

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 4 OCTOBER 1984
IN THE
THIRTY-THIRD YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER
Thursday, 4 October 1984
The Council met at half past two o'clock**

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR EDWARD YOUDE, G.C.M.G., M.B.E.

THE HONOURABLE THE CHIEF SECRETARY
SIR CHARLES PHILIP HADDON-CAVE, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY
SIR JOHN HENRY BREMRIDGE, K.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL
MR. MICHAEL DAVID THOMAS, Q.C.

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

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

THE HONOURABLE DAVID AKERS-JONES, C.M.G., J.P.
SECRETARY FOR DISTRICT ADMINISTRATION

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

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

THE HONOURABLE ALEX WU SHU-CHIH, C.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, C.B.E., J.P.

THE HONOURABLE LYDIA DUNN, C.B.E., J.P.

THE HONOURABLE ALAN JAMES SCOTT, C.B.E., J.P.
SECRETARY FOR TRANSPORT

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

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

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 TRADE AND INDUSTRY

DR. THE HONOURABLE HO KAM-FAI, O.B.E., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, O.B.E., J.P.

THE HONOURABLE ANDREW SO KWOK-WING, O.B.E., J.P.

THE HONOURABLE HU FA-KUANG, J.P.

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

THE HONOURABLE DONALD LIAO POON-HUAI, C.B.E., J.P.
SECRETARY FOR HOUSING

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN, O.B.E., J.P.

THE HONOURABLE CHAN KAM-CHUEN, O.B.E., J.P.

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

THE HONOURABLE COLVYN HUGH HAYE, C.B.E., J.P.
DIRECTOR OF EDUCATION

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

DR. THE HONOURABLE HENRIETTA IP MAN-HING

THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR SECURITY

THE HONOURABLE HENRY CHING, C.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, J.P.
COMMISSIONER FOR LABOUR

THE HONOURABLE CHAN YING-LUN

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI

THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.

THE HONOURABLE KIM CHAM YAU-SUM, J.P.

THE HONOURABLE KEITH LAM HON-KEUNG, J.P.

THE HONOURABLE CARL TONG KA-WING

THE HONOURABLE ALAN ANDREW McLEAN, J.P.
SECRETARY FOR ECONOMIC SERVICES (*Acting*)

THE HONOURABLE MICHELANGELO PAGLIARI, J.P.
SECRETARY FOR EDUCATION AND MANPOWER (*Acting*)

THE HONOURABLE JOHN RAWLING TODD, C.V.O., J.P.
SECRETARY FOR LANDS AND WORKS (*Acting*)

ABSENT

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

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN

THE HONOURABLE YEUNG PO-KWAN, C.P.M.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LI WING

Valedictories to late Father MCGOVERN and to Mr. Charles YEUNG

HIS EXCELLENCY THE PRESIDENT:—Before I deliver my opening address to this Council, I think Members would wish me first to pay tribute to our late colleague, Father MCGOVERN whose sudden death over the week-end has brought great sadness not just to this Council but for the community at large.

Father MCGOVERN had a distinguished record of public service on this Council and on the Executive Council. In particular he will be remembered for his contribution in the fields of industrial relations and education during his eight years as an Unofficial Member. His passing takes from us a man well known for his compassion and for his moral courage.

I should also like to say a few words about Mr. Charles YEUNG, who has left this Council after seven years' service starting in 1977. Mr. YEUNG showed a keen interest in all aspects of this Council's work. He has been a wise and thoughtful advocate of the interests of the people of the New Territories throughout these years. He has given distinguished service on the important Public Accounts Committee, and to him we offer our thanks and our best wishes for the future.

MR. LOBO:—Sir, the Unofficial Members of this Council would wish to be associated with the warm tribute which Your Excellency has paid to the late Father MCGOVERN.

On behalf of my Unofficial colleagues, both of this Council and Executive Council, I would like to say how deeply we mourn his sudden and untimely death. Since he joined the Legislative Council in 1976 he has been a most active Member of this Council and UMELCO. A man of great compassion and unflinching integrity, he has crusaded tirelessly to defend and advance the interests of the little man.

Father MCGOVERN's commitment was an example to us all. He showed a great insight into the worries, fears and feelings of ordinary people and never hesitated to point out what he saw as the injustices of any situation. As a colleague has said elsewhere, he was able to inject a sense of conscience into our discussions so that we looked beyond the mere text of policies and legislation, to the human realities underneath.

We have many rich memories of his performance in this Council. He was the driving force behind the motion which achieved the acceptance of the Llewellyn Report as a basis on which the continuing improvement of education in Hong Kong should be implemented. But he worked no less energetically and diligently outside this Council. The UMELCO Police Group, the Standing Commission on Civil Service Salaries, the Public Accounts Committee are but a few of the groups which profited from his selfless participation. His dedication was not to any class or category of people but to social justice and to humanity. We shall miss him as a good friend; we shall miss his honesty, we shall miss his courage

and unfailing good humour which won him his highest respect of his Unofficial colleagues. He was a man for all the people of Hong Kong whom he served tirelessly until his very last day.

Sir, I would like also to be associated with your honoured remarks you have made to Mr. Charles YEUNG who is with us today. On behalf of my Unofficial colleagues I would like to pay tribute to Mr. YEUNG who has been a loyal and dedicated Member of this Council.

He has been actively involved in various UMELCO Panels and taken an active interest in a wide variety of issues.

He has also served on various public committees including the very important Public Accounts Committee for six years.

Mr. YEUNG made valuable contributions during the past seven years of service and we have benefited much from his wide experience and legal mind.

We wish him, his wife and family every success in the future.

Address by His Excellency the Governor

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(1) *INTRODUCTION*

Honourable Members of the Legislative Council, when I gave my annual address to this Council last year I said that the year ahead would be a challenging one for us all and that I fully understood the wish of the people of Hong Kong to know what the future would hold. I said that their concern and their aspirations would govern our thinking and actions in the years to come. The year was indeed a momentous one and I would like to repeat my tribute to the patience, and calm good sense, shown by the community during this crucial period of our history.

(2) *SINO/BRITISH JOINT DECLARATION*

2. On 26 September I presented to this Council the text of the draft Sino- British agreement on the future of Hong Kong. That event was a milestone in Hong Kong's history. I was able to tell the Council that Her Majesty's Government and the Executive Council of Hong Kong believe that the draft agreement is one which they can commend to the people of Hong Kong as a sound basis for their future because it does indeed provide for the continuation of those elements which the community have made clear that they regard as essential. I have been encouraged by the reception which the agreement has been given not only in Hong Kong itself, but more widely by governments abroad and in international organisations.

3. The next step will be for the people of Hong Kong to consider and express their views on the agreement. The arrangements for testing public reaction were announced sometime ago and the Commissioner in charge published on 27 September full details of how views should be made known and the address to which they should be sent. Sir Patrick NAIRNE and Mr. Justice Simon LI, have already begun their work of monitoring the assessment process. Let me urge again that everyone in Hong Kong should come forward with their views so that the British Parliament will, when the time comes, have the fullest possible picture of the acceptability of the agreement in Hong Kong. These views should be submitted by 15 November so that the report on them can be sent to London before the end of that month.

4. In presenting the agreement to this Council I said that one of its essential provisions was that the United Kingdom would continue to be responsible for

the administration of Hong Kong until 1 July 1997. I also said that your Government would continue to discharge its duty of governing Hong Kong in the interests of the community, and meet the community's essential needs so that everyone in Hong Kong will be encouraged to have faith in the future, because they can see that the Government itself has that faith. It will be my purpose today to review in the light of that undertaking the plans of the Government for the coming year.

(3) *CONSTITUTIONAL DEVELOPMENT*

(a) *Green Paper on the Further Development of Representative Government*

(i) *General*

5. An important task during the year will be to take decisions on the proposals, and in particular those concerning the 1985 elections, in the Green Paper on the Further Development of Representative Government in Hong Kong.
6. The Green Paper, tabled in this Council on 18 July, has aroused intense interest in the community. There has been much discussion of the proposals in the media and by the public at large; the proposals have been debated by all the District Boards, by the Heung Yee Kuk, by the Urban Council and by this Council; in addition, many written submissions have been received from local organisations and from individuals.
7. I am greatly encouraged by this response. It demonstrates that many people in Hong Kong are keenly interested in the development of a more representative system of government.
8. The views expressed on the proposals in the Green Paper will be considered by the Executive Council later this month. I will not seek to pre-empt that discussion, but this is an opportune moment to note the objectives on which there has been general agreement and to highlight those issues which have generated the great debate.
9. The general reaction of the community to the proposals has been favourable. There is agreement with the gradual and progressive approach, which we proposed. There has also been general support for the view that, while changes should be made to our system of government, they should not be introduced too hastily or in a manner which might endanger Hong Kong's stability at this crucial time.
10. The issues on which most discussion has focused are direct elections, the timing of a further review of the constitutional arrangements, the electoral college, functional constituencies, and the development of a ministerial system.

(ii) *Elections*

11. There has been lively debate on the relative merits of direct and indirect elections. As I said in my address to this Council on 18 July, the time for direct

elections may come. But there has been little support in public comment on the Green Paper in Hong Kong for any move in this direction in 1985. Some have suggested, however, that we should move to direct elections by 1988. Others have taken the view that, having introduced direct elections on a very broadly based franchise at the district and regional levels only within the past two years, it would be unwise to do the same at the central government level until we have all gained more experience at the lower levels.

(iii) *The Review*

12. In the Green Paper, it was proposed that a review should take place in 1989, after the second elections to the Legislative Council had taken place in 1988. Many people have suggested that the review should take place earlier, perhaps in 1987. This is a suggestion which we will consider very carefully.

(iv) *The Electoral College*

13. There has also been much comment on the proposal that some Members of the Legislative Council should be elected by an electoral college composed of all the members of the Urban Council, the new Regional Council and the District Boards. One possibility is a single list of candidates. Another suggestion which has been put forward is that arrangements should be made to ensure that there is a reasonably balanced geographical distribution of members elected by the college. This might be achieved, for example, by dividing the members of the college into groups of districts, each of which would elect one member. The Urban Council and Regional Council members might also form separate groups to elect one member each. These ideas will be given careful consideration in formulating the White Paper.

(v) *Functional constituencies*

14. Opinion on the proposal that some Unofficial Members of the Legislative Council should be elected by functional constituencies has been diverse. Some have criticised the idea as being divisive and unworkable. Others while supporting the idea in principle, have asked for more detailed information about how the proposal would be put into practice. Certainly the proposal is an unusual one. It has few precedents elsewhere. But it is designed to meet a need which is widely recognised in Hong Kong, namely, to ensure that those major sectors of the community which have common social, economic and occupational interests and which are important components of our society, are adequately represented in the Legislative Council. At this stage in our history this cannot be left to chance. This much has been recognised by those who disagree with the method of meeting it. We shall elaborate our proposals further in the forthcoming White Paper.

(vi) *Ministerial system and the Governor*

15. The Green Paper also discussed the position of the Governor and the Possibility of introducing a ministerial system. There has been considerable public comment on these issues. As I explained earlier the position of the Governor raises important constitutional issues: and the ministerial system is

not the only way of proceeding. In any case they are not questions to be decided in the immediate future. I shall therefore not deal further with them here.

16. In all these matters, to draw up schemes and predict their success on the basis of experience elsewhere is not enough. Our systems must grow from our own society and take account of our circumstances. They will not survive without firm roots set in the society from which they spring.

17. When considering constitutional development, we shall also need to keep in mind the provisions of the draft agreement on the future of Hong Kong. As I explained in my statement last week the provisions in that agreement allow scope for the development of Hong Kong's governmental system as the years progress. We can therefore move forward but we shall do so with due circumspection.

(vii) *The White Paper*

18. After the Executive Council has considered all the views put forward, a White Paper will be prepared setting out definitive plans. This will be published for public information and tabled in this Council for debate. These plans will represent only one further stage in the development of representative government in Hong Kong. They do not preclude subsequent development. It is essential to Hong Kong's continued growth and prosperity that its system of government should continue to evolve to meet the demands of the times and the aspirations of those to whom it owes its mandate.

(b) *Legislative Council*

(i) *Membership*

19. The pace of change is such that we have already reached a milestone in our history. I expect this to be the last session of this Council in which all its Members are appointed. The composition of this session's membership already reflects a movement towards the likely composition of the Council next year, with two fewer Officials and three more Unofficials. As we look forward to the new era, I would like to pay tribute to all those who are serving and have served in an appointed capacity. The fact that you have not been elected has in no way reduced your determination to serve the community to the best of your ability. The success of Hong Kong over the last two decades owes much to the devotion to duty and to the well-being of the community, of Members in this Council. Hong Kong has been well served by the appointment system, but now history moves on.

(ii) *Powers and Privileges Bill*

20. This session will see the introduction of a bill of some significance to the functioning of this Council, the Legislative Council (Powers and Privileges) Bill. The purpose of this Bill is to confirm the privilege of Members' statement in debate; provide assurances that Members can perform their duties according to their conscience; and introduce powers to hear evidence on matters of public interest. The Bill follows well-trodden ground. But it will be a timely measure for Hong Kong.

(iii) *New Legislative Council Chamber*

21. This is also the last session which we shall hold in this Chamber. When I deliver my address to you next year I shall be doing so in what we still call for the present the old Supreme Court building. The move will assist the legislature to achieve in the public eye a new and distinct identity, quite separate from the executive as represented by the Governor, the Executive Council and the civil service.

(iv) *Public Accounts Committee*

22. One further development in this Council which I should like to mention is the decision by the Public Accounts Committee, one of the Council's two Standing Committees, to hold its hearings of evidence in public. The Public Accounts Committee, despite its relatively short history, has rapidly become one of the most important bodies in the administration of Hong Kong, with the responsibility of satisfying itself on both the validity of the observations made in the Director of Audit's Report and the adequacy of the efforts of the civil service to correct any failings disclosed in it. This is a heavy responsibility in an area of keen public interest, and I am well aware of the burden of work which the members of the Committee take upon themselves in their determination to discharge this responsibility thoroughly. It is greatly to their credit that they should have decided that the interests of open government require that they should hold open hearings. In this way the public can know the content of these examinations, and be satisfied that their interests as taxpayers are properly protected.

(c) *Local Administration*

23. Meanwhile the development of representative government at regional and district level is progressing steadily.

(i) *District Boards*

24. District Boards are due to complete their first term of office next year. They have a fine record of achievement in their first three years. District Board members have worked hard and effectively to improve the living environment of their districts; they have given much detailed and constructive advice on district problems of all kinds; and have become an important, indeed an essential, part of the political life of our community.

25. In my address last year, I said that arrangements for local administration should be examined to ensure that they remained suited to Hong Kong's changing needs and circumstances. The proposals which emerged from the review gave rise to extensive and lively public debate. After careful consideration of all the views expressed, it was decided that the representative status of the Boards should be further strengthened by increasing the number of elected members; that separate District Boards should be created for Tsuen Wan and Kwai Chung/Tsing Yi; that the urban management role of the District Boards should be expanded; and that a new Regional Council should be established to cover those areas outside the aegis of the Urban Council.

(ii) *Regional Council*

26. The proposed Regional Council aroused some controversy. But it became evident that the people in the areas concerned preferred to have their own Council. They wished to participate directly in the running of the services and facilities that, in the urban areas, are operated by the Urban Council. Your Government supported this view, and next year a Provisional Council will be appointed to prepare for the establishment of an elected Council in 1986.

(iii) *Elections*

27. The District Board elections to be held on 7 March 1985 will open a new chapter in the history of local administration. Government representatives will cease to be members of the Board but will continue to attend meetings to answer questions and receive advice; the number of elected members will be increased from 132 to 236 and will constitute the majority on the Boards; the chairman of each Board will be an elected unofficial; the New Territories District Boards will elect their representatives to join the provisional Regional Council to be established in early 1985; and if the proposals in the Green Paper on Representative Government are supported, members of the Boards together with those of the Urban Council and the Regional Council will in due course elect Members of the Legislative Council. In consequence I am glad to say that interest in registering to vote is increasing. There are now over 1.4 million voters on the electoral roll; they will have an increasing and more direct voice in the administrative of the territory at the district, regional and central government level.

(d) *Public Service*

28. Turning to the civil service, I reported last year on our success in restraining growth. Our effort has been sustained and it is now our aim to stabilise the size of the public service in 1985-86. Where it is essential to provide staff for new facilities, compensatory savings in staff will need to be found elsewhere. I would expect to see the example set by the civil service followed by all authorities and organisations in receipts of public money.

29. Like other sectors of the community, the members of the public service have had to contend with uncertainties about the future. However, they have not allowed this to affect their performance, and efficiency has been maintained at a high level. The provisions in the draft agreement on the future should assist in removing the public service's anxieties. I am confident that the service will play a full part in maintaining a stable and prosperous Hong Kong.

(4) *ECONOMIC AND FINANCIAL SITUATION*

(a) *State of the Economy and Future Prospects*

30. Turning then to the state of the economy, this is the second year of export-led recovery and the indications are that the growth rate of our economy is going to be stronger than was earlier expected. Once again the resilience and the external competitiveness of our products have enabled Hong Kong to reap

the benefits of a revival in demand in our export markets, particularly the United States. Domestic exports to China have also increased rapidly, so that China has become Hong Kong's third largest market. This is very much to our mutual benefit both economically and in the wider sense. Overall domestic exports for 1984 will probably grow by 18 per cent and, in consequence, Hong Kong's gross domestic product is expected to grow by 8 per cent. These growth rates are very encouraging.

31. Our export performance has led to a major improvement in the employment situation. In the three months May to July, the unemployment rate was 3.4 per cent and the underemployment rate was 0.9 per cent, indicating that the labour force is fully employed. Higher incomes are reflected in the continuing growth of consumer spending.

32. The rate of inflation has slowed since the beginning of this year to about 9 per cent at present, and there seem to be good prospects that it will ease further in the coming months. This is attributable to the combination of relatively moderate increases in world commodity prices and the stability of the Hong Kong dollar under the linked exchange rate system. Let me make clear that we have no plans to change that system.

33. Looking ahead to 1985, our economy should continue to benefit from the expected growth in the world economy. However, Hong Kong remains as always vulnerable to external events, and we must be alive to the possibility that the world economy may grow less rapidly than now foreseen.

34. Whatever happens, the Government will continue with prudent and consistent policies involving minimum intervention, which, in the past, have been instrumental in fostering sustained economic growth.

(b) Management of the Public Finances

35. The economic recession in 1982 is still having an adverse effect on government revenues notably because of the depressed state of the property market and the poor performance of some companies that year. In addition, duties collected so far this year have been lower than expected, possibly the result of substantial pre-budget stocking. These shortfalls, however, are likely to be balanced by better than estimated revenue from other sources so that total revenue for the year is still expected to be on target.

36. Expenditure is running below the level estimated mainly because of continuing tight control and the competitive tender prices bid for some capital projects. Although it is still too early to provide a reliable estimate of the revenue and expenditure outturn for this financial year, it is expected that there will be an appreciably smaller deficit on General Revenue Account than the budgetted figure of \$2.1 billion. This, in any case, represents less than 1 per cent of our Gross Domestic Product. This deficit will be financed in part by the highly successful issue of Government Bonds to the value of \$1 billion repayable within five years.

37. Public sector expenditure in 1984-85 is thus likely to constitute slightly less than 17.5 per cent of the revised gross domestic product forecast, as compared with the original budget estimate of 18.3 per cent.

38. A very large part of this expenditure goes into our investment in the future of this territory, that is expenditure on the physical infrastructure of our new towns, on transportation, on housing and all those other facilities on which our social progress depends: schools, hospitals, clinics and the like. Total expenditure on capital works last year amounted to \$12 billion dollars and a similar investment is forecast for this financial year. Of this \$4.1 billion is expected to be spent on public rental housing and the Home Ownership Scheme.

(c) Regulation of the Financial Sector

39. In the space of a decade, Hong Kong has emerged as the leading financial centre of the Far East. However, recent events have under-lined the need to guard our reputation through a process of careful regulation. This we are doing.

40. The Companies (Amendment) Ordinance, enacted in January, came into force at the end of August and a Standing Committee on Company Law Reform was established to ensure that our legislation keeps pace with developments. In conjunction with the Securities Commission, it will also advise on the reform of the Securities Ordinance and the Protection of Investors Ordinance.

41. During the year, the provisions of the Insurance Companies Ordinance came fully into effect, and the Insurance Advisory Committee was established to assist in implementation and to keep the law under review. One of its major tasks will be consideration of the Law Reform Commission's report on insurance which I hope will be published in the coming year.

42. The review of the Hong Kong Commodity Exchange has also been completed. As a result, the Exchange is to be reorganised and will become the Hong Kong Futures Exchange. Enabling legislation to permit the operation of a new market in stock index futures and other financial instruments will shortly be introduced into this Council and a further bill, aimed at improving the regulatory framework of the Commodities Trading Ordinance, is being prepared.

43. A further step in the development of our financial sector will be the unification of our four stock exchanges, planned for the end of next year. As part of this development, legislation will be introduced this session regarding membership criteria for the Unified Exchange. Listing and compensation fund rules are also being prepared.

(d) Trade and Industry

(i) Trade

44. While recovery in our major markets has brought an encouraging growth in our exports, there are clouds of concern on the horizon. Protectionist

pressures continue. We have been particularly concerned with measures taken in the United States, our largest market. A presidential announcement in December 1983 led to the re-establishment of restraint limits on a number of items, which were supposed to have been liberalised under the 1982-1987 United States/Hong Kong Textiles Agreement. More recently, new customs regulations have been introduced which, apart from being disruptive to trade, are inconsistent with the basic principles on which our bilateral agreement was concluded. Legislative proposals for the renewal of the U.S. Scheme under the Generalised System of Preferences, which will expire in January 1985, also threaten to affect us adversely.

45. The Government views all of these developments with great concern. We have already made known our views to the Government of the United States and, in respect of the Textiles issue, will continue to make every effort to restore the position both through bilateral consultations and in conjunction with other participants in the G.A.T.T. and M.F.A.

46. On a more hopeful note, the G.A.T.T. this year completed its background study on the trade in textiles and clothing to which I referred last year. A working party was subsequently established by the G.A.T.T. Council to examine how trade in textiles can be further liberalised, hopefully by moving away from the M.F.A. regime back towards the normal rules of the G.A.T.T. The working party's report will be presented to the G.A.T.T. Council and to the annual session of the contracting parties in November.

47. All this is of great importance to Hong Kong. Notwithstanding our efforts towards diversification, the textiles and clothing sector still accounts for 40 per cent of our domestic exports and of our employment in manufacturing.

48. There is general agreement that a modern Exhibition Centre would be of value to the expansion of Hong Kong's trade. The Hong Kong Trade Development Council has recently invited development proposals for the valuable site on the Wan Chai waterfront to house such an Exhibition Centre. This will fulfil a long felt need.

(ii) *Industry*

49. Despite the expansion of the tertiary sector of our economy in recent years, it is as well to remember that 35 per cent of our labour force is employed in manufacturing industries and that their output accounts for 22 per cent of our gross domestic product.

50. The recent growth in our exports has not been matched in recent years by as large a resurgence of investment by local industry as we have experienced in the past. Overseas investors on the other hand have continued to show considerable interest in Hong Kong. We welcome this. They bring new technology and new ideas. But we continue to need local investment. Hong Kong has built up and maintained its industrial lead in the region through a continual process of capital re-investment in new plant and equipment. In a

competitive world, we cannot afford to let that lead a slip. I trust that the announcement of the draft agreement on the future will now give renewed confidence and lead to a revival of domestic investment.

(5) *DEVELOPMENT OF INFRASTRUCTURE*

(a) *Territorial Development Strategy*

51. I now turn to our development plans.

(i) *Outcome of the major studies*

52. The initial results of our long-term development studies, which I promised in last year's address, were announced in July. They are encouraging and suggest a much wider range of options than was previously thought to be available.

53. Apart from work necessary for the completion of the present New Towns, our efforts in the early 1990s are likely to be applied initially to reclamation and other works around the Harbour. This will assist the growth and diversification of our economy by enhancing port, business and financial facilities, will enable road and rail systems to be extended and improved and will help relieve some of the pressures of population growth. Detailed planning and engineering studies are now proceeding.

(ii) *New Town development*

54. But in the shorter term, the Government will continue the development of the New Towns. The building of the six towns is already well advanced and by the early 1990s they will house nearly three million people. In human terms, this means about 200 000 people will move to new homes each year, and this will increase as work progresses on housing development at Junk Bay and Tin Shui Wai.

55. This is a challenging programme, involving the provision of the infrastructure, housing and community facilities. Government and Housing Authority expenditure on it is now running at more than \$5 billion a year, but there remains considerable scope for private investment in residential, commercial and industrial development.

(b) *Land Supply*

56. The success of our plans will depend, in part, on there being a ready supply of land. I am pleased by the Special Committee on Land Supply's forecast that the supply of land over the next five years will be more than adequate to meet most public and private sector needs. The identification of further major development areas in the long-term planning studies has allayed any doubts there may have been over sites for public rental housing. The draft agreement on the future of Hong Kong also contains very satisfactory provision on land. These provisions confirm rights in existing leases and remove the 1997 barrier to the extension of such leases. The provision on land grants will also permit our normal development programmes to continue.

(c) Communications

57. Much of Hong Kong's history has been written around its harbour, and it is essential that port facilities of all types should keep abreast of demand. To this end, a port development strategy study is under way and should be completed within the next 12 months. It will assess requirements up to the year 2001, and determine how any shortfall in facilities can best be met.

58. Work to meet more immediate increases in demand is already in hand. The Kwai Chung Creek reclamation will provide 15 additional hectares of land for the expansion of the existing container terminals and will be completed by mid- 1987. Planning is already under way for construction of an additional terminal at Kwai Chung by 1989.

59. At Kai Tak, the extension of the passenger terminal has commenced; it should be ready for use in mid-1987. Similarly, plans are in hand to ensure that additional air cargo facilities are provided in good time to meet growing demand.

(d) Transport

(i) Road network

60. Turning to the road network, the opening of the first stage of the Island Eastern Corridor in June has significantly improved traffic conditions in that area. The second stage will open in mid-1985.

61. In the New Territories, the dual-carriageway section of Route One between Sha Tin and Fanling will be largely completed by the middle of next year. Work has also begun on widening Route Two, which connects Fanling, Yuen Long and Tuen Mun, making it a dual-carriageway road with separate service roads.

62. Congestion around the Cross-Harbour Tunnel has been temporarily eased by the introduction of the passage tax, but, in the longer term, an additional crossing is needed. Our conclusions are that at least a four-lane road connection is required, and that this would be best provided by a submerged tube tunnel linking Quarry Bay and Cha Kwo Ling. Developers will shortly be invited to make proposals for the construction, operation and financing of this important project.

(ii) Cross-border links

63. Road links with China will also be improved. Two new bridges, at Sha Tau Kok and Man Kam To are close to completion. The next step will be the construction of the first stage of a bridge at Lok Ma Chau. This will ultimately link up with the New Territories circular road, as the main thoroughfare for cross-border road traffic.

(iii) Public transport

64. The major development in our public transport system next year will be the opening of the first part of the Mass Transit Railway's Island Line from

Chai Wan to Admiralty. It will be followed a year later by the second stage from Admiralty to Sheung Wan.

65. The Kowloon-Canton Railway Corporation has accepted government's invitation to build and operate a Light Rail Transit system in the North-West New Territories. This will initially serve Tuen Mun and Yuen Long, later extending to Tin Shui Wai. There is the possibility of a further extension to Tsuen Wan when the traffic growth forecasts justify it.

(e) Public Utilities

66. Turning to the public utilities, a site at Tai Po is being granted to the Hong Kong and China Gas Company for the construction of a new gas production plant. This plant will be operational in 1987, and will enable the Gas Company to extend its piped distribution to all hitherto unserved areas in the mainland New Territories.

67. Over the last year considerable progress has been made in the negotiations, between the Hong Kong Nuclear Investment Company and their Chinese counterparts, to set up a Joint Venture Company to own and operate the planned Daya Bay nuclear power station. The detailed contractual arrangements that will provide for the sale of electricity to Hong Kong are also being worked out. When these are complete, proposals will be submitted to the Government for formal approval.

(6) SOCIAL PROGRAMME AREAS

68. Hong Kong has made solid progress in recent years in improving social services.

(a) Housing

(i) Production

69. Nowhere is the Government's investment in the future more visible than in the field of housing. Over 2.4 million people, or about 45 per cent of the population live in permanent public housing of various types. This year, for the fifth year in succession, the Housing Authority will exceed its annual construction target of 35 000 flats. Next year, the addition of 5 000 flats for sale under the Private Sector Participation Scheme will allow us to boost public sector housing production, including that of the Hong Kong Housing Society, to over 40 000 flats annually.

70. The recent depression in the property market has led to a disappointing performance by the private sector, with only 20 000 completions expected this calendar year. There are, however, some promising signs, particularly in the market for small residential flats, and production is expected to rise to about 27 000 units in 1985. At present, some 2.5 million people live in private sector accommodation. Half of them are owner-occupiers, reflecting the growing and very encouraging trend in home ownership.

71. As I promised last year, the redevelopment of the old Mark I and Mark II Resettlement blocks has been accelerated. By the early 1990s, the Kowloon Central Estates, which presently house no less than 105 000 people, will be improved to standards more in keeping with the present times.

(ii) *Review of housing allocation policies*

72. Higher production figures have permitted the Housing Authority to review its allocation policies. This involved widespread public consultation, including discussions with all District Boards and many interest groups. The Executive Council has now approved many of the recommendations by the Housing Authority. These include allowing single persons to apply for specially designed units in rental housing, with priority given to occupants of Temporary Housing Areas; allowing two-person families to apply for both rental and Home Ownership Scheme flats; and the provision of additional non-financial incentives aimed at encouraging existing Housing Authority tenants to apply for Home Ownership Scheme Flats. I feel sure that these new initiatives will be welcomed by all.

(iii) *Squatter areas*

73. Higher levels of housing production have also enabled us to think and think again our squatter clearance plans. It is now possible to see the way ahead to the rehousing of all squatters in urban areas, including boat squatters and others on land not earmarked for development. I am conscious of the perils inherent in such predictions, but, provided we can maintain production and provided immigration remains low, the main urban squatter sites should be cleared by the early 1990s.

(b) *Education*

74. The year has been an eventful one for education with the setting up of an Education Commission and the founding of two new tertiary institutions.

(i) *Education Commission*

75. The Education Commission was formed in April this year, on the advice of the Executive Council, to provide the Government with consolidated advice on the educational system as a whole. Its immediate task has been to consider the report of the international panel, to which I referred last year, and to make recommendations to the Executive Council on the major findings of the report. Under the able leadership of its Chairman, the Honourable Q. W. LEE, the Commission has completed its initial task and its report will be submitted before the end of this month, with recommendations concerning the future of the Junior Secondary Education Assessment; language in education; improvements in teacher preparation and the teaching service; open education; and educational research.

(ii) *Higher education*

76. The first and most important of our new tertiary institutions is the City Polytechnic of Hong Kong, which opens its doors to some 480 full-time and 680

part-time students on 8 October. That this project could be got off the ground so quickly—a mere two-and-a-half years from the Government's approval in principle—owes much to the determination and diligence of the Planning Committee chaired by the Honourable Sir S. Y. CHUNG. I would also like to record my thanks to the Hong Kong Polytechnic for all the assistance it has provided the Planning Committee in its deliberations. The City Polytechnic is expected to offer a number of degree courses from 1986-87. Its sister institution, the Hong Kong Polytechnic, will this year increase its degree courses from five to eight. Similarly, the Hong Kong Baptist College is expected to offer some degree courses within the next few years.

77. In this connection, the Government is examining a recommendation of the University and Polytechnic Grants Committee that Hong Kong should no longer rely on the U.K. Council for National Academic Awards for the validation of degree courses, but should have a body of its own to maintain internationally accepted standards. This body, if established will consist of both local and overseas members and is likely to be both more responsive to local needs and more economical to operate than the present system.

78. Our existing two universities continue to expand and a number of sites for a possible third university have been identified. The Executive Council will be consulted during 1985 on whether planning for this university should proceed.

(iii) *Hong Kong Academy for Performing Arts*

79. Our new Academy for Performing Arts opened in temporary premises on 17 September with its initial one-year foundation course. It will move to its permanent home on the Wan Chai waterfront in 1985. We are indebted to the Royal Hong Kong Jockey Club for the very generous donation which made possible the construction of this purpose-built and architecturally exciting complex.

(iv) *Technical education*

80. Facilities for technical education and industrial training are vitally important for the development of a workforce trained to a new and higher technical level. The completion of new technical institutes in Sha Tin and Tuen Mun, in 1986, and a third in Chai Wan, in 1987, will furnish 18 400 additional places for technicians, craftsmen and apprentices.

81. February saw the opening of the Seamen's Training Centre, which will enable Hong Kong trained seamen to meet international requirements. A variety of other trades including automobile repair and servicing, electrical repair, electronics, machine shop and metal working, welding, plastics, printing and textiles, will benefit from two new industrial training centres now under construction; one, at Kowloon Bay, will commence operation in January next year, and the other, at Kwai Chung, in September.

(v) *Computer education*

82. But improvements to education are not simply a matter of constructing new schools and institutes, nor just of training teachers and instructors. We

must ensure that the coming generation is trained for tomorrow's world. Computers are already a fact of life in Hong Kong and it is essential that our young people are made familiar with their use and operation at an early age. A pilot scheme begun in 1982 has provided computer equipment for 105 government-aided secondary schools and these are now teaching computer studies at the Hong Kong Certificate of Education Level. Computer training is also being provided in technical institutes and the future Sha Tin and Chai Wan Technical Institutes will have large computer studies departments. A start has therefore been made, but we must examine whether we are doing enough.

83. Before leaving education, I should mention that the Government is examining the recommendations of a working party chaired by the Honourable Alex WU concerning, among other things, the production of primary and secondary school textbooks written in Chinese. These will fill a long felt need.

(c) Medical Services

(i) Hospital projects

84. Population growth and movement have imposed considerable strains on our hospitals, but the shortfall in the number of beds is being met progressively. The 1 400 bed Prince of Wales Hospital opened its doors in May. Site formation work for the 1 500 bed Chai Wan Hospital will shortly commence and work is progressing on the Tuen Mun Hospital and extensions to Queen Mary, Yan Chai and Pok Oi Hospitals, which together will eventually provide a further 3 000 beds.

(ii) Medical training

85. Excellent progress has been made in reducing the shortfall in the number of doctors, with some 4 100 now practising in Hong Kong as against only 3 200 in 1980. Further improvements in supply can be expected in 1986 when the Chinese University produces its first medical graduates. In addition the Medical Development Advisory Committee is to examine whether existing arrangements for post-graduate medical training are best suited to the needs of Hong Kong.

(iii) Legislation

86. The review of arrangements for helping certain types of ex-mental patients to adjust to the community has been completed and a bill incorporating recommended amendments to the Mental Health Ordinance will be published shortly. Amongst other things, this will provide simpler and more effective procedures for the admission, discharge and, where necessary, the recall of mental patients to mental hospitals.

87. Another bill, which I hope will be introduced before the end of the year, will bring optometrists within the ambit of the Supplementary Medical Professions Ordinance. Subsequently, regulations prescribing the qualifications required for registration as an optometrist must be made and we have appointed an advisory committee to assist in their preparation. This will be an important step in raising standards within the profession.

(iv) *Review of the medical services provided in hospitals*

88. We are rightly proud of the professional standards of those who practise in our hospitals; at the same time we must ensure that our hospital service is organised to give patients ready access to the best possible standard of care. To this end we will shortly appoint consultants to examine the existing organisation and administration of our hospitals and, in particular, to consider what changes are needed to the organisational structure, staffing and internal administration of government and subvented hospitals to enable them to cope effectively with continued expansion in the years ahead.

(d) *Social Welfare*

(i) *Services for the elderly*

89. Hong Kong's over-60 population is growing. It has special accommodation needs, which the Government is seeking to meet through the purchase of flats, with funds from the Special Coin Suspense Account, and through the provision of more self-care and care-and-attention homes and more infirmary beds. In expanding group accommodation for the elderly, both the subvented sector and the Housing Authority have important roles. Nevertheless it is important to view the housing needs of the elderly in the context of their welfare as a whole. The Director of Social Welfare has therefore been made responsible for planning the various types of group accommodation for the elderly, and for ensuring that a proper integration of facilities is achieved. He will now prepare a strategic plan for meeting shortfalls in all types of group accommodation for the elderly.

90. As regards infirmary beds, a firm decision has been made to fund the Sha Tin infirmary, the estimated cost of which is about \$200 million, from the Special Coin Suspense Account. Consultants are expected to start design work during 1985-86 and, if all goes well, the infirmary should be completed by 1990.

(ii) *Public assistance scheme*

91. The basis of our social security system is the non-contributory public assistance scheme. Although several improvements have been made in recent years, a more comprehensive review is required. Accordingly, the Secretary for Health and Welfare is now examining the scheme and, in particular, whether there is scope for consolidating the various payments available, and for increasing the amount of disregarded income for those able to supplement their assistance payments with minor earnings.

(iii) *Services for the disabled*

92. Following a review of our Rehabilitation Programme, plans have been revised to increase the number of places in schools for the mentally handicapped and half-way houses for the mentally ill. Amongst other shortfalls identified, the most serious is of speech therapists. The University and Polytechnic Grants Committee is examining the possibility of establishing a suitable course locally.

93. I referred last year to the working party on pre-school care, education and training of disabled children. The Government has accepted its report. The

main recommendations include the establishment of early education and training centres for disabled children under two years of age and improved staffing standards for special child care centres. These will be implemented as resources permit. Earlier in the year a new Code of Aid for Special Schools was introduced.

94. Our plans for 1985 include preparation of a transport policy for the disabled, to ensure that as far as possible the requirements of the disabled are taken into account in general transport planning; enactment of new legislation on access to buildings; and the drafting of legislation on guardianship for the adult mentally ill or handicapped. Efforts to improve public awareness and understanding of the problems of the handicapped, in particular of the mentally ill, will be stepped up.

(e) Labour

95. The coming year will see the introduction of some important labour legislation. Priority is being given to legislation establishing the fund for the protection of wages on insolvency. We are also preparing amendments to the Employment Ordinance to ensure that the assets of a provident fund are protected and available for their proper purpose, particularly in the case of threatened insolvency.

96. Other matters being considered include two sets of regulations under the Factories and Industrial Undertakings Ordinance, one controlling the use of asbestos in the workplace, and the other providing for the compulsory employment of safety officers and supervisors in the construction industry.

(f) Environment

97. Our efforts must not only be directed to the development of Hong Kong; we must also protect the environment in which we live and work.

98. Water pollution is arguably the most serious blight on our environment. During the year Tolo Harbour was declared the first Water Control Zone, under the Water Pollution Control Ordinance, and regulations to control discharges there will be submitted to the Executive Council this year.

99. Each day, 2 000 tonnes of untreated animal waste are dumped into Hong Kong's watercourses. The cost of this to the community can no longer be tolerated. Accordingly legislation for the proper storage and disposal of animal waste is in draft. A central steering group has been established under the Secretary for Health and Welfare to oversee and co-ordinate watercourse maintenance and management. District level plans are already in hand to tackle local sources of pollution. We expect that these measures will considerably reduce the despoiling of our rivers and streams.

100. This session should also see the introduction of legislation to provide more effective controls on noise nuisances.

(7) *LAW, ORDER AND SECURITY*

101. In this last section of my address, I turn from our social programmes to the task of protecting society against those who take unscrupulous advantage of the benefits it bestows. Few subjects are of closer concern to the public.

(a) *Crime*

102. While a small decrease in recorded crime is likely this year compared with last, the high incidence of triad and gang crimes, and serious and violent crimes committed by young men, continues to cause serious concern. The police have revised their strategies to counter triad and gang activity and these are already proving effective. In particular, the decrease expected in the overall level of violent crime is largely due to a decline in the number of armed robberies, which in turn is attributed to the seizure by the police of some 58 genuine and converted firearms in the first six months of the year.

103. The Fight Crime Committee continues to offer valuable advice in our efforts to reduce crime. It has focused Government's attention on areas of public concern and a number of important legislative proposals, some of which will be put to this Council later this session. These include increased penalties for the possession and use of firearms, legislation to ban replica firearms, improvements to the Watchmen Ordinance, and provisions which will make it easier for residents to deal with nuisances caused by nearby vice establishments. The Committee has also recommended guidelines to developers for improving security in multi-storey buildings, and has helped obtain the co-operation of goldsmiths in improving their security arrangements. I am indebted to the Committee for its dedication to a difficult and time consuming task.

(b) *Narcotics*

104. The increasing involvement of young men and women in drugs, evident over the last two years, has thankfully been reversed. Overall, the number of newly reported persons under 21 years of age involved with drugs has decreased by over 28 per cent, with only 425 reports in the first half of 1984. Several factors may account for this success.

105. One is that Police and Customs Officers have succeeded in seizing record amounts of narcotic drugs. As a result, the price of heroin has at times been more than addicts could afford, leading to increasing numbers seeking treatment. No effort will be spared to encourage addicts to seek treatment and we are continually looking at ways of making our rehabilitation services more effective.

106. At the same time, on the advice of the Action Committee Against Narcotics, preventive efforts have concentrated on reaching young secondary school students through instruction in the perils of drug abuse and through the combined help of parents, teachers and social workers. Special attention is being paid to the treatment of young first-time addicts and to the problem of drug addiction among females. The results are encouraging, but we must be

constantly vigilant against those who would seek to profit from the vulnerability of our young people.

(c) I.C.A.C.

107. The fight against corruption is a relentless one. On the preventive side, following the success of the Police Corruption Prevention Group established in August 1981, a further 20 departmental groups have been established this year with the aim of eradicating the opportunities for corruption afforded by inadequate procedures. Reports over the last three years suggest little variation in the overall level of corrupt activity. But the total figure conceals one worrying trend, that is an increase in major frauds facilitated by corruption. The I.C.A.C. is devoting substantial resources to combating this type of crime and you may be assured that the Government will give it the fullest possible support.

(d) Illegal Immigrants and Vietnamese Refugees

108. As regards both illegal immigrants and Vietnamese refugees, our policies will remain unchanged. Any illegal immigrants detected in Hong Kong will be repatriated; there can be no question of any kind of amnesty. Overseas resettlement has resulted in a slight decline in the number of Vietnamese refugees in Hong Kong but the rate of resettlements is still discouragingly slow. The 'closed centre' policy must remain in force to discourage the arrival of others.

(e) Correctional Services

109. The Correctional Services Department continues to improve its rehabilitation facilities and to develop its correctional programmes. Special emphasis has been placed on additional facilities for the better psychiatric care of the criminally insane and mentally disturbed prisoners. Design work on the expansion of Siu Lam Psychiatric Centre is nearly finished and building work should be completed in 1987.

110. The importance of helping prisoners not to revert to crime when they are released cannot be over emphasised if crime is to be reduced. To this end, the Correctional Services Industries have been expanded and diversified to improve the employment prospects of prisoners on their return to society. The Department, in conjunction with the Technical Education and Industrial Training Department, is adapting its vocational training programmes to provide qualifications identical to those in other educational institutions in Hong Kong.

(f) Law Reform and the Courts

(i) Community service orders

111. On a related matter, the Government has accepted the Law Reform Commission's recommendation that the courts be allowed to impose community service orders on certain offenders. A Community Service Orders Bill will be introduced early in this session.

(ii) *Adjudicators in commercial crime cases*

112. The Attorney General has recently issued a consultative document on the trial of commercial crimes. This envisages introducing a system of experienced adjudicators sitting with a judge to try more complex cases. Such a system would relieve jurors of onerous duties, save the courts considerable time, and add to the expertise of the tribunal. But its introduction must await the outcome of discussion within the community.

(iii) *Legal aid*

113. Finally, I come to legal aid. This year has seen the introduction of the Supplementary Legal Aid Scheme. It is designed to assist those who would not normally qualify for legal aid, yet could not afford to pursue litigation without considerable sacrifice.

114. A novel feature of the scheme is that it is to be self-financing. Successful litigants will pay a proportion of their damages into a fund from which the costs of unsuccessful actions and administrative expenses will be met.

115. It is not a complete remedy—some will still remain outside the ambit of legal aid—but it is clearly a step in the right direction. I am therefore grateful for the support given to its introduction by members of both the Bar Association and the Law Society.

(8) *CONCLUSION*

116. Honourable Members, when I spoke to you last year the outlook was an uncertain one. That picture has now changed.

117. Hong Kong cannot expect to be immune from the problems which must face any economy as exposed as ours to the international economic climate. But our economy is strong. Our exchange rate is stable. We have near to full employment. Most important of all much of the uncertainty about our future which cast such a long shadow over our lives has been removed. The drive, vitality and enterprise of this community had been held in check by that uncertainty. Now we can move ahead again.

118. I have no doubt that in the year ahead Hong Kong will continue to show the same qualities of resolution and good sense which carried it through the last two momentous years. But we shall need more than that. We shall need those other traditional Hong Kong attributes, a determination to respond to the challenges with which we are faced and the courage to make and seize opportunities. My review will illustrate your government's resolve to carry forward its programmes with vigour and continuity of purpose in order to develop the territory's infrastructure, improve the education and training of our young people stimulate economic progress and generally make Hong Kong a better place to live in. But building a future is not a task for the Government alone. The whole community must become involved. It is now for everyone in Hong Kong to think what contribution he, or she, can make, and how he or she can participate in building that future. With a community and a government

dedicated to that task then we can be confident that Hong Kong will remain the vibrant, dynamic and progressive city of which its citizens are so justly proud.

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, 10 October 1984.

Adjourned accordingly at sixteen minutes to four o'clock.