Philip in March this year. The Kwong Wah Hospital New Wing is being commissioned now. Improvements to Fanling Hospital and Pok Oi Hospital have also been completed on schedule.

89. Next year the newly built 600-bed cardiothoracic centre at the Grantham Hospital will provide the most up-to-date and sophisticated treatment techniques for heart diseases. The 1 400-bed Prince of Wales Hospital at Sha Tin will serve as the teaching hospital for our second Medical School at the Chinese University of Hong Kong as well as the regional hospital for the eastern New Territories. Construction of a new regional hospital for the western New Territories at Tuen Mun will start next year.

90. Further plans are in hand for new government hospitals in East Kowloon, Tai Po and Shau Kei Wan, with capacities ranging from 1 200 to 1 500 beds. In addition, major extensions include 200 beds for Pok Oi, 500 for Yan Chai and 775 for United Christian Hospital.

91. In order to relieve pressure on acute hospital beds, the Medical Development Advisory Committee has endorsed a programme for the provision of infirmaries for patients requiring long term care. Apart from the 300-bed extension to the Wong Tai Sin Infirmary which is expected to be completed early next year, three more infirmaries of about 700-900 beds each have been recommended.

92. The above programme would increase our stock of hospital beds from the present 20 800 to 36 300 and achieve the Medical Development Advisory Committee's target of 5.7 beds per 1 000 population by 1990, compared to 4 beds per 1 000 population now.

93. Three major new clinics are expected to be completed before the end of the year at Lei Muk Shue, Ngau Tau Kok and the Yan Oi Polyclinic, Stage I at Tuen Mun. Three more, the LI Ka-shing Polyclinic at Sha Tin and clinics at the Cheung Hong Estate at Tsing Yi and the Shun Lee Tsuen Estate in East Kowloon are expected to open next year. In addition a third floating clinic will serve outlying areas.

94. It is your Government's intention to concentrate future provision of clinic services in the new towns and in outlying areas where there are fewer private medical practitioners. Our plans involve almost doubling the present number of consulting rooms from 254 to 486, and achieving a ratio of 7.6 consulting rooms per 100 000 population by 1990 compared to 5.4 at present.

95. The implementation of the programme outlined above would depend not only on priorities within the Public Works Programme and budget, but also the supply of professional staff; doctors, nurses and para-medicals. On present forecasts, and particularly in regard to doctors there will be a shortfall, even on existing standards, let alone improved ones. It is therefore rather doubtful that this expansion of services can all be completed by 1990 as recommended by the Advisory Committee. Nevertheless, if overcrowding is to be eliminated, we must press on up to the limits of building and staffing capacity.

96. A special unit headed by a senior consultant has recently been set up in the Medical and Health Department with specific responsibility for manpower development and to consider ways and means of increasing the supply of doctors in the public sector. At the same time the University and Polytechnic Grants Committee is being asked to advise on the possibility of increasing intake to the medical schools, and efforts to recruit from overseas will also be intensified.

IMMIGRATION PROBLEMS

I now turn to a completely different subject.

Vietnamese Refugees

97. Before the Geneva Conference in 1979 the flood of Vietnamese boat refugees was a nightmare. Since then the problem has continued but at a comparatively low level. There is no evidence of a resumption of massive organized departures. Nevertheless arrivals in Hong Kong for this year so far already exceed the total for the whole of last year: and arrivals in other first asylum countries show a similar, if less marked, trend. So the fact is that large numbers of people still remain prepared to face unbelievable risks at sea to escape the conditions in their homeland.

98. Faced with this human tragedy we have continued to provide first asylum to those who reach our shores. This is right. But it is also right that the international community should continue to play its part in resettlement. Over 74 000 refugees have been resettled from Hong Kong since 1979. We are particularly grateful for the efforts made in resettlement by the United States, Canada and the United Kingdom and for the work of the United Nations High Commission for Refugees and of the voluntary agencies. But we still have over 14 000 refugees and they continue to arrive. If places of first asylum like Hong Kong are to continue to play their part then resettlement programmes must continue.

Immigration from China

99. Immigrants from China fall into a completely different category to Vietnamese boat refugees. I have already referred to the impact on our life of excessive immigration, and particularly of illegal immigration. With the support of this Council drastic measures were introduced last October. The traditional 'reached base' policy was abolished and since then all illegal immigrants who evaded our security screen and were detected have been repatriated. To facilitate the detection of illegals all legal residents of Hong Kong have been required to carry identity documents; and to remove the incentive to come here the employment of illegal immigrants has been banned. I am most grateful for the responsibility and good humour with which the public have accepted the need for these measures.

100. Coupled with the co-operation of the Chinese authorities, the unrelenting effort of our security forces, and the strong support of the public, these measures substantially reduced the flow. During 1980, over 80 000 illegal immigrants were arrested while trying to enter Hong Kong. For the first nine months of 1981 the number arrested was about 7 600. The daily average of arrests in September 1980 was 450. Last month it was less than 30 a day.

101. We can only hold this position by constant efforts by the garrison and police. To deter the manufacture of forged documents the penalties for forgery offences have been increased. Measures have also been taken to control and identify speed boats.

102. Illegal immigration has now been greatly reduced, but the number of those who arrive here legally for a visit and stay permanently still adds 55 000 people to our population each year. After the flood of the last few years we need a respite. It would be helpful to reduce the numbers coming here for permanent settlement while at the same time providing for genuine visitors whose return to their homes in China was assured. But we can only act in co-operation with the Chinese authorities for whom I know this is not an easy matter.

LAW, ORDER & SECURITY

103. I come now to the inter-related subjects of Narcotics, Corruption and Crime.

Narcotics

104. We have come a long way in controlling narcotics. No one who knows now points a finger at Hong Kong anymore. We still have a large problem but it is being tackled with vigour and success. As a result of very effective law enforcement and compulsory and voluntary treatment the number of addicts is now believed to number about 40 000 as against the guess of over 100 000 seven years ago. Moreover addiction is an ageing vice. Higher living standards and education are reducing the number of young addicts. Of those admitted to the

Prisons Department's Drug Addiction Treatment Centres those under 21 dropped from 13.8% in 1974 to 3.4% last year.

105. The same trend is evident among adults. Since 1976, when the methadone programme was greatly expanded, to the end of 1980, there has been a drop of 73% in the number of addicts in Prisons and a drop of 84% in those charged with drug offences.

106. Against this background of significant achievement, complacency would be our worst enemy. This year's bumper crop of opium in the Golden Triangle has produced an abundant supply, and there are plenty of signs of criminals trying to distribute it here by many methods, including the use of young people. To meet this threat law enforcement is being stepped up and so far this year more drugs have been seized than in the whole of last year. We will keep up our efforts, and we will continue to make progress, but the real answer to quick success lies in enforcement in the Golden Triangle itself.

Independent Commission Against Corruption

107. There has been an increase in the number of corruption reports being made to the Independent Commission Against Corruption, and the Commission's intelligence confirms that there is some increase. The Commission is well able to deal with this as its prosecution records show, and indeed the figures may reflect little more than that the Commission is on its toes, and that its sources have improved. Nevertheless the figures do underline the fact that in the circumstances of Hong Kong, if we are to keep the enormous gains in public honesty achieved since 1972, a body such as the Independent Commission is essential and must be kept at full strength and at full pitch for many years to come.

108. The attitude to corruption of both public service and public has completely changed; the acceptance of corruption as the norm has gone, as have the massive syndicates and massive pay-offs of the past. But we certainly still have some corruption at most levels in both public and private sectors and constant vigilance will be necessary to weed it out and prevent it poisoning our society again. Education and prevention measures have a large part to play, but neither will get far without the deterrent of a first class, large, operational unit able to detect and charge the corrupt. And this we have.

109. It is symptomatic of the changed attitude to corruption how well the working relationship between the I.C.A.C. and Government departments has developed; a large number of reports now reaching the Commission are from departments and particularly from the Police, and the operational co-operation that has been developed with the Police is good. And this is how it should be.

Royal Hong Kong Police Force

110. The Royal Hong Kong Police Force has continued about its business of law enforcement and has shouldered the additional burdens imposed by illegal immigration. It has performed these tasks well, often with all too little public recognition of its achievements.

111. Recruitment has held up well; the overwhelming majority of new constables have Form V education, thus a much larger proportion are able to gain promotion to inspector—75 were so promoted last year. At the same time more men at matriculation or degree level are being attracted into the inspectorate.

112. Overall crime has been held, and robbery has been reduced from 30 reports a day in 1979 to 24 today. But the disturbing increase in the use of fire-arms or imitation fire-arms has continued, and the Police have fought some brave actions with armed robbers. On the other hand due to police crime prevention measures and some elementary arrangements for self-protection bank and goldsmith robberies have decreased.

113. 10% of arrests were found to be recent immigrants, mostly illegal immigrants, as were over 62% of those arrested for armed robbery. The public should not be alarmed by these figures into believing that all immigrants are criminals. Of course these figures relate only to a tiny minority. Nevertheless we must face the fact that we have now such a minority unable either to integrate in Guangdong or assimilate in Hong Kong. I should hope that this is a transitional phenomenon but certainly it needs very careful watching.

114. The increase in juvenile crime which began in 1979 continues. The figures are small by international standards but we ignore the trend at our peril. A report made under the aegis of the Fight Violent Crime Committee stressed, amongst other things, disappointment in school and lack of supervised recreation as factors in juvenile crime. I have described what is being done to improve remedial teaching, counselling, and social welfare services in schools, as well as to adapt the curricula to less academically minded pupils. But immediate steps are being taken to enable the Police, through the Junior Police Call to make as they are anxious to do, a greater direct contribution to pointing young people in the right direction, and establishing from the start an easy relationship with the Police. Junior Police Call already numbers 270 000 members but many are inactive. To make much fuller use of this potential a three-year programme has been drawn up which includes the provision of a J.P.C. clubhouse in each Police Division, the setting up of 400 J.P.C. clubs in secondary schools, and the provision of more funds to finance J.P.C. activities.

115. The Police Force, with the assistance of Home Office Inspectors, has put a great deal of effort and thought into planning better housekeeping and welfare for its men and better deployment of its resources. The housekeeping and welfare include a five-year building programme covering a wide variety of projects from new police stations and a new H.Q. at Wan Chai and four new

marine bases for the expanding fleet, to new clubhouses at Boundary Street and Causeway Bay, fitness rooms in Divisional Stations, and 4 000 more married quarters for Junior Police Officers. In our concern to expand and adapt the Force to meet the needs of modern Hong Kong, I am sure that we have paid too little attention to the working and living conditions of members of the Force, and there is now a substantial backlog to be tackled.

116. The tendency of the Police Force's plans for redeployment is towards devolution of initiative responsibility and administration to Divisions and Districts, and this will include the C.I.D. A series of reviews and experiments is now being undertaken. A review is also being undertaken of the requirements of the Marine Police whose fleet of 52 existing vessels will be increased by 24 and largely replaced over the next ten years.

117. To sum up I believe the Police Force is responding effectively and imaginatively to the new conditions and new spread of population in Hong Kong, as well as to the new types of crime that confront it.

118. Subject to the approval of Executive Council, amendments will be introduced to the Societies Ordinance and the Police Force Ordinance.

Prisons Department

119. The year has not been an easy one for the Prisons Department. In addition to what might be described as extra-curricular duties connected with Vietnamese refugees and illegal immigrants, there has been a slight 3.4% increase in the penal population, the total muster now standing at about 7 000. The problems of these increased demands have been compounded by staff shortage with vacancies running at 12% in the officer grades and 15% in the rank and file.

120. Nevertheless high standards are being maintained. In detention centres 94.6% of inmates have not been reconvicted in the twelve months following release. Similarly the extension in May last year to other young offenders of statutory supervision for up to twelve months following discharge has proved most encouraging. The prison industries have also successfully continued to expand and diversify.

121. A comprehensive review of our prisons legislation is in train. Proposals are being put to Executive Council for a number of amendments to the Prison rules to bring them in line with modern penal practice and a Bill to amend the Prisons Ordinance will be submitted to this Council during this session.

The Garrison

122. When I spoke about the Garrison last year we were on the point of entering into negotiations with the Ministry of Defence over a new Defence Costs Agreement. After some tough but fair bargaining, a new Agreement was reached. It came into effect on 1 April 1981, and is to run for seven years.

123. In the course of 1978 and 79 it became clear that the Garrison was over-stretched and that the reduction in 1976 had gone too far. It has therefore been agreed that we should have an extra battalion and that it should, at least initially, be a Gurkha unit. It will be in position by next January, bringing the infantry strength of the Garrison to five battalions.

124. The effective life of the five patrol craft of the Royal Navy is ending. Their replacements have been ordered and should be operating by 1984.

125. Over the last three years the Garrison has made a tremendous contribution to holding the line against the waves of illegal immigrants. Although the number of immigrants has been much reduced, the Garrison must continue to maintain a considerable presence on the border, on the non-urban coast line, and at sea.

126. Its task on the border has been assisted by a new fence, floodlit at night, and overseen by observation platforms. This has been completed over the 22 kilometres from Sha Tau Kok to the Mai Po Marshes.

127. In the technical sphere a modernized and comprehensive system of communications is being planned by specialist officers of the Royal Navy and the Police and should give us by 1983 a completely new, reliable and efficient and integrated radio network. Linked with this are improvements in the coverage of Hong Kong waters by land and ship based radar.

128. From all this you will realize that we are determined to maintain and improve our guard against illegal immigration.

LABOUR

Employment Conditions and Labour Relations

129. I now turn to the very different subject of labour conditions and relations. During the last session, the Employment Ordinance was amended to widen its coverage to protect more non-manual employees and to provide paid maternity leave. Drafting instructions for the provision of improved sick leave entitlement and a death grant which I have described earlier are being prepared and should come before Members this session. Consideration will also be given to improving the conditions governing the grant of severance pay.

130. Further amendments to the Employee's Compensation Ordinance covering the introduction of compulsory insurance, the establishment of a more effective machinery for assessing compensation, and measures to expedite settlement of compensation claims, will be introduced into this Council this session.

131. 47 International Labour Conventions have now been applied in full or with modifications in Hong Kong. This represents an increase of four over last year. In addition, improvements in the application of five conventions have been made.

Industrial Health and Safety

132. A consultant in occupational health has been appointed to head the Industrial Health Division and to expand occupational health services. It is primarily the duty of employers to provide adequate medical, nursing and technical staff to deal with health hazards in the workplace. But the Division will supervise and advise on what is being done by employers.

133. A Pneumoconiosis (Compensation) Fund Board has now been set up and has begun to make payments to workers found to be suffering from silicosis. Screening services for the early detection of silicosis and asbestosis are now available to workers.

134. The penalties provided in the five most important sets of safety regulations under the Factories and Industrial Undertakings Ordinance have been increased substantially. Similar increases will be made in the remaining 14 sets of regulations this session.

135. Further regulations on the safe use of electricity, protection of workers' hearing and the employment of safety officers and safety supervisors in hazardous industries will be made shortly.

136. The Industrial Safety Training Centre has been conducting a great variety of training courses, and a one-year evening course for safety officers has been organized in conjunction with the Polytechnic.

137. Industrial safety has been and will continue to be promoted by the Factory Inspectorate and through an ambitious and imaginative publicity programme. Nevertheless, considering how intractable the problem is, I am attracted by Sir S. Y. CHUNG's suggestion of a Council for Occupational Safety to add impetus to our efforts, and it is being studied carefully.

THE PUBLIC SERVICE

138. Your Government has continued to put a great deal of effort into building an effective, committed and well trained Public Service, and to improving conditions and staff relations in it. In this a key part has been played by the new and independent Commission on Civil Service Salaries and Conditions of Service under the successive and very able Chairmanships of Sir Y.K. KAN and Sir S. Y. CHUNG. Its work is both hard and painstaking and it is steadily rationalizing the structure and salary levels of the Service.

139. Last year, I mentioned proposals for a home purchase scheme for public servants as an alternative option to rent allowances. Details of the Scheme have now been announced and it will be implemented before the end of the year. It is a new departure and we must see how it works out in practice under present financial circumstances. But I am convinced that the scheme is right in principle.

140. In March, the Civil Servants Finance Advisory Office was established to deal with the long-standing problem of indebtedness in the public service. In the first six months of its operation, over 3 000 applications were received and over

\$38.5 million worth of loans were recommended by the Office to the participating banks for financing. The object of this scheme is to free civil servants from the clutches of loan-sharks with obvious benefit for themselves, their families and the public service.

141. Honourable Members will have noted the recurrent theme in this address of shortage of technical and professional manpower. This is a serious problem and your Government is now developing long-term manpower planned in conjunction with the Universities and Polytechnic in order to better meet requirements. At the same time, new arrangements have been introduced for extensions of service to be granted after the age of 55 to ensure that Government does not deprive itself of the contribution that efficient and experienced officers, especially those in senior positions, can make.

CLEAN HONG KONG CAMPAIGN

142. Last year I mentioned that a territory-wide campaign to make Hong Kong cleaner again would begin this month. It will supplement the blitz in 1972 which successfully broke the back of a very long-standing problem in the Urban Area. It will include the New Territories and Country Parks. It will start on the 25th and will be divided into phases dealing with six different areas, and will continue up to December next year.

143. In preparation the departments concerned have already been strengthened with both staff and vehicles. For instance the New Territories Services Department will spend \$42 million this year on cleansing vehicles most of which are now in service. Harbour cleansing, and rubbish collection in housing estates, and temporary housing and cottage areas, and in the country parks and along highways have all been stepped up.

144. In this preparatory period many black spots have been cleared and refuse collection points improved, and 100 more collection points will be constructed during the campaign. I am sure that those on the operational side are on their toes. It is now up to the Clean Hong Kong Executive Committee and the Clean Hong Kong Campaign New Territories Advisory Committee and the many district committees they have set up to encourage the public to return to the public spirited rectitude of 1972 and 1973. I am sure the response of the vast majority will be excellent. But there are bound to be some who will be careless and thoughtless, and I appeal to the courts to bring home to those who commit litter offences that they must mend their ways.

DISTRICT ADMINISTRATION

145. I think we all attach great importance to the new form of administration and public participation now being created in each District. Indeed without it I do not see how the plans for developing, spreading out and providing for the needs of Hong Kong that I have described can be carried through effectively and in accordance with the wishes of residents.

146. In each district, whether in the New Territories or the Urban Area, the scheme stands on two legs. Firstly there is a District Management Committee comprised of responsible officials to oversee and co-ordinate the activities of Government departments within a district, and where necessary arrange their modification to meet the district needs. Secondly there will be a District Board of appointed and elected unofficials plus the senior officials of the Management Committee. Urban Councillors and Rural Committee Chairmen will have seats provided for them. The Board speaks for the District and advises the Management Committee, and if necessary the Secretary for Home Affairs or the New Territories, on how its needs should be met. The scheme is already operating in all New Territories Districts, albeit so far without an elected element. Management committees have already been established in all urban districts and the process of establishing District Boards is going well and will be completed by next March.

147. The scheme is proving a significant success even on its present basis. But interest now focuses on the first set of elections which will be in New Territories Districts only next March and for which registration of voters is now taking place. The necessary legislation was passed in July this year to provide for elections to both the District Boards and the Urban Council based on constituencies and on a new broad franchise. As this is something new to Hong Kong, it is the Government's duty to ensure the public understand the scheme and realize the need for local public involvement in District Administration, and understand how they can register and vote. So far in the New Territories, I understand that over 90 000 applications for registration have been received. Registration will take place in the City Districts in March and April next year and elections will be held in September.

148. The reform follows an evolution that has been taking place over a period of years. So though the form is entirely new to Hong Kong it is not a step in the dark, nor does it circumscribe the essential powers of the Central Government or of this Council, the Urban Council or the traditional role of the Heung Yee Kuk. Nevertheless this partnership in District Administration will produce a new and much sharper focus on the needs of each district, and will do so in the light of the views of the representatives of each district. It should make Government less faceless, more accessible and more responsive. It will also provide a new opportunity to play a part in administration to a large number of people.

THE ARTS AND RECREATION

149. The arts, sport and recreation, and the organized use of leisure all contribute to the building of complete and cohesive communities. These have made extraordinary progress under the encouragement of the Urban Council, the Government, the Royal Hong Kong Jockey Club, the Council for Recreation and Sports, the Country Parks Authority, and many other bodies, and of course with the enthusiastic support of the public for which these developments clearly fill a very long-felt need. In the artistic field development of performing

arts has far out-stripped existing capacity for practice, instruction, storage and administration. So the proposal of the Royal Hong Kong Jockey Club to build a new Academy of the Performing Arts is most timely. It is a happy co-incidence that a site is available next to the Arts Centre, now the subject of a feasibility study.

UNITED KINGDOM

150. This year by unfortunate co-incidence there were one or two developments in the U.K. that were disagreeable to Hong Kong. For instance the increase in university fees and the Nationality Bill still before Parliament. Your Government put up a stiff fight, and though it had no success on university fees it had some over the Nationality Bill. But the point I wish to make now is that some here affected to see these developments as part of a deliberate policy of disengagement by H.M.G. I can only say that these events were prompted by purely U.K. considerations totally unconnected with Hong Kong, that their timing was pure co-incidence, and that most satisfactory assurances of continued U.K. support for Hong Kong were immediately given. Indeed it is ironic that such intention should have been suspected of a U.K. Government whose members have been so helpful to Hong Kong and frequently spoken so warmly of it. I believe that in recent years there has been a much wider understanding in Parliament of Hong Kong, its problems and its achievements, and this has been due in no small measure not only to the vigour of successive Hong Kong Commissioners but also to the work of the all-party Parliamentary group under the Chairmanship of Sir Paul Bryan.

SINO-BRITISH CO-OPERATION

151. Sino-British relations continue to be excellent in themselves and over Hong Kong. In Hong Kong the relations of our officials with those of the Central Government and the Guangdong Provincial Government are friendly, practical and constructive. I note with satisfaction the steady development of economic co-operation between agencies of the Chinese Government and Hong Kong businessmen in Hong Kong, in Guangdong and in other parts of China. I am convinced that at this time the best contribution we can make to our own future is the fostering of the growing economic links that exist with our neighbour. These are complementary to our very large economic interests in other parts of the world.

CONCLUSION

152. And so I come to the end of this review of your Government's activities and proposals. They encompass continuation of the steady transformation of Hong Kong. In this aim we must persist if we are to develop as a technically advanced, valued, and above all, respected, and I repeat, respected society.

153. What is called 'the ugly face of capitalism' was notably absent in the recession of 1974-75 and the subsequent recovery, and this was one of the reasons Hong Kong came through it so well. Now when the economy as a whole

is doing comparatively well, and looks like continuing to do so, there are signs of this lesson being forgotten by some. It is all very well to say that in a free economy one must take the rough with the smooth; but those who take the rough are so seldom those who enjoyed the smooth. Our economy depends on the development of sound industry, sound communications, and sound financial institutions, based on a decently housed society whose elements observe mutual respect and restraint. So long as the ingenious and admirably intense economic activity of Hong Kong concentrates on these productive objectives, I am convinced that other medium and long term factors are very greatly in our favour.

Government Business

First reading of bill

TELEPHONE (AMENDMENT) BILL 1981

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

Second reading of bill

TELEPHONE (AMENDMENT) BILL 1981

THE SECRETARY FOR ECONOMIC SERVICES moved the second reading of:—‘A bill to amend the Telephone Ordinance’.

He said:—Sir, I move the second reading of the Telephone (Amendment) Bill 1981.

The purpose of the Bill is to delete the words ‘Cable and Wireless Limited’ where they appear in the Telephone Ordinance and to substitute for them ‘Cable and Wireless (Hong Kong) Limited’. The Bill provides for this change to have come into effect on 1 October 1981.

The reason for this Bill is the need to reflect the change in status of Cable & Wireless’ operations in Hong Kong that took place on 1st October. Previously, the Cable and Wireless office here was a branch of a company incorporated in the U.K. Now its operations have become the responsibility of a local subsidiary incorporated in Hong Kong. The Government has been fully consulted on these changes and has in fact taken up a twenty per cent shareholding in the new Hong Kong subsidiary to put it in the best possible position to safeguard the interests of Hong Kong’s telecommunications users in the absence of a scheme of control.

Sir, I beg to move.

(Mr. S. L. CHEN and Mr. K. C. CHAN declared interest.)

Question put and agreed to.

Bill read the second time.

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

Committee stage of bill

Council went into Committee.

TELEPHONE (AMENDMENT) BILL 1981

Clauses 1 to 5 were agreed to.

Council then resumed.

Third reading of bill

THE ATTORNEY GENERAL reported that the

TELEPHONE (AMENDMENT) BILL

had passed through Committee without amendment and moved the third reading of the Bill.

Question put on the Bill and agreed to.

Bill read the third time and passed.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 14 October 1981.

Adjourned accordingly at fifteen minues past four o'clock.