

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 7 November 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

DR. THE HONOURABLE HARRY FANG SIN-YANG, 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 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 KAI-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 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 PIERS JACOBS, O.B.E., J.P.
SECRETARY FOR ECONOMIC SERVICES

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 CHAN NAI-KEONG, J.P.
SECRETARY FOR LANDS AND WORKS

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 YEUNG PO-KWAN, C.P.M.

THE HONOURABLE JAMES MEIL HENDERSON, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

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

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

THE HONOURABLE CARL TONG KA-WING

ABSENT

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

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

THE HONOURABLE HU FA-KUANG, J.P.

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LI WING

Papers

The following papers were laid pursuant to Standing Order 14(2):—

<i>Subject</i>	<i>L.N. No.</i>
Subsidiary Legislation:	
Buildings Ordinance. Building (Administration) (Amendment) (No. 2) Regulations 1984.....	362
Buildings Ordinance.	
Building (Construction) (Amendment) Regulations 1984.....	363
Buildings Ordinance.	
Building (Lifts) (Amendment) Regulations 1984.....	364
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Building (Standards of Sanitary Fitments, Plumbing, Drainage Works and Latrines) (Amendment) Regulations 1984.....	366
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Metrication Ordinance.	
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Metrication Amendments (Miscellaneous Provisions) (No. 2) Order 1984	373

Sessional Papers 1984-85:

No. 19—Changes to the approved estimates of Expenditure approved during the quarter ending 30 June 1984.

No. 20—Supplementary provisions approved by the Urban Council during the second quarter of the financial year 1984-85.

No. 21—Annual Report of the Director of Accounting Services—Accounts of Hong Kong 1983-84.

No. 22—Report and Certificate of the Director of Audit on the accounts of the Hong Kong Government for the year ended 31 March 1984.

Statement

CHANGES TO THE APPROVED ESTIMATES OF EXPENDITURE APPROVED DURING THE QUARTER ENDING 30 JUNE 1984

THE FINANCIAL SECRETARY:—Sir, in accordance with section 8(8)(b) of the Public Finance Ordinance, I now table for Members' information a summary of changes made to the approved estimates of expenditure in the first quarter of 1984-85.

Supplementary provision of \$44.1 million was approved, of which \$10 million was for a payment to the Mass Transit Fund, \$6 million was to meet an increased requirement for the employment of accountants for the investigation of commercial crime, \$4.9 million was to meet increased expenditure of the Hong Kong Tourist Association, \$4.75 million was to meet the increased cost of the consultancy on a vessel traffic management system, \$3.3 million was for pay and allowances for the Royal Hong Kong Auxiliary Police Force and \$3 million was for payment to the Cross Harbour Tunnel Company in respect of tickets for exempted persons. There will be no net increase in expenditure resulting from the supplementary provision approved because it has been offset either by savings under the same or other heads of expenditure or by deletion of funds under the additional commitments votes.

During the quarter, a net increase of 1 236 posts was approved, including posts for the Housing Authority and the Urban Council.

Approved commitments were increased by \$134.6 million and new commitments of \$32.5 million were approved. These represent a 5.5 per cent increase over the total commitment balance of \$3,044.9 million in the 1984-85 Estimates.

Items in the summary have been approved either by the Finance Committee or under delegated authority. The latter have been reported to the Finance Committee in accordance with section 8(8)(a) of the Public Finance Ordinance.

Government business

Motion

Motion of thanks

Resumption of debate on motion (25 October 1984)

SECRETARY FOR HOUSING:—Sir, I make no apology for mentioning, once again, the fact of Hong Kong's achievement in the provision of public housing: it is one of the very few places in the world where the Government provides subsidised housing on such a large scale, that is for almost half of its population. Our investment in public housing, as Mr. WONG Po-yan said, has been enormous. Over the past 30 years, we have progressed from providing emergency housing with only the most basic essentials to the modern self-contained estates with a full range of commercial and social facilities which are now constructed. We shall be depicting this achievement and illustrating the improved quality of life for the community in public housing in a Housing Festival later this month to mark the housing programme's 30th anniversary. The festival is designed to reflect the Government's objective of providing decent homes for all those in need, and to promote a sense of pride and belonging among estate residents who will be participating in a number of organised cultural, recreational, sporting and community activities.

In this context, therefore, whilst I would agree with Mr. WONG that we should review our commitment on public rental accommodation—indeed, we do so regularly—I am afraid that the continuing high demand reflected in the Housing Authority's long waiting list, the many squatters still on hillsides, and the need to redevelop our older estates, all preclude any reduction in supply at this time. I am pleased therefore to re-assure Mr. CHAN Ying-lun that public housing production will be maintained at least at the current high level for the foreseeable future.

Indeed, it was this high level of production which prompted the Housing Authority to undertake a review of the public housing allocation policies earlier this year. This included wide consultation with the public, District Boards and other organisations. That exercise—supplemented by an independent survey—led to changes in housing allocation policies which are being implemented. The successful exercise together with the good result from prior consultation concerning the recent rent increases encourage us to use the same consultation process on appropriate matters in the future.

Mr. WONG, in supporting the review of public housing allocation policies, reminded us of the need to take more positive measures to reduce public subsidy to those tenants who are capable of taking care of themselves. This matter is now being considered by a special committee under the chairmanship of our colleague Mr. F. K. HU, which will, in due course, establish criteria to identify those tenants who continue to need housing subsidy and consider practical means of reducing subsidy to those no longer in such need.

Dr. Henrietta IP suggested that well-off tenants should, somehow, be persuaded to vacate their heavily subsidised flats for those more in need. It is the Housing Authority's practice to encourage public housing tenants to buy their own homes, as this is one of the principal objectives of the government-sponsored Home Ownership Scheme and the complementary Private Sector Participation Scheme. To-date, nearly 17 000 new flats have been sold to this group, thereby releasing a similar number of rental flats for allocation to other more needy families. Furthermore, there has always been a steady movement of tenants leaving voluntarily, as evidenced by the substantial number of flats returned each year.

Your Excellency mentioned the redevelopment programme for the old estates which has been progressing steadily over the past ten years or so. Old names such as Shek Kip Mei, Li Cheng Uk, Wong Tai Sin and Chai Wan are no longer symbols of drab housing in dull surroundings. Following massive rebuilding, they are now identified as districts with new and well planned housing complete with all modern facilities. The redevelopment of Kowloon Central Estates, one of the most ambitious and imaginative schemes of its kind, is based on a comprehensive traffic and land-use study and, when completed, it too will offer a much improved living environment in that area.

Mr. WONG Po-yan also suggested that Government should curtail its expenditure on public housing, and he advocated the expansion of the Private Sector Participation Scheme. I should point out, however, that the scheme's present production target of 5 000 flats per annum will not be achieved until next year. It is too early, therefore, to contemplate increasing the private sector's involvement in this area at this stage.

Sir, I am grateful for the support of Mrs. Pauline NG and Mr. CHAN Ying-lun for our revised squatter clearance plans. Although nearly 1.4 million squatters it have been rehoused since the inception of public housing in the mid-1950s, latest estimates still put the squatter population at about half a million in the territory: some 180 000 reside in the urban areas including Tsuen Wan, about 11 000 are boat squatters, with the remainder being scattered in the New Territories. The new programme aims at clearing and rehousing all squatters in the urban areas by the early 1990's, including boat squatters, and others on unsafe slopes not earmarked for development. The success of this programme will, of course, depend on an adequate supply of public housing and the population growth in these areas being contained.

Meanwhile, the Squatter Areas Improvement Scheme will continue but priority will be accorded to essential work, such as the provision of fire breaks and slope stabilisation measures. Because of the accelerated clearances, the need for improvements to facilities and amenities in urban squatter areas will be substantially reduced with corresponding savings in expenditure.

Finally, I should like to respond to Mr. CHEUNG Yan-lung's point about new town residents having insufficient time to find school places for their children due, reportedly, to late notification of public housing allocation. I understand that this in fact is not too serious a problem. Allocation of public housing is a continual process and prospective tenants are notified as soon as flats can be allocated. Where tenants do have difficulty in securing school places, the staff of the Housing Department and the Education Department are always ready to assist. The important thing is to ensure that sufficient school places are available when tenants move into new estates.

With these remarks, Sir, I support the motion.

SECRETARY FOR LANDS AND WORKS:—Sir, a number of honourable Members have in this debate mentioned the need to continue with the development of physical infrastructure. Their remarks echo the reassuring references in your opening address to the Government's clear intention to extend its programmes in this respect into the 1990s and beyond.

The extent of the Government's commitment in the field of development is reflected most clearly in the size and scope of the Public Works Programme. In 1983-84 \$3.3 billions' worth of new projects were injected into the programme. For the current year the figure is \$3.6 billion and for 1985-86 it is expected to be \$3.8 billion. As Members are aware, the Housing Authority's expenditure on the public housing programme is additional to the Public Works Programme. Furthermore, approximately \$1 billion over and above the figures I have quoted is spent each year on land acquisition.

Annual expenditure from the Public Works Reserve Fund, again excluding that on public housing, is running at between \$6 and \$6.5 billion; and, currently, because of lower contract prices, we are able to obtain more work for the money spent.

However, impressive though the figures may be, merely to state them does not sufficiently give a true sense of the scope and achievement which the Public Works Programme, year in year out, represents. In your own address, Sir, you have already highlighted many of the more significant projects in the programme. The total number of public works projects completed or in hand, large and small, is very substantial. Such projects together with those of the private sector have in physical terms dramatically transformed the landscape and the urban scene in Hong Kong.

There is continuous land development on an extensive scale, with site formation and highways projects in progress all the time. This, and the steady stream of new housing estates, court and office buildings, cultural, recreational and sporting facilities, hospitals, schools and market projects, sewage treatment works and water supply and distribution systems, all contribute to the impression visitors to Hong Kong cannot fail to gain that Hong Kong is fully committed to, and energetically engaged in, development. And, as the size of the public works programme indicates, this level of construction activity will continue in the years ahead.

As stated in your address, Sir, we are going on to complete our current New Towns programmes in the rest of this decade and in the early 1990s. And I would like to emphasise that completion is the operative word. There is no intention to stop these vital programmes short of completion in favour of some other scheme. The essence will be in blending the commencement of our new programmes for the 1990s with our current ones so that steady progress and an even investment pattern are maintained.

For the time being, land reclamation and formation activities will continue to be concentrated mainly in the new towns and to a lesser extent on the northern shore of the Hong Kong Island. As far as post-New Town programmes are concerned, we are now in the process of drawing up briefs for planning and engineering feasibility studies of the harbour area to follow up the initial results of our long term development studies. Once these and the current port development study are completed in 1985 we shall begin to outline programmes for implementation.

Having reached conclusions as to where we should concentrate our efforts in the 1990s, that is in the harbour area, we are in a position to produce planning guidance for the remainder of the territory for the same period. We shall therefore be drawing up planning statements for the other sub-regions, North- West New Territories, North-East New Territories, North Lantau, Junk Bay and its Sai Kung hinterland, which, while keeping in mind the long term urban growth options identified in our studies in the past three years, will ensure that district and local development on an appropriate scale is also provided for.

In this context I can refer briefly to Mr. CHEUNG Yan-lung's mention of the Residential Upgrading Pilot Scheme at Sun Hing Tsuen in Tuen Mun. Studies conducted by our consultants in both the North-West New Territories and the North-East New Territories have identified rural areas which have been affected by haphazard low density agricultural, residential and even industrial development over the years, which has resulted in poor environmental conditions. Proposals were made for the introduction of localised development schemes involving minimal investment which, if successful, would result in these areas being rehabilitated or upgraded. However, in view of the large number of private interests involved in these areas and the problems involved in upgrading, it is thought that a pilot scheme should be attempted first so that practical

experience of the difficulties and possible solutions to them can be obtained before the approach is adopted on a wider scale. A plan for Sun Hing Tsuen has been drafted and a working group to co-ordinate implementation of the pilot scheme has been set up. Once funds are obtained for the pilot scheme, it is expected to take approximately two years for the Government to complete the necessary infrastructure and its part in the implementation of the scheme.

In discussing urban renewal, Dr. Henrietta IP touched upon a problem which can be expected to occur in the rural upgrading context also; that is the problem of minority interests preventing redevelopment. This is indeed one of the problems but there are also others, among which a major one is the rehousing of people affected by urban renewal. A good deal of effort has been put in recent years into renewal. A good deal of effort has been put in recent years, into studying the problems of urban renewal and possible solutions. Even in a buoyant property market, many areas are unlikely to be attractive to private developers; and these are often areas where urban renewal is most needed. Any widespread scheme of urban renewal will therefore mean the use of public funds. Interesting ideas have emerged and it is hoped that firm proposals on land development corporations and alternative approaches will be forthcoming in the new year.

Finally, as regards Mr. CHEUNG Yan-lung's comments on the Ma Wan water supply problem, I would like to say that, in its efforts to extend treated water supplies to villages, the Government is concentrating first on those which are within reasonable reach of the mains distribution system because this will benefit a greater number of people in the quickest possible time. More remote villages requiring the construction of new systems will be dealt with as soon as possible thereafter. For Ma Wan, however, a \$17 million project involving the laying of a submarine pipeline across Rambler Channel and land mains and the provision of a distribution system is expected to be completed by 1987. The possibility of supplementing existing supplies by barging in the meantime has been carefully considered. However, this would involve significant recurrent costs and the laying of a new pumping main also at substantial cost, which would become redundant after completion of the permanent works. Furthermore, by the time these temporary measures are implemented the completion of the permanent system would have been well advanced. Hence it seems best to concentrate our effort and resources on completing the permanent system as quickly as possible rather than diverting them to an interim solution which could only have a short useful life.

Sir, with these remarks I support the motion.

SECRETARY FOR TRANSPORT:—Sir, Mr. Stephen CHEONG in expressing doubt about the viability of the Light Rail Transit system for the Western New Territories, referred to a written reply which I gave in 1983 indicating that total passenger trips for the full network were estimated at 515 000 per day by 1996.

This conservative prediction was included in the information provided for the six consortia in August 1983, who were then making their own assessments of passenger predictions. They were at that stage evaluating the financial viability of the system in preparing proposals for a construction and financing package.

All the consortia concluded that the system would be financially viable, some pointing out that the 515 000 figure appeared to be too conservative a prediction.

The Kowloon Canton Railway Corporation, appointing its own consultants, then carried out its own assessment of viability, as required by the Governor in Council, before coming to its decision to proceed. Mr. CHEUNG Yan-lung, who together with Miss Lydia DUNN and Mr. CHAN Kam-chuen, is a member of the Corporation Board, pointed out in this Council on 25 October that one does not expect a project like a railway to yield as quick a return of capital as does manufacturing; nor, may I add, property development.

This difference is the very reason why the private company to which Mr. CHEONG referred, withdrew. That company was looking at a light rail project conjoint with a building development project which together would have enabled a pay-back period of substantially less than ten years. When property development prospects deteriorated, the company accepted that the nature of the project had changed, and that the financing arrangements and pay-back period for a light rail project by itself were a different proposition.

The Corporation's consultants examined and tested a series of forecasts arising from several assumed patronage levels from a minimum level of 500 000 per day up to a maximum level of 750 000 per day for the full system. They estimated the full project cost at about \$1.7 billion which includes associated bus services. Now no one can forecast exactly the outcome in a project of this nature, but within these parameters and this order of cost—which are reasonably similar to those quoted by Mr. CHEONG—the Board of the Corporation judged that the risks were acceptable and the investment was justified particularly if the system were to be introduced on a phased basis in line with population growth. In broad terms, the investment should be recouped and the loans paid off in 12-15 years.

Hong Kong entrepreneurs of course consider 12 years, let alone 15 years, a long time in which to recover the capital in an investment; but railways continue to run and to produce profits for far longer periods. The first renewal of rolling stock takes place typically around 40 years after opening a system; and many railways and tramways have celebrated their 100th anniversaries in sound working order. I hope that Mr. CHEONG, as an able advocate of confidence and steadiness at this time, will be able to agree that the Kowloon-Canton Railway Corporation in deciding to build this Light Rail System, is taking a confident, long term view of the development of the Western New Territories.

The Corporation will be most happy to provide for Mr. CHEONG, and of course for any other Member of this Council, a full briefing on the LRT and to reply to any of their most searching and arising questions.

Sir, Mr. CHEONG feared a possible 'white elephant'. In response, Sir, a representative of the International Society of White Elephants has sent the following communication:

'Trumpeting strongly our objection to the linking of our venerable and slow-moving members to a modern project designed to move hundreds of thousands of people quickly and quietly every day in the thriving western region of Hong Kong'.

There is a further paragraph in their communication soliciting a contribution to the funds of the Society, which I shall refer to the Financial Secretary for what he is pleased to call due consideration.

Mr. CHAN Ying-lun was kind enough to mention the Light Rail Transit system as an example of Government briefing the District Boards and seeking their views upon important issues. I am happy to confirm that another important issue, namely, the Electronic Road Pricing pilot scheme, will be the subject of further briefings and consultations with District Boards; indeed, in about three weeks we shall begin another round of consultation with the Boards, because the increasing information coming forward from the research work and surveys in this pilot scheme make it timely for us to expand publicly upon an important aspect of the scheme.

Finally, Sir, it is gratifying for me to report that your announcement in your address on 4 October of the Government's decision that the next fixed harbour crossing should be in the Eastern Harbour has drawn a most encouraging response: 14 groups have so far put up the \$10,000 deposit to obtain their copies of the relevant data and requirements and I have had many consultations with the representatives of these groups.

Sir, I support the motion.

SECRETARY FOR ECONOMIC SERVICES:—Sir, in the debate on Your Excellency's opening address in this Council last year, there was comment about the power companies and, in particular, about the Government's financial monitoring of the companies' activities. In reply I referred to the consultancy established to examine the adequacy of our monitoring arrangements. In view of the announcement by one of the power companies that it is not intending to increase its tariff during 1985, it is perhaps timely for me to inform this Council of the progress made in relation to the consultancy.

I am happy to be able to inform Members of this Council today that the consultants have now submitted their report. It contains a number of recommendations relating to the future development of the monitoring process.

The report is being examined by the Administration and it is intended to submit it to the Executive Council in the near future. It would not be appropriate for me to make any further comment on the contents of the report until such time as it has been considered by the Executive Council.

The pattern of growth

I turn now to Mr WONG Po-yan's interesting analysis of recent trends in the economy. What he has said does, I think, accurately explain recent events.

Because of our lack of raw materials, changes in the growth rate of domestic exports must be reflected in changes in the growth rate of retained imports of raw materials and semi-manufactures. Although this relationship can be masked for a time by the building up or running down of inventories, very rapid growth rates of domestic exports, such as we have seen in the second half of last year and the first half of this year, are only sustainable if accompanied by rapid growth rates of imports.

The slowing down in the growth rate of retained imports of raw materials and semi-manufactures seen in the second and third quarters of 1984 is consistent with this analysis. For the three quarters beginning in the second quarter of 1983, retained imports of raw materials and semi-manufactures grew considerably faster than domestic exports. This suggests that some of the slow down in the growth rate of such imports this year has been caused by a subsequent inventory adjustment. Probably the adjustment also reflects the view of some manufacturers that after the surge in exports consequent upon the recovery from the 1982 recession the growth rate of domestic exports will slow down to a more sustainable level. Nevertheless, whilst we are as you have said, Sir, always vulnerable to external events, I certainly share Mr. WONG's view that it is too early for serious anxiety about our future export performance.

Mr. WONG has rightly referred to retained imports of capital goods. The importance of investment in capital goods is clearly central to sustaining economic growth. It is only to be expected, however, that changes in the growth rates of plant and machinery will lag behind changes in the growth rates of the other components of visible trade. Before committing themselves to new investment, investors have to be convinced that any upward movement in export growth will be sustained. Even after a decision to invest has been made it takes time for the plant and machinery involved to show up in the trade accounts. Given that the economy has operated over the past two years under the shadow of uncertainty about its future, it is not surprising that investors have been reluctant to commit themselves. That shadow has now been lifted as a result of the initialling of the draft agreement, and this combined with our improved economic performance should encourage further investment in the additional and improved plant and machinery needed to sustain economic growth in the future. As Mr. WONG's figures show, substantial investment has already taken place this year.

Trade with China

Sir, you referred in your address to the rapid increase in domestic exports to China and to the mutual benefit that this would bring, and Dr. Kim CHAN has welcomed the recent emergence of China as the second largest market for Hong Kong's domestic exports. He has called for even closer economic ties and links to be forged between Hong Kong and China. Closer integration of Hong Kong's economy with that of China was inevitable once the opening up of China to world trade removed the constraints. I have no doubts that even closer co-operation in terms of flow of both goods and services will develop over the coming years.

Whilst the emergence of China as a market for Hong Kong products is welcome, representing as it does both additional trade volume and diversification of Hong Kong's markets, care is needed in interpreting the trade figures. Domestic exports to most markets comprise finished goods produced from imports of raw materials or semi-manufactures. In the case of China, a fairly high proportion of these goods is represented by semi-manufactured goods going to China for further processing. Often the goods return to Hong Kong as imports for finishing. Thus, some of this increase in trade represents the transfer to China of processes previously carried out in Hong Kong, so that the Hong Kong value-added—that is the contribution to the G.D.P.—represented by such items is probably lower than for domestic exports to other markets.

In some areas the process being undertaken in China is one that can no longer be undertaken profitably in Hong Kong. Then the processing in China may make possible the retention of other related activities in Hong Kong. Sometimes, without the processing in China, the final product could not be made in Hong Kong at all. This exchange and interdependence is a feature of our relationship with China that I believe will grow and contribute significantly to both economies.

Although I have commented upon the interpretation of trade figures in relation to China in so far as their implications for Hong Kong's G.D.P. are concerned, I have no hesitation in agreeing with Dr. Kim CHAM's remarks and welcome the growth in this trade for the contribution it makes to our prosperity.

Computerisation of Land Office and company records

Dr Henrietta Ip has referred to the computerisation of property listings and company records. She will be pleased to hear that we have made a lot of progress in relation to the computerisation of the Land Office records. Tender specifications are, in fact, being sent to the Government Supplies Department today. It is expected that the tender notice will be published by about mid December.

Sir, with regard to the Companies Registry, proposals made by the Registrar General have been examined and the present target date for completing the conversion to a computerised system is June 1988. We are examining the

possibility of accelerating this programme, but Dr. IP will recognise that there are quite a number of technical difficulties. I might add that the proposals involve the computerisation of the index of companies' names, particulars of directors and charges. There is little point in our attempting to place on computer all the information contained in the files kept by the Registrar of Companies. These files include such lengthy documents as the Memoranda and Articles of Association of companies. We are, however, working on a micro-film programme for this type of record.

Helicopters

Finally, Sir, I turn to helicopters. These interesting and versatile aircraft, first sketched and described in 1483 by that man of immense skill and learning Leonardo da Vinci are, I regret to say, of concern to Mr. Alex WU. He has referred to an assurance given by the Chief Secretary that the helipad at Fenwick Pier Street will cease to operate by 31 August next year. This assurance requires some explanation.

The search for a site for helicopter operations has proved to be very difficult. When the Chief Secretary confirmed that it was the intention that operations from the Fenwick Pier Street helipad would cease prior to the opening of the Academy, this confirmation was given in the context of the likely availability of a new site for a permanent heliport at the Wan Chai West Ferry Pier. Unfortunately, it now seems that that site can no longer be used.

In the circumstances, the present users of the Fenwick Pier Street helipad have requested that another examination be made of the possible noise impact on the Academy caused by their helicopter operations. The helicopter operators have told me that every possible precaution could be taken so as to ensure that the noise level would have no effect on the Academy, or certainly no more effect than the current or future ambient noise in the vicinity.

Whilst, of course, I recognise the fact that the Academy has been designed on the basis of certain assumptions, and I am aware of the requirements of the Academy with regard to noise levels, I do hope that Mr. WU will agree with me that if new and compelling evidence could be produced showing that the noise from helicopter operations would not affect the Academy as it is now designed, then that evidence should be most carefully considered. The provision of suitable facilities for the use of helicopters, particularly in the central area if this is possible, is of importance in the continuing development of Hong Kong as a centre of industry and commerce. If we can reconcile the claims of art and technology, then we should do so. Leonardo would have approved.

Sir, with these remarks I support the motion.

SECRETARY FOR TRADE AND INDUSTRY:—Sir, there are four issues raised by my Unofficial colleagues which come within my schedule of responsibilities, and to which I would like to respond.

Industrial development

The Financial Secretary will be responding to Mr. S. L. CHEN's and Mr. F. K. HU's pleas for Government support for industry through research and development facilities. Without anticipating his remarks in any way, a cautionary note I would like to strike is that, dependent as we are on our export trade, Hong Kong's acceptance of the G.A.T.T. Code on Subsidies and Countervailing Duties is a very good reason why we must be careful not to get ourselves into the blind alley of subsidies for industry.

As regards Mr. WONG PO-yan's hope that the proposals in the Productivity Centre's study of the electronics industry will lead to the establishment of a research and development laboratory, supported by a levy on the exports of that industry, I fear that consultations with industry have not resulted in this conclusion. On the contrary, it became evident that applied research at the product level is considered too highly directional. It is difficult, therefore, to envisage that the wide-ranging needs of the various component firms in the electronics industry could be satisfactorily met by the establishment of an Electronics Technology Development Centre, as recommended in the original study. The larger electronics manufacturers usually have their own in-house product development facilities and, thus, have neither the need nor wish to seek outside assistance for reason of commercial confidentiality. The smaller companies have such diverse needs their demand of services could not possibly be met at the same time. If there is a consensus, it is that the industry does not wish to contribute to a levy to support a development centre or laboratory!

This does not mean that we should not seek to provide basic facilities for support services for industry.

These services include the Standards and Calibration Laboratory of the Industry Department—and I would like to acknowledge the kind words of Mr. WONG PO-yan in this regard. The Industrial Estates Corporation, the One Stop Unit, and the Overseas Industrial Promotion Offices, which work together in helping new and higher technology industries establish themselves in Hong Kong, are another example.

The technical support and assistance needed by existing industry, especially the smaller firms which form the bulk of our manufacturing sector, centre on technology transfer. To ensure that technology transfer can be facilitated in the most cost-effective manner, the Industry Development Board has advised that a unified and centrally co-ordinated concept be adopted with a two-prong approach. The Industry Department will be responsible for identifying technologies or know-how required by industry. On the other hand, the development/modification and application of the technologies identified will be done through the Hong Kong Productivity Centre, working in collaboration with the tertiary education institutions which represent a potential source of input to industry support programmes.

I am glad to note that at its meeting on Monday, 5 November 1984, the Hong Kong Productivity Council decided to support this unified approach. The Director of Industry now looks forward to receiving the proposals for augmenting the Hong Kong Productivity Centre's capabilities to take on their envisaged role.

Trade promotion

Both Mr. Francis TIEN and Mr. WONG Po-yan have reminded us of the continued need to open up new markets as well as to expand existing ones for Hong Kong products, and of the important work being done by the Trade Development Council in this field. I agree with the views expressed that this important task is well handled by the Trade Development Council.

Industrial zone at border

Mr. Stephen CHEONG's call for contingency plans by Government in the event that the worst should befall our knitwear industry, with the United States remaining adamant in its stand on its new origin rules, and Mr. Allen LEE's suggestion for the setting up of an industrial zone at our border to take advantage of labour from nearby Chinese towns and villages, to overcome a perceived labour shortage, appear to me to address the same issue.

Of course, such an industrial zone would solve the immediate problem created for our knitwear industry by the new U.S. origin regulations—assuming the many philosophical and real drawbacks to the establishment of such a zone at the border could be overcome, and a pool of labour could be attracted from nearby Chinese towns and villages and transported daily to their jobs in this new industrial zone. In a sense this sort of arrangement would be comparable to the historical pattern of farmers on the other side of the border working their fields on the New Territories side. However, for the Government to consider seriously any such suggestion, at this stage, would, *inter alia*, be to imply that we despair that the United States, our most important trading partner, is no longer amenable to reason, or to a dispassionate examination of our respective rights and obligations under international trading agreements, multilateral and bilateral, to which we have both subscribed.

In thanking Mr. POON for his commendation of those concerning in fighting for the maintenance of Hong Kong's rights under G.A.T.T. and M.F.A., I reiterate that the G.A.T.T. is the corner-stone of our external commercial relations policy. We shall stand by our obligations as we must maintain our rights. We continue to have faith in the dispute settlement mechanisms provided for in the G.A.T.T., the M.F.A. and our bilateral textiles agreement with the U.S.A.

I must also add that we are not alone in our present disagreement with the United States. At recent meetings of the Textile Committee of the G.A.T.T. in Geneva, all of the trading partners of the United States, both developed and

developing, who expressed a view, disagreed with the latest U.S. actions. Accordingly, I have every confidence that as the United States settles down after the excitement leading to yesterday's elections, and reviews its new regulations in the light of the international reactions they have evoked, a spirit of accommodation will prevail.

As for any change in the labour supply caused by an improvement in Hong Kong's education system, I think we should view this positively. A better educated labour force will enable us to move up-market quicker and to produce better quality products sooner, with a higher income and a better standard of living for our workforce. Of course, this might also mean that we would no longer be competitive in products at the lower end of the market. But is this not the story of Hong Kong's success over the years?

Textiles control system

I am grateful to both Mr Peter C. WONG and Mr. Stephen CHEONG for their remarks about our textiles control system. It is agreed policy for the system to be constantly monitored and reviewed and its provisions modified where and when necessary. Our aim is to ensure that Hong Kong continues to discharge fully its obligations arising from bilateral agreements and the M.F.A., coupled with maintenance of efficiency and flexibility conducive to optimum utilisation of limited export opportunities. In this regard, proposals are currently before the Textiles Advisory Board for consideration and advice.

Sir, I support the motion.

THE FINANCIAL SECRETARY:—Sir, as in Hong Kong we move towards representative government we will need to partake more vigorously than before in the same public economic, budgetary and fiscal debates as have other governments over the years. How do we decide on reasonable spending programmes? How do we pay for them? How do we ensure that taxation is broadly acceptable? How in a nutshell can we match expenditure with revenue? There are clearly no set solutions. Ability to analyse the issues does not furnish facile answers. There must be educated argument out of which a balance suited to Hong Kong can arise.

Not the least difficult area is the obvious conflict between decent aspirations and pragmatic restraints. We are at any rate fortunate in being able to see the mistakes made in the past 30 years or so by those governments who thought that expenditure could continually exceed income. Put another way, that problems could be solved by throwing money at them—and usually borrowed money at that. In part this reflects the clear temporising advantage in promising more to voters than is warranted by economic commonsense. Hong Kong is no longer poor. But it is certainly not rich either. As in any family we can have what we are prepared to pay for. But not more. Resources are always limited.

I accept nevertheless that we must aspire to change and improvement in all our affairs. Only a fool can believe that all our policies are perfect.

We are getting richer as a community. I am not therefore in the least surprised or concerned that decent men and women should propose new and expensive programmes. It would be astonishing if they did not.

Thus Dr. FANG seeks better hospitals, loans for dental graduates and an expansion of transport for the disabled. Mr. Alex WU, improved language in education. Mr. CHEN, greater expenditure on economic services (despite a growth from \$357 million to \$1,571 million in just ten years). Mr. Peter WONG, the removal of the J.S.E.A. and a third university. Mr. WONG Lam, positive measures to stimulate investment. Dr. Ho, a review of and improvements to the public assistance scheme. Mr. Allen LEE, expansion of the City Polytechnic and the introduction of more computer courses in schools. Mr. HU, investment in research and development. Mr. WONG Po-yan, more research, further development in technical education, and a third university. Mr. CHEUNG Yan-lung, improvements in many N.T. areas including more schools, a greater police presence, and a development of rural centres. Dr. IP, more pay for nurses and housing allowances for staff in the subvented sector. Mr. CHAN Ying-lun and Mrs. NG, squatter improvements. Mr. POON, a third university. And so on and so forth.

I have no doubt that nearly every one of these propositions is idealistic if not sound. In particular I accept in general terms the claims for greater expenditure on education. But the recurrent total cost of full implementation of all these proposals would be of the order of \$1 billion per year, and the capital cost far more. How then can we sensibly proceed? We must be realistic. Obviously there must be queuing by priorities with great regard for the revenue likely to be available. Unfortunately, however, no member priced his proposals.

I take now the revenue side of the debate. Dr. FANG advocated a remeasuring of our limited resources as land sales revenue returns to a sensible level. Mr. WU wanted simplicity in taxation, though he did not go so far as to advocate that only the simple should pay tax. Mr. HU (with whom of course I agree) warned Government to make the maximum use of the private sector. Mr. WONG PO-yan rightly called for restraints on public sector expenditure except on basic infrastructure (from which, however, he excluded public sector housing at the present level), and the maintenance of low taxation. Mr. POON sought further cut backs (apart from increased expenditure on regulation of the financial sector), and a limit on increases in both direct and indirect taxes. Dr. Kim CHAM was opposed to increases in direct taxation. Mr. Carl TONG wanted no tampering with the tax system apart apparently from preferential treatment with regard to offshore interest income.

Only Mr. BROWN regarded higher taxation as inevitable—but preferably indirect taxation. He may be proved right, but I must *en passant* remind

him that flat sales taxes, though productive, are regressive and inflationary. A V.A.T. has theoretical attractions, but implementation in Hong Kong would be expensive and fraught with complication. When some months ago I asked the Commissioner of Inland Revenue what he thought about V.A.T., he said 'leave it for three years'. When I asked why, he replied 'I am retiring in two!'. Nonetheless consumption taxes have appeal, and must be the subject of study.

Now this is not the budget debate, though sometimes it sounded like it. I do not even have at this juncture the final estimates of revenue and expenditure for the next financial year. Nor am I going to tip my hand.

I am, however, on record as saying in this year's budget speech that I hoped that further increases in direct taxation in 1985-86 could be avoided.

I am no believer in high taxation. Hong Kong must present a powerful case to supply side economists. Nor do I necessarily agree with Mr. BROWN that because we shall certainly require increased revenue it will be necessary to increase taxation. It is at least arguable that revenue will rise appropriately as a consequence of increased G.D.P. But only time will tell. Much also must depend on the public will.

What is sure, however, is that we must concentrate more (though certainly not entirely) on those spending measures calculated to promote the increase of wealth. The balance will not be easy, but we should at least seek to get our basic priorities right. It would be foolish, however, to be unaware of the problems that lie ahead. Our economy, dependent as it is on exports, is very vulnerable to external forces outside our control. So therefore is the G.D.P. and thus government revenue. Nevertheless there will be considerable and proper public pressure for better housing, better education, better care for the growing number of elderly, better health measures—indeed for all the fruits of civilisation. The coming debates will be fascinating. Let us never, however, forget that over a sensible cycle we cannot spend more than we can rely on earning. It is for this reason that Hong Kong must return measuredly to balanced budgets. We are well set on this course. Moreover in good times we should seek moderate surpluses. Borrowing offers no long-term solution except for self-financing projects. Nor does burdensome taxation.

I would now like to pick up some individual points.

While Government accepts a commitment to the provision of, and steady improvement in, basic infrastructure, this cannot be stretched to mean the provision of special facilities for special sectors of trade or industry. This is why I am wary for example of Mr. CHEN's and Mr. HU's pleas for specific industrial assistance. They will agree with me that what they now advocate would in the past have produced some monstrous white elephants. Look only at those large industries which have died. Artificial flowers: wigs: sugar-refining: ship building. I could add others which look as though they are declining, but it would be contentious. We *must* rely on the self help of well motivated entrepreneurs

managing a well educated workforce sharing in their success. No one can forecast the unfolding industrial scene, and then pick only winners. The market must decide.

I do get a little tired of specific pleading on behalf of tax avoiders. I repeat my comments in the winding up debate that it would be ridiculous to tax only those who are unable to pay for avoidance advice. It would also be patently unfair. It should not be overlooked that the Government never initiates anti-avoidance measures. We only try and keep up with the avoiders in the interest of the large majority of the community. Otherwise their share of taxation will increase.

Dr. Kim CHAM suggested a possible combination of the offices of the Commissioners for Commodities Trading, for Securities and for Banking. The former two are of course already combined. It may be that he will be proved right in the long term, but for the present I do not believe that bigger is better. Nor are the roles similar. But of course I agree with him and Mr. POON that much remains to be done in these areas, which are of great importance to Hong Kong. I do not believe that recent initiatives have gone unnoticed.

It remains vital that the Government should restrain its own expenditure— particularly recurrent expenditure—as tightly and efficiently as possible, while always moving ahead with its major programmes. As a percentage of G.D.P. public sector expenditure has been markedly reduced in the past two years. Whether at 17 per cent or so we are now down approximately to a civilised minimum is a moot point. Certainly a general consensus would be hard to find. On the whole my sympathies lie with, for example only, Mr. WONG Po-yan rather than with the big spenders. The present tightening measures are no flash in the pan, but part of continuing policy.

Mr. BROWN's, Mr. POON's and Dr. Kim CHAM's helpful comments enable me to say once again that in the circumstances the Government has not the slightest intention of changing the system under which bank note issues and redemptions are linked to the U.S. dollar at 7.80. It has been successful. But I agree that it is not ideal. What is?

Sir, let me conclude by saying that in searching for a compromise between spending and revenue there will always be room for principled debate. But we simply must get back to balanced budgets. So long as the people of Hong Kong recognise the importance of creating wealth before spending some of it there should be no great split with public opinion. If we look around we have much of which to be proud. Let us build on our experience.

Motion made. That the debate on the motion be adjourned—THE CHIEF SECRETARY.

Question put and agreed to.

Second reading of bills**SUPPLEMENTARY APPROPRIATION (1983-84) BILL 1984****Resumption of debate on second reading (10 October 1984)**

Question proposed.

Question put and agreed to.

Bill read the second time.

PRIVATE BILLS (AMENDMENT) BILL 1984**Resumption of debate on second reading (10 October 1984)**

Question proposed.

MR. PETER C. WONG:—Sir when the principal Ordinance was enacted some 70 years ago, the fee for presenting a private bill was fixed at \$500. That was a very respectable amount in those days. Despite the passage of time and mounting inflation, the fee has remained unchanged. The present proposal is to increase it to \$25,000. This is probably more realistic, though not cost-related. Personally, I suspect it is still on the low side. However, I am not pressing for a higher fee, although I am sure the Financial Secretary would be pleased if I did. Perhaps the fee should be kept under review at reasonable intervals.

Charitable institutions would not be affected as the Chief Secretary is empowered to waive fees for private bills which are for charitable purposes. As pointed out by the Attorney General, the majority of private bills falls under this category.

The definition of ‘private bill’ contained in section 2 of the principal Ordinance is somewhat pompous. After careful exchange of views, the Administration has agreed to draft the definition in a language more readily understood by the ordinary person. I shall therefore be moving an amendment at the committee stage.

Sir, I support the motion.

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).

PUBLIC BUS SERVICES (AMENDMENT) (NO. 2) BILL 1984**Resumption of debate on second reading (10 October 1984)**

Question proposed.

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).

DEMOLISHED BUILDINGS (RE-DEVELOPMENT OF SITES) (AMENDMENT) BILL 1984**Resumption of debate on second reading (10 October 1984)**

Question proposed.

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 bills

Council went into Committee

PRIVATE BILLS (AMENDMENT) BILL 1984

Clauses 1 and 2 were agreed to.

New clause 1A. 'Amendment of Section 2'.

Clause read the first time and ordered to be set down for second reading pursuant to Standing Order 46(6).

MR. PETER C. WONG:—Sir, In accordance with Standing Order 46(6) I move that new clause 1A as set in the paper circulated to Members be read a second time for the reasons I have stated.

Question put and agreed to.

Clause read the second time.

MR. PETER C. WONG:—I now move that new clause 1A be added to the Bill.

New clause 1A.

Proposed addition

New Clause 1A

That the following clause be inserted after clause 1—

‘Amend- 1A. Section 2 of the principal Ordinance is amended by deleting the
ment of definition of ‘private bill’ and substituting the following—
Section 2

““private bill” ” means a bill which is not a Government measure and which is
intended to affect or benefit some particular person, association or
corporate body.”.’.

The addition of the new clause was agreed to.

PUBLIC BUS SERVICES (AMENDMENT) (NO. 2) BILL 1984

Clauses 1 and 2 were agreed to.

**DEMOLISHED BUILDINGS (RE-DEVELOPMENT OF SITES) (AMENDMENT)
BILL 1984**

Clause 1 and 2 were agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that the

PUBLIC BUS SERVICES (AMENDMENT) (NO. 2) BILL

DEMOLISHED BUILDINGS (RE-DEVELOPMENT OF SITES) (AMENDMENT) BILL

had passed through Committee without amendment and that the

PRIVATE BILLS (AMENDMENT) BILL

had passed through Committee with amendment and that the

SUPPLEMENTARY APPROPRIATION (1983-84) BILL

having been read the second time is not subject to committee stage proceedings in accordance with Standing Order 59. He then moved the third reading of the Bills.

Question put on the Bills and agreed to.

Bills read the third time and passed.

Unofficial Member's Bill**Second reading of bill****STANDARD CHARTERED ASIA LIMITED BILL 1984****Resumption of debate on second (10 October 1984)**

Question proposed.

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).

(Mr. W. C. L. BROWN declared interest as the Chairman of the 'Standard Chartered Asia Limited').

Council went into committee.

Committee stage of bill

Council went into committee.

STANDARD CHARTERED ASIA LIMITED BILL 1984

Clauses 1 to 6 were agreed to.

Council then resumed.

Third reading of bill

MR. SWAINE report that the

STANDARD CHARTERED ASIA LIMITED BILL 1984

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.

Suspension

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now suspend the Council until 2.30 p.m. tomorrow.

Suspended accordingly at twenty-three minutes to four o'clock.