

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 30 OCTOBER 1985
IN THE
THIRTY-FOURTH YEAR OF THE REIGN OF HER
MAJESTY
QUEEN ELIZABETH II**

LEGISLATIVE COUNCIL CHAMBER

Wednesday, 30 October 1985

The Council met at twenty minutes to five o'clock

PRESENT

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

THE HONOURABLE THE CHIEF SECRETARY
SIR DAVID AKERS-JONES, 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, C.M.G., Q.C.

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

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

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

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 HU FA-KUANG, 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 DISTRICT ADMINISTRATION

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

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

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

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

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

THE HONOURABLE MARIA TAM WAI-CHU, O.B.E., J.P.
DR. THE HONOURABLE HENRIETTA IP MAN-HING
THE HONOURABLE CHAN NAI-KEONG, C.B.E., J.P.
SECRETARY FOR LANDS AND WORKS
THE HONOURABLE CHAN YING-LUN
THE HONOURABLE MRS. RITA FAN HSU LAI-TAI
THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN
THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.
THE HONOURABLE YEUNG PO-KWAN, C.P.M.
THE HONOURABLE JAMES NEIL HENDERSON, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER
THE HONOURABLE KIM CHAM YAU-SUM, J.P.
THE HONOURABLE JOHN WALTERS CHAMBERS, J.P.
SECRETARY FOR HEALTH AND WELFARE
THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, O.B.E., J.P.
SECRETARY FOR TRANSPORT
THE HONOURABLE JACKIE CHAN CHAI-KEUNG
THE HONOURABLE CHENG HON-KWAN
DR. THE HONOURABLE CHIU HIN-KWONG
THE HONOURABLE CHUNG PUI-LAM
THE HONOURABLE THOMAS CLYDESDALE
THE HONOURABLE HO SAI-CHU, M.B.E., J.P.
THE HONOURABLE HUI YIN-FAT
THE HONOURABLE RICHARD LAI SUNG-LUNG
DR. THE HONOURABLE CONRAD LAM KUI-SHING
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.
THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.
THE HONOURABLE LEE YU-TAI
THE HONOURABLE DAVID LI KWOK-PO, J.P.
THE HONOURABLE LIU LIT-FOR, J.P.
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.
THE HONOURABLE PANG CHUN-HOI, M.B.E.
THE HONOURABLE POON CHI-FAI
PROF. THE HONOURABLE POON CHUNG-KWONG
THE HONOURABLE HELMUT SOHMEN
THE HONOURABLE SZETO WAH
THE HONOURABLE TAI CHIN-WAH
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING

THE HONOURABLE TAM YIU-CHUNG

DR. THE HONOURABLE DANIEL TSE CHI-WAI

THE HONOURABLE ANDREW WONG WANG-FAT

THE HONOURABLE PANG YUK-LING, I.S.O., J.P.
SECRETARY FOR HOUSING (*Acting*)

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

ABSENT

THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LI WING

AFFIRMATIONS

MR. JACKIE CHAN CHAI-KEUNG, MR. CHUNG PUI-LAM, MR. HO SAI-CHU, MR. RICHARD LAI SING-LUNG, MR. LIU LIT-FOR, MR. NGAI SHIU-KIT, MR. PANG CHUN-HOI, MR. POON CHI-FAI, MR. SZETO WAH, MR. TAI CHIN-WAH, MR. TAM YIU-CHUNG AND DR. DANIEL TSE CHI-WAI made the Legislation Council Affirmation.

OATHS

MR. CHENG HON-KWAN, DR. CHIU HIN-KWONG, MR. HUI YIN-FAT, DR. CONRAD LAM KUI-SHING, MR. LAU WONG-FAT, MR. MARTIN LEE CHU-MING, MR. LEE YU-TAI, MR. DAVID LI KWOK-PO, PROF. POON CHUNG-KWONG, MR. HELMUT SOHMEN, MRS. ROSANNA TAM WONG YICK-MING, AND MR. ANDREW WONG WANG-FAT took the Legislative Council Oath.

MR. THOMAS CLYDESDALE took the Oath of Allegiance.

HIS EXCELLENCY THE PRESIDENT:—I should like to welcome all new Members to this Council.

Valedictories to Sir Roger LOBO, Dr. Harry FANG Sin-yang, Mr. Francis Y.H. TIEN, Mr. Alex WU Shu-chih, Mr. WONG Lam, Mr. Andrew So Kwok-wing, Mr. W.C.L. BROWN, Mr. Keith LAM Hon-keung, Mr. Carl TONG Ka-wing.

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, since our last meeting, Sir Roger LOBO, Dr. Harry FANG, Mr. Francis TIEN, Mr. Alex WU, Mr. WONG Lam, Mr. Andrew So, Mr. Bill BROWN, Mr. Keith LAM and Mr. Carl TONG have retired from this Council. Happily they are present in the Chamber today to receive the warm tributes due to them all for their notable contribution to the work of this Council.

Sir Roger LOBO joined the Council over 13 years ago. For the last four years, perhaps the most significant four years in the Council's history, he has been the Senior among the appointed Members. The skill and tact with which he has guided his colleagues has been matched only by his consistent concern for the people of Hong Kong. The quiet warmth of his personality and his selfless dedication to public service will be greatly missed.

Dr. Harry FANG has served the Council for 11 years, and has been a source of wise counsel in the important areas of medicine and social welfare. He will be remembered above all for his outstanding contribution in the field of rehabilitation and in promoting the welfare of the disabled.

Like Dr. FANG, Mr. Francis TIEN first joined this Council in 1974. His staunch advocacy of free trade and the spirit of enterprise which are the life blood of Hong Kong's economy are reflected in the success story of Hong Kong's industry and trade. Honourable Members will also miss the literary allusions which have enlivened his speeches.

Mr. Alex WU, in his ten years on the Council, has seen the transformation of Hong Kong's cultural life—and not only seen it; for it is in no small measure due to his considerable efforts inside and outside the Council. The establishment of the Academy for Performing Arts under his leadership, and his able advocacy in promoting the Chinese language will be his monument.

Mr. WONG Lam is another proponent of the Chinese language who has done much to promote its use in the Council. As a Member for nine years he can reflect with justifiable pride on his many achievements on behalf of the working people of Hong Kong, and on his quiet but determined guardianship of their interests.

Mr. Andrew So's wide range of interests and of public appointments has provided him with a depth of knowledge and breadth of vision which have been invaluable during his seven years in the Council. Members will recall, too, the many occasions on which his wit and allegory have enriched our debates.

Mr. W.C.L. BROWN's public appointments are numerous and exacting, even by the standards of his colleagues. His financial background has been of particular value. The amount of time he has given in his five years as a Member is well matched by his analytical and commonsensical approach, and his steadfast advancement of the interests of Hong Kong, both inside and outside this Council.

Mr. Keith LAM and Mr. Carl TONG belong to the latest generation of community leaders on the District Boards. In their short time on the Council, they showed themselves to be keenly interested in the welfare of the community. They will, I trust, continue their public service in other spheres.

These nine retiring Unofficial Members have between them contributed 68 years of service, with a range and depth of experience which by any standards is remarkable. My valedictory remarks cannot do them full justice, but their names will be recorded in the history of this Council during the period when Hong Kong's destiny was being shaped. Hong Kong owes them much.

Valedictions are not normally accorded to Official Members leaving the Council, unless they are also retiring from public office. However, six members are leaving this Council not as part of the normal pattern but because of our constitutional reforms which have substantially reduced the number of official places. These are the Secretary for Security, the Secretary for Economic Services, the Secretary for Administrative Services and Information, the Director of Education, the Commissioner for Labour and the Director of Medical and Health Services. They and their predecessors have contributed greatly to the work of the Council. Our warmest thanks are due to them too for what they have done. They will continue as public servants to play a highly valued role in our society.

MISS DUNN:—Sir, the Legislative Council breaks new ground yet the people of Hong Kong look to it to provide the continuity so necessary for the preservation of the prosperity and stability of our society.

I am able to say that all the Unofficial Members wish to be associated with Your Excellency's tribute to the retiring Members. More Members have left us today and more Members have joined us today than ever before in the history of this Council. Yet it is continuity above all that the people of Hong Kong expect from us.

The process of transformation of this Council from its former pattern has led to the departure of six Official Members. They have responded vigorously to our questions in our debates and we shall miss them. The changes are however inevitable and indicate a changing role for the civil service. I am sure that those who once sat here will still be seen advising us in committee and informally as Members of the Council become more involved in the development of policy and the preparation of legislation.

Among the Unofficial Members I should like to start by referring to the two Elected District Board Members appointed a year ago. Mr. Keith LAM and Mr. Carl TONG came to this Council before District Boards elected their representatives. But they have served their Boards well during the past year. Mr. TONG's familiarity with the Central and Western areas of Hong Kong and his knowledge of the business world lent a reality to his proposals. Mr. LAM,

whose family has for so long been associated with the southern part of Hong Kong Island, presented the views of this fast developing area with vigour.

Retiring Members who have served for five to ten years are Mr. Bill BROWN who came to the Council in 1980, Mr. Andrew So, who was appointed in 1978, and Mr. WONG Lam who has served since 1976.

It would be difficult to find three men with less in common in their backgrounds yet what excellent members of the team they made.

Mr. BROWN as the Head of the Standard Chartered Bank made outstanding contributions to debates on financial and economic affairs. But what is less well known is the care with which he has discharged his duties in the investigation of complaints. The redress system has had no more conscientious supporter.

Mr. Andrew So must go down as the AESOP in our midst. As a teller of fables he has no rival. His allegorical style, which gave a light touch to what he had to say, cloaked the telling strength of his speeches. The weather forecast in his speech on the LOBO motion and his phrase '怕老婆也不怕政府的自由空氣' roused a very general response among his listeners by putting into words what others simply felt.

Mr. WONG Lam brought a refreshing frankness to matters that he discussed. If buses can be said to have grass roots Mr. WONG Lam grew straight out of them. He would draw on his familiarity with the rough and tumble of life in the back streets to bring up sharply anyone who trotted out myths based on second hand reports. One of Mr. WONG's lesser known contributions to the well-being of the Council was the way he could charm our cares away by singing snatches of Cantonese opera on our less serious social occasions.

Mr. Alex WU, Mr. Francis TIEN, Dr. Harry FANG and Sir Roger LOBO have all worked on this Council for ten years or more. They are the four longest serving Members. They have given us all so much help in the past. I feel I can now dare to call them the grand old men of the Council. Theirs is the wisdom that comes from sheer length of service. They will take with them a fund of experience that will take us a long time to replace.

Mr. Alex WU, in this city of great material wealth, has never ceased to remind us that, as he said in this Council, 'art is not divorced from life ... it is the expression of our attitude towards our lives' Mr. WU continues as Chairman of the Council for Performing Arts but I hope that we shall see a new spokesman for the arts in this Council.

In the House of Commons they identify the oldest Member and call him the Father of the House. It is surprising, when Chinese people give such great respect to age, that we do not have the same custom here. Mr. Francis TIEN was the Father of the Council for many years and is twice the age of the youngest Member on his retirement. This may come as a surprise to those who have seen him urging the Vocational Training Council to new heights or battling for the

cause of free trade. He has been known for years as 'Mr. Pants' in the textile trade. He is the prototype of the Shanghai man whose industry carried Hong Kong from the poverty of the fifties to the prosperity of the seventies.

If we seek a new voice for the arts, so too we seek a new voice for the disabled on the departure of Dr. Harry FANG. Dr. FANG's devotion to the cause of rehabilitation both inside and outside the Council has revolutionised our whole attitude as we begin to bring the disabled into the society of the ablebodied. There is still a long way to go but what a difference there is between attitudes today and those when Dr. FANG joined the Council more than ten years ago. Vigour and determination are the characteristics of this man. He not only cares about the problems of the disabled, but he knows exactly what requires to be done.

Finally, Sir, I am very glad to have the chance to pay a tribute to my predecessor as Senior Unofficial Member, Sir Roger LOBO. Sir Roger has been on the Council longer than any of the other retiring Members, having joined in 1972. He has led the Council since 1981. There are few years of Hong Kong's history that are not eventful. But his period, seeing, as it did, the collapse of the land market, the disappearance of budget surpluses, and the negotiations on the future of Hong Kong must go down as one of the most difficult.

It was during the negotiations that Sir Roger's leadership came to prominence. The negotiations were secret yet every move was known to Executive Council. Nothing could be said yet the strength of feeling on the issues at stake had to be assessed. And these issues affected the whole livelihood of Hong Kong. This was a harrowing time for anyone on Executive Council but for the leader of the Legislative Council, which was not privy to the talks, it must have been particularly delicate.

Although Hong Kong itself had no status in the talks, and there was nothing this Council could do constitutionally about either the talks or the outcome, Sir Roger moved the famous 'LOBO Motion' expressing the view that 'this Council deems it essential that any proposals for the future of Hong Kong should be debated in this Council before any final agreement is reached'. In that debate, and in those that followed it, I believe this Council gave voice to the real feelings and wishes of the people of Hong Kong.

The negotiations thrust greatness on Sir Roger who rose splendidly to the occasion. But even before that he had made a place for himself among those in, to use a phrase he coined, the sandwich society. The pedant may wonder just what the sandwich society is but we all know the felling of being pressed on all sides. His plea for care not to ask for too much struck a strong chord of sympathy. So too did his very human call to avoid proposals which created 'too wide a gap between what is statistically satisfactory and what is personally satisfying'.

The Council will miss his personal touch and characteristic cheerfulness.

Sir, all these men have served Hong Kong well in this Council. The contribution of individuals to consensus cannot be measured but without the contributions of individuals there can be no consensus. There have been many occasions when differences of view among us at the outset have given way through patient discussion to yield consensus.

This may not be as exciting as the fireworks of fierce debate and confrontational voting, but it is surely a better way to run a government.

Suspension of Sitting

HIS EXCELLENCY THE PRESIDENT:—Council will suspend for ten minutes.

Suspended accordingly at fifteen minutes past five o'clock.

Address by His Excellency the Governor:—

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(1) INTRODUCTION

Honourable Members of the Legislative Council, it is an honour for me to preside over this, the first meeting of the Legislative Council in its new Chamber. Not only has the membership of the Council been substantially enlarged but, for the first time in Hong Kong's history, an important part of its membership has been chosen by indirect election. The opening of the 1985/86 Session of the Council thus marks another step in the evolution of representative government in Hong Kong.

2. This evolution has been in progress for some time. The Urban Council has had elected members for many years. In 1983, the number of elected members was increased to 15, the franchise was greatly extended, and members were elected for the first time from district constituencies. District Boards first had a proportion of their membership elected in 1982; the number of elected District Board members was substantially increased earlier this year. Elections for the new Regional Council will be held in March next year. Throughout this process, the Government has looked for progress combined with stability. It will continue to do so. In this fast developing world, all societies are subject to change; and their institutions must adapt to meet the changing requirements of the societies which established them. At the same time, full weight must be given to the need for stability. Hong Kong is successful economically and socially because it is a stable society. Progress and stability must go hand in hand.

3. As regards the functioning of the Council, I am confident that honourable Members, whether elected by electoral colleges or by functional constituencies, whether appointed or official, will recognise that, when in this Chamber, we are all part of one Council. Each Member may have his or her individual allegiance, but all of us have a common responsibility to the community as a whole. The policies we endorse and the legislation we shall pass will affect the daily lives, not only of those sectors of the community which individual Members may represent, but of everyone in Hong Kong. While I expect issues to be vigorously debated in this Chamber, it will be incumbent on us all never to lose sight of that common responsibility.

4. This new Council will soon no doubt adopt its own distinctive working style. In doing so, it inherits a successful pattern on which to build. Over the years, Council members have built up a remarkable record as spokesmen for the community on vital issues. They have scrutinised and passed an impressive body of law, which has provided the framework within which Hong Kong has been able to grow into the successful society it is today. That society has evolved as a result of a constant consultative process between the Government, the legislature and the community. This consultative process has been a cardinal element in Hong Kong's success. The Government firmly intends that it should be continued and strengthened.

5. We shall need to monitor the functioning of our new arrangements over the next 18 months, before we take stock again in the 1987 review. The reforms of 1985 are based on institutions which have served Hong Kong well; they preserve the best features of these institutions. It is important that Hong Kong should build a government structure at the central level which is appropriate to its own needs and in harmony with its own traditions. The 1987 review will need to address a number of issues: whether there should be further changes in the composition of the Council; whether there should be direct elections; what should be the relationship between the Executive and Legislative Councils; and other matters. I have no doubt that, even before the review, there will be much public discussion on these subjects.

(2) STRUCTURE AND MACHINERY OF GOVERNMENT

6. Before turning to other topics, I wish to say a few words about the structure and machinery of government in the territory as a whole.

(a) Structure

7. 1985 has seen major progress in the District Boards. At elections on 7 March, the number of board members directly elected was increased from 132 to 237; in addition, 132 members have been appointed from a wide cross-section of the community. This composition enhances the representative nature of the boards and ensures continuity of proven experience. The reconstituted boards have demonstrated their effectiveness in improving the environment of their districts, and in reflecting the views of local residents on local issues.

8. The Provisional Regional Council, constituted on 1 April this year to prepare for the establishment of the full Regional Council on 1 April 1986, has set about its task with vigour. Like its urban counterpart, the new council will be financially autonomous and will derive most of its revenue from the rates. It will be responsible for all aspects of environmental health, recreation and culture, outside the main urban area. I am confident that the Regional Council will achieve the same success as the long-established Urban Council in carrying out this important work.

9. Many of the members of the Regional Council, as of the Urban Council, will be directly elected. The area which the Regional Council will serve comprises geographically separate communities ranging from major new towns to the older market towns, villages and islands. In recognition of this fact, the Council will have nine members elected by District Boards and three *ex-officio* members from the Heung Yee Kuk. This membership will enable the Regional Council to formulate policies which give due weight to the needs and interests of the area as a whole, and of its component parts.

10. At the apex of the three levels of government is the Legislative Council in its new format. In constructing this framework, we have taken great care to establish close links between the three levels. Urban Council members sit on the urban District Boards. There will be regional District Board members on the Regional Council. Members of District Boards and of both second level councils sit in this Chamber. To complete the pattern, there are representatives here of all the major functional organisations and sectors of our society. The system as a whole is thus both representative and closely knit.

(b) *Machinery of Government*

(i) *Complaints and the redress of grievances*

11. Any just society should provide for those who seek the redress of grievances, or who wish to complain about the actions of government departments and agencies. Hong Kong has a very wide range of institutions and procedures for this purpose. Immediate avenues open to the aggrieved citizen include District Offices, District Board members, the ward offices of members of the Urban and Regional Councils, the Independent Commission Against Corruption, and the Office of Unofficial Members of the Executive and Legislative Councils. In addition, many of our laws provide for formal appeals to a wide variety of authorities, boards and tribunals; others provide for the right of appeal to the Governor or the Governor in Council against administrative decisions; representations on matters of a public or private nature may be made to the Governor; and beyond that, petitions may be addressed to the Secretary of State and to Her Majesty the Queen.

12. In view of the new composition of the Legislative Council and the development of more representative government, the efficacy of existing avenues of redress has been under review by Unofficial Members of the Executive and Legislative Councils and by the Government. More work remains to be done; but by the end of this year, a consultative document should be ready for publication. It will outline the present situation, and set out options for building on present systems. It will include the possibility of some sort of institution to enquire, on an independent basis, into complaints alleging maladministration by government departments. The Government intends wide public consultation on any possible changes, so that the views of the

community, both on the principles and the details of any proposals, can be fully taken into account. If there is general support for change, draft legislation should be ready for submission to this Council before the end of this session.

13. I make on this subject one final, important point: Unofficial Members of the Executive and Legislative Councils have for many years given much time and effort to dealing with complaints by the public, ranging from high policy to the smallest of matters affecting the livelihood or interests of an individual. The large number of people who have made representations to them over the years provides proof of public confidence in them. That function is crucial. It will continue, unimpaired by the introduction of any new institution. If such an institution is created, it is likely to be a supplement to existing channels for the redress of grievances, rather than a replacement.

(ii) *Chinese version of the statute law of Hong Kong*

14. All major decisions in our system of government are taken within, or are incorporated into, our statutes and ordinances. It is right that laws should be available in the language of the majority of the population. The Executive Council, in July this year, decided that an authentic Chinese version of the statute law of Hong Kong should be produced. Following that decision, the selection and training of staff have begun, and it is hoped that the first piece of new legislation in both languages will be produced in the 1986-87 session. It is also the Government's intention to make a start, in due course, on producing an authentic Chinese version of the existing statute law.

(3) ECONOMIC AND FINANCIAL SITUATION

15. I shall speak now briefly on the economic and financial situation.

(a) *State of the economy and prospects*

16. As is the case in many parts of the world, the growth of our economy so far this year has been slower than expected. Nevertheless, a growth rate of 4.5 per cent to 5 per cent for Gross Domestic Product in 1985 is likely. Even though this is lower than we had hoped, it is still satisfactory. While domestic exports to the traditional markets have declined, exports to China have continued to record substantial growth. China has become the second largest market for our domestic exports. Re-exports have shown strong growth. As a result, total exports for 1985 are expected to grow by 11 per cent.

17. The property market has shown signs of revival. This reflects the return of confidence in Hong Kong and the fact that rentals and prices are now at more realistic levels.

18. Unemployment and underemployment figures have remained stable. In the three months June to August, the unemployment rate was 3.3 per cent and the underemployment rate was 1.4 per cent, indicating that the labour force is effectively fully employed.

19. The rate of inflation has remained relatively low, at about 3.8 per cent during the 12 months to September this year. This has been due in part to moderate rates of inflation in those countries which are our major trading partners, to the easing of world commodity prices, and to the relative strength of the Hong Kong dollar. There have been occasions when the link with the U.S. dollar has come under pressure, but the system has held up well. There are no plans to change it.

20. Looking ahead to 1986, our economy remains dependent on trade and hence vulnerable to external forces outside Hong Kong's control. Consumer demand in our export markets and the willingness of other governments to allow consumers freedom of choice are clearly important factors. The most immediate threat to the performance of our economy lies in calls for further protectionist measures, in particular in the United States.

(b) Management of the public finances

21. As regards the public finances, a revival of activity in the property market has brought better than expected results from land sales. These, together with improved yields from earnings and profits tax, should result in total revenue for the year being higher than originally estimated. Expenditure on general revenue account is also likely to be higher than estimated, as a result of \$1.5 billion being injected as additional equity into the Mass Transit Railway Corporation. The net effect at the end of the year will be a smaller deficit than was originally forecast. The return to a balanced budget is now a realistic expectation.

22. Expenditure on capital works has been slower than originally forecast. As a result, the size of the public sector as a proportion of Gross Domestic Product should decline to below 16 per cent in the financial year 1985-86.

23. Both the Government and the business community remain in full agreement on the need for a simple and equitable taxation system. The levels are set carefully so as to provide for Hong Kong's essential fiscal needs, but without acting as a disincentive to enterprise. We shall not depart from that policy, which is important to the economic health of Hong Kong. There are, however, loopholes in our system which those with access to sophisticated financial devices can exploit. They are thus able, within the law, to avoid paying the taxes which they were meant to pay; and the burden of that unpaid tax then falls on others.

24. Proposed amendments to the Inland Revenue Ordinance, designed to close the most readily exploitable of the loopholes, have recently been examined by the *Ad Hoc* Panel of Unofficial Members of the Executive and Legislative Councils. The group has consulted widely with the professions and with the public. I am confident, as a result, that well-considered proposals will be introduced into the Legislative Council during this session.

(c) *Regulation of financial and commercial sectors*

25. An important task for the Government is to maintain confidence both internationally and locally in Hong Kong as a financial centre. This requires that we should seek to improve the legal and institutional framework in which the financial and allied services industries operate. There have been a number of recent developments in this field.

26. A review of our system of supervisory control over banking operations is nearing completion. There has been wide consultation with the financial community, and proposals for improvement will be put to the Executive Council as soon as possible. They will seek to provide a greater measure of protection to depositors—to ensure sound business practice among financial institutions—while leaving full room for financial and commercial enterprise.

27. Events of recent years, both here and in other major financial centres, indicate that the mere logging of technical compliance with statutory requirements is not enough to ensure that financial institutions are prudently managed. No system of prudential supervision can prevent all irregularities, particularly where there is fraud. But the aim of the proposed measures will be to assist in the timely identification of bad, imprudent or fraudulent management, which can threaten the health and reputation of the system as a whole.

28. The Standing Committee on Company Law Reform, which first met in May 1984, has made a number of recommendations to improve the operation of the Companies and Securities Ordinances. These recommendations are now being considered with a view to introducing legislation to implement them. The Standing Committee has recently published a report on disclosure of beneficial interests in shareholdings and dealings in shares on a significant scale. This report recommends the introduction of legislation to provide for a greater degree of disclosure of the true ownership of public companies listed on the Stock Exchange. This would benefit shareholders, company management, the securities industry and regulatory authorities. This too will be carefully considered by the Government.

29. The Stock Exchanges Unification (Amendment) Ordinance and the Securities (Amendment) Ordinance, enacted in August, pave the way for unification of the four stock exchanges. They introduce new membership criteria, as well as more stringent financial requirements to help to ensure the financial viability of dealers. New statutory stock exchange listing rules, and amendments to the compensation scheme set up under the Securities Ordinance to provide greater protection for the investing public, are now being prepared. The Unified Exchange is expected to commence operation in 1986.

30. A review of the Commodities Trading Ordinance, necessitated by the rapidly changing character of the futures industry, is also under way. It too seeks to improve the existing regulatory framework and afford greater

protection to investors. The Executive Council, on the recommendation of the Securities and Commodities Trading Commissions, has approved trading in Hang Seng Index futures contracts. The Futures Exchange is expected to introduce this type of contract shortly.

31. Consumer protection is a matter of much concern both to the public and the Government. The last session of this Council saw the introduction of legislation to regulate the business transactions of money changers and to provide for the registration of travel agents. In recent months, the activities of an unscrupulous minority of retailers have received widespread publicity. Measures have already been taken to strengthen enforcement under existing legislation, and new measures to improve the law are in preparation.

(d) Trade and industry

32. I turn now to trade and industry. These are the foundation of our economy. The recent growth in protectionist sentiment in the United States poses a serious threat to our economic interests. The United States customs regulations, prescribing country of origin requirements for Multi-Fibre Arrangement textile products, were imposed in April this year. They made no concessions on knitwear, despite Hong Kong's strong protests and a ruling by the Textiles Surveillance Body in Hong Kong's favour. The knitwear industry, as a result, has had to make major, costly investments, but has yet to adjust fully to the new requirements.

33. In more recent months, the Thurmond/Jenkins Bill has posed an even more serious threat to Hong Kong. If passed into law, the Bill will seriously undermine not only world trade in textiles, but the very principles on which the Multi-Fibre Arrangement and the General Agreement on Tariffs and Trade are based. Credit may be given deservedly to the Government, to industry, and to trade and industry organisations, in particular the Trade Development Council, for their concerted efforts in lobbying against the Bill. We shall not relax our efforts to counteract all protectionist moves which threaten our livelihood. We applaud the stand taken by the United States Administration against protectionism.

34. The current Multi-Fibre Arrangement will expire in July 1986, and negotiations on its future have started. The Government will continue to work closely with other developing, textile-exporting countries to promote the liberalisation of trade in textiles and clothing.

35. An exhibition and conference centre of the highest international standard is now being built by the Trade Development Council on a site at Wanchai reclamation, and is scheduled for completion in 1988. I congratulate the Trade Development Council for so readily and enthusiastically taking on this exciting project.

36. On the industrial front, reflecting confidence in Hong Kong, there has been a rise in investment in new plant and machinery during the first half of this year; this should help us to maintain an edge over our competitors. During the last few months, the take-up of new leases at our industrial estates has accelerated.

(4) IMPLEMENTATION OF THE SINO-BRITISH JOINT DECLARATION

37. I shall now turn to matters which relate specifically to the implementation of the Sino-British Joint Declaration.

(a) *General*

38. When I addressed this Council last year, the Sino-British Joint Declaration on the question of Hong Kong had just been initialled and published as a draft agreement, and the Assessment Office had begun its task of gauging public reaction to it. There followed debates on the draft agreement, both in this Council and in the United Kingdom Parliament. Subsequently, the Joint Declaration was signed by the British Prime Minister and the Chinese Premier on 19 December 1984, and entered into force on 27 May 1985 upon ratification by the two Governments. It has been registered by both Governments at the United Nations, thus confirming its status as a binding international instrument.

(b) *Joint Liaison Group*

39. The Joint Liaison Group held its first meeting in July in London. Both sides agreed on the importance of the General Agreement on Tariffs and Trade to Hong Kong's economic development, and on arrangements for Hong Kong to continue as a member of the Asian Development Bank after 1997. The group will meet again in Peking towards the end of November. By its very nature, the Joint Liaison Group is not a body that will make a string of momentous decisions at each meeting. But it will, between now and the year 2000, need to discuss a wide range of matters related to the implementation of the Joint Declaration. The encouraging start that the group has made augurs well for the ability of the two sides to co-operate in this important work.

(c) *Land Commission*

40. The Land Commission too has set about its work quickly and effectively, and in a spirit of co-operation between the two sides. It has reached agreement on a range of legal documents for use in land transactions, and on the land disposal programme for the remainder of the current financial year. In September and earlier this month, the first public auctions of government land since the entry into force of the Joint Declaration were successfully held, and

seven lots of land were sold for terms running up to 2047. All concerned can be confident that land will continue to be made available to meet Hong Kong's development requirements.

(d) Nationality and passports

41. Of considerable public interest are the arrangements for the introduction of British National (Overseas) status and the issue of British National (Overseas) passports. Any person, who is a British Dependent Territories citizen by virtue of a connection with Hong Kong, may apply for a British National (Overseas) passport before 1997, and will be able to use the passport after that date. As has already been announced, arrangements are being made for these passports to be issued with effect from 1 July 1987. This will enable the present practice of issuing passports for a ten-year validity period to continue without interruption. It will also give maximum time to third countries to grow accustomed to the new passports. The format of the British National (Overseas) passport will be such that it is readily identifiable as a document issued under the authority of the British Government. The British Government has undertaken to do its utmost to obtain international recognition of that passport, and there are already encouraging signs that this will be accorded. The British Government has also announced that it will make provision for the children of former Hong Kong British Dependent Territories citizens, and for their grandchildren, to acquire British Overseas citizenship, if they would otherwise be stateless.

42. In February this year, during the committee stage of the Hong Kong Bill in the House of Commons, the Minister of State said that the British Government would discuss with the Chinese authorities the wording of a statement to be included in the British National (Overseas) passport to satisfy immigration officials in third countries that an individual has the right of abode in Hong Kong. I am pleased to report that these discussions are proceeding.

43. A draft Order in Council on British National (Overseas) status has recently been published. I urge all those concerned to put forward their views on it, so that these can be taken into account when it is debated in this Council and in Parliament.

(e) Hong Kong Register of Shipping

44. The Joint Declaration provides that the future Hong Kong Special Administrative Region shall be authorised to continue to maintain a shipping register and to issue related certificates under its own legislation. The Government published in May its initial thinking for a new register and asked for public comment; there has been a constructive response from the shipping industry. Over the next few months it should be possible to see more clearly the shape of Hong Kong's future policy in this field.

(f) *Basic law*

45. The Joint Declaration records the basic policies of the People's Republic of China regarding Hong Kong. Annex I to the Joint Declaration elaborates these policies, which will be stipulated in a Basic Law of the Hong Kong Special Administrative Region of the People's Republic of China, to be passed by the National People's Congress.

46. Both the British Government and the Government of China are firmly committed to maintaining the prosperity and stability of Hong Kong and to ensuring a smooth transition in 1997. Both the British Government, which will remain responsible for the administration of Hong Kong up to 1997, and the Chinese Government, which is responsible for drafting the Basic Law, have as their starting point the Joint Declaration, which sets out in Annex I the general principles of the structure of government for the future. Both Governments have pledged themselves to consult extensively with the people of Hong Kong. I am sure that the two Governments will at all times be alive to the concerns and the views of the other, as well as of the views of the people of Hong Kong. I am also confident that, on these foundations, a framework of enduring institutions can be constructed, which will maintain confidence in Hong Kong and enable a smooth transfer of government in 1997.

(g) *Annual report to Parliament*

47. In February this year, as a result of representations from all parties, Her Majesty's Government agreed to produce an annual report on Hong Kong, and to lay it before the British Parliament. The purpose of the report is to keep Parliament informed on a regular basis of developments in Hong Kong during the period leading up to 1997. It will thus demonstrate the continuing interest of the British Parliament in the fortunes and progress of Hong Kong. The first report is expected to be published as a White Paper and laid before the British Parliament later this year. The report will be laid also before this Council.

(5) **SOCIAL PROGRAMME AREAS**

48. I shall turn now to our social programmes.

(a) *Education*

49. Our community has always placed great value on education. This year, 17 per cent of total public expenditure is devoted to it; this is more than is spent on any other single area of government activity. The Government remains committed to continuous improvement in educational opportunities and in the quality of education.

(i) *Extension of education opportunities*

50. Since 1978, the cornerstone of our education policy has been nine years of universal, free and compulsory education. The Government is already committed to improve on this. Following the Education Commission's advice,

we have set ourselves the target of providing by 1991 enough subsidised places, in Forms IV and V in secondary schools, and in one-year full-time craft courses in technical institutes and training centres, to satisfy the demand for post-Form III education. This should permit the phasing-out of the Junior Secondary Education Assessment System. To do this, we shall have to build another 24 secondary schools as well as purchase places in Forms IV and V from good private schools. With the opening of the new technical institutes at Tuen Mun and Sha Tin in the coming year, overall student numbers in technical institutes will rise from 45 500 to over 52 000. This represents some 2 700 more students at the technician level, and nearly 3 900 more students engaged in craft-level courses.

(ii) *Language in education*

51. The Education Commission has recommended that Hong Kong should educate its younger generation to be more competent in both Chinese and English. Hong Kong's position as an important industrial, commercial and financial centre, now and in the future, requires our best efforts to ensure that our children can use both languages with ease. This means improved teacher education; more teachers, and more equipment.

52. The language of teaching has been under review, as well as the teaching of language. Those secondary schools which teach in English will be asked to consider whether they wish to make greater use of Chinese. The availability of suitable textbooks will be an important factor for secondary schools contemplating such a change. The Government intends to establish a Chinese Textbooks Committee. Its purpose will be to ensure that sufficient secondary school textbooks of good quality, written in Chinese, become available within the next five years. More widespread use of Chinese is in no way intended to diminish the importance of a high standard of English. Our objective, which we believe to be achievable, is high standards in both.

(iii) *Computer education*

53. I spoke last year of the need to ensure that our young people develop a familiarity with the use and operation of computers. Following the successful implementation of the Computer Studies Pilot Scheme in 1982, the scheme has grown to cover, by last month, a total of 210 government and government-aided secondary schools. It is intended that all aided secondary schools should, if they so wish, include computer studies in their Form IV and Form V curricula from September 1986. An essential part of this programme is the training of more teachers. The Education Department provides in-service training courses for teachers from schools taking part in the scheme; the two Universities and the Hong Kong Polytechnic provide other training courses to increase the number of teachers qualified in computer studies. Earlier this year, a capital grant of \$4 million from the MacLehose Fund was approved to set up a fully equipped Computer Education Centre. This will provide further training for teachers involved in the use and application of computers.

(iv) *Higher education*

54. Another area under review is the availability of places for our students at universities and polytechnics. The Joint Funding Scheme for Hong Kong students in Britain has become a valued source of subsidised places in higher education, additional to the places which are available locally. In 1984-85 there were over 1 300 successful applications for grants under this scheme, the cost of which is shared equally with the British Government. In 1985-86, the amount available for grants has increased slightly to £ 4 million.

55. First and foremost, however, we need to do more to provide places locally for our students. We have 28 000 full-time and equivalent part-time students in our institutions of higher learning, of whom some 13 000 are on degree courses. Until now, the target figure for first-year places in first degree courses by 1994-95 has been just over 6 300. Present indications are that this is not enough to meet either the requirements of our economy or the aspirations of our students. The Government intends therefore to proceed with the planning of a third University, and thereby increase the provision of first-year, first degree places to over 7 500. The University and Polytechnic Grants Committee has advised that, with a third University, this should be possible within the 1990s. Much work needs to be done on this project; the cost will be considerable; but the objective is clear, and I have no doubt that the investment will show an ample return.

(b) *Housing*

56. This year will see record public housing production of over 48 000 flats, with the Housing Authority exceeding its annual production target for the sixth successive year. The authority continues steadily to improve the quality of its new housing as well as upgrading and redeveloping existing stock. As anticipated last year, private sector production has increased and is forecast to reach about 30 000 flats this calendar year, rising to about 33 000 units in 1986. About 18 000 flats are scheduled for completion next year under the Home Ownership and Private Sector Participation Schemes. This is yet another record.

57. Meanwhile, the restructured squatter clearance programme, which I mentioned last year, has started; and the rural housing programme continues to make steady progress, with a project at Tui Min Hoi in Sai Kung due to be completed later this year, and projects at Mui Wo on Lantau and at Sha Tau Kok scheduled to start next year.

58. Honourable Members will be aware that the public is being consulted on the level of housing subsidy to public housing tenants. The Housing Authority will examine carefully all public comments on the suggestions set out in its Green Paper, together with alternative ideas which come forward, before deciding whether any recommendations should be made to the Executive Council.

(c) *Social welfare*

59. Last year, I spoke of the housing needs of the increasing number of elderly people in our population. In July, the Housing Authority agreed to provide self-care hostels in public housing estates for elderly people still enjoying good health. The authority plans to provide hostels for some 2 000 people over the next six years. These will be in addition to the existing quota of shared flats and housing units for single persons in public housing estates. These arrangements will help the Social Welfare Department and welfare agencies in their task of looking after those elderly people who are unable to care for themselves.

60. Residential institutions have long provided services catering for children and young people who, because of family circumstances or their own behaviour, have to live away from their families. In recent years, limited arrangements have been made to care for children outside these institutions. A working group has recently been established to look into this area, and to report to the Social Welfare Advisory Committee.

(d) *Medical services*

61. During the past year, the Government has undertaken to meet the cost of major extensions to subvented hospitals. A capital subvention of \$680 million will provide a 760-bed extension for the United Christian Hospital by 1991, which will more than double its present size. Another subvention of \$224 million will provide for capacity at the Yan Chai Hospital to increase from 150 to 700 beds by 1988. Funds have also been provided to allow continuation of the phased expansion of the Pok Oi Hospital.

62. As part of a review of the management organisation of hospital services in Hong Kong, consultants have been assessing the potential for better integration between government and subvented hospitals; their report is expected before the end of the year.

(e) *Environment*

63. As I stated in my address last year, the Government is well aware of the need to protect the environment in which we live and work. Proposals for enforceable controls on the disposal of untreated animal wastes, which are the cause of some of the most severe pollution problems, will soon be considered by District Boards and other interested parties. It is hoped to introduce measures, together with the necessary legislation, during the present session. Proposals to improve controls on air pollution will be submitted to the Executive Council during the first half of next year. The nature and scale of noise problems are less easily defined than most other pollution problems, and acceptable objective measurements of noise are difficult to establish. It is, nevertheless, hoped to introduce a Noise Control Bill into the Legislative Council before the end of the present session.

(f) *Broadcasting*

64. In August, the Broadcasting Review Board submitted its report on the future of broadcasting in Hong Kong. The report, which was published last month, makes several proposals. One of these, the turning of Radio Television Hong Kong into an independent public broadcaster with guaranteed access to television prime time, has excited considerable public comment. But there are many others, equally important and equally deserving of discussion. They include the establishment of a new Broadcasting Authority; greater control over commercial broadcasting; the prohibition of tobacco advertising on radio and television; and the provision of a modern cable television distribution network. During the next three months, public comment will be welcomed on all these recommendations. The Government will take all views fully into account when drawing up proposals for the broadcasting policies to be adopted after the expiry of the present licences in 1988. The decisions to be taken are far-reaching. They will shape the future of television and broadcasting in Hong Kong for a long time to come. They will therefore need to be soundly based and acceptable to the community as a whole.

(6) **DEVELOPMENT OF INFRASTRUCTURE**

65. I shall move on now to our development programme.

(a) *Territorial development strategy*

(i) *Urban growth*

66. Our strategy is aimed at sustaining long-term urban growth. In preparation for the early 1990s, detailed planning and engineering studies on new growth areas around the harbour are now under way. Initially, reclamation will take place at Kellett Bay on the western shore of Hong Kong Island to provide land for public housing; and at Hung Hom Bay to provide land for expansion of the KCR terminal, for residential development, and for government and institutional facilities much needed in this part of Kowloon.

(ii) *New town development*

67. Advance engineering work for the Tin Shui Wai new town is coming along well. Formation work is due to begin next year to provide land to house 135 000 people. By 1995, the population of the north-western New Territories, including Tuen Mun, will have risen to over 700 000. To cater for the expected travel demands in this region, work on the Light Rail Transit system will commence early next year; the system is expected to start running in 1988.

68. Major engineering works and public housing construction are also under way in Junk Bay, and the first residents of the new town will move in by early 1987. The town will accommodate up to 155 000 people by about 1994, and will be linked to East Kowloon by a new road tunnel on which work will start next

year. There is good progress also on the redevelopment of Sha Tau Kok, where priority is being given to re-housing over 3 000 residents living in unsatisfactory accommodation.

69. The momentum of new town development in the New Territories is being reinforced by large investment in transport infrastructure, about which I shall say more when I speak about the road network.

(b) Land and building

70. The Government is concerned that the redevelopment of the older parts of our city should proceed in parallel with new development. To this end, the Government intends to establish a Land Development Corporation, and legislation for this purpose is being drafted. When constituted, the Land Development Corporation will co-operate with private developers and owners of run-down properties in the older urban areas to produce new housing. This will be built to modern standards and equipped with a full range of commercial, community and welfare facilities. The first project should get under way in the next 12 months; I am hopeful that this initiative will give a strong impetus to the renovation of areas such as Western District, Wanchai, Yaumatei and Mong Kok.

(c) Communications

71. The volume of shipping using Hong Kong's port facilities has continued to increase, highlighting the need for the port development strategy study, to which I referred last year. This is now reaching its conclusion. It is imperative that Hong Kong maintains its capacity to handle promptly and effectively the cargoes which pass through our port. This study should tell us just what facilities will be needed and where they should be.

72. As for more immediate needs at the container terminal, reclamation of Kwai Chung Creek to provide 25 additional hectares of land is ahead of schedule, and will be completed by early 1987. Negotiations are well advanced for the addition of an ambitious three-berth terminal at Kwai Chung, with the reclamation of a further 29 hectares.

(d) Transport

(i) Road network

73. Improvements to the road network continued during the year. The completion of the Island Eastern Corridor as far as Shau Kei Wan has greatly improved road communications between the eastern part of Hong Kong Island and the remainder of the urban area. The opening last month of the section of the New Territories Trunk Road from Sha Tin to Fan Ling will bring substantial benefit to the North-East New Territories. Further road improvements on which work will commence during the coming year include the construction of the new tunnel link between Sha Tin and Tsuen Wan.

74. Earlier this year, it was decided that the Eastern Harbour Crossing should provide both road and rail facilities. The road tunnel will alleviate congestion through the present Cross Harbour Tunnel and will greatly assist the fulfilment of our territorial development strategy. The additional Mass Transit Railway crossing will relieve pressure on the Nathan Road section of the railway and bring other transport benefits. The Government is now negotiating with several consortia which have submitted the most promising proposals for the construction, operation and financing of the crossing. Construction is expected to commence in early 1986 and will take about three and a half years to complete.

(ii) *Cross-border links*

75. During the year, new facilities designed to improve communications between Hong Kong and the Shenzhen Special Economic Zone were opened. They include the second bridge at Man Kam To, the new bridge at Sha Tau Kok and a new footbridge at Lo Wu. Work has also begun on the construction of the first stage of the Lok Ma Chau bridge; this is expected to be completed in early 1988. These improvements to cross-border links will provide sufficient capacity to cope with the expected growth of traffic into the next decade.

(iii) *Traffic congestion*

76. Experience has shown that the roads in busy urban areas cannot cope with unrestrained traffic growth; such growth can result in severe and widespread congestion at a high economic cost. Fiscal measures, introduced in May 1982, have reduced the number of private cars on the road; but they impose a burden on all car owners regardless of whether they are heavy users of congested roads. The measures, though so far effective, are a blunt instrument. Other, more equitable and more efficient methods of tackling congestion must be considered, so that we can obtain maximum economic benefit from our expensive road network. Consultation on such measures, including the question of whether any form of electronic road pricing should be introduced, and if so, where and when, is still in progress in the Transport Advisory Committee.

77. There is increasing congestion at the northern entrance to the Lion Rock Tunnel. The number of toll collection booths does not match the tunnel capacity. To remedy this, three additional toll booths are being built; they should be operational by March next year. Other measures are being investigated to improve traffic flow through the tunnel, including the possibility of automatic toll collection. In addition, the feasibility of a road tunnel under Tate's Cairn, linking Sha Tin with East Kowloon, is being closely examined.

(iv) *Public transport*

78. The opening of the Mass Transit Railway Island Line from Chai Wan to Admiralty has increased patronage on the Mass Transit Railway by about 300 000 boardings a day. The extension of this line to Sheung Wan, passing

through Central, will be completed in the early summer of 1986. This is expected to lead to a further increase in the number of passengers using the Island Line.

(7) LAW, ORDER AND SECURITY

(a) *Crime*

79. 1985 will probably show a slight increase over 1984 in recorded crime, due largely to an increase in burglary and shoplifting. By contrast, the decrease in violent crime recorded in 1984 has continued in 1985, with a further reduction in the number of robberies and cases involving firearms. An aggressive crime prevention campaign continues under the guidance of the Fight Crime Committee. I have asked the committee to give high priority to further measures to combat the insidious menace of triads.

80. Commercial crime has increased noticeably in recent years and the trend in large scale frauds facilitated by corruption, to which I referred last year, has unhappily continued. Crime of this nature damages the community and besmirches Hong Kong's reputation internationally. A strengthened Commercial Crime Bureau is spearheading an assault on commercial crime, and some 30 per cent of the ICAC's Operations Department are now directed to investigations in this field. During the last session, I commended the work of the Select Committee on Complex Commercial Crime. I shall invite the Council to consider the continuation of this work by reappointment of the Select Committee for the coming session.

81. Corruption reports received by the ICAC have in total shown an increase of 7 per cent so far this year, with a more marked increase of 16 per cent in reports relating to the private sector. As part of the continuing effort against corruption in the private sector, the commissioner has recently formed a Corruption Prevention Advisory Services Group which, on request, advises private businesses and companies on ways in which the risk of corrupt practices may be minimised. This service has been drawn to the attention of government-listed contractors and subvented organisations, and is available to members of professional and business societies and associations.

(b) *Police*

82. We shall continue to rely on our efficient and dedicated Police Force to maintain law and order during and beyond the transition of the territory to a Special Administrative Region. Having regard to the terms of the Joint Declaration, it is clear that the force must undergo some changes, among other things in the staffing of the senior ranks. We foresee a valuable role for expatriate police officers; the force must nevertheless achieve localisation at a faster pace than hitherto. At the same time, we must not jeopardise the force's efficiency, nor endanger its high level of morale. I expect soon to receive

recommendations on how such objectives can best be achieved, from a steering group comprising the Commissioner of Police, the Secretary for Security and the Secretary for the Civil Service.

83. In the meantime, the force and its resources are being continually modernised to meet changing policing requirements. In the coming year, work will start on the building of a new headquarters complex. The fleet of divisional patrol craft will reach full strength in December this year, when the Marine Police take delivery of their last new craft in an order of 15.

(c) *Narcotics*

84. Events over the past 12 months also indicate that the Government and the community must continue to be on guard against the ever-present threat of drug abuse. The progress made in 1984 and in the first quarter of 1985 in reducing the number of newly reported drug abusers is in danger of being eroded by the lowest heroin prices ever recorded, and by the persistence of the drug traffickers; notwithstanding the relentless efforts of the police and customs which have led to many successful prosecutions and often heavy sentences. Preventive education among the young by the Action Committee Against Narcotics will continue.

85. There is a growing and world-wide interest in measures to deprive convicted drug traffickers of their ill-gotten and enormous profits. The Government is closely examining the measures which have been adopted or are being considered by other countries, with a view to deciding on a practicable approach for Hong Kong in tackling this international problem.

(d) *Vietnamese refugees*

86. Vietnamese refugees continue to arrive in Hong Kong, although the "closed centre" policy has reduced the influx. The rate of resettlement remains disappointingly low; many refugees have been in camps here for up to five years. In September, the British Government announced a relaxation of its family reunion criteria for Vietnamese held in camps in countries of temporary asylum. This means that about 500 such refugees currently in Hong Kong will become eligible for resettlement in the United Kingdom. The British Government will also consider accepting further limited numbers of refugees from Hong Kong, provided other countries do the same. For our part, we are prepared to accept a limited number of ethnic Chinese, but only as part of a widely concerted international attempt to reduce our Vietnamese refugee population. Both Governments have mounted a major diplomatic effort to this end.

(e) *Correctional services*

87. As part of the continuing effort to persuade criminals not to resume criminal activity when they leave prison, the Government plans to introduce legislation to provide for the establishment of a type of parole scheme in Hong

Kong. Under this scheme, prisoners fulfilling certain conditions will be eligible for release under supervision before completing their sentences. Under a related scheme, certain prisoners may be allowed to leave prison to take up pre-release employment, again under supervision. Both schemes are designed to provide an opportunity for prisoners to re-integrate into society, without falling prey to elements likely to induce them to revert to criminal practices.

(f) *Fire services*

88. Substantial human and financial losses are suffered each year as a result of fire, in particular because of the way in which fire-fighting is frequently hampered by goods and other obstacles stacked in common areas of buildings. The Government plans to introduce amendments to present legislation, making it a direct offence to place movable objects in corridors or on staircases. Locking gates across escape routes will also be made a specific offence.

(g) *Legal aid*

89. The last comprehensive review of legal aid services took place in 1971. At that time the Government was spending \$1.5 million per annum on limited services; today it is spending a little over \$80 million per annum on a much wider range of services. Allowing for the impact of inflation, this represents more than a ten-fold increase over 15 years. A working party is examining all matters relating to this important aspect of our legal system. When its review has been completed, there will be full consultation with the legal profession and other interest parties, probably in early 1986.

(8) THE PUBLIC SERVICE

90. We are now in the third year of the campaign to stabilise the size of the civil service. I am pleased to announce that a large measure of success has been achieved: the civil service establishment has increased by only a little over 3 per cent since 1983 and has hardly grown at all over the last year. The small increase has been due almost entirely to the need for additional staff to man new facilities and provide expanded services in areas such as health, education and law enforcement. The achievement has come from improvements in work methods, and hence in productivity, within the civil service. Much of this has been the direct result of initiatives taken by the staff themselves. We are fortunate to have a loyal and dedicated civil service which has responded well to our efforts to maintain zero growth in recent years. It is the intention that the civil service should stay lean, but there will be areas where additional staff are required to provide essential services to the community.

91. The localisation policy which has been pursued since the 1960's continues to bear fruit. Local officers in increasing numbers are taking up senior positions, and the proportion of local officers in the directorate has climbed from 31 per cent in 1976 to 50 per cent in 1985. We shall continue with localisation,

taking care to ensure, however, that efficiency and morale are not jeopardised. There is now a sufficiently large and growing pool of local talent at middle and senior levels for us to be confident that we shall be able to fill top posts with local people, in terms of the Joint Declaration, before 1997. But there will still be a place for overseas officers, whose services are highly valued. Their employment in the Government after 1997 is provided for under the Joint Declaration.

(9) CONCLUSION

92. In conclusion, I trust that honourable Members will agree that the imaginative and ambitious policies and programmes, which you have heard me describe today, are evidence that your Government is conducting its affairs with a clear purpose. We intend to promote steady progress combined with stability and to continue the improvement in the quality of life in Hong Kong. We shall continue to formulate and execute policies which will fulfil this purpose. We shall continue to seek out and respond to the public will.

93. Honourable Members, the Government will rely heavily on your support and advice in this endeavour. I am confident you will ably discharge this responsibility in the best interests of Hong Kong.

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, 6th November 1985.

Adjourned accordingly at twenty minutes to seven o'clock.