

OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 11 October 1978

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
MR JACK CATER, CBE, 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 LI FOOK-KOW, CMG, JP

THE HONOURABLE DAVID HAROLD JORDAN, CMG, MBE, JP
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

THE HONOURABLE DAVID AKERS-JONES, CMG, JP
SECRETARY FOR THE NEW TERRITORIES

THE HONOURABLE LEWIS MERVYN DAVIES, CMG, OBE, JP
SECRETARY FOR SECURITY

THE HONOURABLE DAVID WYLIE McDONALD, CMG, JP
DIRECTOR OF PUBLIC WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, CMG, JP
DIRECTOR OF EDUCATION

THE HONOURABLE DAVID GREGORY JEAFFRESON, JP
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE ALAN JAMES SCOTT, JP
SECRETARY FOR HOUSING

THE HONOURABLE GARTH CECIL THORNTON, QC
SOLICITOR GENERAL

THE HONOURABLE EDWARD HEWITT NICHOLS, OBE, JP
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE THOMAS LEE CHUN-YON, CBE, JP
DIRECTOR OF SOCIAL WELFARE

DR THE HONOURABLE THONG KAH-LEONG, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, JP
SECRETARY FOR SOCIAL SERVICES

THE HONOURABLE JOHN CHARLES CREASEY WALDEN, JP
DIRECTOR OF HOME AFFAIRS

THE HONOURABLE JOHN MARTIN ROWLANDS, JP
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE JAMES NEIL HENDERSON, JP
COMMISSIONER FOR LABOUR

THE HONOURABLE OSWALD VICTOR CHEUNG, CBE, QC, JP

THE HONOURABLE ROGERIO HYNDMAN LOBO, CBE, 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 LO TAK-SHING, OBE, JP

THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

THE HONOURABLE CHEN SHOU-LUM, JP

THE HONOURABLE LYDIA DUNN, OBE, JP

THE HONOURABLE LEUNG TAT-SHING, JP

THE REV. THE HONOURABLE PATRICK TERENCE McGOVERN, OBE, SJ, JP

THE HONOURABLE WONG LAM, OBE, JP

DR THE HONOURABLE RAYSON LISUNG HUANG, CBE, JP

THE HONOURABLE CHARLES YEUNG SIU-CHO, JP

DR THE HONOURABLE HO KAM-FAI

THE HONOURABLE ALLEN LEE PENG-FEI

THE HONOURABLE DAVID KENNEDY NEWBIGGING, JP

THE HONOURABLE ANDREW SO KWOK-WING

ABSENT

THE HONOURABLE DEREK JOHN CLAREMONT JONES, JP
SECRETARY FOR THE ENVIRONMENT

THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

THE REV. THE HONOURABLE JOYCE MARY BENNETT, JP

DR THE HONOURABLE HENRY HU HUNG-LICK, OBE, JP

THE HONOURABLE PETER C. WONG, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR STEPHEN TAM SHU-PUI

Affirmations

Dr Ho Kam-fai and Mr Allen LEE Peng-fei made the Affirmation of Allegiance.

Oaths

Mr D. K. NEWBIGGING and Mr Andrew SO Kwok-wing took the Oath of Allegiance.

Commemorative Address

HIS EXCELLENCY THE PRESIDENT:—It is the wish of Members that before we sit down we mark the passing of Alexander Grantham, past President of this Council, past Governor of Hong Kong, a great administrator, a great personality, the greatest Governor.

The basic problems besetting Hong Kong have varied little over the last 30 years. Whether economic, social, physical or diplomatic, they have been problems forced on Hong Kong by outside circumstances. Successive generations of administrators have grappled with them, and with some success, and in the success, I know he took continuing interest and pride. But it was Alexander GRANTHAM's fate and Hong Kong's good fortune, that it was he who was the first Governor to face these problems of modern Hong Kong—and how intractable they must have looked at that time only he can know. But he identified them, confronted them, secured public support and acted to tackle them and he gave Hong Kong confidence in its success and its future. In so doing he also established the concept of Hong Kong as a multi-racial all-embracing community. He thus, more than any single man, laid the foundations of the Hong Kong in which we live and he laid them with style and humour as well as with experience, wisdom, and courage, and above all he laid them well.

I think it would be fitting if we now stood for a minute in silence in respect for his achievements and in sympathy for his widow.

(The Council observed one minute's silence as a token of respect.)

Valedictories

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, this is the first meeting since the retirement from the Council of Sir Denys ROBERTS, Sir S. Y. CHUNG, Mr Q. W. LEE, Mr P. G. WILLIAMS and Mrs KWAN Ko Siu-wah and I would like to pay a tribute to the services each of them has rendered to this Council.

Sir Denys Roberts

Sir Denys was an outstanding Chief Secretary and an outstanding member of this Council. His mastery of fact enlightened it, his wit enlivened it, and his courtesy soothed it. I am sure that these fine gifts will not in any way be restricted by the full-bottomed wig and buckled shoes of his future calling. The part he played in this Council will long be remembered with respect and affection.

Sir S. Y. Chung

Sir S. Y. CHUNG made a major and very personal contribution in his ten years membership. He was a notable Senior Member and his energy, concern and leadership eased the Council's passage from a comparatively small to a much larger body. Fortunately his advice and influence will still be available in the Executive Council and the UMELCO.

Mr Q. W. Lee

We are all very sorry that ill health forced Mr Q. W. LEE to retire. His chosen fields were finance, the economy and education, and his wide experience and wisdom, and his persuasive moderation made his interventions of particular value. I am very glad that he will be continuing in other less time-consuming fields of public service, including the Chairmanship of the Board of Education.

Mr P. G. Williams

Mr P. G. WILLIAMS has given generously of his time and energy in his six years' service on this Council, despite his many other commitments. His most characteristic interventions were for more facilities for recreation for young people. And this concern has also been apparent in his Chairmanship of the Jockey Club. I hope he feels that the great strides made in provision for youth in recent years are some reward for his advocacy.

Mrs Kwan Ko Siu-wah

Mrs KWAN Ko Siu-wah will also be greatly missed. At a time in which the refashioning and establishment of long-term plans for social welfare and education was much before the Council and UMELCO, her contribution was invaluable. She also has made history as one of the first professional women to enter this Council.

I am sure that Honourable Members will join me in expressing gratitude to these retiring Members for their contribution to this Council and Hong Kong.

MR CHEUNG:—Sir, the Unofficial Members would wish to be associated with the sentiments expressed by Your Excellency.

Perhaps I may be allowed to add to the tribute my predecessor paid to Sir Denys at the last sitting of this Council. As Attorney General and Chief Secretary, and occasionally as President, he was distinguished by an ever-readiness to listen to Unofficial Members and to consider what they had said, without bias towards the Government's views, before finally formulating Government's policies or its legislative measures.

And when he could not accept Unofficials' proposals or criticisms, he did it with the utmost courtesy, without intellectual arrogance, and with urbane good humour. I well remember that in reply to a member's observation that the regulations for prohibiting vehicles from crossing double white lines bordered on the lunatic, Sir Denys hoped that, in any event, the Honourable Member, however dubious he might be of the value of the white lines, would observe them, so that we might continue to enjoy his company in this Council. (*laughter*) In Finance Committee, Sir, he showed the Patience of Job.

The retirement of our four Colleagues, Sir S. Y., Mr LEE, Mr WILLIAMS and Miss Ko, deprives us of the rich and diverse talents that they brought to this Council. Between them, Sir, they had thirty years of service here.

They availed us of their specialized knowledge and unique experience in their many fields of interest; each devoted a great deal of time, thought and labour to the enormous number of problems and projects with which this Council and UMELCO was concerned. They counselled wisely and with moderation.

And in Sir S. Y., we had a leader who was at pains to see that every Member should have his say, every viewpoint put forward, canvassed and discussed, public opinion fully taken into account.

We shall have to bear with fortitude the departure of those trusted and congenial Colleagues.

Address by His Excellency the President

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INTRODUCTION

The Role of the Legislative Council

1 Before commencing my address I should first like to welcome the new Members. They bring with them a wide and diverse knowledge of many levels and aspects of Hong Kong's society and economy. They have joined an organ of Government that is constitutionally unique in its many roles of forum for debate, the enactment of laws and ombudsman, accessible to the public whether to hear complaints or give advice. The access that all Unofficial Members of Executive and Legislative Councils have both to officials and to confidential official papers, in itself distinguishes them from members of any other legislature I have known. I am glad that in recent years these roles have been strengthened not only by a large expansion of membership, but also by the support of a strong UMELCO Office, provision of better accommodation, and allowances for Members, and that a closer scrutiny of legislation and a better service to the public has resulted. Hong Kong owes a very great deal to the great volume of work done by Members, and to the disinterested and often unpublicised devotion with which they do it, and I believe that this is becoming more generally appreciated. I would like to pay my tribute to this work without which the Government of Hong Kong could not be carried on and with which Hong Kong has so significantly prospered.

2 I would also like to extend my good wishes to the new Senior Unofficial Member. He certainly has a mettlesome and lively team. But so too does the new Chief Secretary to whom also I should like to extend my congratulations and good wishes.

The Scheme of the Speech

3 This session opens in a period of continuing uncertainty and disappointing growth levels in the economics of the great overseas countries on whose markets Hong Kong depends, and when our exporters are having to contend with the new restrictions imposed on our exports last year. Nevertheless with Hong Kong's extraordinary enterprise and adaptability we have maintained a reasonable level of exports and an unexpectedly high growth rate, a comparatively low rate of inflation, virtually nil unemployment, and rapidly rising real income. I will revert to the economy later in this address since there are dark or obscure passages in this otherwise bright picture. Nevertheless as the Financial Secretary recently rightly pointed out, for the time being we continue to prosper. Against this fairly encouraging background my main theme will be your Government's plans for Hong Kong as this decade ends and the 80s begin.

4 The importance of these long-term goals cannot be over-emphasised. Obviously what can be done from year to year must be a matter of judgment in the light of human and financial resources available and the economic conjuncture in which we find ourselves. But it is vital that this should be against the background of agreed long-term goals towards which we all know

that we are working, and of a known timescale within which we think it realistic to hope to reach them, provided our normal growth-rate is maintained and economic equilibrium is not lost.

5 But first I will cover subjects that are of special interest, but which do not fit into a review of development plans; then go on to describe our economic prospects as I see them, because it is on these that anything and everything that your Government can ever do depend; and then finally speak of our plans for the future.

The Public Service

6 The achievement of our plans, and indeed the whole conduct of Government depends very largely upon the efforts of the Public Service. The Public Service has been under particular pressure because of the rapid expansion of Government activity in parallel with, and indeed as a reflection of, the development of Hong Kong itself. This expansion and this pressure will continue because as none knows better than members of the Public Service, there is a lot to be done, but I should hope that the expansion of the Service, its steady rise in the level of experience of its members, and the progressive achievement of our major targets, should reduce this pressure within the next four or five years. Before moving to the body of my speech I should once more like to record my thanks and admiration to the serving Members for their commitment and enthusiasm, no less than for what they accomplish.

7 Over the next year particular efforts will be made to improve staff management and career development, staff relations, training and the machinery for settling pay and structure problems. It will also be possible to finalise the current review of the policies on housing and leave for civil servants— including of course members of the disciplined services.

GENERAL TOPICS

Sino/British Relations

8 I will start with a word about Sino/British relations. They continue to be very good, and they are good specifically over Hong Kong, and we know well the friendly and helpful attitude of Chinese officials stationed in Hong Kong.

Water from Kwangtung

9 This has been manifested in many ways — investment, improvement in communications and so on—but the one of most immediate interest to Members will be the recent agreement of the Kwangtung Water Authority to increase the supply of water from the East River by 33% by 1982. This will involve them in substantial expenditure and considering that the charge for this water has been unchanged at HK\$1.26 per thousand gallons since 1964 it is entirely reasonable that they should have proposed to increase the charge to HK\$1.88 from 1 October this year and that your Government

should have agreed. I should add that at the new charge this water will still be very much cheaper than any new source within Hong Kong and water charges to the public will not be affected. An agreement will shortly be signed, probably in Canton.

10 This cover increases up to February 1983. But we have also explained to the Kwangtung Water Authority what our long-term requirements will be. These are large and to supply them from Kwangtung would require substantial engineering work and very considerable resources. However the Authority has agreed to consider our long-term requirements and to discuss what might be done in about a year's time; that is to say before we would have to commence any other, and of course much costlier, local means of maintaining the increase in supplies necessary after February 1983. This latter development is of special significance, since it could very considerably ease one of the major problems of this community.

11 Though the High Island Dam water scheme, to be opened shortly, will double our storage capacity, and is a great engineering feat, it exhausts our last major catchment area.

Immigration

12 The high level of immigration into Hong Kong during the last six months has been worrying, and it looks as if at the present rate we will have about 95,000 immigrants this year. This is something that must be kept in perspective since the level of migration changes considerably from year to year, and there is an outflow to other countries as well as an inflow largely from neighbouring provinces of China. In the five years up to December 1976 the average annual arrivals from China by all means were about 50,000 but Hong Kong's overall average net gain by migration was only about 18,000 a year. But last year the net gain rose to 30,000 and this year, if the current rate is maintained, it could be as high as 60,000. At this rate two extra very large housing estates, with all accompanying facilities would be necessary each year if standards were not to be diluted.

13 We have explained both here directly, and through diplomatic channels in Peking and London, the problems that this rate of influx could present for us if it were allowed to continue, and I very much hope to see the figures gradually and substantially reduced.

14 We also have a stream of arrivals of a different sort from Vietnam. Over the last two years we have given permission for nearly 4,300 with some claim on Hong Kong to stay here. Another 5,300 have been given permission to stay temporarily on an undertaking by the UN High Commissioner for Refugees to find them a permanent home elsewhere. I should like to pay my tribute to the excellent work of the High Commissioner and his Office. Nevertheless this is also a worrying problem, and inevitably we watch with apprehension the growing number here awaiting resettlement which now stands at 3,670.

The Royal Hong Kong Police Force

15 We were all extremely concerned at the state of the Royal Hong Kong Police Force following the events of last October/November. Though general resentment at ICAC operations, and the fear of a group of prosecution for past offences, were the immediate cause, there was obviously more to it than that.

16 At my request the Home Office made available a most experienced team led by Mr CRANE, one of HM Inspectors of Constabulary, and a thorough investigation of the organization and administration of Police followed conducted jointly by the Commissioner and his staff and the Security Branch of the Central Government Secretariat and Mr CRANE's team. In broad terms the conclusion was that professionally the Force was working on the right lines; but that intense preoccupation with the fight against crime and the rapid expansion, redeployment and reorganization of the Force in recent years to combat crime, has had a double-edged effect, Success against crime, and in achieving an improved relationship with the public, has been remarkable. But it has been to some extent at the expense of administration, man-management, personnel relations and welfare, which had implications for discipline and control. Simultaneously subjected to the many pressures of combating a crime wave reorganization, expansion and the weeding out of corruption, the Force, with the knowledge of hindsight, was somewhat over-criticized, over-driven and under-administered.

17 Joint recommendations were agreed and are being implemented as quickly as possible. Much progress has been made in strengthening and reorganizing the Police Headquarters structure and also in improving inservice training, staff relations, public relations, the handling of complaints against Police, and in operational deployment and efficiency.

18 The team's visit has also resulted in a large number of proposals to do with welfare, living conditions and housing and also facilities for recreation, some of which are applicable to the Police and some to other or all elements of the public service. A further point that is under consideration as a result of this enquiry is the extent to which your Government as a good employer should provide financial assistance towards legal cost incurred by public servants who are prosecuted for offences allegedly committed when they are on duty. It is a point of special relevance to the Police. It is vital that procedures should exist for the quick, expert and impartial investigation of complaints, and the strengthened Complaints Against the Police Office and the UMELCO Complaints Against the Police Committee have greatly improved the situation. But we should remember that complaints are a much higher occupational hazard for Police than for other public servants because they have the duty of law enforcement on the ground; and counter-charges are all complaints, are sometimes the only defence a guilty man can make. The culmination of an investigation which establishes a *prima facie* case will normally be a prosecution so that the matter can be examined judicially,

and that is right but it heightens the concern of Police who day by day have to confront criminals on the ground and fear that they may become the victim of malicious accusations. Despite the care which is taken both in investigation and by the Attorney General's officers who have to decide whether to prosecute, your Government considers that the broad public interest requires that financial assistance for legal representations in court should be provided.

19 The in-depth study is continuing, and should be completed by January at the latest. Meanwhile the Force is functioning with marked success, and the downward trends in crime I reported last year and which are such an improvement over the situation of four or five years ago, have been maintained. Violent crime has decreased by a further 3% this year and there has been a further decrease in the number of young offenders. I am sure that here the extraordinary success of the Junior Police Call with its quarter of a million members, and the massive efforts being made to improve recreational facilities for all young people have both played an important part. So too has the co-operation of the public through the Mutual Aid Committees and the much greater awareness that exists of what citizens can do to help protect themselves and help the police. Last year 9% of arrests were made by members of the public—a truly remarkable record.

Narcotics

20 The fight against Hong Kong's traditional problems of drug addiction and trafficking continues. Liaison with international agencies, disruption of importation, manufacture and distribution, erosion of demand by voluntary or compulsory cure, and better education of the public about the dangers of addiction and the availability of cure, are all having their effect—particularly since all action is now so closely co-ordinated by the Action Committee Against Narcotics, supported by the Commissioner for Narcotics. With the success of the Police in breaking the drug syndicates Hong Kong has ceased to be an international distribution centre. We can therefore concentrate on our domestic problem.

21 The initial data from the new computerized register of addicts suggests that this problem may not be quite so large as we had feared. It seems possible that the number of addicts may be considerably less than 50,000 instead of the previous guesstimate of 100,000.

22 With the large number of voluntary treatment centres now available, and the expansion of accommodation in compulsory drug addiction treatment centres, the total number of addicts under compulsory or voluntary treatment or further care at any one time, now averages between 13,000 and 14,000. This is probably still a little too small a proportion of the whole, even with the comparatively high success rate achieved in comparison to elsewhere. Nevertheless there are heartening indicators. For instance the percentage of all persons entering prison institutions found to be addicted has dropped

over the last five years from 73% to 40%—it was a staggering 90% in 1950—and the percentage amongst those under 21 has dropped over the last five years from nearly 5% to under 1%.

23 All the indicators now point to a steady containment of the numbers addicted, and to a reduction of the numbers of young people becoming involved. We have no illusions about the length of the road to be travelled, or about the dangers of regression if the intensity of these many-sided endeavours were relaxed, but the situation is at last beginning to look encouraging.

24 This ferment of purposeful activity in Hong Kong has stimulated considerable international interest. A steady flow of visitors come to study our methods and the International Narcotics Control Board's Report for 1977 referred to the value of Hong Kong's experience to the international community.

The ICAC

25 The Independent Commission Against Corruption has continued its successful and many-sided operation.

26 Since the 'partial Amnesty' on 5 November last year the question in many minds has been whether things would slip back into the bad old ways, in spite of the apparent determination of the Government not to allow them to do so. The Commissioner assures me that there is no evidence that anything of the sort has happened, nor has there been any retrogression as far as syndicated corruption is concerned. We should remember that the resources of the powerful Operations Department are now freed from delving into the past and able to concentrate on investigating and monitoring the present. The whole position within both the public and private sectors is transformed from what it was four or five years ago. This is an extraordinary achievement in which many have played a part as well as the ICAC, and in which all of us can take pride.

27 In most other communities there is an element of corruption. Here, where recently there has been so much public revelation of widescale corruption, we must accept that there is much more still to be done. There will always be some people ready to indulge in corruption, and we must therefore be vigilant and equipped to prevent a relapse into the situation from which we have just extricated ourselves so painfully. This special vigilance will have to be continued for many years. So there can be no question of relaxing the efforts of the ICAC, and no question of reducing its strength. But with the high degree of success already achieved, it will be possible to place increasing emphasis and reliance on the activities of its Prevention and Community Relations Departments.

The New Territories: Administrative Reform

28 I spoke last year of the changed face of the New Territories: of the emergence on the one hand of large new centres of population and industry or of intensive horticulture, and on the other of the wide use of the rest of the area for recreation and tourism. I described the new type of regionalized consultation and administration your Government proposed to set up.

29 The establishment of District Advisory Boards in November last year was an immediate success. The Boards have been active, insistent and constructive; proposals affecting the growth and development of each town or region are discussed, and local views now taken into account at the planning stage before final departmental submissions are made. The Boards are also making full use of their funds for recreational and cultural activities and for minor works to improve their towns. They have become the natural channels for local advice to Government departments. In short they are beginning to provide the partnership between residents and Government in the development of each town or region that was so badly needed.

30 Some basic reorganization of the administration in the New Territories is also needed to ensure that administrative activities are co-ordinated regionally and integrated with the work of the Boards, so that Government departments can be more directly responsive to local needs.

31 The reorganization will involve some shift of emphasis from the Head-quarters of some departments to regional offices in the main centres of population. As this change is gradually implemented it will probably also affect the role of the Secretary for the New Territories, so that he will be less involved in the day-to-day administration and more concerned with broad issues, such as those, for instance, with which the Heung Yee Kuk is particularly concerned.

32 Regular increases in staff and other resources must be provided to keep pace with population growth and to maintain the high standards to which the towns in the New Territories are being built. This will affect many departments but particularly the Public Works Department, the Urban Services Department and the New Territories Administration.

33 I should add that the new and flexible arrangements for compensation for resumption of land should greatly benefit the New Territories and assist development. For this we have to thank the Committee chaired by Sir Yuet-keung KAN, and the constructive spirit in which its official and unofficial members worked.

Labour Legislation

34 During the last session steady progress was maintained in the field of labour legislation. Employers were required to meet the medical expenses of injured workers; a surcharge on delayed payment of compensation was imposed; the time limit for application of compensation was extended; and

legislation for a silicosis compensation scheme was enacted. Industrial safety was improved by new controls in the use of boilers and pressure receivers and of lifting appliances.

35 Legislation giving all employees a week's paid annual leave was brought into force on 1 January. Its operation will be kept under review, but so far it appears to be working well and achieving its object.

36 *New items* to be introduced this session include the extension of control of child employment to the non-industrial sector; the protection of more non-manual workers under the Employment Ordinance; the control of workers' safety in the use of electricity; and the control of fire safety in industry. The working party on the Workmen's Compensation Ordinance is continuing its review, and will draw up recommendations soon. I shall leave the Commissioner for Labour to give details.

37 Our compliance with *International Labour Conventions* continued to improve. Forty Conventions have now been applied in full or with modifications. This represents an increase of 11 since 1974 and we hope to be able to improve our declarations in respect of a further six by 1980. In this respect Hong Kong compares very favourably with other countries in this region.

38 Turning to *industrial training* the newly established clothing industry and construction industry training centres proved to be popular and successful. The Hong Kong Training Council has therefore recommended a number of additional training schemes in other industries to be financed by a general levy, and administered by a statutory training council. These recommendations are now being considered by the Government. Also on the recommendation of the Training Council, a further eight trades have been designated under the Apprenticeship Ordinance during the year.

39 I intend soon to appoint further training boards and specialist committees to enable the Training Council to extend its activities into the commercial and service sectors.

40 The volume of legislation in recent years and the subsequent work of enforcement is requiring substantial recruitment of staff—which must be trained and absorbed. I believe that in this field the first priority now is administrative consolidation.

41 The legislation introduced in recent years has been proposed on its Hong Kong merits. Our concern is what is beneficial for Hong Kong, its workforce, and its economy as a whole. Nevertheless it does no harm to keep international comparisons in mind. These are favourable, and your Government has made very good progress in achieving its target of broad comparability with the best among neighbouring Asian countries excluding Japan.

Control of Pollution

42 A word about pollution. Strong tides and winds have so far saved us from the worst effects of pollution. Nevertheless I am sure that the establishment of the new Environmental Protection Unit, under its expert Adviser, will have come as a relief to Honourable Members. This follows the excellent preparatory work of the Environmental Protection Committee. A series of Ordinances will be drafted to bring under control the various forms of pollution to which Hong Kong is exposed. Honourable Members may rest assured that the approach of your Government will be careful and realistic; nevertheless the sooner a corpus of legislation is on the statute book the better. I hope that it may be possible to make some progress during this session.

New Developments in the Legal System

43 In July the Attorney General outlined in this Council some experimental measures being worked out for introduction into the Legal System. They could be of considerable significance. They were designed firstly to help bridge the communications and understanding gap that can develop between a Cantonese-speaking population unfamiliar with the British legal system on the one hand, and a Government operating through British law and legal procedures on the other; and secondly to assist persons charged with certain offences in Magistrates' Courts who are without legal advice.

44 The measures were:—

- (i) The Magistrates (Amendment) Bill 1978, which provided for the appointment of Cantonese-speaking members of the public to sit with magistrates in an advisory capacity.
- (ii) The provision, through the good offices of the Law Society and Bar Association of rosters of qualified persons to man, firstly a 'duty lawyer' scheme in some Magistrates' Courts, and secondly a 'quick legal advice' scheme in two City District Offices, in both cases free of charge to the public, with the Government providing the administrative and clerical back-up and the necessary funds.

45 Though experimental and limited, the schemes have proved complicated to start owing to the large number of persons involved without the public spirit of many members of the legal profession they would not have been possible. I now hope they will start operating early in the New Year when a detailed announcement will be made.

Cultural and Leisure Activities

46 This speech cannot possibly include all the major fields of Government activity. But I do wish to mention the administration of cultural and leisure activities, because it is a whole new and important field of Government activity. Though it has been deliberately stimulated by the Government, Urban Council and voluntary agencies, the scale and speed of development is extraordinary.

47 Let me give some examples. The Hong Kong Philharmonic has now taken its rightful place as Hong Kong's orchestra, there is an excellent and popular Chinese Orchestra, dance and ballet groups are of a high standard, and we are developing a fine Youth Orchestra.

48 We have each year an International Hong Kong Arts Festival, a Festival of Asian Arts, and usually a Film Festival. A week seldom passes without an opportunity to see or hear something of high artistic merit.

49 The Arts Centre has proved an immediate success. Indeed all available auditoria are so heavily booked, that it is just as well that before the mid-eighties the new cultural complex at Tsim Sha Tsui will be completed and three new large City Halls and two small ones will be completed in the New Territories.

50 In a different and more muscular field a wide variety of sports are supported through the Council for Recreation and Sport: the Government has gone into partnership with the Royal Hong Kong Jockey Club over establishing a very large Jubilee Sports Centre; a Recreation and Sports Service has been formed which organises diverse forms of recreation for at least 30,000 people of all ages a month and supplements and assists the work of voluntary agencies and local groups in catering for much larger numbers. These are a large number of recreational facilities under construction and in this the Urban Council is doing particularly good work, but just to take one example there are now eleven swimming pool complexes in use, a further two under construction, and 20 more are planned for completion before 1984/85 of which half will be in the New Territories.

51 Then there is the new Country Parks Authority with responsibility for the care and development for recreation of about 200 square miles of mountain, valley and beach, which it is expected will be visited by anything up to 100,000 people on any weekend of good weather.

52 Some of these diverse activities supported by public funds have existed for some time, but most have not and in any case the scale of activity is out of all recognition. A high standard of living, rest days and paid holidays have totally changed the situation, but I think also that there was a vacuum in the life of Hong Kong for all age groups, a recreational and cultural vacuum which might even have carried with it some danger, and one which the people of Hong Kong were only too glad to fill given a lead and some encouragement and some money.

53 To my mind this change in the leisure interests of Hong Kong symbolises just as dramatically as the changed silhouettes of the skyscrapers, the strides that are being taken in social and economic life of this community.

FINANCIAL AND ECONOMIC

54 Turning now to a series of financial and economic items. We all attach great importance to the work of the Advisory Committee on Diversification

chaired by the Financial Secretary. Hong Kong has grown and prospered in a constantly changing world and has repeatedly proved its ability to adapt to changing circumstances. Indeed it is adapting and changing all the time, both within traditional industries and into new ones. So there is nothing new about the concept or practice of diversification in Hong Kong. Nor does the study imply any lack of confidence about the survival of our traditional industries. These have so often shown their capacity to maintain their markets by diversification of their products or industrial techniques. Nevertheless we must be sure that change beneficial to the economy is not inadvertently impeded by acts of commission or omission by the Government or for that matter by the business community. This involves study in great depth and detail.

55 The Committee has completed a study of the growth and development of Hong Kong's economy over the past 15 years, and has tentatively identified the likely future determinants of growth of the various industries that make up our economy, including socio-political and geo-political factors and the restrictive impact of the new generation of textile restraint agreements. It has also arrived at certain forecasts of the likely growth of exports of both goods and services over the five years to 1982.

56 Six Sub-Committees are studying the factors which have attracted or deterred the establishment of new activities in the manufacturing and other sectors of the economy here, and the measures taken in competitor countries and their comparative success.

57 These Sub-Committees will report before the end of the year, and on the basis of all the material by then assembled, the Committee will move on to the final stage of considering whether there is a case for modifying existing Government policies and/or extending them to facilitate diversification of our economy.

58 This stage is planned to commence after the preparation of the Budget and will lead on to the compilation of the Advisory Committee's inevitably lengthy report but I hope that the Advisory Committee will have accomplished its task by the middle of next year.

Public Accounts Committee

59 I now turn to a few items in the financial sector. Standing Orders of this Council were amended on 10 June to provide for the establishment of a Public Accounts Committee. The Committee will have its first meeting in a few weeks' time to consider the Director of Audit's report on the accounts for 1977-78 and this is a welcome constitutional development.

Financial Legislation

60 In his speech concluding the debate on the Budget, the Financial Secretary said that he had set up a small working party to consider a method

of statutory backing for our system of financial control. A Public Finance Bill will be introduced this session.

61 Last year I mentioned proposals to extend to registered deposit-taking companies some of the obligations at present imposed only on banks. A Bill will be introduced into this Council very shortly to amend the Deposit-Taking Companies Ordinance. It will provide for a system of prudential supervision of such companies, of which there are 234 in Hong Kong, on somewhat similar lines to that presently exercised by the Commissioner of Banking in respect of licensed banks.

The Public Finances

62 This brings me to the present state of our public finances, which I will deal with very briefly. This year's total revenue is now expected to exceed the original estimate by a quite considerable amount, perhaps by as much as \$1 billion. Largely due to buoyant land sales. A large part of the increased revenue is being absorbed in increased expenditure on both recurrent and capital accounts. We have, for example, incurred additional expenditure, not provided for in the Estimates, as a result of the 1978 Civil Service salary awards, and of the decision to reduce the qualifying age for the Old Age Allowance Scheme, from 75 to 70, in one step rather than two as originally planned. It is, however, on the capital account that we expect a substantially higher level of expenditure than provided for in the approved Estimates. This is largely accounted for by the Public Works Programme as such, and Housing. Higher prices account for a part of this increase, but we have also made good progress on existing contracts and earlier starts on new projects. It is too early to indicate with any precision the likely budget outturn, but there can be little doubt that there will again be a surplus this year.

The Economy

63 The economy did better in 1977 than I had expected this time last year. The gross domestic product in 1977 is now estimated to have grown by about 11% in real terms which is significantly above the average so far in the seventies. The real earnings of the labour force increased substantially and workers shared well in the benefits of economic growth.

64 But this undoubted progress was achieved against a less healthy background whose main characteristic was a more rapid growth in domestic demand than in exports—a situation not sustainable indefinitely in Hong Kong's circumstances. In 1977 we also faced a threat, on the international front, of a progressive slide into protectionism.

65 These were our two main concerns as the economy entered 1978, and they remain today.

66 It is true that the Government's large fiscal surplus in the financial year 1977-1978 and the likelihood of a surplus this year, and higher interest rates, have had some restraining effect on domestic consumption. But there are as

yet few indications that the growth of expenditure either on private consumption or on building and construction has begun to slow down, though it is expected to do so later in the financial year. There are signs of some localized overheating, for example in the property market.

67 On the other hand, there are hopeful signs that, despite the demands on resources being made by consumption, the growth of domestically-produced exports will be higher in 1978 than it was in 1977. Several factors are contributing. First, a larger workforce has been deployed than we thought possible. Second, the depreciation of the Hong Kong dollar, at the time when world prices of raw materials are falling, has meant that our exports are gradually proving more competitive. Third, there has been some improvement in demand in our major markets, though our exports of textiles and clothing are beginning to run up against the new and harsher quota limits we were forced to accept last year.

68 The other components of exports, re-exports, look as if it will achieve an increase of about 25% in real terms for the year, though its contribution to our net foreign exchange earnings will be comparatively small. It is too early to say whether this heralds a resurgence of Hong Kong's role as a regional entrepot, but meantime it is most welcome. Thus, although exports as a whole will probably grow at a higher rate in 1978 than will the gross domestic product, we expect our net foreign exchange earnings to continue to grow rather more slowly.

69 To sum up for 1978, allowing for some slowing down in the growth of domestic demand and an increase in the growth of exports, we expect the gross domestic product to grow by about 10% in real terms—a very satisfactory performance by any standards. Competing demands from the sectors catering for domestic activity and for exports have resulted in further rapid growth in real wages and earnings and virtually nil unemployment.

70 Turning now to the outlook for 1979, views on demand in our major export markets are limited. In the United States the emphasis appears to be on countering inflation, rather than further reducing unemployment, and more cautious policies are likely to result. Recent forecasts predict that the gross domestic product in the United States in 1979 will grow at about 3½% in real terms, rather more slowly than the 4% expected this year. Conditions in the Federal Republic of Germany are quite different. With a tendency towards growing unemployment, low inflation rate and a large trade surplus, pressures there are mounting for the economy to be reflat. Even so, present forecasts predict a growth of only about 2% to 3% in real terms for 1979, much the same as the outcome for this year. As in the United Kingdom, the recovery which started in 1978 should continue in 1979.

71 But the prospects for our exports in 1979 will inevitably be influenced by the restrictions on textiles and clothing. Of course, possibilities for trading up and for diversification into other industries remain; and I feel sure

that our entrepreneurs and our labour will exercise their traditional ingenuity to make the best of the situation. But the low rates of growth included in our latest textiles agreements and the greatly reduced provision for flexibility limit the extent to which our exporters can adjust, to changing demand in our markets. The export sector is now reasonably competitive and well poised for more rapid growth. It is to be hoped that this will be facilitated by a further slowdown in domestic demand in 1979 thereby releasing the necessary resources. Re-exports are traditionally hard to predict but it would be prudent to assume that growth will be slower next year than this.

72 Taking all these factors together, it looks as if our foreign exchange earnings generated by exports will continue to grow in 1979 at about the same rate as this year. Provided economic growth, even at its comparatively low present rate, continues in our major markets—and generally speaking this is what we expect—it should generate substantial further growth in Hong Kong.

73 However there is the problem of the present imbalance between the growth rates of domestic demand and of imports on the one hand and of exports on the other. The natural effect of this situation on our exchange rate should discourage imports and encourage exports. If, as we expect, there is a budgetary surplus again this year, this too should help to restrain demand. While these problems are real enough and we must watch them, they are not large in comparison to those facing most other countries.

74 I hope the forces I have referred to will achieve, gently, the necessary adjustment. However if this natural process were to be delayed or distorted by other factors such as, for instance, over-optimism in the real estate market, the adjustment could be deferred until it would inevitably be sharper and more painful, but come it must.

GOVERNMENT PLANS FOR EXPANSION 1978—MID 80s

75 It is against this background of continuing economic growth that I will now describe your Government's plans for Hong Kong as it moves out of the 70s and into the 80s.

Public Works and Transport

76 I will begin with the Public Works programme partly because it is far too likely to get left out of speeches like this, but also because nothing is so illustrative of the scale of activity necessary to provide for the growth of the economic and social life of Hong Kong in the next five or six years. This year the programme will exceed \$3,000 million, and may very well rise next year. This activity of construction when coupled with that of the private sector, is now so intense that Hong Kong gives the impression of being one great construction site. I deeply sympathise with those who live and work closest to the dust and noise and the traffic congestion. But out of this inconvenient activity will emerge, and emerge very soon, a Hong Kong that

is largely transformed from the city we have known. So it is worth reminding ourselves what some of the major projects are:—

- (i) By 1981 Aberdeen will be linked with the Lion Rock Tunnel by means of the Aberdeen Tunnel and a series of elevated highways and flyovers. By 1985 the new motorway will be built along the north coast of the Island linking Victoria with Shau Kei Wan. In Kowloon by 1980 the airport tunnel link with Kwun Tong will be completed, and the corridor up the western side of the peninsula from Gascoigne Road to Lai Chi Kok, already under construction, will be completed by 1984.
- (ii) By 1981 the Kowloon-Canton Railway should be double-tracked and electrified to the frontier, and linked to the Mass Transit Railway through the Kowloon Tong interchange.
- (iii) By 1980 the second half of the six-lane Tsuen Wan/Tuen Mun highway will be open, and the Tsuen Wan by-pass by mid 1983.
- (iv) By the end of 1981 the new coastal motorway from Sha Tin to Tai Po will be complete.
- (v) The Mass Transit Railway itself will be in full operation in the urban area by April 1980 and to Tsuen Wan by 1982. Speaking now so near to the dust and noise of its construction it is hard to realise how much this massive project will improve transport for a large proportion of the population.

77 So by 1983 the driving time say Ap Lei Chau to Tuen Mun could be about 45 minutes, give or take, a minute or two, a journey by underground from Central to Tsuen Wan should take about 28 minutes, or from Hung Hom to Tai Po and Sheung Shui by train about 28 and 36 minutes. You will note that all these destinations will by 1984 be complete or virtually complete towns of great or medium size. This will be a far cry from the Hong Kong hemmed in by the mountains round the harbour of 10 or 15 years ago.

78 I have started with these communications projects because they are basic to Hong Kong's development. The spreading out of the City and its population into new areas with access to new land is essential if it is to achieve not only better living standards but new investment, new industries and new economic flexibility. But of course the roads, the railways and the tunnels are only the start; one must add to them everything from drains to swimming complexes, water supply and sewage plants to cultural centres, offices, fire stations and police stations, which form part of Government programmes in the urban areas, the three major towns and three smaller ones in the New Territories. And then there are the hospitals, the clinics, the schools and so on. It must be the largest programme undertaken by any City Public Works Department in the world.

Housing

79 Then next there is housing. We must ensure that there is self-contained housing in a reasonable environment for all. The current programme was started between five and six years ago. All the laborious work of site acquisition,

preparation, design and construction, is at last reaching fruition, and completions will rise from 18,000 flats this year to 45,000 next year and will be maintained between the 40,000 and 45,000 levels until 1985. That is to say housing each year for about a quarter of a million people. Construction is now proceeding on no less than 57 projects with a contract value of over \$2,200 million. These figures include the flats for purchase under the Home Ownership Scheme at present planned to average about 6,000 a year as from next year when 8,500 will be completed. In view of the popularity of the scheme, we must be alive to the possibility of varying the balance between the programmes for renting and sale in the light of public demand, and the design of new estates provides for this degree of flexibility.

80 Our approach to the level of public housing production towards which we have been working for so long, has coincided with a spurt in the construction of flats by private developers, many for the middle and lowermiddle income groups. Thirty thousand will be completed this year and probably as many next and this is a most welcome contribution. But Honourable Members should be under no illusion about the size of the problem we face. This year we reckon that the short-fall in self-contained living accommodation will be over 200,000 units. Allowing for about 300,000 more households by 1985, and assuming that the public housing programme is maintained at the level I have indicated, and that the private sector continues to make a substantial contribution, the short-fall should have been eliminated by 1985 and well before that the problem as we have known it will have been vastly reduced. However these figures make the traditional assumption that 60% of all one-person and two-person households will share accommodation with others. In view of the trend towards smaller households and the rising aspirations of our evolving society I doubt if that assumption will continue to hold true much longer. There is, therefore a case for rolling forward the Housing Programme after 1985, albeit at a less dramatic level, and therefore for at least earmarking soon, sites for such a programme.

Education

81 The next major field is education. The great efforts made over the last decade and a half have enabled us to reach a point at which we can plan and define a full provision for education. We must do this because there is nothing—after security subsistence and probably housing—that the population wants so much for itself and its children, and because without it Hong Kong could not grow as a successful centre of industry, commerce and finance.

82 To recapitulate: we achieved universal free and compulsory primary education in 1971.

83 All pupils completing primary school last summer are now being provided with free *Secondary Education* places to Form III. By next September we shall be making education compulsory to 14 and by September 1980

we will achieve our goal of *universal free and compulsory education to 15 or Form III*.

84 With the prospect of virtually all the relevant age group leaving Form III after nine years of education in 1981, we drew up plans to expand and refashion *senior secondary and tertiary education*. These plans were published as a Green Paper last year and provoked lively debate both inside and outside this Council. Your Government duly chastened will shortly publish revised plans as a White Paper.

85 As well as providing for a great expansion of places, the White Paper will reflect the importance the Government attaches to improving the quality of secondary education. The most important relevant step will be a phased elevation of 'per caput' schools to fully-aided status to ensure proper facilities and more uniform standards in all schools in the public sector.

86 Quality will also be improved by broadening the curriculum to give more weight to practical and technical subjects, by improving, and where applicable, lengthening, teacher training programmes, and by strengthening schools support services.

87 In tertiary and higher education we propose that the Polytechnic should raise the level of some of its work, and that, in compensation, more ordinary technical programmes should be provided in the Technical Institutes which should be expanded accordingly.

88 Discussions have taken place with the colleges recognized under the Post-Secondary Colleges Ordinance about ways in which they might contribute to achieving the Government's targets for Sixth Form and tertiary education, and the fruits of these discussions will be presented in the White Paper.

89 I like to give an indication of the scale of expansion in higher education which your Government now envisages and which we hope to achieve by about 1986:—

- (a) The number of subsidised places in secondary Forms IV and V, or in post-Form III courses in Technical Institutes, is now 25.7% of the relevant age group. We propose that this should rise to about 83%. These increases, coupled with an expansion of Adult Education Centres, should be able to meet most of the demand expected in the '80s from students leaving Form III.
- (b) The similar figure for Form VI now is 5.5%. We suggest it should be increased to about 20%.
- (c) The present figure for tertiary education is 17.9% of the age group, and in tertiary education I include, in addition to the universities and polytechnic, the schools of nursing and education, and post-Form V courses in Technical Institutes. We think this percentage of 17.9 should be raised to about 33% by 1986.

- (d) If these proposals are approved, and added to plans for expansion in junior secondary education and for primary education already approved, recurrent expenditure on education at 1978 prices may be expected to rise from about \$1,700 million in 1978-79 to more than \$2,900 million in 1986/87 and total capital expenditure over the same period will be about \$2,100 million.

90 Education after Form III will be heavily subsidised but not free. Fee remission and student loan schemes should be expanded to ensure that no student judged suitable for the wide variety of courses offered should be denied them through lack of means.

91 I mentioned last year that two working parties had been appointed to consider the quality of primary education and its future development, and the services below primary age and at kindergarten centres. These working parties are expected to report shortly, and the resulting proposals will be published in a Green Paper.

92 Plans are thus well under way to prepare development programmes for all stages of education from kindergartens to the tertiary level. While these programmes will lay down the main lines of advance, there should be scope for re-examination in a wider context. Accordingly, on the advice of the Board of Education, I propose to initiate a wide-ranging review that would cover the whole of the educational system, its methods and its objectives. It is proposed this should be conducted primarily by persons from abroad with great expertise in education, though certainly with local participation. I see this review as a longer term development to check the plans we have already made before they become too deeply entrenched.

Social Security and Welfare

93 Last year we undertook a thorough and wide-ranging review of what social welfare assistance should be for those sections of the community least able to help itself, whether by means of cash grants or services. Following the publication of Green Papers and debates on them in the last session, a comprehensive White Paper will be published shortly. Its conclusions broadly are:—

- (a) that our cost-of-living-based system of *public assistance* (or supplementary benefits as it would be called elsewhere) is well understood and accepted as the basis for cash payments to relieve proved—that is to say means-tested—need, but that additional payments were required for those dependent upon public assistance for long periods, and this has been done.
- (b) that more should be done for *the aged* and particularly to make it easier for them to continue life within their family or community in dignity. The qualifying age for Old Age Allowance has been dropped from 75 to 70; and a supplement for those over 60 receiving public assistance has been introduced. In addition to these payments, a range of services

should be established over the next ten years including: the provision of special places in public housing, expansion of community nursing services, day hospitals and more geriatric beds. For those not in need of medical care but who are unable to look after themselves or to be cared for by their families, we envisage provision of about 1,700 additional care and attention places and 2,800 additional places in homes for the aged. These facilities will serve only a very small proportion of a total population of 400,000 aged 60 and over. The bulk of our old people will remain with their families, where they prefer to be, but there will be a range of supporting services to help them to do so. The focal point of such services will be 17 district multi-purpose centres and a network of social centres which will provide a basis for organising home help, laundry services, counselling and social and recreational activities.

- (c) that more should be done for the rehabilitation or support of those *mentally or physically handicapped*, and a ten-year programme of phased development of centres and services has been drawn up and their details already published in a White Paper. These services can be supplemented with both disability allowances and public assistance where applicable.
- (d) that more should be done for certain categories of *young people* requiring special attention beyond the already wide range of normal provision. The main thrust will be by means of school social work and family life education.

94 These programmes are technical in content and can only be supported by a steady flow of social or para-medical workers trained in a wide variety of disciplines. Provision for the necessary courses has been made and many are already in operation.

95 The details of all these programmes either have been or very shortly will be published in White Papers. At 1978 prices, over the next 5 years this will involve \$223 million in capital expenditure, and an increase of \$513 million in the level of recurrent expenditure.

96 The Green Paper also recommended a voluntary contributory scheme of insurance against the risks of extended sickness, death and retirement. This proposal has been the subject of wide debate and also of tests of public opinion, and the Public Actuary's Office in United Kingdom has been consulted. A group of employers has also put forward a counter-scheme to cover the same risks. While your Government accepts the need for the coverage it has not yet reached a conclusion on what the best method of proceeding would be—given the wide measure of cover for the lower income groups already provided by Public Assistance and Disability and Old Age Allowances, and by statutory benefits under labour legislation and a significant figure already covered by the terms of their employment. It is hoped that proposals may be put to you during this session.

Medical and Health Services

97 Our Medical and Health Services are good, and the drop in the levels of communicable disease and infant mortality, and the rise in expectation of life has been extraordinary. Nevertheless the services are not perfect, and the population is not only growing, but also moving into new areas not covered by existing services. We therefore have a ten-year expansion plan. That in the 1974 White Paper has been reviewed and rolled forward each year, but not republished. After the current year's review by the Medical Development Advisory Committee up-dated plans will be made public in the same way as the Annual Review of our Social Welfare programme is published. But as an indication of where we have got to, the main objectives for 1986-87 recommended by the Medical Development Advisory Committee are:—

- (a) The number of general and specialised hospital beds to increase from 20,000 or 4.4 per thousand population now to approximately 31,800 or 6.1 per thousand.
- (b) The number of out-patient clinics to increase from 52 with 250 consulting rooms now, to 66 with 407 consulting rooms, an increase of from 5.4 consulting rooms per 100,000 population to 7.8.
- (c) An expansion of maternity and child health, family planning, immunisation and health education programmes.
- (d) The number of psychiatric beds to increase from 2,400 to 5,000, psychiatric day beds from 180 to 450, and mentally retarded beds from 260 to 700.
- (e) A new dental school to open in 1980 and a second medical school in 1981.
- (f) A new dental therapist training school is being opened this month, and two new nurses training schools are to be available by 1982.
- (g) Extensive new courses for the training of para-medical personnel have already commenced at the Polytechnic this September.
- (h) A school dental care service to be introduced in 1980.
- (i) If implemented these proposals will raise recurrent expenditure on medical and health services, at 1978 prices, from \$825 million in 1978-79 to \$1,600 million in 1986-87, and involve capital expenditure of more than \$2,200 million over the same period, including the cost of medical and para-medical teaching facilities at the two universities and the Polytechnic.

98 Your Government hopes that the proportionate increases in facilities in hospitals and clinics will relieve pressure on beds and buildings, improve the convenience and speed of medical services to the public, and facilities their administration.

Police

99 The Royal Hong Kong Police Force has increased by 48% since 1973 to 21,000 men and women including civilians, and it will increase by a further

1,000 this year, and is planning on a further increase of strength of 1,300 next year. These increases are large, but Police commitments are growing with the construction of new estates and new towns, and with the growth in population. It is clearly of the greatest importance that from the outset these new communities should have the police coverage that they all want. As an indication of the efforts the Force is making to use its new strength to increase its coverage, 97 neighbourhood police units and police reporting centres in housing estates and other areas are already in operation, 32 more are planned for completion during this financial year, and 23 next. Five new police stations are being opened this year. Next year 2 more will be completed and work will start on 4 more. In all, 21 new stations are planned for completion by 1985-86. What increase in strength will be necessary over this period it is impossible to say with precision. The high level of recruitment in recent years has been a great achievement, but the Force is now exceptionally young. This represents an opportunity and a challenge, and the quality of the new entry is high, the responsibility falling on supervising officers has been extremely heavy, and other things being equal I am sure that the need now is for a period of consolidation, and less frenetic expansion. At the moment the recurrent cost of the Force is estimated, at 1978 prices, to rise from \$600 million in 1978-79 to about \$785 million in 1983-84.

Prisons

100 Conditions in prisons have improved dramatically from the serious over-crowding of a few years ago. The numbers of prisoners have dropped, and accommodation has improved as a result of substantial new construction during the last four or five years. Nevertheless the number of long-term prisoners requiring high security is increasing. A further high security prison is therefore being built at Shek Pik, for completion in early 1981, and a further medium security prison to replace Victoria Prison is planned for completion by about 1984 on Hei Ling Chau. It will then, at last, be possible to demolish the old Victoria Prison. The Drug Addiction Centre on Hei Ling Chau is achieving excellent results in the cure of certain types of addicts, and, will accommodate 1,170 inmates. This is expected to rise to 1,440 by 1980-81 when total treatment accommodation will reach 2,250 places with an annual throughput of nearly 7,000. And so finally I come to the scarcest resource of all in Hong Kong land.

Land Production

101 It is apparent that shortage of land, and particularly shortage of land for industry and to some extent for private development could deter investment and stifle economic growth. Consequently production of land is one of the Government's highest priorities, and many of the communications projects I have described are to provide access to it.

102 Between 1978-79 and 83-84 we expect to produce an average of about 80 hectares a year for industrial use, 64 for private non-industrial use and

85 for public housing use. These figures are revised from those I gave last year and unlike them are of the land actually available for building, that is to say, net of roads, services, GIC etc.

103 These figures, which include the two industrial estates, represent a much higher flow of land onto the market than has ever been achieved before. Nevertheless it is questionable whether it will be enough and in any case there is the period after 1983-84 which must be planned for now.

104 It is becoming clear that the main additional sources of new land are likely to be the north coast of Lantau and Junk Bay. By early next year the Government's consultants on a fixed crossing to Lantau will be reporting on the best route and method and the probable costs of linking the island with the mainland, and the Government's own engineering investigations will have reached a stage at which the development potential of the island and the land production costs can be sufficiently and accurately assessed for decision to be made as to when and how development could start. The earliest time when a bridge could be completed is mid-1984, although substantial areas of land would probably be formed for use by the time the bridge was opened. But it would also be necessary to start land production projects in other areas to bridge the shortfalls of the early eighties. Of these the most important is Junk Bay. This area would provide for a new satellite town of some 200,000 people with about 72 net hectares of new industrial land and the provision of proper access and water supplies would also allow about 35 hectares of existing industrial land to be better utilised. It is proposed to seek the approval of the Public Works Sub-Committee to start work on the infrastructure in the coming year. At the same time approval will be sought to start development of an extension to Sha Tin New Town along the eastern side of the cove to Wu Kwai Sha which should provide land for about 22 and 47 net hectares of land for industry and private housing respectively in addition to public use. The release of the Communications Station of Little Sai Wan will make available about 30 hectares of additional industrial recreational and institutional land, and the Government is aiming to have this area formed and available as soon as possible after its release at the end of 1982.

105 These figures of land production may seem small, but in our geographical circumstances they are very large and represent a very major engineering commitment, and will require careful phasing for financial and practical reasons.

CONCLUSION

106 Honourable Members, I have sketched these plans in broad terms and Secretaries or Heads of Departments later in the debate will be elaborating on them, paying particular attention to plans to be finalised this year. My object has been indicative.

107 During the 70s, which are now drawing to a close, an immense amount has been achieved; whether in economic, financial, social or cultural terms, the progress is there for all to see. It is progress in which all of the people of Hong Kong as well as the public services have played a part; from those in positions of political power, to workers in factories and on construction sites; from Executive and Legislative Councils to Kaifongs and Mutual Aid Committees. Newspapers, television and radio have all made their contribution. Progress of this speed and width of front is only possible if a community is acting in broad agreement about what is needed and where it wants to go.

108 The plans I have described, together with the many other Government programmes already in train, involve an average increase in expenditure over the next six years similar to that over the last. They assume therefore an average growth rate of the economy similar to that of the last six years, that is to say, about 9% per annum in real terms. On this basis these plans should be achievable at constant tax rates. I would add that the need for flexibility and adaptability in the design and implementation of our programmes in changing circumstances is of course well understood.

109 Our plans are designed to continue the progress of the 70s and, by the mid-80s, to have lifted the life of Hong Kong on to a plateau on which the same sort of massive effort of change will no longer be necessary, although naturally human aspiration has no limit. With new towns and new land in which to develop, with the crowded insanitary and insecure conditions of the past behind us, the universal opportunities for education to sustain our ability to grasp what the future offers, and with facilities for a cultural and recreational life unknown ten years ago Hong Kong will be able to take its rightful place in the region with its head held high.

110 China is poised for a period of rapid modernisation; the Western Pacific Basin and South-East Asia is one of the fastest growth areas in the world. In the middle of this ferment of activity is Hong Kong with its magnificent communications, all the modern facilities required by international commerce and finance, dynamic and evolving industries, a large market in its own right, and a convenient platform from which other markets can be worked, a stable Government, and it is, and will be even more so in six years' time, a Hong Kong which has been re-built, re-located and re-generated. With the goodwill of China and support of the United Kingdom, surely its prospects are bright.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30pm on Wednesday the 18. of October.

Adjourned accordingly at five minutes past four o'clock.