

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 11 April 1979****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 JACK CATER, KBE, 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 ALAN JAMES SCOTT, JP  
SECRETARY FOR HOUSING

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

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

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

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, CBE, JP

THE HONOURABLE JOHN HENRY BREMRIDGE, OBE, JP

DR THE HONOURABLE HARRY FANG SIN-YANG, OBE, JP

THE HONOURABLE FRANCIS YUAN-HAO TIEN, OBE, JP

THE HONOURABLE ALEX WU SHU-CHIH, OBE, JP

THE REV. THE HONOURABLE JOYCE MARY BENNETT, OBE, JP

THE HONOURABLE CHEN SHOU-LUM, OBE, JP

THE HONOURABLE LYDIA DUNN, OBE, JP

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

THE HONOURABLE LEUNG TAT-SHING, JP

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

THE HONOURABLE PETER C. WONG, 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 DAVID GREGORY JEAFFRESON, JP  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE LO TAK-SHING, OBE, JP

**IN ATTENDANCE**

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

**Papers**

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

<i>Subject</i>	<i>LN No</i>
Subsidiary Legislation:	
Buildings Ordinance.	
Building (Lifts) (Amendment) Regulations 1979 .....	83
Immigration Ordinance.	
Immigration (Amendment) Regulations 1979.....	84
Waterworks Ordinance.	
Waterworks (Amendment) Regulations 1979 .....	85
Summary Offences Ordinance.	
Summary Offences Ordinance (Exemption from Section 13) Order 1979...	86
Fugitive Offenders Act 1967.	
Fugitive Offenders (Designated Commonwealth Countries) (Amendment) Order 1979 .....	87
Metrication Ordinance.	
Metrication Amendments (Public Health and Urban Services Ordinance) Order 1979 .....	89
Control of Publications Consolidation Ordinance.	
News Agencies Registration (Amendment) Regulations 1978 (Commencement) Notice 1979 .....	90
Control of Publications Consolidation Ordinance.	
Newspapers Registration and Distribution (Amendment) Regulations 1978 (Commencement) Notice 1979 .....	91
Interpretation and General Clauses Ordinance.	
Specification of Public Office.....	92
Public Revenue Protection Ordinance.	
Public Revenue Protection (Business Registration) Order 1979.....	93
Public Omnibus Services Ordinance.	
Schedule of Routes (New Lantao Bus Company) Order 1979.....	94

<i>Subject</i>	<i>LN No</i>
Shipping and Port Control Ordinance 1978.	
Shipping and Port Control Regulations 1978 (Amendment of Eighth and Tenth Schedules) Notice 1979 .....	95
Road Traffic Ordinance.	
Road Traffic (Driving Licences) (Amendment) Regulations 1976 (Commencement) Notice 1979 .....	96
Inland Revenue Ordinance.	
Inland Revenue (Interest Tax) (Exemption) (Amendment) (No 3) Notice 1979 .....	97
Sessional Paper 1978-79:	
No 48—Supplementary Provisions for the quarter ended 30 September 1978 (published on 11.4.1979).	

## **Government Business**

### **Motion (in Committee)**

#### **Supplementary provisions for the Quarter ended 30 September 1978**

Council went into Committee pursuant to Standing Order 58(2), to consider the motion standing in the name of the Financial Secretary.

THE FINANCIAL SECRETARY moved the following motion:—That this Council approves the supplementary provisions for the quarter ended 30 September 1978 as set out in Paper No 48.

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

The schedule of supplementary provision for the second quarter of the financial year 1978-79, that is for the period 1 July to 30 September 1978, covers a total amount of \$391 million. Of this sum, Public Works Non-Recurrent accounts for almost \$368 million and is required mainly as a result of more rapid progress on a number of existing projects and the upgrading of 15 projects to Category A of the Public Works Programme.

The supplementary provision covered by the schedule will not result in a net increase of expenditure for the year, as offsetting savings have been found under other subheads of expenditure, or by the freezing of funds under Head 52 Miscellaneous Services Subhead 100 Additional commitments.

The Finance Committee has approved all items in the schedule and the purpose of this motion is to seek the covering authority of this Council.

Sir, I beg to move.

*Question put and agreed to.*

Council then resumed.

THE FINANCIAL SECRETARY reported that the motion had been agreed to in committee without amendment.

*Question agreed by the whole Council pursuant to Standing Order 58(4).*

### **First reading of bills**

**EXCHANGE FUND (AMENDMENT) BILL 1979**

**BANKING (AMENDMENT) BILL 1979**

**DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL 1979**

**CRIMINAL PROCEDURE (AMENDMENT) (NO. 2) BILL 1979**

**BANKRUPTCY (AMENDMENT) BILL 1979**

**CRIMES (AMENDMENT) BILL 1979**

**AUXILIARY FORCES PAY AND ALLOWANCES (AMENDMENT) BILL 1979**

**BUILDINGS (AMENDMENT) BILL 1979**

**EMPLOYMENT (AMENDMENT) (NO 2) BILL 1979**

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

### **Second reading of bills**

**EXCHANGE FUND (AMENDMENT) BILL 1979**

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Exchange Fund Ordinance.’

He said:—Sir, in paragraphs 241-263 of my budget speech I dwelt at some length on the reasons for, and the consequences of, the accumulation by the Government of very substantial balances in Hong Kong dollars with our bankers in Hong Kong. I do not propose to rehearse today all that I said on 28 February, but I shall recall the salient points.

At the end of December last the Hong Kong dollar balances held by the Exchange Fund and the Treasury amounted to \$5,800 million. By the end of February this year, they had risen to \$6,100 million, and by March next year they could possibly be as high as \$9,000 million. The balances are as large as this because, under a floating rate regime, there are, inevitably, periods of time when we are unable to convert accruals to our Hong Kong dollar balance into foreign currencies through the medium of the exchange market.

In those circumstances, the Government has an obligation to limit the contribution to the growth of loans and advances by the banking system which is formed by the very substantial balances it is involuntarily accumulating.

So this Bill will require banks holding balances from the Exchange Fund on demand, at call and at short notice to hold specified liquid assets equivalent to 100% of those balances. At present, liquid assets have to be held against these balances to a minimum of only 25%: up to 75% is, therefore, available to be lent to the non-bank public, or to be invested with no liquidity restraint. In other words, this Bill will impose a certain additional constraint on the banks concerned. Against time deposits in the name of the Exchange Fund the minimum liquidity requirement will remain at its present level of 25%.

Mr Charles YEUNG referred, in his speech in the budget debate on 29 March, to an apparent loophole in the proposal as outlined in my budget speech, which this Bill is designed to implement: he suggested that the Bill would not, in fact, achieve its purpose of limiting the extent to which the Government's Hong Kong dollar balances form a base for the creation of credit. I hope you will permit me, Sir, to reply to him on this rather technical point today rather than tomorrow when I wind up the budget debate.

Mr YEUNG believes that this measure will fail because, when the banks holding Exchange Fund balances have to acquire additional liquid assets, they will do so by lending through the interbank market to foreign banks in Hong Kong who will on-lend to non-bank customers and, in order to obtain the liquid assets they have to hold against their inter-bank borrowings, they will enter into 'window-dressing' transactions with their head offices overseas. He apparently believes that there is no limit to such 'window-dressing' transactions and that, therefore, this measure will fail to constrain the credit creation base of the banking system.

I do not believe that Mr YEUNG is right, for two reasons. *First*, and most important, I have a high regard for the banks with whom the Exchange

Fund holds its balances. They know and understand exactly what the purpose of this measure is, and I do not believe that they will behave in any way which might frustrate its purpose.

*Secondly*, there is no apparent need for the banking system as a whole to take steps to circumvent the new requirement in the way suggested by Mr YEUNG. Based on the maturity pattern of the Fund's deposit at the end of February, the implementation at that time of this proposal would have increased the liquid assets requirement of the banking system as a whole by some \$500 million. If all the Fund's balances had been at call or short notice, the requirement would have been increased by a further \$2,500 million. If all the Treasury's balances had been transferred to call or short notice deposits in the name of the Exchange Fund, the liquid assets requirement would have gone up by another \$1,700 million. So the maximum potential extra liquid assets requirement generated by this measure would be some \$4,700 million. This is relatively small in relation to the banking system as a whole. The average level in February of banks' total deposit liabilities (excluding interbank borrowings) was \$68,851 million, and their liquid assets (after deducting their 100% cover on inter-bank borrowings) were \$31,366 million, or 45.6% of their deposit liabilities. Thus, over the statutory minimum liquidity requirement, which at 25% amounted to \$17,213 million, banks had excess liquidity of \$14,153 million, or three times as much as the maximum potential impact of this proposal ( $3 \times \$4,700 \text{ million} = \$14,100 \text{ million!}$ ).

I accept, of course, that the figures I have just quoted relate to the banking system as a whole. In relation to the banks holding the Exchange Fund's deposits, the potential impact of this proposal will be much larger. But I can assure Mr YEUNG that, when this measure is in force, and particularly before we take any steps deliberately to increase its impact by shortening the maturity pattern of the Fund's deposits, we shall ensure, through our regular consultations with the banks concerned, that that impact will not be nullified through the market place.

Perhaps I might be permitted, Sir, to make one final comment on Mr YEUNG's speech. He described transactions between foreign banks in Hong Kong and their head offices overseas as 'window-dressing'. I do not believe that that description is justified. In relation to company balance sheets the phrase 'window-dressing' means to me operations which are designed to make a company's position seem much better than it really is. So all the operations and devices used for that purpose are completely artificial, and very well hidden. But in the Hong Kong banking system, the holding of liquidity in the form of a deposit with a bank overseas is a normal and quite legitimate procedure. The amount of such liquidity, and in particular the amount of any deposits at the head office overseas of a foreign bank in Hong Kong, is reported each month to the Commissioner of Banking: he satisfies himself that those deposits are genuinely at the disposal of the branch in Hong Kong in case of need—which is, after all, what liquid assets are designed for.

After that digression, Sir, I come back to the Bill now before Honourable Members. Clause 1 states that the Ordinance will come into force on 1 May next, rather than 27 April which would be the usual date. This is because the liquidity requirements observed by banks are calculated throughout each calendar month, and not just at the end of each month, so any alterations to the requirements should be effective from the start of a month.

Clause 2 of the Bill amends the long title of the Exchange Fund Ordinance, which does not at present adequately describe the purpose of this proposed measure.

Clause 3 of the Bill adds a new section 4A to the Exchange Fund Ordinance. The new section provides that balances held for the account of the Exchange Fund by a bank in Hong Kong on demand, at call or at short notice shall, for the purposes of sub-sections (2A) and (3) of section 18 of the Banking Ordinance, be treated as if they were balances due to another bank; and that those balances shall be excluded from the deposit liabilities (calculated under section 18(5)(a) of the Banking Ordinance) of the banks with which they are held.

This Bill will not cause any increase in Government expenditure. It may, however, lead to some reduction in the earnings of the Exchange Fund, if the impact of the new liquidity requirement has to be strengthened by shortening the present maturity pattern of the Fund's deposits, because we can normally expect to earn a lower rate of interest on the Fund's short-term deposits than we can on its long-term (time) deposits. But, as I explained in the budget speech, I regard this as completely consistent with the Fund's statutory purpose, which is '(to regulate) the exchange value of the currency of Hong Kong'. It is quite in order for the Fund to forego some earnings on its Hong Kong dollar balances, if the increase in those balances was caused by our desire not to disturb the exchange value of the Hong Kong dollar.

That desire, Sir, is a consequence—yet another consequence—of the floating exchange rate regime under which we now live; and this Bill is, I believe, another timely move to adapt ourselves to that regime.

*Motion made. That the debate on the second reading of the Bill be adjourned—*THE FINANCIAL SECRETARY.

*Question put and agreed to.*

## **BANKING (AMENDMENT) BILL 1979**

THE FINANCIAL SECRETARY moved the second reading of:—'A bill to amend the Banking Ordinance.'



He said:—Sir, in paragraphs 259-261 of this year's budget speech I discussed the possibility of increasing the minimum liquidity ratios which have to be observed by all licensed banks, as a means of directly influencing the supply of credit in Hong Kong.

The minimum liquidity ratios currently set by sections 18(2) and 18(3) of the Banking Ordinance, which have been unchanged since 1964, are 25% in respect of 'liquid assets', three fifths of which (15%) must be kept in what are termed 'super liquid assets'. I did not say that I intended to increase these ratios: I merely described the possibility of so doing as a constraint which lay ready to hand and which could be, and certainly would be, used in appropriate circumstances.

The Attorney General subsequently advised me that my power to raise or lower the minimum liquidity ratios for banks could not be used in pursuit of monetary policy, since that power had been granted in the context of prudential supervision of the banking system and of individual banks.

Accordingly, the Bill before Honourable Members today is designed to make it clear that either or both of these minimum liquidity ratios may be varied for the purposes of monetary policy. I deliberately used the word 'varied' because, just as there might well be circumstances when the ratios should be increased, so there might be other circumstances when they should be reduced. I shall, therefore, be able to do so under the provisions of this Bill. Equally, of course, if ever the ratios were to be increased for monetary policy purposes, powers must be available subsequently to bring them back to their original levels.

An increase in the minimum liquidity ratios for the purposes of monetary policy neither would be a totally effective measure, as I pointed out in my budget speech, nor would it be particularly equitable as between groups of banks. This is because it is relatively simple for a bank in Hong Kong, and especially a foreign bank, to acquire any liquidity it needs through a transaction with its head office or a branch overseas.

As I said, Sir, few minutes ago, this is a normal and quite legitimate transaction, which provides to a bank in Hong Kong the liquid assets which it must hold in case of need. So, from the point of view of the prudential supervision and control of banks—and that is, of course, the primary purpose of these liquidity ratios—I have no concern about this type of transaction.

From the point of view of monetary policy I certainly accept—and I said as much in my budget speech—that an increase in the ratios would be less than ideally effective in neutralizing and excess liquidity in the banking system. It would also discriminate between groups of bank, inasmuch as it would be easier (and possibly less costly) for foreign banks in Hong Kong to replace any liquidity taken up by an increase in the ratios than it would be for locally-incorporated banks. Nonetheless, I believe that an increase in the ratios could be, in appropriate circumstances, a helpful measure to deploy.

In the meantime, let me assure Honourable Members that we are continuing to examine other measures to influence the growth rates of the money supply and bank credit. We have not yet identified any measure which would be wholly satisfactory in Hong Kong's particular circumstances; and I am far from convinced that it would be right to introduce any form of *direct* constraint.

But we would be at fault if we had no contingency measure immediately to hand. The purpose of this Bill is to provide us with such a measure, no more and no less.

So clause 2 alters the long title to the Banking Ordinance, since it does not at present cover the use of the provisions of the Ordinance for monetary policy purposes.

Clause 3 adds a new section (section 18A) to the principal Ordinance, to permit the Financial Secretary, in pursuance of the Government's monetary policy, to raise or reduce the minimum liquidity ratios which all banks have to maintain under sections 18(2) and 18(3) of the Ordinance. This will be done by order published in the *Gazette*.

If ever I were to make use of this power, I would give the banking community a reasonable period of notice, so that they could take the necessary steps to adjust their asset structure.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE FINANCIAL SECRETARY.

*Question put and agreed to.*

## **DEPOSIT-TAKING COMPANIES (AMENDMENT) BILL 1979**

THE FINANCIAL SECRETARY moved the second reading of:—‘A bill to amend the Deposit-taking Companies Ordinance.’

He said:—This Bill, Sir, directly, complements the Banking (Amendment) Bill on which I just spoke a few minutes ago: it is designed to enable the Financial Secretary to vary, for the purposes of monetary policy, the minimum liquidity ratios to be observed by deposit-taking companies. I cannot easily envisage any circumstances in which I might wish to vary the ratios for these companies, but not for banks, and the same, of course, applies in reverse.

Clause 1 of the Bill states that the Bill shall come into operation on the same day as section 9 of the Deposit-taking Companies (Amendment) Ordinance 1978. This is because minimum liquidity ratios have not yet been set for these companies. Section 24A of the Deposit-taking Companies Ordinance, governing liquidity ratios, is contained in section 9 of the Deposit-taking

Companies (Amendment) Ordinance 1978 and will be brought into operation on a day to be appointed by you, Sir. That will be done as soon as we have completed our examination of the size and nature of the business undertaken by deposit-taking companies, using the monthly returns which these companies have been submitting since December last year. As soon as section 9 is brought into operation, which I hope will be no later than the summer of this year, I shall specify the minimum ratios which are to be observed by deposit-taking companies. Thereafter, under the powers set out in this Bill, the Financial Secretary will be able to vary the ratios for the purposes of monetary policy. Section 24A already contains (in sub-section 8) a provision enabling me to vary the ratios in respect of any particular deposit-taking company, but that power may only be used for the purposes of prudential supervision and control.

Clause 2 of the Bill amends the long title to the Deposit-taking Companies Ordinance, since that does not at present cover the use of the provisions of the Ordinance for monetary policy purposes.

Clause 3 adds a new section (section 24B) to the principal Ordinance, to permit the Financial Secretary, in pursuance of the Government's monetary policy, to raise or reduce the minimum liquidity ratios which all deposit-taking companies will have to maintain under section 24A(2) and 24A(4) of the Ordinance. This will be done by an order published in the *Gazette*.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE FINANCIAL SECRETARY.

*Question put and agreed to.*

### **CRIMINAL PROCEDURE (AMENDMENT) (NO 2) BILL 1979**

THE ATTORNEY GENERAL moved the second reading of:—‘A bill to amend the Criminal Procedure Ordinance and to make consequential amendments to the Supreme Court Ordinance.’

He said:—Sir, I can only say that I sometimes wish that the order of precedence did not mean that I have to follow one of the Financial Secretary's more scintillating speeches with a more turgid measure.

The Bill proposes amendments to the Criminal Procedure Ordinance in three respects. They are:

Firstly, some changes in the provisions relating to review of sentence.

Secondly, the introduction of provisions enabling the Attorney General to refer questions of law to the Court of Appeal following an acquittal.

Thirdly, the introduction of the concept of criminal bankruptcy.

Sir, Members will recall that in May 1978 the provisions of the Criminal Procedure Ordinance relating to reviews of sentence, which until then had

existed on a temporary basis, were made part of the permanent law. I had previously been considering what changes in the procedure might be desirable and this examination was pushed forward once the law had been made permanent. This Bill contains the proposals which I recommend. They are these—

Firstly, as the law stands, the Attorney General may not seek a review of sentence where a defendant is put on probation without the recording of a conviction. This is an anomalous exception from the cases in which a review of sentence may now be sought. Clauses 3 and 4(*d*) will make the necessary changes. Their effect is that ‘sentence’ in the context of reviews of sentence will in future include any order whatsoever made by a court in dealing with an offender.

Secondly, an application by the Attorney General for leave to apply for a review of sentence, and the application for review where leave is granted, must now be accompanied by the record of the proceedings in the case. Experience has shown that the Court of Appeal does not need the whole record and simpler supporting documents are now proposed—not least because the preparation of a transcript of the whole record is sometimes a time consuming and expensive procedure. The new sub-section (2A) to be inserted in section 81A of the Criminal Procedure Ordinance by clause 4(*c*) of this Bill sets out the supporting documents which will be required in future.

Thirdly, clause 4(*b*) extends from 14 to 21 days the period after a sentence is passed within which the Attorney General must apply for a review of sentence. Experience has shown that in many cases it is just not possible to lodge the application within 14 days and it has frequently been necessary to seek an extension of time. However, Members will wish to know that cases in which an application for a review of sentence may be made are considered expeditiously and will continue to be. The fact is that 14 days is an unreasonably short time limit. A related proposal, designed to avoid delay in review cases, is contained in the new sub-section (2B) of section 81A proposed by clause 4(*c*). It is intended to ensure that the supporting documents, which are supplied by the courts, are supplied quickly.

Fourthly, clause 5 introduces a new sub-section (2A) into section 81B of the Criminal Procedure Ordinance so as to specify cases in which the Court of Appeal may hear an application for a review of sentence notwithstanding the absence of the respondent. These are where the respondent has been served with notice of the proceedings but does not appear and where he has not been served with such notice because he cannot be found or is outside Hong Kong. The latter case, Sir, may strike Members as unusual in the criminal law field because a man’s freedom may be affected even though he has no notice of what is happening. I put this proposal

forward on the basis that it is permissive only, and could meet a rare case where immediate action was necessary in the face of serious public concern despite the inability of the Crown to notify a respondent. The Chief Justice, who originally supported the proposal, has now asked me to say that he does not think that it should be taken further.

Fifthly, Sir, an appeal by a convicted man to the Court of Appeal against either conviction or sentence by the High Court or the District Court is now a complete bar to a review of sentence by the Court of Appeal unless the appeal is withdrawn. This is quite anomalous, especially in the case of an appeal against conviction which is dismissed. It is proposed by clause 6 that an appeal against conviction should bar a review of sentence only while the appeal is still pending. Thus, in future once an appeal against conviction is withdrawn or disposed of by dismissal, the Court of Appeal will be able to hear an application for a review of sentence. An appeal against sentence will cease to bar a review of sentence at the instance of the Attorney General. In future, if a convicted man appeals against sentence and the Attorney General seeks a review of the sentence, the two applications will be heard together. This will put the Attorney General in a stronger position in appropriate cases than he is traditionally in when merely opposing an appeal against sentence.

Sixthly, clause 8 will enable a single judge of the Court of Appeal to remand a convicted man in custody pending the hearing for an application for a review of sentence.

Sir, the second main change proposed by this Bill is a provision enabling the Attorney General to refer to the Court of Appeal a point of law which arises during the trial before the High Court or the District Court of a man who is acquitted. However, it is not proposed that the outcome of the proceedings on such a reference should affect the acquittal. Thus, the acquittal will stand notwithstanding that the trial judge's ruling on the point of law is reversed by the Court of Appeal. Members may wonder about the usefulness of the provision in these circumstances. The answer is that from time to time an incorrect ruling on a point of law in a case where the defendant is acquitted may acquire an authority which it does not deserve, and may be followed in further cases, simply because there is no way at present in which it can be tested. An acquitted defendant is guaranteed his costs if he chooses to appear on a reference under the new provision.

The third main change, Sir, is the introduction of provision for the making of criminal bankruptcy orders. In putting this proposal forward, I cannot do better than quote the words of the late Mr MAUDLING when as Home Secretary he introduced into the House of Commons the law on which our provision is modelled. He said this—

‘A particular feature of the Bill, that is, Sir, the Bill he was then introducing is the proposal of criminal bankruptcy, which again arises from

a recommendation of Lord Widgery's Committee and in turn owes a great deal to an earlier suggestion of the Law Society. This is in the nature of an experiment. It is designed to ensure that criminals who commit largescale crimes, especially fraud, should not be able to benefit from the fruits of their criminal activity. This provision will not be easy to enforce. It will involve a good deal of effort, particularly by the Director of Public Prosecutions, and possibly more staff. That is why we think it right, at any rate in the first instance, to limit it to substantial frauds. The figure that we have suggested is £ 15,000. The purpose of the proposal is that the court should be able to make a criminal bankruptcy order, as a result of which the Official Petitioner, who will in practice be the Director of Public Prosecutions, will then be able to proceed in the normal way of bankruptcy proceedings by presenting a petition and ensuring that compensation through the bankruptcy is paid to the victims of the crime, who will be named in the criminal bankruptcy order.'

After emphasizing, Sir, that the proposal was in the nature of an experiment, Mr MAUDLING said, 'If it is successful, it will provide for many people a feeling of a new measure of justice. There is still a good deal of suspicion, some of it justified, that people can get away with things by spending a short time in prison and afterwards retiring to live gracefully on the proceeds of their crime.'

Success for the criminal bankruptcy scheme cannot unfortunately yet be claimed in England. Between April 1973 and March 1977 (the latest date to which I have figures), 135 orders were made there, but recovery of monies on behalf of creditors was rather sparse. Nevertheless, I think it worth introducing the provisions here. A comparable minimum amount of loss or damage is proposed—namely HK\$150,000—before a court may make a criminal bankruptcy order. In Hong Kong the Official Petitioner's functions will be performed by the Attorney General.

So much, Sir, for an intriguing group of proposals.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE ATTORNEY GENERAL.

*Question put and agreed to.*

## **BANKRUPTCY (AMENDMENT) BILL 1979**

THE ATTORNEY GENERAL moved the second reading of:—'A bill to amend the Bankruptcy Ordinance.'

He said:—Sir, I have just been speaking about a proposal to introduce into the Criminal Procedure Ordinance provision for the making of criminal bankruptcy orders. This Bill makes the amendments to the Bankruptcy

Ordinance which are necessary to enable the criminal bankruptcy scheme to be implemented.

The Explanatory Memorandum to the Bill adequately summarizes the proposals and there is nothing that I need add.

Sir, Members will have noticed the statement in the Explanatory Memorandum that the Bill has no significant financial or staffing implications. Further consideration has led to the conclusion that that may not be an adequate indication of the position. It is therefore important that I should say now that it could be, and I put the matter no higher, that the Registrar General who will have the major functional role under the scheme will require some additional staff. Whether he does or not will depend entirely on the use which the courts make of the power to make criminal bankruptcy orders. This in turn depends on the number of cases which at any time come before the courts of the class in which such orders may be made.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE ATTORNEY GENERAL.

*Question put and agreed to.*

## **CRIMES (AMENDMENT) BILL 1979**

THE ATTORNEY GENERAL moved the second reading of:—‘A bill to amend the Crimes Ordinance.’

He said:—Sir, Members will recall the amendments made in 1978 to the Crimes Ordinance to restrict cross-examination about previous sexual history of complainants in rape cases and to offer to such complainants a degree of anonymity in the sense of protection from identification in the press and on radio or television once a person is accused, within the meaning of the provisions, of a rape offence.

This Bill proposes that those provisions should apply also in cases where the charge is one of indecent assault. It is put forward in response to representations from members of the community.

The step now proposed was not taken in 1978 simply because we followed the corresponding English provisions which are limited to rape offences. I now consider that there is no sound reason for distinguishing in this respect between rape and the lesser sexual offence of indecent assault.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE ATTORNEY GENERAL.

*Question put and agreed to.*

**AUXILIARY FORCES PAY AND ALLOWANCES (AMENDMENT) BILL 1979**

THE SECRETARY FOR SECURITY moved the second reading of:—‘A bill to amend the Auxiliary Forces Pay and Allowances Ordinance.’

He said:—The reasons for this Bill are set out in the explanatory memorandum. The changes are designed to facilitate administratively the implementation of future adjustments in pay and allowances in the Auxiliary Forces. I commend them to Council.

Although, Sir, we have one Honorary Colonel, a Commissioner and a Unit Controller in our midst we devote very little time to the affairs of the Royal Hong Kong Regiment (The Volunteers), the Royal Hong Kong Auxiliary Police Force, the Royal Hong Kong Auxiliary Air Force, the Auxiliary Medical Service and the Civil Aid Service.

These Services are staffed almost entirely by volunteers from the community. They comprise about 13,000 officers, women and men who give part of their leisure to perform services to the community. Their duties are multifarious. They extend from mountain rescue to staffing refugee camps; from assisting in methadone maintenance clinics to patrolling on the border and in the streets; to carrying VIPs and even pigs. (*laughter*)

It so happens that this year is the 125th anniversary of the raising of the Regiment. The Auxiliary Police have been on the beat for many years. This year has also seen the presentation of a Standard to the Auxiliary Air Force by His Royal Highness the Prince of Wales for its distinguished record, whilst the Auxiliary Medical Service is 29 years old and the Civil Aid Service is in its 27th year of service to the community.

These Forces have contributed much to the capacity of the Administration to respond in times of peace and war, to disaster and to the relief of suffering. In moving the second reading of this Bill I give public recognition to them.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE SECRETARY FOR SECURITY.

*Question put and agreed to.*

**BUILDINGS (AMENDMENT) BILL 1979**

THE DIRECTOR OF PUBLIC WORKS moved the second reading of:—‘A bill to amend the Buildings Ordinance.’

He said:—Sir, clause 2 of the Bill amends section 38(4) of the principal Ordinance so as to increase the maximum penalty which may be prescribed



in the Regulations made under the Ordinance for contraventions of these Regulations.

Clause 3 amends section 40 of the principal Ordinance so as to increase penalties for contraventions of the Ordinance to reflect the seriousness of the offence and to provide for a continuing daily fine in respect of some contraventions during the period in which the offence continues.

The maximum penalty in respect of six of the most serious offences are increased to a fine of \$250,000 and imprisonment for three years and these cover situations where substantial building works are deliberately carried out in defiance of the law and which could result in danger to life or property.

A substantial fine of \$100,000 and two years' imprisonment with a continuing daily fine of \$5,000 may be imposed where building works are commenced without notice to and consent from the Building Authority or where a building is occupied without a permit.

A further group of offences which would stem from failure to comply with orders made by the Building Authority under various sections of the principal Ordinance, with possible ill effects on the safety, health or environment of other people, could result in a fine of \$50,000 and one year's imprisonment with a daily fine of \$5,000 in respect of continuing failure, with a similar maximum fine and custodial sentence for interference with shoring or obstructing entry by an authorized person in connection with shoring works.

There are two other groups of lesser offences for which the penalties have been increased to \$10,000 and six months' imprisonment and \$5,000 and six months respectively.

Clause 3 in subsection (d) also makes it an offence for any person, and not only for an authorized person, a registered structural engineer or a registered contractor as hitherto, to permit or carry out building works which result or could result in an injury to any person or damage to any property.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE DIRECTOR OF PUBLIC WORKS.

*Question put and agreed to.*

## **EMPLOYMENT (AMENDMENT) (NO 2) BILL 1979**

THE COMMISSIONER FOR LABOUR moved the second reading of:—‘A bill to amend the Employment Ordinance.’

He said:—Sir, when the Employment Ordinance was enacted in September 1968, its provisions were applied to all manual workers and to those employed in non-manual work whose wages did not exceed fifteen hundred dollars a month.

In March 1974, an amendment bill was introduced into this Council to raise the ceiling to two thousand dollars a month because both wages and the cost of living had increased substantially since 1968. For the same reasons, a revision of the wages ceiling is now considerably overdue.

Between the September 1973 nominal wage index figure on which the changes in 1974 were based and the September 1978 figure, the nominal industrial wage index has risen from 99 to 156. an increase of just under 60%, and the wage index including fringe benefits rose slightly more. There is no separate wage index reflecting changes in non-industrial wages. It would however be reasonable to assume that with the strong surge in wages over the last two to three years, the fact that wages have reflected very much more than the cost of living increases over the period, that an increase in the ceiling for non-manual workers would need to be about 60% in order to ensure that broadly the category of non-manual workers protected by the Ordinance in 1974 were covered by it again in 1979.

It could well be argued that this wage ceiling for non-manual workers which was based originally on the concept that such employees were better able to protect themselves than manual workers, is now rather anachronistic. On the whole I agree with this line, and feel that in these days the protection and most of the benefits of the Employment Ordinance should be available to all employees without distinction. Notwithstanding the fact that better paid non-manual workers normally have superior benefits to the minima laid down in the Ordinance, there are areas of employment in the traditional sector and some service industries who receive little protection and few benefits.

I had hoped to bring rather wider proposals to this Council including possibly the removal of the ceiling for non-manual workers for most if not all parts of the Employment Ordinance. However after consulting extensively the Labour Advisory Board on a number of alternative possibilities, it was not possible, after considerable efforts by the Board, to reach agreement on the matter. I am grateful nonetheless for their efforts.

I would therefore regard the present proposal as something of an interim arrangement to prevent further erosion of the position of lower paid non- manual workers. About 60% on the present figure would suggest a ceiling of the order of \$3,200 per month. However in view of the fact that we are only dealing with September 1978 figures and that it will perhaps be a year to eighteen months before I can bring more definitive changes forward, I am suggesting the figure of \$3,500 per month to hold the position for the time needed for further review and consultation.

I shall therefore be reviewing the position further in the light of recommendations made in respect of the position of non-manual workers in the Workmen's Compensation Ordinance, and more detailed studies that need to be made of the effect of removing the ceiling in the Employment Ordinance on the higher paid non-manual employees including the senior executive category in order, if possible, to allay employers' fears of its effects.

*Motion made. That the debate on the second reading of the Bill be adjourned*—THE COMMISSIONER FOR LABOUR.

*Question put and agreed to.*

## **APPROPRIATION BILL 1979**

### **Resumption of debate on second reading (29 March 1979)**

*Question proposed.*

SECRETARY FOR SOCIAL SERVICES:—Sir, while concern over the economy and the flood of immigrants and refugees have rightly dominated Unofficial Members' speeches in this debate, the fact that there are relatively few points on the social services for my official colleagues and I to answer, may, perhaps, also be an indication of their recognition that our development plans are rolling forward as envisaged.

Of course, there is no room for complacency as our approved plans alone call for incessant efforts in the years ahead to make up currently identified shortfalls. On top of this I expect the Social Welfare White Paper to be published shortly—possibly before the end of this month—and thus add to our approved targets. Furthermore, the rising expectations of our people require increasing endeavours to improve on both our performance and standards.

Mr TIEN has forcefully reminded us that it has been a year since the Training Council made its recommendations on industry-wide training schemes supported by a general levy. Mr CHEUNG and Mr LEE have expressed their support of this proposal, while Mr CHEN has urged Government to invest more in manpower training, with particular emphasis on practical training of technical manpower.

Mr CHEUNG has even suggested that Government is dragging its feet. This I must emphatically refute. It is common ground that the various technical training schemes are necessary. However, it is the proposed method of their financing through a general levy on imports, exports and re-exports which requires careful consideration, both as regards its equity to trade and industry as well as the practical aspects of its administration.

As Your Excellency has appointed an Advisory Committee on Diversification to look at all aspects of that matter, the development of skilled manpower is, obviously, one of the important issues it must study. This Committee must also consider the continuing validity of the current demarcation between Government responsibility for technical education and industry's responsibility for technical training, particularly whether this will militate against the development of new high technology industries in Hong Kong. Accordingly, any firm decision on the Training Council's recommendation before the Advisory Committee on Diversification has reviewed the relevant issues from its particular standpoint will be inappropriate. However, the Financial Secretary has already stated that the Advisory Committee on Diversification should be completing its Report by this Autumn, and I would ask Mr TIEN and his colleagues on the Training Council to bear with us a little longer.

Dr HO has raised the question of the need for some form of retirement benefit in Hong Kong. The Green Paper on Social Security which was published in November 1977 contained proposals for a contributory scheme which would provide cover against the risks of extended periods of sickness or injury, death and retirement. These proposals stimulated a lively debate including suggestions for alternative methods of achieving the same ends. The Government recognizes the desirability of providing some form of cover for these risks; but has not yet reached a conclusion on the best way of doing so.

Meanwhile, as Dr HO has pointed out, there is already a wide coverage provided by the Public Assistance and Special Needs Allowance schemes. Public Assistance is means-tested, but old age and disability allowances are paid to all who qualify, regardless of their other income. One of the major problems connected with introducing any form of contributory system would be the need to ensure that it was compatible with these existing schemes. Another relevant factor is the apparent lack of public interest in insurance: by reference to a survey by the Home Affairs Department, in conjunction with the University of Hong Kong, covering 2089 employees in December 1977 and January 1978, only 4.2% had life insurance policies, 1.5% bought medical insurance and 1% sickness insurance. So it would seem to be a matter for conjecture as to the degree of actual support any contributory scheme would receive, though it would appear that such support would be dependent on the benefits likely to be available and on the information about it getting through to the individual worker. Nevertheless, I hope it will be possible to make some announcement of Government's intentions later this year.

Miss BENNETT and Dr HO also discussed at some length the need for a new look at the methods by which public funds are made available to voluntary organizations in the social welfare field, through the subvention system.

The Government has been conscious for some time that the discretionary grant arrangements, which have hitherto been the basis of its social welfare subventions, may no longer be the best means of achieving the planning targets set out in our various programme plans. Ideas about a new system, including the possible adoption of the unit rate method where appropriate, have been under discussion in recent months, and as Dr HO said, we have also received a useful report on the subject prepared by the Council of Social Services.

An inter-departmental working party has also been reviewing the respective roles of the Government and the voluntary agencies in the provision of social welfare services to ensure the achievement of planned targets. It is also to review the present financial arrangements for assisting the voluntary agencies and the scope of the Lotteries Fund. These are very complex questions but the Working Party is making good progress and I hope that it will be able to complete its proposals for discussion with the voluntary sector in the near future. I can assure Honourable Members that there will be consultations with all concerned before any final decisions are taken.

Dr HO also referred to the difficulties relating to the way in which contributions from the Community Chest are taken into account in determining the level of Government subventions. As he pointed out, it has been agreed that for 1979-80 subventions the Chest allocations for 1978-79 only will be taken into account. I can confirm that similar arrangements will continue to apply until such time as we are able to introduce new and more satisfactory arrangements.

I would however take issue with Dr HO on one small point; he referred to the original purpose of the Chest as being to raise money locally to offset dwindling overseas funds. This is not correct. When introducing the Community Chest of Hong Kong Bill in this Council on 23 October 1968, Sir Y. K. KAN made it clear that the Community Chest was simply a federation of voluntary agencies and donors, and was intended to streamline local fund raising efforts following a pattern which had been successful elsewhere.

Mr LOBO has raised the problem of heavy pressure on our major hospitals. Since the implementation of the Medical and Health Department's regionalization scheme in April 1977, overcrowding at the main regional hospitals has been relieved and it has been possible to keep to a minimum the use of camp beds. The new intergrated arrangements have also resulted in a significant improvement in the utilization of beds in subvented hospitals. Patients not requiring specialized treatment in a regional hospital can now be transferred to non-acute beds in a district hospital for convalescence. However, I agree with Mr LOBO that because of our liberal policy of instant admission for urgent cases, there will always be pressure on hospital beds and that any measures which help to alleviate the pressure on the acute hospitals should be explored. The situation will inevitably be aggravated

by the recent influx of immigrants, legal and illegal, from China and the influx from Vietnam.

Starting from April 1979, the Medical and Health Department will be running a community nursing service in addition to that operated by the six voluntary agencies at present. Training courses for community nurses will be provided at the Nurses Training School in Queen Elizabeth Hospital. Three courses will be run each year and it is envisaged that an additional 350 nurses will be taking their places in the community nursing service over the next five years over and above the 33 community nurses already in post. The need for future expansion will be carefully monitored and adjustments could be made, if necessary, to provide for further expansion.

Additional relief of pressure on hospital beds will also result from the provision of care and attention homes for the elderly, many of whom at present have to stay in hospital because there is no alternative care available. In the Social Welfare White Paper now being finalized for publication provision is included for 1,400 additional places in care and attention homes by 1982-83, and an eventual target of 4 places for every thousand population aged 60 and over.

Finally, Mr Peter C. WONG has raised once again the question of air-conditioning of general wards in Government hospitals. I am glad to be able to report that a proposal for the complete air-conditioning of the entire new hospital at Sha Tin will be put to the Public Works Sub-Committee of the Finance Committee very shortly. Subject to the approval of this proposal, it is the intention of the Director of Medical and Health Services to specify complete air-conditioning in the schedule of accommodation for the next major hospital at Tuen Mun, and all future new Government hospitals. For the existing hospitals, the complete air-conditioning of general wards and associated offices and working areas is much more complicated, and will require a considerable degree of complex design and thorough consideration of all related architectural, structural and technical aspects in each case. To do this on a systematic basis an expert team with architectural, structural engineering, building services engineering and hospital administration representation will be necessary. Additional staff may also necessary for this purpose, but the essential first step will be the creation of a new item in the Public Works Programme to cover the investigation and assessments necessary. I hope that such an item will be submitted to the Public Works Sub-Committee for its consideration during the current year.

Sir, with these remarks, I support the motion.

DIRECTOR OF EDUCATION:—Sir, Miss BENNETT has raised questions about the capacity of the Education Department's Advisory Inspectorate to cope with the increases in the number of schools in the public sector as a result of bringing the caput grant schools onto full aid.

In calculating staff requirements for the Advisory Inspectorate the existing caput grant schools are considered to be already part of the public sector. Forecasts of future staffing requirements have taken account of future increases in the number of school places including those resulting from the general increase in the number of schools. \$5.18 million has been included in the draft Estimates specifically for additional posts but in the Education Department as a whole, this means that there may well be an increase in the number of Inspectorate posts but a firm decision will be taken only after a re-examination of the staff requirements of all the sections of the Department. As many Members have pointed out in this debate, there is a need to ensure that there is no unnecessary expansion of the Civil Service.

Miss BENNETT made specific reference to the English Section of the Advisory Inspectorate. The actual total number of posts in this section is 16; 6 inspectors for secondary school work, 4 for primary schools and 6 to man the two English Language Teaching Centres.

I can assure Miss BENNETT that increases, outside the context of the estimates, in the services provided to schools by the Advisory Inspectorate are planned. These include teaching centres for science, social subjects and visual education, the library service which I have already outlined in a previous reply to Miss BENNETT, and more in-service courses for teachers in all subjects.

This brings me to Miss BENNETT's point about providing relief to secondary schools for running additional classes. On the question of laboratory technicians, a working group has recently been set up to examine the increase in workload arising from the additional classes and to evaluate the adequacy of the present provision in the Code of Aid. As for the teacher-class ratio, this is not in my view directly related to the question of additional classes. I cannot at this stage offer too much hope on this issue which involves considerations about not only costs and cost-effectiveness but also availability of additional graduate teachers. Having said this, I should inform Miss BENNETT that I am fully aware that individual schools may face problems in carrying out Government's policy of providing more places. A circular letter has been issued to all aided secondary schools in February inviting them to make specific proposals on how the situation can be improved if they do have such problems.

Miss BENNETT has expressed concern that notwithstanding free and compulsory education there are some 74,000 children in 178 private primary schools and that these schools employ 1,828 untrained teachers.

That so many children attend these schools is a reflection of parental preference. There are in fact more than enough places in government and aided primary schools to cater for these children if their parents want them to leave the private sector.

Turning to the problem of untrained teachers, Miss BENNETT will wish to know that virtually the whole of the teaching force in public-sector primary schools is now fully qualified, and there is therefore no longer any need to provide in-service primary courses for the public sector. Future requirements for additional trained teachers in this sector can be met by the output of the full-time training courses of the colleges of education, the student enrolment of which is determined by estimates of future teaching vacancies. These estimates include an estimate of the number of teaching posts likely to be lost in private schools as the aided sector expands.

The in-service trained teachers generally leave the private sector whenever they are able to obtain posts in the public sector: as they are then usually replaced by fresh permitted teachers, the proportion of trained teachers in the private sector remains virtually the same. However, because there are now few teaching vacancies available in public-sector primary schools the demand for entry to in-service primary courses has declined sharply in recent years.

In the light of the White Paper plans for systematic retraining programmes as well as the lengthening of full-time and in-service (secondary) courses— and these are highly desirable measures to bring about real improvements in the quality of the teaching force—the Department's foremost commitment in teacher training is to the public sector.

In view of what I have said there seems little justification for a continuation of in-service (primary) courses and accordingly I have not conducted an exercise to ascertain the cost of in-service training for the untrained primary teachers.

There will, be untrained teachers in private primary schools in my view so long as these schools exist since most of these schools are not in a position to pay the salaries demanded by trained teachers. This may be regarded as unsatisfactory but the resolution of this situation is in the hands of the schools and the parents who support them. Are they prepared for higher fees in order to pay the salaries demanded by trained teachers?

I should add, however, that should future circumstances warrant a revival of the in-service (primary) courses for any reason, then they will once again be made available in accordance with need.

Turning now to the education of English-speaking children, Miss BENNETT has suggested that the parity principle applied to the financing of schools for English-speaking children be re-examined so that the educational needs of this minority group will not be neglected. I know the problems faced by this sector of the community—but I do not accept that the principle of equal subsidy should be further reviewed. The Government is however aware of the implications for parents of the higher fee levels which arise from the implementation of the parity of subsidy policy. The present intention, subject to



the agreement of Finance Committee, is to continue to operate the current fee remission scheme for the English schools to be paid from public funds as heretofore for those pupils already within the system and for those new pupils for whom no other suitable education is available. Parents who cannot afford the higher level of fees may continue to apply for remission so that all cases of real hardship should be met.

I share the concern of Miss BENNETT over Chinese children who return to Hong Kong after starting primary education overseas. Our past experience is that many of such parents would opt for English-speaking schools and some would prefer local aided primary schools. We probably do need to provide more schools for children whose Chinese is insufficient to survive comfortably in the Anglo-Chinese schools system. Alternatives are now being studied. Nevertheless at present in Anglo-Chinese schools, French or another foreign language is provided for those pupils who cannot cope with Chinese. A quick survey shows that there are 411 and 396 such children, mainly Chinese, studying in 21 aided secondary and 15 aided primary schools. Teachers of foreign languages can be employed under the Codes of Aid and there is therefore no need for additional provision to be made in our budget specially to meet this end.

In fact, a fairly large number of local young men and women who return to Hong Kong after receiving tertiary education overseas have taken up teaching in our local schools. This trend will, I believe, continue as long as the remuneration remain attractive to them.

I should like now to turn to Mr CHEONG-LEEN's remarks about the need to develop technical education further. Following the White Paper on Senior Secondary and Tertiary Education, there will be subsidized places in schools, technical institutes, adult education centres and other educational institutions for virtually every young person in the 15-16 age group by the mid-1980's.

The number of technical institutes to be provided is based on manpower surveys conducted by the Hong Kong Training Council. At present, a sixth technical institute is planned which will be situated in Tuen Mun. This will, I hope, be completed in 1984. There is already one technical institute in the New Territories, namely at Kwai Chung. It is also comparatively easy for residents of Sha Tin and the surrounding areas to commute through the Lion Rock Tunnel to the Lee Wai Lee Technical Institute in Kowloon Tong which should be fully completed in March 1980.

With these remarks, Sir, I support the motion.

SECRETARY FOR THE ENVIRONMENT:—Sir, I think I should, too, commiserate with myself for always having to follow the oratorical brilliance of my Friend, the Director of Education, especially considering the subject with which I have to deal. From the number of my Unofficial Colleagues who have expressed their concern over the supply of, and the price of, land for

the private sector, there is no doubt that there is serious public anxiety about these matters. No one can fail to be aware of the very high levels which land prices have reached in the past year. And, quite reasonably, Members have suggested that the performance of the Government as the supplier of land must somehow be responsible for this. I concede that this may be partly true, at least in the short-term, because land prices at auction or tender must be related to supply as well as to demand. But a more important cause, in my view, is the very rapid expansion in the demand for land and property, accompanied by considerable speculative activity. This has inevitably led to very significant increases in land prices.

As regards the supply side, however, the fact is that over the last year the Government has not been parsimonious in putting land on the market. Far from it. As I will endeavour to show it is now doing much more in land production and sales than it has ever done before.

Mr Oswald CHEUNG has given us a graphic description of all the Government activities which have to go into the production of land for development. What he said amounted to a pretty formidable list, and to it could be added the planning and programming of all these activities and the mobilization of resources which must precede the start of work. Although land production in other areas is far from being negligible, the biggest contribution to the present Government land programme comes from the New Towns development programmes. I do not think it is properly understood what a vast effort these programmes entail. Programmed land development in the six new towns and other townships in the New Territories during the period 1978-79 to 1988-89 amounts to some 2,000 hectares, that is about 5,000 acres. at an estimated cost of about \$7,300 million. The gearing up of land production from these areas has not been easy. It has involved resumptions and clearances on a scale not previously tackled in similar periods, as well as vast reclamations. Moreover, in the early stages in each new development area, much of the effort and land produced must be put into the provision of accommodation in public housing and supporting facilities so that squatters can be cleared before further development can proceed. But the results are now being clearly demonstrated in the Land Production Programme, which, as Miss DUNN had the kindness to remark, produces fairly impressive figures of total production.

Miss DUNN has also raised a point which was made in the debate in this Council on Your Excellency's address in October last. That is the apparently relatively small proportion of land which is planned for private sector development compared with the areas which are, as she says 'taken up by the Government'. At that time I explained the need for the substantial provision of land for Government facilities, which include not only land for public utilities, education, social services, recreation and amenity, but also the vast public housing programme. Clearly all these programmes demand land and unless land is provided they cannot happen. The same applies to

roads and other essential communications. This means that, inevitably, a high proportion of the land made available must be used for these developments, some of which, such as communications and public utilities, are essential to support private development. Furthermore, experience in the past has shown that to a large extent public housing complements and backs up industry by helping to obtain an adequate labour force in new areas. Nevertheless the proportion of about 30% of the land produced which can be disposed of to the private sector is now very substantial indeed compared with past performance. To illustrate this point, in 1978, the Government sold a total of 23.2 hectares of land, which is approximately double the amount sold in the two previous years. The 1979 sales programme will dispose of about 54 hectares, that is much more than twice the 1978 figure. Of this, some 16 hectares, or 30%, will be industrial land. And I should add that these figures do *not* include land for, for instance, the two new power stations at Tap Shek Kok and Lamma Island, nor does it include the industrial estates. The potential industrial development which could be produced from this land is about 1.3 million square metres of floor space, or about 17.5% of the existing stock of industrial floor space. I would therefore risk the prediction that this level of supply, which is capable of being not only maintained but considerably increased over the next five years, should go a long way to meet demands and help to bring about a more rational market than we have experienced in the past two years. So I would emphasize again that, although the supply of land for utilities, social services and public housing may well appear large, the supply to the private sector is also extremely considerable and is continuing to rise. However, in pursuit to the point made by Miss DUNN, I intend to review reservations of land for public sector activities to see if any of these can be released for sale to the private sector, and I would add that I've put it at the end of the written copy of my speech an appendix with a few figures on land sales from 1976-77 with a provisional forecast for 1979-80.

Mr BREMRIDGE has also made the very valid point that we should be considering, wherever possible, schemes of development proposed by the private sector to supplement the Government programmes. Although I accept what he has said, however, I do not think that the scope for these sort of measures in the next year or so is particularly large. This is partly because of the relatively few opportunities remaining for obvious and simple land production schemes outside the main development areas. But it is also because of the current strain on the construction industry and, indeed, the economy as a whole of the major development schemes which both Government and the private sector are undertaking already.

My last main point on land relates to the method of land disposal. Mr CHEN has suggested that the policy of relying on market forces should be given a rethink. Miss DUNN also suggested that, until the Government has more land available, this policy may not be satisfactory. I think I can see what they are trying to get at, although I would not necessarily go along

with them all the way. There is no doubt that in the market situation we have been experiencing recently, where developers can pre-sell accommodation and this can then be resold again, perhaps several times, before the building is completed, the auction system can result in a strong speculative element being introduced into the land market. I would emphasize again, however, that what is unusual in this situation is not the supply of land, which I have shown is rising quite rapidly, but the massive increase in demand fuelled by the boom and the easy availability of credit. Members will be aware that last summer the down-payment for valuable sites was effectively increased from about 15% to 30% of the premium payable. In view of what my Colleagues and particularly Mr CHEONG-LEEN have said, however, the Government will, during the coming months, be considering the possibility of further amendment of terms relating to premium for all types of land, including industrial land. We will also be considering whether interest rates on instalment payments should be more closely related to market rates.

Incidentally, I would take issue with Mr NEWBIGGING when he said he would hope to see—and I quote him ‘a shift in policy emphasis away from producing land to maximize revenue towards a policy of having a master plan for land production to meet anticipated needs’. First despite constant carpings to the contrary from our critics, it has never been Government policy to manipulate land sales so as to maximize revenue. Rather, in the sale of land market forces have been used as an allocative process which is normally superior to any alternative. The result in revenue has, so to speak, come out in the wash (*laughter*) but our public finances are, nevertheless, none the worse for it. On the second part of the quote from Mr NEWBIGGING’s speech I concede that in the past there was not a master plan for land production. The production of land was essentially a consequence of decisions to undertake individual projects, some of them very large such as a new town. However, the Government does now have a land production programme, looking ahead for some years and linked to the planning standards in the Hong Kong Outline Plan. The results are beginning to show in the very much bigger figures of availability I have already quoted. So on this score also I think that we are now meeting our critics.

Sir, before I leave land, I would like to say something in reply to Miss DUNN’s point about the organization of land administration. She is quite right. The present organization is undoubtedly complex and needs a review. Although we are now in the course of setting up a strategic land planning unit in the Environment Branch, this may not be enough and we may have to search for a simpler structure of responsibilities and relationships. The present system of administration of land has a long and complex history behind it and we must be sure that any changes made to it will be for the better. But I promise that we will be looking into this matter again in the course of this year.

Sir, I will say a few words in reply to certain points made by Mr BREMRIDGE about transport. I will not say a great deal because I will be presenting a White Paper on Internal Transport to this Council next month. Mr BREMRIDGE proposed that consideration should be given to a new cross-harbour tunnel on the western side of the harbour. This would be prodigiously expensive and, when it was looked at in the Long Term Road Study some 10 or 11 years ago, a bridge seemed to be favoured rather than a tunnel. The Government is now, as part of its on-going long term planning on transport, considering a study on all possibilities of further fixed harbour crossings, including additions to the existing tunnel. I know that the Cross-Harbour Tunnel Company is also conducting its own investigations and any proposals it puts forward will be considered sympathetically by the Government.

As regards bus services, the franchises of both the Kowloon and the China Motor Bus Companies come up for review and possible roll-over in the autumn of this year. This will provide an opportunity for a thorough review of the companies' performances and the need for further improvements in services will be considered then.

Mr BREMRIDGE also suggested that the ferry companies should be made responsible for the construction costs of ferry piers and their subsequent recovery through commercial enterprise or higher fares. This has already happened to some extent, for instance with the top deck of the Outlying Islands Services Pier and the Kwun Tong Vehicular Ferry Pier, both of which were financed by the Hong Kong and Yaumati Ferry Company. The Company is also considering other projects of a similar nature at Jubilee Street and at Jordan Road. This year, as well, negotiations are starting on new ferry franchises and a new Ferries Ordinance and one of the matters to be considered will be the rents to be charged for Government owned ferry piers.

Finally, Sir, I might mention that over the coming year I hope to be able to present to this Council a total of five Bills on environmental protection. We will also be expanding the staff of the Environmental Protection Unit and that of the departments closely involved in the programmes. I would like to acknowledge the stalwart efforts made by the Environmental Protection Advisory Committee in this work, as well as the close co-operation we are establishing with the industrial associations, the electricity companies and other major producers and the Hong Kong Industrial Estates Corporation. With their assistance we hope in the years to come to make Hong Kong a cleaner, less noisy and better place in which to live.

Sir, I also have pleasure in supporting the motion.

## Appendix

Land sales figures for:

1976-77—Total:	13.9	hectares
Non-industrial:	9.6	hectares
Industrial:	4.3	hectares

1977-78—Total:	11.1	hectares
Non-industrial:	8.7	hectares
Industrial:	2.4	hectares

1978-79—Total:	23.2	hectares
Non-industrial:	12.0	hectares
Industrial:	11.2	hectares

Provisional Forecast for 1979-80:

Total: 54 hectares

Non-industrial: 38 hectares

Industrial: 16 hectares

DIRECTOR OF PUBLIC WORKS:—Sir, in his address on the motion before Council Mr Alex WU indicated that he fully supported the reductions in public expenditure but proposed that any period of postponement in the letting of Public Works contracts be used to build up a reserve of projects which can be ready to put out to tender when circumstances permit. I can assure Mr WU that the various PWD offices will continue to process projects within the agreed priorities and develop them through to the tender stage. I must, however, sound a warning that during any period of deferment circumstances can, in exceptional cases, change to such an extent that client departments may have to revise their requirements hereby rendering much of the prepared drawing and document works abortive with consequent further delays in contract commencement dates.

May I now refer, Sir, to the points raised by Mr S. L. CHEN regarding project estimates. He expressed concern about the number of Public Works projects where the final costs are substantially in excess of the original estimate. Mr CHEN is well aware that in the preparation of our estimates we do not make any allowance for escalation but he went on to say that in many cases the extra costs are far higher than can be attributable to the increase in costs of labour and materials. Of course he is right but then the rises in costs of labour and materials are not the only factors contributing

to increased project costs. During periods of intense activity in the construction industry such as we are now experiencing contractors can afford to be selective in the contracts they take on and it is not uncommon for them to reflect in tender prices their limited interest in works which they consider are technically complex, are awkwardly located, have very tight or very long contract periods or require very large or specialized labour forces. Contractors also take into account of the fact that much of the labour attracted to the industry by higher wages is relatively unskilled and less efficient and they must therefore allow for the employment of larger numbers of workers, incurring even greater costs, merely to maintain their former standards of output.

Regarding the suggestion that Government should introduce a technical audit system for its technical departments, I would remind Members that such a system has been in operation in the Public Works Department for several years. Originally conceived and established as a unit in PWD Headquarters it was subsequently replaced, with the agreement of the Director of Audit, by a Management Services Unit located in Headquarters and by Contract Advisers operating in individual offices in advisory and technical audit roles. Although these officers cannot by their functions overcome the problem of anticipating cost escalation arising from the factors I have described they can and do contribute materially in improving the operational efficiency of the Department.

Sir, I support the motion.

*Motion made. That the debate on the second reading of the Bill be adjourned* —THE CHIEF SECRETARY.

*Question put and agreed to.*

## **INLAND REVENUE (AMENDMENT) (NO 3) BILL 1979**

### **Resumption of debate on second reading (14 March 1979)**

*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).*

**LEGAL OFFICERS (AMENDMENT) BILL 1979****Resumption of debate on second reading (14 March 1979)**

*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).*

**MAGISTRATES (AMENDMENT) BILL 1979****Resumption of debate on second reading (14 March 1979)**

*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).*

**PUBLIC SERVICES COMMISSION (AMENDMENT) BILL 1979****Resumption of debate on second reading (14 March 1979)**

*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.

**INLAND REVENUE (AMENDMENT) (NO 3) BILL 1979**

Clauses 1 to 5 were agreed to.



**LEGAL OFFICERS (AMENDMENT) BILL 1979**

Clauses 1 to 5 were agreed to.

**MAGISTRATES (AMENDMENT) BILL 1979**

Clauses 1 to 4 were agreed to.

**PUBLIC SERVICES COMMISSION (AMENDMENT) BILL 1979**

Clauses 1 to 9 were agreed to.

Schedule was agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL reported that the

INLAND REVENUE (AMENDMENT) (NO 3) BILL

LEGAL OFFICERS (AMENDMENT) BILL

MAGISTRATES (AMENDMENT) BILL and the

PUBLIC SERVICES COMMISSION (AMENDMENT) BILL

had passed through Committee without amendment and moved the third reading of the four Bills.

*Question put on each Bill and agreed to.*

Bills read the third time and passed.

**Adjournment of Council**

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 tomorrow afternoon.

*Adjourned accordingly at four o'clock.*