

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 5th January 1977

The Council met at half past two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, GBE, KCMG, KCVO
THE HONOURABLE THE CHIEF SECRETARY
SIR DENYS TUDOR EMIL ROBERTS, KBE, QC, JP
THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, CMG, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, CMG, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, CMG, CVO, JP
THE HONOURABLE IAN MACDONALD LIGHTBODY, CMG, JP
SECRETARY FOR HOUSING
THE HONOURABLE DAVID HAROLD JORDAN, CMG, MBE, JP
DIRECTOR OF COMMERCE AND INDUSTRY
THE HONOURABLE LI FOOK-KOW, CMG, JP
SECRETARY FOR SOCIAL SERVICES
THE HONOURABLE DAVID AKERS-JONES, JP
SECRETARY FOR THE NEW TERRITORIES
THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP
SECRETARY FOR SECURITY
THE HONOURABLE DAVID WYLIE McDONALD, JP
DIRECTOR OF PUBLIC WORKS
THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, CMG, JP
DIRECTOR OF EDUCATION
THE HONOURABLE IAN ROBERT PRICE, CBE, TD, JP
COMMISSIONER FOR LABOUR
THE HONOURABLE DAVID GREGORY JEAFFRESON, JP
SECRETARY FOR ECONOMIC SERVICES
THE HONOURABLE ALAN JAMES SCOTT, JP
SECRETARY FOR THE CIVIL SERVICE
THE HONOURABLE EDWARD HEWITT NICHOLS, OBE, JP
DIRECTOR OF AGRICULTURE AND FISHERIES
THE HONOURABLE THOMAS LEE CHUN-YON, JP
DIRECTOR OF SOCIAL WELFARE
THE HONOURABLE DEREK JOHN CLAREMONT JONES, JP
SECRETARY FOR THE ENVIRONMENT
DR THE HONOURABLE THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE DAVID RAYMOND BOY, JP
SOLICITOR GENERAL (*Acting*)
DR THE HONOURABLE CHUNG SZE-YUEN, CBE, JP
THE HONOURABLE LEE QUO-WEI, CBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP

THE HONOURABLE PETER GORDON WILLIAMS, OBE, JP
 THE HONOURABLE JAMES WU MAN-HON, OBE, JP
 THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP
 THE HONOURABLE LI FOOK-WO, OBE, JP
 THE HONOURABLE JOHN HENRY BREMRIDGE, OBE, JP
 DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP
 THE HONOURABLE MRS KWAN KO SIU-WAH, OBE, JP
 THE HONOURABLE LO TAK-SHING, OBE, JP
 THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP
 THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP
 THE HONOURABLE CHEN SHOU-LUM, JP
 THE HONOURABLE MISS LYDIA DUNN, JP
 DR THE HONOURABLE HENRY HU HUNG-LICK, OBE, JP
 THE HONOURABLE LEUNG TAT-SHING, JP
 THE REV THE HONOURABLE PATRICK TERENCE MCGOVERN, SJ, JP
 THE HONOURABLE PETER C. WONG, JP
 THE HONOURABLE WONG LAM, JP

ABSENT

THE REV THE HONOURABLE JOYCE MARY BENNETT, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
 MRS LOLLY TSE CHIU YUEN-CHU

Papers

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

	<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:—		
Buildings Ordinance.		
	Buildings (Administration) (Amendment) (No 2) Regulations 1976.....	310
Medical Registration Ordinance.		
	Medical Practitioners (Registration and Disciplinary Procedure) (Amendment) (No 2) Regulations 1976	311

<i>Subject</i>	<i>LN No</i>
Public Health and Urban Services Ordinance.	
Muslim Cemetery, Happy Valley (Removal and Disposal of Human Remains) Order 1976.....	312
Trustee Ordinance.	
Trustee Ordinance (Amendment of Second Schedule) Order 1976	313
Commodities Trading Ordinance 1976.	
Commodities Trading Ordinance 1976 (Commencement) (No 4) Notice 1976	318
Births and Deaths Registration Ordinance.	
Births and Deaths Registration (Amendment of First Schedule) (No 2) Order 1976	319
Metrication Ordinance 1976.	
Metrication Amendments (Crown Land Regulations) Order 1976	320
Sessional Papers 1976-77:	
No 26—Annual Report of the Director of Accounting Services with the Accounts of Hong Kong 1975-76 (published on 5.1.77).	
No 27—Director of Audit's Report and Certificate on the Accounts of the Hong Kong Government for the year ended 31st March 1976 (published on 5.1.77).	
No 28—Despatch dated 4th January 1977 to the Secretary of State for Foreign and Commonwealth Affairs on the Report by the Director of Audit for the year ended 31st March 1976 (published on 5.1.77).	

Oral answers to questions

Spitting in public places—conviction

1. MR LEUNG asked:—

Sir, how many convictions have there been for spitting in public places since the inception of the Keep Hong Kong Clean Campaign?

Oral answers

THE CHIEF SECRETARY:—Sir, from November 1972 to the end of October 1976, there were 990 convictions for this offence under the Summary Offences Ordinance.

From November 1972 to the end of November 1976, there were also 11,176 convictions for the same offence under the Public Cleansing and Prevention of Nuisances By-laws.

Spitting in public places—controls

2. MR LEUNG asked:—

Sir, does Government consider the present control on spitting adequate?

THE CHIEF SECRETARY:—Yes, Sir. Spitting in a public place is an offence under section 4(2) of the Summary Offences Ordinance for which the maximum penalty is a fine of \$500 or imprisonment for three months.

It is also an offence under the Public Cleansing and Prevention of Nuisances By-laws which prescribe maximum fines of \$1,000 on first conviction and \$2,000 for a second and subsequent conviction.

MR CHEONG-LEEN:—Sir, looking at the figures on an annual basis, Sir, does my honourable Friend regard the situation as improving or worsening?

THE CHIEF SECRETARY:—The figures do not by themselves indicate any particular movement one way or the other.

MR CHEONG-LEEN:—Sir, how would my honourable Friend indicate that the situation is improving or worsening other than looking at the statistics?

THE CHIEF SECRETARY:—It depends on the proportion of instances of spitting to the number of convictions.

1976-77 Budget

3. MR JAMES WU asked:—

Sir, what is the expected surplus or deficit for the financial year 1976-77?

THE FINANCIAL SECRETARY:—Sir, the difference between the Approved Estimates of Expenditure and the final Revenue Estimates is \$355 million to which must be added \$380 million for this year's salaries revision (all other supplementary provisions being largely covered by the Unforeseen Contingencies Vote and by frozen savings). I do not expect final out-turn to be the large deficit implied by these figures for as I said in the Budget Speech actual expenditure is likely to be less than that estimated for and revenue yields to be rather more buoyant.

MISS DUNN:—Sir, what is the position of the latest ... public accounts?

THE FINANCIAL SECRETARY:—The last accounts, Sir, which were published in the *Government Gazette* were for the period ending 31st October. They were published, I think, on Friday 31st December. For these first seven months of the financial year, we had an accumulated deficit of \$483 million, but that deficit of course has a very large seasonal element within it.

MR CHEONG-LEEN:—On the basis of my honourable Friend's well calculated and highly intelligent forecast, does he anticipate a deficit or a surplus at the end of the financial year?

THE FINANCIAL SECRETARY:—I will tell the honourable Members on Budget Day, Sir. (*laughter*)

GMT + 9 during summer months

4. MR CHEONG-LEEN asked:—

Sir, in view of recent suggestions that GMT + 9 should be reintroduced next summer, will Government state whether it proposes to vary the decision to adhere to GMT + 8 for the whole of 1977?

SECRETARY FOR HOME AFFAIRS:—Sir, the Government proposes to have GMT + 8 for the whole summer of 1977 though legislation is required.

In reply to a similar question on 4 August last year, I said that the Government was proposing to introduce legislation which will have the effect of maintaining Hong Kong Standard Time (*i.e.* GMT + 8)

[SECRETARY FOR HOME AFFAIRS] Oral answers

throughout the summer of 1977 and then it would take another look at the matter to see what permanent arrangements should be made. Executive Council is shortly to be consulted on the legislation and if it is agreed, then there will be an opportunity to debate the issue in this Council.

Caning

5. MR WONG LAM asked:—

Sir, how many sentences of caning have been imposed by the courts on young offenders over the past five years?

THE ATTORNEY GENERAL:—Sir, caning has been ordered 98 times during the past 5 years in the case of offenders who are 16 years of age or less.

Caning—deterrent for juvenile offenders

6. MR WONG LAM asked:—

Sir, (a) does Government consider caning to be an effective deterrent for juvenile offenders;

(b) if so, has it any plans to widen its application to include crimes committed by young persons for which this form of sentence is not at present imposable by law?

THE ATTORNEY GENERAL:—Sir, the Government's attitude towards caning as a punishment for young criminals is that it is a useful punishment for some offenders. That, Sir, is also the Chief Justice's view. It is not possible to say whether the caning of offenders has a general deterrent effect on others, and the deterrent effect of caning in the case of a particular offender who is so punished clearly depends on his personality.

In the case of an offender who is under 16 years of age, a court may order caning on conviction for any of the offences specified in the Schedule to the Corporal Punishment Ordinance—either as the only punishment or in addition to some other punishment. The list of offences in the Schedule is already quite extensive and includes robbery, possession of weapons, rape and certain other offences against females, theft and wounding.

Caning as the only punishment for an offender under 16 may be ordered on conviction for any offence.

It follows, Sir, that there is no room for an expansion of the cases in which caning may be imposed as the only punishment. The Government has no plans to increase the already quite extensive list of offences for which it may be either the only or an additional punishment.

Age of Majority

7. MR PETER C. WONG asked:—

Sir, will Government consider lowering the age of majority from 21 to 18?

THE CHIEF SECRETARY:—Sir, only if there is shown to be substantial public opinion in favour of this.

MR PETER C. WONG:—Sir, will Government take an initiative to look into this matter?

THE CHIEF SECRETARY:—If we are satisfied that there is something in the nature of wide-spread interest in the subject.

Urban Council Rate

8. DR CHUNG asked:—

Sir, will Government list the main headings of expenditure which the Urban Council Rate, now payable at 6% of rateable value, is intended to cover?

THE CHIEF SECRETARY:—Sir, the Urban Council Rate may be used for expenditure on any of the functions of the Council, authorized by the Urban Council Ordinance.

DR CHUNG:—Sir, are the constructions of such items as planetarium, indoor stadium, *etc.* the functions of Urban Council and are their capital expenditures coming from the Urban Council Rate?

THE CHIEF SECRETARY:—The two examples mentioned by the honourable Member do fall within the jurisdiction of the Council as conferred by the Ordinance. The Council's revenue, much of which

[THE CHIEF SECRETARY] **Oral answers**

comes from the Urban Council Rate, is directed both towards recurrent and capital projects. Therefore, the capital works of the kind mentioned would come out of the general revenue of the Council which is made up of the Urban Council Rate and other income from fees and licences.

DR CHUNG:—Sir, since both the central Government and the Urban Council are responsible for capital expenditure, in what way the capital expenditures are allocated to each party?

THE CHIEF SECRETARY:—It is a matter for the Urban Council to decide which capital works it wishes to finance, within the scope of its functions. The central Government does not control the amount of capital which the Urban Council diverts to capital projects, on subjects which are within its jurisdiction.

General Rate

9. DR CHUNG asked:—

Sir, (a) will Government confirm that the General Rate now payable at 12% of rateable value is still intended to meet the costs of the police, street lighting, water supply and fire services?

(b) if not, will Government explain the logic for making the occupiers of premises primarily responsible for payment of the General Rate?

THE FINANCIAL SECRETARY:—Sir, the answer to the first part of my honourable Friend's question is "no". The General Rate, which is at present 12% of rateable values, with temporary reductions for newly rated areas in the New Territories, is just one of our indirect taxes. The revenue it yields is not used to finance any specific heads of Government expenditure. It follows that the second part of my honourable Friend's question does not arise.

DR CHUNG:—Sir, in the light of the changed circumstances that the General Rate is now an indirect tax, will Government consider to change the Chinese translation of the "General Rate" which means "police and fire brigade" expenditures?

THE FINANCIAL SECRETARY:—Yes, Sir, of course. The honourable Member is referring to the fact that prior to 1931 and certainly prior to 1888, rate revenue was hypothecated to specific expenditure heads and I am interested to learn that this historical tradition has been carried over into the language and we shall certainly look into it.

MR T. S. LO:—Sir, may I ask whether the honourable Financial Secretary's answer means that: the greater our proposed public expenditure is for next year, the more likely would the amount to be collected from rates be increased?

THE FINANCIAL SECRETARY:—Yes, Sir.

Population policy

10. MR F. W. LI asked:—

Sir, what are Government's most recent thoughts on a population policy?

SECRETARY FOR SOCIAL SERVICES:—Sir, Government has recently completed a review of the factors affecting the growth of Hong Kong's population and noted that the birth rate has fallen from 25.3 per thousand of population in 1966 to an estimated figure of 17.4 per thousand in 1976. Although this is encouraging, there is no room for complacency, particularly because the number of women in the fertile age group between 20 and 34 is expected to grow from 478,000 in 1976 to 738,000 by 1986. Thus the Government proposes to continue to develop the family planning services now provided by the Medical and Health Department and the Family Planning Association and to increase publicity and research activities. At the same time the Director of Education will continue to offer help to schools wishing to include family life education within their curriculum. In addition, existing controls over legal and illegal immigration will be maintained.

MR F. W. LI:—Sir, does Government consider the existing controls over legal and illegal immigration adequate, and when will Government consider it necessary to introduce disincentives in monitoring internal population growth?

SECRETARY FOR SOCIAL SERVICES:—Sir, the answer to the first part of the question is "yes". The Government considered that the existing measures are adequate. As regards the second part of the question,

[SECRETARY FOR SOCIAL SERVICES] **Oral answers**

based on recent information, it is possible for a net reproduction rate of one to be reached in mid 1980. "Net reproduction rate of one" means on average each woman produces one daughter. If there are signs that this rate cannot be achieved by the mid 1980s, Government will then have to consider other measures.

MR CHEONG-LEEN:—Sir, will my honourable Friend clarify what does he mean by "net reproduction rate"—meaning the reproduction of one daughter? What about sons?

SECRETARY FOR SOCIAL SERVICES:—Well, I have been advised by statisticians that definition of "net reproduction rate of one" is one daughter per mother because it is the mother who produces the baby and not the father entirely (*laughter*).

Fire

11. MISS DUNN asked:—

Sir, what were the causes of the recent fires at Tsuen Wan, Kwun Tong, Chai Wan and Sham Shui Po which resulted in eight deaths?

SECRETARY FOR SECURITY:—Sir, all the fires referred to by my honourable Friend were investigated by Officers of the Fire Prevention Bureau with the following results:

the fire at Ma Sin Pei Village, Tsuen Wan, on 5th December 1976, in which one person died, is believed to being caused by children playing with matches;

the fire at Block 17, Chai Wan Estate, on 15th December, in which one person also died, is believed to have been caused by the overturning of a lighted non-pressure type kerosene cooking stove;

the fire at 128, Wai Yip Street, Kwun Tong, on 3rd December, in which four persons died, is still under investigation. It is hoped that the cause will be ascertained once the results of tests now being conducted by the Government Chemist are available, and

the two fires at Sham Shui Po, in each of which unhappily one person died, were investigated, but no evidence survived the fire to enable the Fire Department to identify the causes.

MISS DUNN:—Sir, are investigating officers sent to investigate the fire as a matter of routine?

SECRETARY FOR SECURITY:—Sir, officers of the Bureau go to the scene of each fire when any injury to persons, or deaths occurred, or where there is any serious damage to property, or any suspicion of arson. They attended as many other fires as they have staff to carry out examinations. For example, in 1976 they carried out investigations of all fires which we believed to be due to electrical faults.

Fire

12. MISS DUNN asked:—

Sir, what measures are being taken to reduce fire hazards in squatter areas, and in industrial buildings?

SECRETARY FOR SECURITY:—Sir, the current programme for the installation of electricity in squatter areas will reduce the main fire hazard which stems from unsatisfactory electricity supply and distribution. Also, the replacement of kerosene lamps by electricity for lighting will help. Fire hydrants are provided from the water mains and public roads give access to Fire Service appliances. The Fire Service Department also conducts fire safety education campaigns in these areas and residents are advised about fire risks and posters warning them of these are displayed. Ultimately, but in the long term, the most effective way of reducing fire hazard is by clearance of these areas and the Government's housing programmes are designed to achieve this.

In industrial buildings the primary control is the approval of the building plan. Once this has been given there is a system of surprise inspections to see that the plan is adhered to and that the safety requirements are met, especially in regard to the storage of raw materials and finished goods in common areas, including staircases. About 4,000 factories are inspected monthly, and several hundred Fire Abatement Notices and prosecutions are initiated each month as a result.

Alongside the inspection system in industrial buildings the Fire Services Department runs a continuous education campaign aimed at drawing manufacturers' attention to the threats of fire, and giving advice on fire prevention.

Thirdly, the Department keeps the law under review in order to improve control over fire hazards generally and to take account of developments as they occur.

Oral answers

MISS DUNN:—Sir, how do fire officers and equipments actually penetrate the squatter areas themselves?

SECRETARY FOR SECURITY:—The appliances are taken as close to the squatter areas as they can get by road and then a system of hoses which is very efficient and which is run out very quickly is taken on foot to the source of the fire. This is basically the same system as is operated in all fires even in industrial areas.

MISS DUNN:—Will Government consider building access roads to facilitate fire prevention in squatter areas?

SECRETARY FOR SECURITY:—I should like notice of that question to give a fuller reply as it involves a wide variety of other considerations apart from the provision of fire equipment.

MISS DUNN:—One more question. It is a well-known fact that building plans are changed after they have been approved and quite a number of industrial buildings ...

HIS EXCELLENCY THE PRESIDENT:—Question.

MISS DUNN:—What sort of provisions are exercised to ensure that alterations to buildings, after building plans have been approved, are not fire hazards?

SECRETARY FOR SECURITY:—This provision is met by an increasing series of surprise inspections. I mentioned the figure of 4,000 inspections a month in 1976, and this could be compared with 3,000 in 1975. And the Fire Services Department proposes to increase the rate of inspections in 1977.

Lantau Bridge

13. MR CHEONG-LEEN asked:—

Sir, what is Government's present thinking on the building of a bridge across to Lantau Island, either as a public venture or in conjunction with private enterprise?

SECRETARY FOR THE ENVIRONMENT:—Sir, the Government is currently carrying out a study of the development potential of Lantau Island on the two assumptions that a bridge would, or would not, be

built. From a planning point of view the island can be divided between the northern part, which has some potential for medium and heavy industry and general development and the south coast which, even now, is one of Hong Kong's most important recreational areas.

The development of the recreational area is gradually proceeding at the present time, and it could continue without a land connection being provided. But any very substantial development of the north coast would probably require the construction of a bridge. The problems posed by a bridge mainly relate to traffic and, in particular, to the severe constraints imposed by road capacity along the West Kowloon Corridor. Tests are now being conducted on the Comprehensive Transport Study computer model; and these will largely determine the practicability, from a traffic and communications point of view, of substantial development of the northern part of Lantau, linked by a bridge to the mainland.

The Government's present thinking is that, provided a bridge would not create intolerable traffic conditions in West Kowloon, this facility might lend itself to private construction and operation at some future date. On the other hand, if it had to be built with public funds, it would not rate a high priority in relation to other transport projects now being undertaken or planned.

DR CHUNG:—Has Government any knowledge on the order of cost for the building of such a bridge across to Lantau Island?

SECRETARY FOR THE ENVIRONMENT:—Sir, I believe these costs tend to change. It depends upon which year's dollars you quote, this is upon inflation; but I would say very approximately and in a ball park guess it is around \$500 million for this bridge.

DR CHUNG:—Does it mean at to-day's price?

SECRETARY FOR THE ENVIRONMENT:—Yes, Sir.

Private Night Schools—number of

14. MR ALEX WU asked:—

Sir, how many private night schools are registered with Education Department?

MR TOPLEY:—There are 388 registered private night schools, Sir, providing various forms and levels of education for 96,700 students.

Oral answers**Private Night Schools—control**

15. MR ALEX WU asked:—

Sir, what form of control does Government exercise over night schools?

MR TOPLEY:—Sir, before an evening school starts functioning, the operator must obtain certificates from the Public Works and Fire Services Departments to support his application for provisional registration of the school. The managers, fee scales, teachers, syllabuses and text-books must be approved by the Department before the school is formally registered under the Education Ordinance. The recommendations on health requirements made by the Medical Officer of Schools must also be met. After registration, the school is required to submit routine returns of various kinds; moreover area officers visit the school from time to time to ensure that the requirements of the Education Ordinance are met, to see how the school is conducted and to advise the operator and teachers on improvements.

Private Night Schools—standards

16. MR ALEX WU asked:—

Sir, (a) is Government satisfied with the present standards of night schools?

(b) if not, what steps does it contemplate taking to improve them?

MR TOPLEY:—Sir, I am aware that standards in registered night schools vary considerably and I do not claim that all these schools are maintaining high standards. The principal constraints on improvement of standards are the scales of fees which can be charged in relation to the running costs. Within these constraints and with the resources available to me I am doing what is possible to ensure satisfactory standards. In addition, the Advisory Inspectorate is going to organize a seminar for those engaged in evening school work to identify their problems and to give advice.

I am particularly concerned with the provision of post-Form 3 secondary education of a good standard for young people who, for any reason, are unable to proceed beyond Form 3. The Working Party on Higher Education is looking into this question of evening schools, including Government's own efforts in this area, with particular attention to the provision of education at Forms 4 and Form 5 levels.

Integration of electricity supplies

17. MR CHEONG-LEEN asked:—

Sir, what is Government's policy on the integration of electricity supplies to all parts of Hong Kong?

SECRETARY FOR ECONOMIC SERVICES:—Sir, the Government's policy at the moment is for the initiative to remain with the companies concerned. If these companies put forward proposals to integrate their activities, the Government will certainly consider such proposals sympathetically, if there would be significant benefits for consumers.

Statement

General Rate

THE FINANCIAL SECRETARY:—Sir, honourable Members will recall that on 3rd December 1975 I made a Statement concerning certain changes in motor vehicle taxes and excise duties in advance of the 1976 Budget Speech. I did this because we were obligated to honour certain undertakings to the US Government in connection with our designation as a beneficiary under the US Generalized Scheme of Preferences. But I combined the changes necessary to honour that undertaking with certain budgetary proposals specifically designed to raise additional revenue. I did this in order both to avoid disrupting the trades concerned twice within a short period and to protect the revenue against possible speculative withdrawals from bonds in the weeks preceding Budget Day, 1976.

With your permission, Sir, I wish to make a similar statement in advance of Budget Day, 1977 which is on 2nd March next. This Statement concerns the General Rate or, if you like, the Government Rate as opposed to the Urban Council Rate, to be set under the Rating Ordinance for 1977-78. I have decided to take this step in view of the evident public concern about the implications for ratepayers of the substantially higher rateable values, ranging from an average of 54% for factories to 158% for large houses, established as a result of the recent revaluation of premises. All ratepayers have now been notified of the new rateable values applicable to their premises. The revaluation was carried out by the Commissioner of Rating and Valuation during 1976 and the new values become effective from 1st April 1977.

Subject to this Council making the appropriate Resolution under section 18 of the Rating Ordinance, the General Rate in the three urban rating areas of Hong Kong Island, Kowloon and New Kowloon will be

[THE FINANCIAL SECRETARY] Statement

set at $7\frac{1}{2}\%$ as opposed to the present 12%. I have not yet decided what the General Rate should be for the New Territories, where there is no Urban Council Rate in addition to the General Rate, for the Council does not operate there. The present General Rate in the New Territories varies as between Rating Areas and newly rated areas are brought into assessment on a phased basis. But, generally speaking, New Territories ratepayers can expect an adjustment comparable to that proposed for ratepayers in the urban rating areas.

I estimate that the yield from this rate, when applied to the new rateable values, will be of the order of \$770 million, or 25% up on the estimated yield from the present General Rate applied to present rateable values.

In addition, between now and Budget Day, I shall be considering the position of certain classes of ratepayers who may be particularly affected by the revaluation of their premises. I am concerned, for example, about the position of occupiers of pre-war rent controlled premises. The rateable values of their premises have been this time, quite correctly, assessed without regard to the fact that rents are controlled. There may be, therefore, a case for temporarily suppressing the full effect on occupiers of the revaluation of these premises.

This Statement, Sir, is solely concerned to describe the proposals the Government has in mind and to do no more than that. A definitive justification in terms of fiscal and budgetary policy and equitable treatment of ratepayers must await the 1977 Budget Speech.

Government business**Motion****HOME OWNERSHIP FUND**

THE FINANCIAL SECRETARY moved the following motion:—

- (i) that there is hereby established a fund styled the Home Ownership Fund;
- (ii) that the Fund shall be administered by the Financial Secretary;
- (iii) that there shall be credited to the Fund such appropriations from the general revenue of the Colony as may be approved by this Council and such proceeds as may arise

from the sale of flats in connection with the scheme mentioned in (iv) below;

- (iv) that the Financial Secretary, with the prior approval of the Governor, may from time to time expend from the Fund monies for the purposes of or in connection with the Government's scheme for promoting home-ownership by providing flats for sale;
- (v) that the Financial Secretary may from time to time transfer, from the Fund to the general revenue of the Colony, a sum not exceeding the excess of the total assets of the Fund over the total appropriations credited to the Fund from the general revenue of the Colony.

He said:—Sir, I rise to move the motion standing in my name in the Order Paper.

In November last the Government decided that the first phase of an initial programme, designed to produce about 6,000 flats for sale, should be built by the Housing Authority on behalf of the Government. On 24th November last, the Finance Committee on this Council accepted the financial implications involved in building flats for sale as part of an overall scheme to promote home ownership among certain categories of persons, and specifically Finance Committee agreed to the introduction into this Council of a motion to establish a revolving fund to finance the construction of the flats.

So this motion, Sir, provides for the establishment of a fund to be known as the Home Ownership Fund. The intention is to credit the Fund with such appropriations from General Revenue as this Council may approve from time to time. When the Housing Authority has completed and costed their proposals for the initial 6,000 flats I shall invite Finance Committee to create a new expenditure subhead and appropriate the necessary funds either this year or next.

If made by this Council, the Resolution will authorize me to expend monies from the Fund to meet the full cost of providing flats for sale and I envisage that expenditure will cover such items as land and construction costs, as well as reimbursements to the Housing Authority for salaries, on-costs and other expenses properly attributable to the design, construction and sale of the flats concerned.

The full proceeds from the sale of flats will be credited to the Fund as income. Suitable arrangements for assisting would-be purchasers to acquire them are still being worked out, but I hope to be able to make a definitive statement as to the Government's intentions in the

[THE FINANCIAL SECRETARY] Motion

Budget Speech. I expect that the income accruing to the Fund will exceed total transfers into the Fund from General Revenue, as the selling price of the flats will include an element of interest on drawings on the Fund. As these excesses, if they arise, will be surplus to the requirements of the Fund there is a provision in the Resolution enabling me to transfer them from the Fund back into General Revenue.

MR CHEONG-LEEN:—Sir, in supporting the motion to create the Home Ownership Fund, there are two points of principle I wish to make.

Firstly, it is presumed that the Housing Authority will acquire the land for the first 6,000 flats from Government at somewhere approximating average market price. However, should Government revise upwards the staff oncost rates to the Housing Authority to as much as 36% this year, I hope that everything possible will be done to ensure that the flats will be competitively costed—to at least not higher than if done by private enterprise—and offered at a suitable price together with an attractive long-term repayment plan.

Secondly, since such housing units will be offered on a non-profit basis, it is important that there is a very careful definition of the categories of persons eligible to benefit from this Home Ownership Scheme. The first priority will have to go to those families living in public housing estates whose incomes over the years have risen to such an extent that they can without any difficulty afford coming under the Home Ownership Scheme. In adopting this first priority, Government will be taking steps to reduce the financial subsidy in public housing to those families who no longer need it, and at the same time release more public housing accommodation to those families that are actually in need. Unless this principle is kept firmly in mind, I am afraid that public funds to be made available under this Home Ownership Scheme at a later date will not be fully justifiable.

Sir, I support the motion.

THE FINANCIAL SECRETARY:—Sir, I do not think that the two very valid points made by my honourable Friend are strictly germane to the subject of this motion which is simply to seek authority for the establishment of the Home Ownership Fund. I do not think therefore, that I should comment on these points at this time, but I have of course noted them with care.

Question put and agreed to.

First reading of bill**POUNDS (AMENDMENT) BILL 1977**

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

Second reading of bills**POUNDS (AMENDMENT) BILL 1977**

MR NICHOLS moved the second reading of:—"A bill to amend the Pounds Ordinance."

He said:—Sir, the bill transfers responsibilities for the handling of stray animal from the Commissioner of Police to the Director of Agriculture and Fisheries. Police officers continue to have powers to assist in the enforcement of the ordinance. The revision of penalties recognizes the fact that the original ordinance was enacted in 1911. Sir, I move that the debate on this motion be adjourned.

Motion made. That the debate on the second reading of the bill be adjourned—MR NICHOLS.

Question put and agreed to.

EMPLOYMENT (AMENDMENT) BILL 1977**Resumption of debate on second reading (22nd December 1976)**

Question proposed.

MR JAMES WU:—I have pleasure to speak in support of the bill before Council.

The Commissioner for Labour has said that the four major employers' associations consulted expressed agreement to the proposed amendments. He also said that some employers had been more generous than the law required. I should like to draw attention to this point as yet another indication of the genuine and responsible attitude of both employers and employers' organizations in meeting the needs of employees and in examining proposals for social legislation of various kinds.

[MR JAME WU] **Employment (Amendment) Bill—resumption of debate on second reading (22.12.76)**

Sir, in our industrial community, humane and paternal considerations rank high particularly at times of distress and difficulty. The mutual respect, the close working dialogue and understanding between management and labour in our many factories are the basic reasons of the harmony and co-operation that exist between the employers and employees who come to each other's help in time of need; the recession in 1974-75 and the boom in 1976 prove the point.

We can therefore claim that the relationship between management and labour in Hong Kong is, in the broadest terms, of a very high order indeed and probably among the best in the world. The Government is perfectly willing to concede this position when advertising Hong Kong's attractions to foreign investors and business people abroad. The same concession should be made when dealing with labour and other social legislation.

Let us therefore pay tribute to the people working in industry in Hong Kong who know the wisdom of interdependence so well expressed by the old Chinese sayings "With the skin gone, where is the hair to grow?(皮之不存,毛將安附?)" and "With the lips gone, the teeth would be exposed to cold (唇亡齒寒)". Thus they work hard, industrialists and workers hand in hand, to create the economic miracle that provide for all of us a high standard of living and income, next only to Japan in the Orient, in the world's most congested area devoid of any natural resources.

MR CHEONG-LEEN:—I rise to support the Employment (Amendment) Bill 1977 which in the economic circumstances of Hong Kong is measured progress towards better sickness benefits for employees covered by the Employment Ordinance.

One of the provisions is to provide sickness allowance at the rate of two-thirds of an employee's wages. This provision conforms with International Labour Convention No 130, and represents an international standard which we in Hong Kong are able to maintain and should adopt.

Apart from being given due respect as an individual in his own right, each employee is entitled to medical care and protection to keep him in good health which is all the more important if he is a bread-winner in the family.

Some may argue that the provisions in this bill are not enough and that much more is required. Perhaps that is the case, but it would be even more prudent for Government to proceed in measured pace rather than in haphazard fashion. Hong Kong is facing stiffer competition on its manufactured exports and we must have a balanced policy on social progress and economic growth, otherwise we will surely and in no time lose our competitive edge.

The foremost attraction of Hong Kong as an area for investment is its low standard rate of taxation, and this attraction has to be preserved at all costs if we are not to lose the momentum of growth. It is logical therefore that employers will have to share with Government the responsibility and cost of keeping their employees in good health, which in the long term enhances the stability and productivity of the company.

MR LEUNG:—Sir, I rise to speak in support of the Employment (Amendment) Bill 1977 which seeks to improve the entitlement of sickness benefits for workers.

The reduction of the qualifying period of service from three months to one month will make it more equitable for those who have more than one month but less than three months' service, and should simplify the keeping of records.

The increase in the amount of sickness allowance from half pay to two-thirds pay will bring the rate into line with that for temporary incapacity under the Workmen's Compensation Ordinance. Additionally, this will conform with the International Labour Convention No 130 which recommends the provision of sickness allowance at the rate of two-thirds of a worker's wages. Although this convention was not ratified by the United Kingdom for technical reasons relating to National Health Service it is highly desirable for Hong Kong to aim at international standards as far as possible.

The increase in the number of paid sickness days which may be accumulated from 24 to 36 will benefit those with longer service and those who suffer from more serious illness.

By way of comparison, a sick worker in Japan is entitled to 60% of his earnings payable from the fourth sickness day, up to 26 weeks. In Indonesia, he is entitled to 90% of his earnings for the first month, and 80% of earnings thereafter, up to 6 months. In Singapore, the provision is for 14 days sick leave on full pay a year, with 60 days on full pay if hospitalization is necessary.

[MR LEUNG] **Employment (Amendment) Bill—resumption of debate on second reading (22.12.76)**

Whilst workers cannot expect to enjoy more generous terms than their counterparts in this Asian region they deserve some better treatment than is hitherto provided. On the one hand, enlightened employers will no doubt agree to this small additional benefit which will further improve employer/employee relations. Workers, on the other hand, will certainly welcome it and look forward to it as part of Government's continued efforts to improve employment conditions.

Sir, with those few remarks, I support the bill.

MR WONG LAM:—Sir, the industrial and commercial communities of Hong Kong have long been admired for their adaptability. They have always been able to respond to and cope with external forces of change so as to maintain satisfactory progress in our industry and bring prosperity to our economy. This adaptability is not possible with the efforts of employers alone but is the result of sincere co-operation between employers and employees working in unison.

For example, it is not too difficult to recall that during the recession in 1974 employees had shared the difficulties with employers by accepting such measures as pay cuts and working half-time on a shift basis. Therefore in times of economic recovery it is only fair to give workers greater protection and an opportunity to share the fruits of prosperity.

In referring to relations between employers and employees many people often place them in extreme opposition to one another. This is a debatable view. The special circumstances of Hong Kong do not allow any kind of action that would do harm to our economic prosperity, be it by employers or employees. Both employers and employees should realize that only the spirit of mutual help and co-operation could maintain our industrial development and economic prosperity, to the benefits of both parties. From the employers' point of view, giving workers more protection and more benefits would in-directly improve their efficiency, and reduce their employment mobility. The result would be increased productivity, which would actually benefit the employers themselves. As for employees, if they merely think of furthering their own interests, without regard to employers' real difficulties and objective conditions, they would only make it difficult for the employers to cope and to continue with their business. Would the employees benefit at all by this kind of attitude? This situation is not a figment of my imagination but can be seen in real life in many countries.

In the circumstances of Hong Kong today, employees' benefits in many respects still leave much room for improvement. Not only employees but even employers would agree that this is so. Therefore legislation to provide greater protection for employees' interests is indeed most appropriate. However, this is a matter of priorities. It is of course impossible to remedy every defect overnight. In this connection, I wish to suggest a few principles for consideration and discussion:

- (1) Before implementing any measure to give more protection and benefits to employees we should analyse it with the utmost objectivity to see whether it would adversely affect our economic prosperity, whether it would genuinely benefit the employees and whether the employers could adapt themselves to it within a reasonable period of time. If, after weighing the pros and cons, its implementation is indeed justified, we should firmly press for it regardless of any one-sided opposition from the employers. On the other hand, if employers are in fact unable to adapt themselves to it within a reasonable period, it should not be enforced in a hurry but should be deferred until the time is ripe.
- (2) We should take heed of the criticism of Hong Kong made by our main customers. Some of them consider that our workers do not get enough protection and that we are under-cutting our competitors by cheap labour. For this reason, various trade restrictions have been imposed on our products. Such criticism may smack of a mere pretext. But approaching the issue from our position, we should try to find out the crux of the matter and remedy the situation so that there would no longer be any pretext for criticizing us.
- (3) The International Labour Conventions should not be followed slavishly, for the economic and political background of Hong Kong is vastly different from that of other places. Some of the Conventions which are regarded by the International Labour Organization as of considerable benefit to employees may not be adequate for Hong Kong's requirements while some others which the International Labour Organization has laid stress on are not necessarily feasible in Hong Kong. We should therefore take into account the special conditions and needs of Hong Kong before making decisions on this matter.
- (4) Any measure that gives more protection and benefit to employees should extend its scope as much as possible so as to encompass all kinds of employees. Furthermore, it should

[MR WONG LAM] **Employment (Amendment) Bill—resumption of
debate on second reading (22.12.76)**

also look after the interests of some of our workers who are earning slightly more than \$2,000 a month. Such workers are not eligible for public housing and have to pay higher rents, income tax, rates and other expenses. Therefore they often have a lower standard of living than those earning less than \$2,000 a month. Thus any labour laws aiming to improve employees' conditions should try to cover such workers as far as possible.

I consider the amending bill before this Council a most appropriate one. Employees as a rule would not take sick leave unless absolutely necessary as it would reduce their income. However, should they in fact become sick, their interests should be taken care of and their employers should give them an allowance during their period of sickness. This should not be much of a burden to the employers and should not unduly affect the local economy. On the other hand, it would be in accord with the provisions of the International Labour Organization and would also take some wind out of our chief customers' criticism of unfair competition.

With these remarks, Sir, I support the motion.

MR PRICE:—Sir, I should just like to express my grateful thanks for the support given to this bill.

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).

EVIDENCE (AMENDMENT) BILL 1977

Resumption of debate on second reading (22nd December 1976)

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.

EMPLOYMENT (AMENDMENT) BILL 1977

Clauses 1 to 3 were agreed to.

EVIDENCE (AMENDMENT) BILL 1977

Clauses 1 to 5 were agreed to.

Clause 6

MR BOY:—Sir, I move that clause 6 be deleted.

This clause, Sir, is declaratory in form and no problem would arise if, as may be the case, the imperial enactments specified in this clause no longer applied as regards Hong Kong following their repeal by the United Kingdom Evidence (Proceedings in other Jurisdictions) Act 1975. But doubt has arisen as to whether this repeal affected their application in Hong Kong. If, notwithstanding their repeal as regards the United Kingdom, they still operate as regards Hong Kong, then clause 6 is not within the competence of this Council to enact.

Sir, these imperial enactments will be repealed in due course by an Order in Council extending the repeal provisions of the 1975 Act to Hong Kong. In the meantime, in so far as they may still operate as regards Hong Kong, these enactments can exist alongside the other provisions of this bill, so the deletion simpliciter of clause 6 should not produce any problems.

The deletion was agreed to.

Council then resumed.

Third reading of bills

THE ATTORNEY GENERAL reported that

the Employment (Amendment) Bill

had passed through Committee without amendment and that

the Evidence (Amendment) Bill

had passed through Committee with amendment and moved the third reading of each of the bills.

Question put and agreed to.

Bills read the third time and passed.

Adjournment

*Motion made, and question proposed. That this Council do now adjourn—*THE CHIEF SECRETARY.

3.25 p.m.

Provision by Government of more Multi-Storey Flatted Factory Space for Small Factories and Workshops

MR CHEONG-LEEN:—We in Hong Kong take pride in operating as a free enterprise system. Firstly, there is minimum Government red tape compared to other places in Asia. Secondly, there is as a result more opportunity for self-motivation and personal initiative in getting things done. Thirdly, there is a greater element of competition which tends to stretch the individual to his maximum capability.

Nowhere is this more evident than on the Hong Kong industrial scene where there are about 700,000 industrial workers employed in 20,000 industrial undertakings, which in 1975 produced \$23,000 million worth of goods for export to overseas markets.

Of these 20,000 industrial undertakings, less than 1,000 factories employ half of the 700,000 workers, the other half being employed by the remaining 19,000 factories. What is worth noting is that 16,500 factories each employ less than 50 workers.

The average small factory with less than 50 workers is usually under an owner-manager, who had started off as an ordinary factory worker and who ventured out on his own after acquiring experience at first-hand. Often too, his educational background is limited but by sheer dint of long hours of hard work, patience and a bit of luck, he is eventually able to set his factory up as a going concern. Without much formal education, he is somehow or other able to cope with problems of production, sales, cash-flow and administration.

The average size of his factory is about 1,000 sq. ft. which may be found in a squatter area, a domestic block, or perhaps in a Government flatted factory. Only on very rare occasions will his factory be located in privately-owned factory premises where the size of the average unit is 5,000 sq. ft. It has been estimated that about 69 percent of all factories in Hong Kong are situated in non-industrial premises.

Government has recently announced a programme of action against industrial undertakings in non-industrial buildings. Presently, it is in Stage I of this programme, the aim of which is:

- (a) To remove dangerous and obnoxious industrial undertakings from non-industrial buildings;
- (b) To prevent any industrial undertakings, except certain service trades, getting started in new non-industrial buildings;
- (c) To clear industrial undertakings from purely residential buildings.

As Stage I has not yet been completed, it is not yet known when the next stages of the programme can commence. To prepare the way, one practical approach would be to offer for sale industrial sites restricted to the construction of small factory units of between 1,000 to 3,000 sq. ft. units.

Another practical approach would be for Government, either through the Housing Authority, or the Industrial Estates Provisional Authority, to build more flatted factories in module units of 250 to 500 sq. ft. each, to accommodate workshops and small factories which are either cleared from squatter areas or from domestic blocks.

For example, there is a need for Government-built flatted factory units in the new towns such as Tuen Mun for clearance of squatter factories, to accommodate smaller factories which operate at present in domestic blocks in urban areas, and to provide more industrial employment opportunities to residents in nearby housing estates.

It has been argued that factories in domestic blocks in urban areas would not want to move out into the New Territories. Certainly their owners would not wish to do so by inclination, but when rents in the urban areas, both for domestic and factory accommodation, are continuously rising as they are in these days, there is no choice but to relocate out to the New Territories. I am told that factory accommodation in San Po Kong has risen to as high as \$2.00 per square foot and even at that price factory space for small factories is not easy to find.

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Especially when the small factory operators are cleared from domestic premises, much hardship is encountered. While they are legally entitled to compensation, they are not eligible for factory reprovisioning in a Government flatted factory building. And it is virtually impossible for them to find accommodation in a privately owned factory where the minimum unit is at least 5,000 sq. ft. These small factory operators whose premises are usually about 1,000 sq. ft. in size are given very limited *ex-gratia* compensation, and are left high and dry by Government to fend for themselves. Rather than having a meagre *ex-gratia* compensation, they would much rather be given the same right as squatter factories of less than 3,000 sq. ft., which may opt for accommodation in Government flatted factory buildings.

There is another area where Government policy is inadequate both for factories in domestic blocks as well as in squatter areas, and that has to do with "non-eligible" trades or industrial undertakings of a dangerous or obnoxious nature. Surely the Government ought to have a long-term plan to cope with the need for factory space for such categories of industrial undertakings.

I am fully in favour of Government's decision to establish the Industrial Estates Provisional Authority to provide accommodation to new industries at the price of \$45 a square foot, which has been mentioned in the editorial of a leading local newspaper as equivalent to a monthly rent of 25 cents a square foot on a 15-year lease. This compares most favourably with the \$370 per square foot fetched at an auction recently for a piece of industrial land at Tuen Mun. If Government is willing to heavily subsidize large operators to bring new industries into Hong Kong, why cannot it by the same token increase its assistance to the smaller industrial establishments which are in even more dire need of Government support.

A long-term strategy has to be hammered out to relocate industrial undertakings from domestic blocks into planned industrial zones in the New Territories. This strategy would be facilitated as public transport into the New Territories further expands.

If the Government genuinely seeks to reduce saturation of population from high-density districts such as Mong Kok which has possibly the highest density in the world, it should now accelerate its plans to provide more flatted factory and workshop space in the New Towns for the smaller operators. Such accommodation can only be realistically

provided through the joint efforts of Government and private enterprise by:

- (1) the provision of more Government-built flatted factory space for the smaller factories which are generally under 1,500 sq. ft. in size, and
- (2) offering for sale to private developers more industrial sites restricted to the construction of factory units varying between 1,000 to 3,000 sq. ft. each.

Finally, it may perhaps be timely to review the need to set up a separate unit within Government, augmented by unofficial participation, to concentrate on investigating and analyzing the needs and problems of small-scale industries in Hong Kong, whether they be financial, technical, management, or otherwise, and to study in what manner it would be possible for Government to help them to become more viable and self-reliant industrial units, and thus make a solid contribution to the economy and prosperity of Hong Kong.

MR JAMES WU:—Sir, my honourable Friend, Mr CHEONG-LEEN has shown concern and given an account of small factories and workshops operating in non-industrial premises. He gave quite a few figures to prove his point, and whilst I am sure that Mr CHEONG-LEEN has done some research into the problem, I am a little worried that some of the figures, particularly when taken out of context, could be misleading and might be conveniently used by our critics to smear our industrial image. For example, with our many spectacular industrial townships, it is difficult to believe the estimate that "about 69% of all factories in Hong Kong are situated in non-industrial premises".

Mr CHEONG-LEEN's comparison of the price of the land in the new Industrial Estates and those for other lots auctioned for general industrial use are in my opinion also not appropriate because the former is limited to development to a plot ratio of not more than 2.5 to 1 for land-intensive, high-technology and generally more value-added industries that cannot use high-rise factories, whereas the latter are allowed to be developed to plot ratios of 11 to 1 or higher and are generally situated in densely populated areas where labour is relatively to obtain. Indeed, it is the prohibitively high prices of the latter that makes it necessary for the former, as I have advocated since 1967, if we are to diversify and broaden our industrial base.

I believe therefore that for our present discussion, we need only note the following introductory passage in a Government paper published in February 1974 on the problem, and I quote:

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"Hong Kong has been living for many years with the problem of accommodating very small-scale industrial undertakings. For a variety of reasons, many small factories have located in domestic buildings. At present, it is estimated that there are about 22,000 such undertakings employing a labour force of over 100,000. The majority of them are undercapitalized and occupy less than 1,000 sq. ft. each in floor area. Some do not operate for themselves, but rather as support operations for larger industrial undertakings."

Sir, during a debate in this Council in February last year, I spoke as Convener of the UMELCO group in support of the bill to remove all dangerous and obnoxious undertakings from, and to prohibit new industrial undertakings in non-industrial buildings, in our effort to promote safety and to avoid undue pollution of the environment. I also said that small industries, in the form of specialist workshops such as for tool-and-dies and for some sub-contract component or assembly work, were also common in industrially advanced countries like Japan or even United States, and had a definite role to play in Hong Kong's industrial development, although it would be wrong to suggest that we should promote a proliferation of small inefficient set-ups in domestic premises.

Sir, in his answer to my supplementary question on the subject on 23rd June last year, the Secretary for Housing agreed that with proper management, flatted factories in areas of 500 to 1,000 sq. ft. not normally available from private development, could be provided by the Housing Department at reasonable rent and without loss or subsidy. It would therefore seem to be a logical solution towards Government's proclaimed phased programme in alleviating the problems of factories in non-industrial premises, and I strongly urge that immediate steps be taken in this direction. I realize however, that given high land prices and the enterprising and industrious spirit that is Hong Kong, a complete elimination of such undertakings might not be in sight in the foreseeable future. We therefore might have to tolerate for some time existing industrial undertakings in non-industrial buildings if such are neither potentially dangerous nor obnoxious, pending a full assessment and active solution of the problem, as the UMELCO *ad hoc* group advised.

3.37 p.m.

SECRETARY FOR THE ENVIRONMENT:—Sir, I am sure that both my honourable Friends, Mr CHEONG-LEEN and Mr James WU, are right in believing that small factories and workshops will continue to be a substantial feature of the industrial scene in Hong Kong for many years to come, as they have been in the past. The sub-contracting services which these operators largely provide will undoubtedly continue to be demanded in the existing urban areas and will tend to grow more and more in the New Town areas, where large factories are being established which need such services.

The problem is to decide how to provide for these small under-takings in the most acceptable way. Some of them still operate from squatter huts, but most now occupy domestic accommodation or commercial floors in non-industrial buildings. There are now probably more than 20,000 small industrial operations going on in these buildings and it is clear that, despite the generally higher rent they pay for their premises, most of them prefer to be located in the main urban areas and close to a ready supply of labour in the blocks in which they operate. They also, in many cases, undoubtedly see the advantage of being able to combine their living and working accommodation in one unit.

With so many thousand small factories operating in this way—and presumably operating reasonably profitably and to the advantage of the economy as a whole, or they would not have persisted so tenaciously and so pervasively over such a long period of time—there can be no question of moving them wholesale from their present premises and locations, even if alternative accommodation which was thought to be satisfactory was available elsewhere. For they could not be expected to move willingly if they felt the new location was wrong because, for instance, labour was not readily available, or they could not easily and economically obtain living accommodation nearby for their families. And they would certainly not go if they felt they would operate less profitably in the new premises than in the old.

Of course, my honourable Friend, Mr CHEONG-LEEN, may be right in thinking that market forces will compel these small operators to move out of the present urban areas to the New Towns. But if this does not happen, and I have my doubts on this point, they will only be moved out of the urban areas by considerable persuasion or compulsion. These are both tactics that cannot be applied effectively on any very large scale, given the nature of our society and the limited resources available to the Government for this kind of action.

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Sir, this is why the Government has decided to approach the issue in a pragmatic way. Stage I of the programme of action is along the lines that Mr CHEONG-LEEN has described it; that is to say, first to remove dangerous and obnoxious industrial undertakings from non-industrial buildings, secondly, to prevent any industrial activity in new non-industrial buildings and, thirdly, to clear industrial undertakings entirely from purely residential buildings. This programme is, in itself, a major undertaking and, much as it may be needed for the benefit of the community as a whole, it is likely to take some little time to complete. As for the rest, that is the majority of existing industrial undertakings in non-industrial buildings, the policy is to defer action until some acceptable way can be found to re-provision them satisfactorily. The question is who should provide this alternative accommodation and how and where?

I agree with both my honourable Friends that the free play of market forces must be preserved in our industry if it is to remain flexible and competitive, in face of the changing demands of the world market. So, in keeping with this, we would prefer to see private property developers moving in to meet the need for smaller factory units on a commercial basis. I accept that, hitherto, private developers have not been interested in providing small flatted factories. This is perhaps because such units are not economic compared with larger units, or there may be greater management problems with them. Or it may be because, as I have suggested, small operators for the most part prefer to remain where they are in non-industrial buildings and alternative sites for buildings for small factories are not easily available in the urban area. Whatever the reasons, few factory buildings now offer units smaller than 5,000 square feet or so, which is too big for the small man. Recently, however, units of some 1,400 square feet have been offered for sale in the Kwai Chung area at a price of around \$200,000, and this, hopefully, might well be a pointer to a growing private sector awareness of a demand for small factory units.

For the Government's part, our thinking on this problem has so far been concentrated on devising ways and means of encouraging private developers to build smaller factory units by providing sites on special conditions on the lines suggested by Mr CHEONG-LEEN. The first step in this direction was taken at Sha Tin, with the sale of an industrial lot on terms which included the requirement that individual

factory units not exceeding 5,000 square feet should be provided in the building. More recently, plans have been drawn up for the sale of a further industrial lot at Tuen Mun, with the buyer being required to build factory units of 2,500-3,000 square feet. Depending on the success of this latest sale, further lots will be earmarked for disposal in this way, possibly specifying even smaller unit areas so as better to cater for small factory operators. Such sales, however, will need to be carefully monitored, especially in areas where there is a good demand for industrial land on a normal basis. For it would not do to alienate too much land in this way if the demand is not there, and if it would be at the expense of industries that could be of greater benefit to the economy.

Nevertheless, we expect that at least a part of the problem, including the relocation of some of the undertakings affected during Stage I, which I refer to just now, can be met in this way. But it is doubtful whether the whole of it can be met by the private sector alone. While, therefore, restricted sales on these lines will continue on a carefully monitored basis, the part which Government agencies might play is also being examined.

Here the first requirement still concerns workshops affected by development clearances. I am informed that the Housing Authority will shortly consider whether or not it should continue to provide flatted factory blocks to accommodate squatter workshops cleared from Crown land. This operation is relatively small compared with the numbers of factories in domestic blocks, having involved less than 1,000 squatter workshops over the last $2\frac{1}{2}$ years. Such workshops have the choice of cash compensation or the allocation of flatted factory units of up to 3,000 square feet. Recently, eligibility for this choice has been extended to workshops cleared from buildings which are being demolished for development, which is a slight advance on the position as described by my honourable Friend, Mr CHEONG-LEEN.

I cannot forecast what the Housing Authority's conclusion will be, but it does seem to me, at this stage, that the balance of argument probably lies in continuing to provide such accommodation for cleared squatter workshops, particularly in the New Towns. Whether, as my honourable Friend, Mr James WU suggests, the Authority should go further and deliberately set out to provide small rented factories to anyone who wants them, will need careful consideration. We should not, for instance, lightly risk diverting the Authority from its main task of providing housing.

The point I wish to make is that, whatever we do, whether through special restricted sales of land to the private sector or in actions through

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Governmental or quasi-Governmental agencies, I feel that we must tread warily and test the ground as we go. For we are dealing here with activities on which, directly or indirectly, affect a significant part of the livelihood of our whole community.

Finally, Sir, I have noted my honourable Friend Mr CHEONG-LEEN's suggestion that a special unit might be set up within the Government to study the needs and problems of small industries in Hong Kong. No doubt my honourable Friend the Director of Commerce and Industry has also been listening carefully and is pondering what has been said. For my part I will only venture to say this. The Commerce and Industry Department, with the help of the Trade and Industry Advisory Board, has been studying the problems of Hong Kong industry, including small industry, for a great many years now. Furthermore, the Hong Kong Productivity Centre has in the course of its work been paying special attention to the needs of small industry, and so have the various industrial associations. And the banks are very well aware of the credit-worthiness of different small operators. So a great deal is known already about the strengths and weaknesses of small industry and I am sure that assistance can be obtained from all these organizations by those willing to seek it.

Question put and agreed to.

Next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders, I now adjourn the Council until 2.30 p.m. on Wednesday the 19th of January.

Adjourned accordingly at ten minutes to four o'clock.