

OFFICIAL REPORT OF PROCEEDINGS**Thursday, 29 October 1981****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, G.B.E., K.C.M.G., K.C.V.O.

THE HONOURABLE THE CHIEF SECRETARY
SIR JACK CATER, K.B.E., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY
MR. JOHN HENRY BREMRIDGE, O.B.E.

THE HONOURABLE THE ATTORNEY GENERAL
MR. JOHN CALVERT GRIFFITHS, Q.C.

THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR. DENIS CAMPBELL BRAY, C.M.G., C.V.O., J.P.

THE HONOURABLE DAVID AKERS-JONES, C.M.G., J.P.
SECRETARY FOR THE NEW TERRITORIES

THE HONOURABLE LEWIS MERVYN DAVIES, C.M.G., O.B.E., J.P.
SECRETARY FOR SECURITY

THE HONOURABLE DAVID WYLIE McDONALD, C.M.G., J.P.
SECRETARY FOR LANDS AND WORKS

THE HONOURABLE KENNETH WALLIS JOSEPH TOPLEY, C.M.G., J.P.
SECRETARY FOR EDUCATION

THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE ALAN JAMES SCOTT, J.P.
SECRETARY FOR INFORMATION

THE HONOURABLE DEREK JOHN CLAREMONT JONES, C.M.G., J.P.
SECRETARY FOR TRANSPORT

DR. THE HONOURABLE THONG KAH-LEONG, C.B.E., J.P.
DIRECTOR OF MEDICAL AND HEALTH SERVICES

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.
SECRETARY FOR SOCIAL SERVICES

THE HONOURABLE JOHN MARTIN ROWLANDS, C.B.E., J.P.
SECRETARY FOR THE CIVIL SERVICE

THE HONOURABLE GERALD PAUL NAZARETH, O.B.E., Q.C.
LAW DRAFTSMAN

THE HONOURABLE WILLIAM DORWARD, O.B.E., J.P.
DIRECTOR OF TRADE, INDUSTRY AND CUSTOMS

THE HONOURABLE JOHN MORRISON RIDDELL-SWAN, O.B.E., J.P.
DIRECTOR OF AGRICULTURE AND FISHERIES

THE HONOURABLE DONALD LIAO POON-HUAI, O.B.E., J.P.
SECRETARY FOR HOUSING

THE HONOURABLE SELWYN EUGENE ALLEYNE, J.P.
DIRECTOR OF SOCIAL WELFARE

THE HONOURABLE COLVYN HUGH HAYE, J.P.
DIRECTOR OF EDUCATION

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, J.P.
DIRECTOR OF ADMINISTRATION AND ENVIRONMENTAL AFFAIRS

THE HONOURABLE ROGERIO HYNDMAN LOBO, C.B.E., J.P.

DR. THE HONOURABLE HARRY FANG SIN-YANG, C.B.E., J.P.

THE HONOURABLE FRANCIS YUAN-HAO TIEN, O.B.E., J.P.

THE REVD, THE HONOURABLE JOYCE MARY BENNETT, O.B.E., J.P.

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

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

DR. THE HONOURABLE HENRY HU HUNG-LICK, O.B.E., J.P.

THE REVD. THE HONOURABLE PATRICK TERENCE MCGOVERN, O.B.E., S.J., J.P.

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

THE HONOURABLE CHARLES YEUNG SIU-CHO, O.B.E., J.P.

DR. THE HONOURABLE HO KAM-FAI, J.P.

THE HONOURABLE ANDREW SO KWOK-WING, J.P.

THE HONOURABLE HU FA-KUANG, J.P.

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

THE HONOURABLE WILLIAM CHARLES LANGDON BROWN, J.P.

THE HONOURABLE CHAN KAM-CHUEN, J.P.

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

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, J.P.

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

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

THE HONOURABLE MARIA TAM WAI-CHU

ABSENT

THE HONOURABLE JAMES NEIL HENDERSON, J.P.
COMMISSIONER FOR LABOUR

THE HONOURABLE GRAHAM BARNES, J.P.
DIRECTOR OF HOME AFFAIRS

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

THE HONOURABLE ALEX WU SHU-CHIH, O.B.E., J.P.

THE HONOURABLE WONG LAM, O.B.E., J.P.

DR. THE HONOURABLE RAYSON LISUNG HUANG, C.B.E., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, J.P.

THE HONOURABLE DAVID KENNEDY NEWBIGGING, J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MRS. LORNA LEUNG TSUI LAI-MAN

Government business

Motion

Motion of Thanks to His Excellency the Governor

Resumption of debate on motion (28 October 1981)

MR. YEUNG:—Sir, Your Excellency's remark on the relationship between the United Kingdom and Hong Kong as well as on the Sino-British co-operation is most timely and opportune. I cannot agree with Your Excellency more that the incidents of increase of British university overseas student fee and the Nationality Bill were prompted by purely U.K. consideration.

Though unfortunate to us, it is considered by the British Government, purportedly to reflect the people's sentiment as essential in the British national interests, albeit shortsighted and self-centred, resulting in isolation in international politics and friends and alienation of finance and resource and self-negation of foreign investment in and trade with Britain. I, for one, cannot commend on the wisdom of taking a decision on the strength of such plausible consideration by the British Government.

This brings to the local scene. It has often been said, which I endorse, that good relation cannot be maintained without goodwill and goodwill cannot be fostered without benefit. I am therefore pleased to note Your Excellency's conviction that 'at this time the best contribution we can make to our future is the fostering of the growing economic links that exist with our neighbour'. No doubt our people will spare no effort to support our Government to achieve this aim in returning the goodwill which has been extended and surely will continue to extend to us by China.

Equally, our hand of goodwill expressed in material form has been all along stretching with ever increasing vigour and zeal over the oceans and continents to the British Government and its people. I believe that our effort will be well appreciated and appropriately returned in the long run.

As economic benefit is the order of the day in the international relationship, we, Hong Kong, must improve our economic strength so that we may be in a position for our own good to offer more. This can only be achieved by placing our communal wealth before personal wealth, future prosperity before short-term success, immediate benefit to others before immediate gain to ourselves. Therefore our people should brace themselves for an austere life ahead, not so much as we cannot afford a better life now as we cannot afford to lose a better life in our immediate future.

Sir, you have taken the lead in establishing a good tripartite relationship and you have sowed the seed of the future prosperity and stability of Hong Kong and it is now up to our people to nurse and foster them with love and tenderness. The people of Hong Kong have exhibited their ability and strength

in the past to achieve miracles. They will without a shadow of doubt be capable of enhancing Hong Kong's own economic achievement from which base they will be able to share with our other partners our prosperity.

There has been criticism in this Council of the land administration mainly on the defects and inconsistency between the New Territories and the Urban Areas. As a result a unified Lands Department was suggested as a concept for consideration. There is nothing wrong in it but the methodology for making the decision to adopt the concept without ostensible effort to examine the vital questions of whether it is better to find ways of improving the existing system rather than to introduce a new system which is not tested and what are the defects in the new system as compared with the existing system. If the official reply is that all these questions have been thoroughly and carefully considered, then such statement will not tally with what Miss DUNN has said which is 'decide the main issues first and do the detailed thinking afterwards'.

If the decision to create the new Lands Department was because of defects found in the existing system then nearly all Government departments have to be replaced by new departments. If the decision was based on the inconsistency between the New Territories and the Urban Areas this argument has ignored the geographical, social, economical and legal distinctions between these two areas. It is tantamount to say that London is the same as Scotland and therefore there should be a unified department to administer the land in these two places.

I am startled by Miss DUNN's revelation that the pre-plan phase of the Lands Department has not yet been completed even though the decision has been made long time ago and such decision has been partially implemented. This goes to show the complexity of the matter which calls for careful pre-planning and consideration before adoption and implementation.

I, therefore, cannot share Miss DUNN's enthusiasm and wisdom in rushing in the Lands Department by curtailing time for planning, let alone time for consultation.

At this moment, Government is holding high banner of consultation and proclaiming a lofty intent of District Boards and Advisory Committees. The failure of grass-root consultation before making decision together with the reluctance of timely consultation after making decision is diametrical contradiction of Government's manifesto.

In the circumstances I have no option, Sir, but to view the Lands Department with full reservation, the way of bull-doing it through with scepticism and I am saddened by the glorification of this absolutist approach which I hope will find no place in our society and Government.

Sir, I support the motion.

DR. HO:—Sir, in your wide-ranging annual speech, you shared with us your confidence in expecting another year of prosperity for 1982 and then succinctly

outlined plans and developments to which the Administration will devote its attention in the forthcoming year. I have no doubt whatsoever in the Administration's determination in further improving the quality of life for the people of Hong Kong.

In this debate, I would like to offer some observations on two subjects, namely, residential child care and water quality in the New Territories.

Residential Child Care

We may recall that this summer there were two family tragedies, in which the children involved had to be cared for away from their own homes. In one case, both parents died accidentally after inhaling poisonous gas in their attempt to rescue their eldest son who had earlier fallen into a well. Seven young children, ranging from 1½ to 12 years of age, were left behind. Their grandfather, acting on the advice of staff from the Department of Social Welfare and from the New Territories Administration, accepted guardianship of the orphaned children and agreed to quit his job in order to look after them. Otherwise these children would have had to face the grim prospect of being split up and placed in different institutions, because of insufficient places to admit them all in one group to an institution and of the age criterion governing admission to different types of children's institutions. In the other case, the mother deserted the family, leaving three children to the care of the father. The father had tried to place them in an institution, but in vain after a long wait. Consequently, the father had to give up his work to take care of them. Until now, however, the Social Welfare Department was only able to place the two older children in a half-day kindergarten, and all the three children are still on the waiting lists of residential centres.

These two family tragedies highlighted certain inadequacies in the practice and policy of our current residential child care services. At present, a system of residential care is provided for children and young persons under the age of 21 for reasons of behavioural, emotional and relationship problems or sudden crises like death, desertion, chronic illness, imprisonment of parents or other life contingencies. This system comprises two types of care, namely: institutional care and non-institutional care. Children under the age of six are cared for in residential creches and nurseries, whereas those aged six and above are admitted to hostels and children's homes. According to the Five-Year Plan Review 1981, current provision for institutional care falls short of demand by an appreciable margin. It was reported elsewhere that for 800 children applying for residential care last year, only 240 places were found. An incredibly long waiting time, coupled with a low discharge rate from institutions, serves to deter new applications for placement of needy children. In order to put the provision and the demand in a better balance, the Government should earnestly make plans to expand residential child care services, which are mainly provided by the subvented agencies. The good-will and services of the voluntary sector can and should be vigorously exploited by way of increased subventions.

In addition, there appears to be a host of problems associated with institutional child care awaiting immediate remedies. A low social worker to children ratio, aggravated by an inadequate complement of relief workers, accounts in part for the generally less than satisfactory service standards in some of the institutions. A high staff turnover rate adversely affects not only the close relationship between the child and the social worker, but also the child's process of development. General under-staffing, variations in managerial ability, and the general lack of appropriate programme activities all contribute their shares in reducing the effectiveness of the children's homes. I urge that the Government should urgently draw up a code of practice laying down the minimum standards for children's homes, so that the protection and welfare of our underprivileged and maladjusted children can be safeguarded.

The modern concept of child care is, however, shifting its emphasis towards non-institutional services which take the form of foster homes and small group homes. Child welfare workers expounded that children in need of a substitute home should best be reared in an environment as home-like as possible, so that their emotional, social and psychological needs continue to be met with minimum disruption. A foster home or a small group home is located unobtrusively in private or public housing developments, non-distinguishable from other ordinary homes. This feature permits close identification with community living and therefore facilitates the children's re-integration into the community. Under the guidance and care of a married couple who have been carefully selected for the job, the foster home or the small group home engenders the kind of family life, parental affection, peer group relationship, discipline and security which are essential elements for the children to grow into healthy and responsible individuals. These advantages are normally not available from large, depersonalized children's institutions and orphanages.

The development of this alternative type of child care services has been very slow in Hong Kong. The Five-Year Plan Review 1981 indicated that there is a requirement of some 300 non-institutional places in 1981-82 against a current provision of only 94. The proportion of places in non-institutional settings to the total residential child care places in Hong Kong is about 5%, compared to 56% in the United Kingdom in 1976. The major obstacles to the development of this type of child care are difficulties related to the securing of suitable accommodation and to the recruitment of personnel. The Government should perhaps organize a campaign to publicize the merits of foster homes and small group homes, and to arouse the interest of those parents who have reared their own children. The Government should also be prepared to subsidize privately leased accommodation or to allocate more accommodation in public housing estates for child welfare services and to increase the amount of incentive allowance for the foster parents.

Sir, the conservation of human resources is always an expensive but very worthwhile endeavour. For a caring and far-sighted Government, the investment in the young should be weighed in the light of social imperatives against

economic consideration alone. A higher priority in public policy formulation should accordingly be assigned to child welfare.

Water Quality in the New Territories.

May I now turn to my second topic. Notwithstanding the enactment of the Water Pollution Control and Waste Disposal Ordinances last year, it is disheartening to find that no apparent success has so far been achieved in our water pollution control efforts. The water quality of our inland rivers, wells, beaches and harbours in the New Territories has regrettably continued to deteriorate.

The water courses in the New Territories are polluted in a number of ways. They are depositories for agricultural waste, toxic effluents from squatter industrial plants, and leftovers of uncivic minded picnickers. As a consequence, many of our rivers and streams are so badly polluted that they are not even suitable for washing.

The condition of well water in the New Territories is no better. Test results indicated that well water in most parts of the New Territories is so contaminated that it is not potable in accordance with the guidelines issued by the World Health Organization. Of particular concern is the fact that most of the well users, as a study reported, are not aware of the pollution problem. It is estimated that some 100 000 people are in this category and are exposed to health hazards from consuming the grossly contaminated well water.

The pollution-laden streams and rivers empty themselves into the coastal waters. Certain parts of the Tolo Harbour, Mirs Bay and Deep Bay become so contaminated that fish stocks, shell-fish, coral and other forms of marine life are endangered. Red algae thrive on polluted water and have frequently caused heavy losses to fish-farmers in the New Territories by killing thousands of dollars worth of fish and oysters. Early this year a number of gazetted beaches in the Castle Peak area were closed to swimming because of their poor sanitary condition.

Therefore, from the public health and ecological points of view, the Government must be urged to take immediate remedial measures to ameliorate the situation. Such measures may include making loans available to farms in need of financial support to set up agricultural waste treatment plants such as 'biogas' plants. The villagers may also be taught to use chicken manure to grow bloodworms, which are in great demand by the tropical fish industry in Hong Kong. A more efficient refuse and animal waste collection service should be implemented to discourage dumping of all kinds into the inland water courses. Bearing in mind that approximately 80% of water pollution in the New Territories results from agricultural waste, any money that could help bring about improvement in agricultural waste disposal would be a worthwhile investment. More public toilets should also be provided in the country park for the convenience of the hikers. In addition, the provision of metered water or

public standpipes to as many rural communities and villages in the New Territories as possible should no doubt deserve priority consideration.

Lastly, Sir, a few words must be said about the organizational structure with regard to water control measures. I note that monitoring of water quality is at present undertaken by a number of departments including the Agricultural and Fisheries Department, the Public Works Department and the New Territories Services Department, with respect to different aspects of water pollution. In the interest of efficiency, this fragmented structure needs to be rationalized. Furthermore, an adequate establishment of staff is a prerequisite to effectively combat our environmental problems. It has been reported that the post of the head of the water quality section of the Environmental Protection Agency has been left vacant since April and that difficulties are being encountered in the recruitment of other key personnel in the Agency. I hope this will not give rise to the public concern that the newly generated momentum in water pollution control has disappeared. By the way, too ready a reliance on consultants and contract officers from overseas may entail only temporary benefits. If we want to ensure an on-going achievement in environmental restoration, we must build up a contingent of our own local talents equipped with the appropriate aptitude and training in this field of knowledge. Government may have to step up its educational and promotion efforts for this relatively new career.

With these remarks, Sir, I have much pleasure in supporting the motion.

MR. SO delivered his speech in Cantonese:—

督憲閣下：本人歡迎閣下宣佈的不計地價的房屋計劃。香港人在樓價和房租方面受到很大壓力，新的房屋計劃對降低這方面的社會壓力必有相當的作用。更具意義的就是它顯示出政府關懷民生，亦能從善如流。官守議員在本局答辯問題時，往往給人有採取守勢和自吹自擂的跡像，但在施政時卻暗地裡或間接地接納了非官守議員們的意見。因為這個緣故和這種經驗，本人決定縮短在外公幹的日期，趕回來參與這次週年辯論。

人類的經濟活動有廣大和深遠的影響。爲了要有系統地辨明這些影響，在六十年代，便產生了「社會審核」這個觀念。社會審核是一個不斷檢討非財務性質的資產和負債的制度。就像查帳一樣，進行審核時要把社會代價一一對數——包括解僱職員或污染空氣及例如提供工人進修機會或津貼社區服務等社會利益。這個觀念雖未完全成熟，但必將成爲審核社會團體不負社會責任和量度社會團體的良知的最佳辦法。在北美洲和歐洲，一些先進的機構已積極進行這個制度。法國更立法規定這個制度的實行。自從一九七八年起，每個財政年度，均有超過七百五十名人員進行社會審核工作。

香港雖然是個很獨特的地方，外來的觀念或制度未必完全實用，但是我們需要建立量度一切經濟企業的社會準則和訓練類似社會審核員的人員，和開始認定社會審核的需要。

近年政府在改善行政和環境方面盡了很大的力，但是單憑政府或立法的力量去改善社會環境是不足夠的。政府應樹立榜樣，並喚起各社團機構，公司企業重視其社會責任，凡事不應單以經濟利益爲依歸。近期相繼成立的區議會亦可考慮強調這方面的工作。

大部份政府部門每一年都出版報告書。本人最感興趣的是核數署署長的香港政府會計帳項審核報告書。將來若有社會審核報告書出版，指出那一個政策或活動影響工人的健康，造成空氣或水質的污染、腐蝕青年的心智等等，同時提出改善辦法，定然大大吸引香港人的興趣。

督憲閣下，本人謹此陳辭，支持本動議。

(The following is the interpretation of what Mr. So said.)

Your Excellency, I welcome your plan to exclude land values from the prices of Home Ownership Scheme flats. The people of Hong Kong are faced with tremendous pressure caused by high property prices and exorbitant rents. The new housing plan will certainly alleviate such a social pressure. What is more important, however, is that the plan shows that the Government is really concerned about the well-being of the people and is willing to act in deference to public opinion. Official Members, when answering questions raised in this Council, often give the impression of being unduly defensive in tone and excessively self-congratulatory. However, more often than not, in the formulation of policies, suggestions made by Unofficial Members are quietly and indirectly taken into consideration. For this reason and with past experience in mind, I decided to cut short my business trip abroad and rush back to take part in this year's annual policy debate.

Man's economic activities have extensive and far-reaching effects. In order to systematically account for such impacts, the concept of 'social audit' evolved in the sixties. Social audit is a system under which continuing account is kept of non-financial assets and liabilities. As in financial accounting, a tally is made of each of the social costs—including such disadvantages as laying off staff or air pollution and such social benefits as self-development opportunities for employees or subsidizing community services. Although this concept is still nascent, it will perforce become the best means to check against corporate social irresponsibility as well as measure corporate conscience. In North America and Europe, some progressive corporations are already actively engaged in developing this system. In France, the practice has even been legislated, and since 1978 the French Government has been employing some 750 experts to conduct a social audit every financial year.

Although Hong Kong is a unique place where imported concepts or systems may not be practicable, we have a great need to establish social standards against which our economic enterprises can be judged, and we have to train experts similar to social auditors in other countries. Above all, we have to recognize the need for social audit.

In recent years, the Government has made great efforts to effect administrative and environmental improvements. To improve our social environment, however, involves more than just government or legislative efforts. The Government should set a good example and call upon all our corporations and organizations to give due attention to their social responsibilities instead of thinking only of economic gains. The recently established District Boards may consider emphasizing this aspect of their work.

Most Government departments publish their own annual reports. The one that interests me most is the Report of the Director of Audit on the Accounts of the Hong Kong Government. If in future a social audit report is published, identifying which of our policies and activities affects the health of our workers,

which pollutes the air or water, which erodes the mind of our youth etc., and at the same time presenting ways and means to improve the situation, the report will certainly arouse wide public interest.

Sir, with these remarks, I support the motion.

MR. F. K. HU:—Sir, your opening address carried an optimistic note on the future outlook of Hong Kong in the present world situation. Such encouragement is most timely as it strengthens our people's confidence in our ability to overcome problems which Hong Kong is facing right now. Nevertheless, we have to be realistic and should know fully what our problems are and what we can do in solving them.

Housing is still our biggest social problem and has to be tackled as vigorously as we can within our means. It is encouraging to note that the previous target of 35 000 units per year in the public sector will be increased to 42 500 units a year which include 5 000 units under the Home Ownership Scheme, 5 000 units under the Private Sector Participation Scheme, 2 500 units under the Middle Income Housing Programme and 30 000 units for rental. A higher proportion of home ownership units in the public sector, which I proposed in my speech in this Council on 1 November 1979, will enable more Hong Kong residents to possess their own homes and will develop in them a higher sense of belonging so that they will pay more attention to and have greater interest in the well being of Hong Kong. This sense of belonging will benefit the community as a whole and will certainly bring about brighter prosperity for Hong Kong in future.

It is indeed a wise decision, Sir, to exclude the land value in arriving at the selling price of units in the Home Ownership Scheme and I trust that this policy will also be applicable to both the Private Sector Participation Scheme and the Middle Income Housing Programme as only then will the purchasers be able to meet the instalment payments within their limited income. The Home Ownership Scheme is intended solely for the purpose of meeting the need for housing of the middle and lower-middle income groups and is not meant for investment and profit making. Therefore, I support the idea of prohibiting the resale of such units and would like to see the imposition of rules stricter than those advanced by Secretary for Housing in this Council on 14 October 1981. I accept that there could be various reasons which necessitate an owner to wish to sell his unit. However, in such case I feel that the Housing Authority should be given the first option to buy it back, irrespective of the year of ownership, at the prevailing selling price of a similar Home Ownership Scheme unit with appropriate deduction taking into consideration depreciation and other relevant charges. Such arrangement will to some extent increase the supply of units to meet demand from those on the waiting list. Naturally, such owners would not be eligible to apply for Home Ownership Scheme units again in future. Only in the event of the Housing Authority declining to take up the option that the owner would be allowed to sell the unit in the open market after

payment of a suitable premium to the Government to cover the amount of subsidy in the original price adjusted to the prevailing market price.

I welcome the idea of encouraging the private sector to take part in the Private Sector Participation Scheme. However, the present terms under which premium must be paid in full within one month would not be attractive to many companies due to relatively low albeit guaranteed return coupled with high initial financial investment. Therefore, I would suggest that easier payment terms, say 10% down payment, with the balance to be paid up in ten equal annual instalments at 10% interest per annum, should be offered in order to attract more tenderers and to achieve more favourable results. Government must ensure that adequate and necessary community facilities are provided in the terms of offer in order to enrich the living environment for the residents in these estates.

The Home Ownership Scheme cannot help the higher middle group in solving their housing problem and they have to turn to units of accommodation put up by private developers in the open market. In order to look after their interest, I suggest that Government should review the comprehensive plan for redevelopment of districts in the Urban Area and plans for new towns in the New Territories, taking into consideration transport facilities, community needs and services, and then consider a reasonable increase in the plot ratio of buildings to be constructed. Such revision would certainly help to increase production in the private sector and would reduce the selling price of flats to the benefit of this income group. Land use in Hong Kong should be maximized wherever possible, and of course without unduly sacrificing health and environment standards.

I am pleased to note, Sir, that the Hong Kong economy is faring remarkably well in spite of the world recession and will experience another year of prosperity if our products can remain competitive and our currency stable. Yet we have been warned of a decline in the growth rate of domestic exports and an increase in the growth rate of domestic demand. I warned in my speech in this Council on 26 March 1981, that our unemployment rate had increased from 2.3% in March 1979 to 3.8% in September 1980, and that we should watch it carefully as it could lead to serious social problems if this trend continued. Regrettably, the unemployment rate has since increased further to 4.1% in March this year and there are sectors which have not at all done well and in which real incomes have remained static or even dropped. Furthermore, the growth rate of total imports in money terms in 1981 has been faster than that of total exports. All these are dangerous signs not to be overlooked. Government must exert every effort to support our industries to increase their export. On the other hand, we must recognize that there is a huge domestic market which should not be ignored. Although in principle we are committed to a free economy, there is no reason why our industries with the support of the Government could not aim at a bigger share of our own market. Consideration should be given to launching a 'Buy Hong Kong' campaign to encourage our

people to support our own industries, thereby increasing our production, easing our unemployment problem and reducing our trade deficit. Government could take the initiative and set an example in giving preference say 5% in price to purchase equipment and goods of Hong Kong origin, subject to quality being comparable. Such action would no doubt give great encouragement to local industries and could, in some cases, counteract the dumping sales of suppliers of non-Hong Kong goods.

We are now in an era of technology and sophistication. The prospect of furthering export no longer relies on labour intensive and low priced product alone, but on our ability to produce high technology goods. It is imperative that we should have a long-term plan to train skilled and technical personnel in order to achieve this aim. In this respect, I fully support the establishment of a statutory Vocational Training Council with executive as well as advisory responsibilities for the promotion of industrial training.

With these remarks, Sir, I support the motion.

MR. WONG PO-YAN:—Sir, your annual policy address raised the confidence of the people of Hong Kong and was extremely well received as reflected in the favourable comments in the media.

Government's decision that land value will be excluded from the prices of Home Ownership Scheme units is, from my point of view, an unprecedented and major policy breakthrough. This clearly shows the utmost determination of the Government to tackle the housing problem of Hong Kong and, I hope and believe, Government will similarly tackle our other pressing problems with the same vigour. With its strong administration and financial power, built up in the last several years by the effective and judicious management of public affairs. Government will not usually find itself facing too many difficulties in implementing a stated objective once it sets its mind to do so. With this in mind, I now wish to offer some comments on the vital subject of the state and survival of our manufacturing industry, which employs some 42% of our 2.4 million workforce. This inevitably has bearings, direct or indirect, on the entire economy, and hence the livelihood of each and every one of us in Hong Kong.

Among others, we are now facing the problems of a weakening Hong Kong dollar, widening visible trade 'gap', and increasing unemployment. What is particularly worrying is the shrieking alarm sounded by the only too obvious trends of some of our trade statistics. The year-on-year growth rates of domestic exports in real terms were 17% in 1979 over 1978, 11% in 1980 over 1979 and 6% for the first six months in 1981 over 1980. Compared with the growth rates for the same periods in real terms of retained imports by end-use categories, we can see that in the case of consumer goods they were 11%, 29% and 26% respectively; in the case of raw materials and semi-manufactures, which are the indicators of the activities of our manufacturing industry, were 17%, 8% and 3% respectively. In the case of capital goods, they were 36%, 20% and 15% respectively. Taking into account that our MTR and other major works

programmes are well progressed now, and that the general investment sentiment can be fairly monitored among industrialists, I am afraid that the portion of capital goods which had been ploughed back into the manufacturing sector was much less than the foregoing percentages would suggest. In any case, the sharp decline in the growth rate of retained imports of raw materials and semi-manufactures speaks for itself: our economic activities are in the wrong direction and the situation in which our manufacturing industry finds itself now warrants our immediate and special attention. The message to us, Sir, is loud and clear.

From various angles, the weakness of the Hong Kong dollar is of grave concern to us. One of the contributory factors for the declining exchange value of our dollar is the persistent widening of our visible trade 'gap', and I would say this is *the* most fundamental single factor involved. Distinct from such other factors as a temporary in-flow or out-flow of funds or speculations in foreign exchange, which may affect the Hong Kong dollar within a specific period, the widening trade 'gap' has a continuous and far-reaching effect. It is not illogical to say, and I believe we all know, that the long-term solution for stiffening our dollar is to narrow this 'gap'—by strengthening the competitiveness of our export-orientated foreign-exchange-earning manufacturing industry.

When we talk about the visible trade 'gap' we are usually told that in percentage terms it does not change very much. But I find that percentage figures sometimes may be misleading. Comparing the 'gaps' at 16% in the first half of 1981 and 14.7% in the first half of 1980, the difference was 1.3% or an increase of 8.8% in percentage terms. However, the 'gaps' in dollar terms in the same half year periods were \$10,480 million against \$7,614 million, an increase of 37.6%! I would also like to point out that the average percentage of our visible trade 'gaps' during the ten-year period 1970-1980 was 12.3%. Lately it was reported by the media that in a recent month, compared with the same month one year ago, Japanese imports increased by 1% only while their exports increased by 12%. Of course we have to realize that they are a big economic power, but I think it is worthwhile for us to compare their figures with ours. My point is: we cannot and must not ignore the possible effects of our persistently widening visible trade 'gap'. We have to do whatever we can to increase our exports, if we cannot reduce imports by certain effective measures because of our 'positive non-intervention' economic policy.

In the last few years we have had to absorb hundreds of thousands of new immigrants into our already over-crowded city. They are here and they have to earn a living by working. A very high percentage of them are within the working age range but they are mostly unskilled workers. We have already too many hawkers; the jobs they can get in the non-manufacturing sectors are limited. Many of them have to work in the manufacturing industry, but they can only be employed in the comparatively less sophisticated industries. Therefore, when we are earnestly moving up-market and upgrading the technological standard of our manufacturing industry, we have to accept the fact that from a social point

of view, the existence of certain factories and industrial undertakings at the lower end is necessary to take care of these unskilled workers. Most of the factories in this category would have been eliminated during a normal transition process, either because there were insufficient demands for their products or they lacked the capital to modify their equipment or operations to meet changing demands. I urge that certain assistance to these factories to enable them to continue their operations may be justified in the light of social considerations. Needless to say, this should not affect in any way the tremendous efforts in upgrading and diversifying our industry in general. Although we may not be very happy about this, we have to tolerate a certain degree of polarization in the development of our manufacturing industry for some years to come. In your address, Sir, you have warned us of our rising unemployment rate, now standing at 4.1%, which I am afraid will go on rising if no further and vigorous capital injections are made into our manufacturing industry. Unemployment may increase crime and Your Excellency also mentioned that 10% of arrests made last year were found to be recent immigrants, as were over 62% of those arrested for armed robbery.

Sir, having said this, let us look at the changing position of our industries. In the early years, our neighbouring countries were far behind us in progress and their competition was not a real threat. Some of them even were not yet active in the world market. In addition, we also had the protection of the Commonwealth Preference system at that time. Today, we stand stripped of these advantages and, on the contrary, our neighbours have reversed the position on us. They have low cost land, they have more resources, they have a larger potential domestic market and they also have their Governments' assistance in one way or another. They have developed many basic industries to produce the raw materials which we still have to import. We even have to compete with some well developed countries in certain export items. It is fair to say that the external environment of our manufacturing industry have now changed so much that a different approach in considering Government's policy towards our manufacturing industry should be adopted. Internally, in the last few years during the period of the economic upsurge, the manufacturing sector as a whole has had a lesser portion of the fortune which the entire community created. As an industrialist put it, 'We dig the well, but we drink little water'. As we are in a free economic society, no one can be blamed, but it is true that some industrialists who were too enthusiastic in increasing or improving their production equipment or for any other reason who did not secure a piece of property for their own use are now facing the problem of incredibly high rents for their factory sites. Those who are lucky enough to own a site, are now sorely tempted by the very high value of and quick returns from re-development, and may not continue with their existing industries. Many in fact have done so. At this point, Sir, let me add that I have no objection to re-development of certain industrial sites as this usually provides more floor space to house more and better equipment and more workers, all of which are beneficial to the

community as a whole, provided the rents or the prices asked for are fair ones and can be afforded by the industries.

Therefore, we have a genuine and urgent problem of providing sites for those industries which cannot compete in the open market but whose existence is desirable on social considerations. Probably the provision of more public industrial buildings may be one of the answers for the small size factories, especially those which have to be cleared from Crown land required for development.

Meanwhile, we have another problem, by no means less pressing, of how to maintain or create an environment conducive to attracting foreign as well as local investments in our manufacturing industry. I believe it is *not* always wrong to use public funds to stimulate industrial investments by providing lower interest rates for the manufacturing sector. If it is, why so many countries—including the EEC, USA and Japan—use the funds provided by their Governments or public bodies to finance the exports of specific projects at an average interest rate as low as 8% until now which is much lower than the market rate? I believe it is *not* always wrong if, before it is too late, we take some positive action to rectify the unfavourable conditions which affect our economic development for many years to come. Sir, I believe the proposals from various quarters, namely:

- (a) Part of our surplus should be used to set up a central fund for providing truly low-interest loans, administered through our efficient banking network, to certain categories of manufacturing industries, and to finance important industrial projects; and
- (b) payment-by-instalment at a lower interest rate for auctioned industrial lands specified for industrial use only by the manufacturer-purchaser for a minimum of, say, ten years, on the condition that they cannot be re-sold in the open market, should be introduced, these are well worth our careful consideration.

High interest rates may have some effect on strengthening the Hong Kong dollar for some of the time, but obviously these are weakening our export competitiveness all the time. Our bankers have tried their best to help by reinstating the preferential loan scheme, at an interest rate of 1% lower than the prime lending rate, for certain categories of importers. For this, the manufacturing sector is thankful but they feel that the concessionary rate is not enough. I am convinced that it is rather difficult for the bankers to go further. I believe it is not wrong if Government does the remedial work by using part of our surplus, say \$ 3 billion, for a specified period for this purpose.

Sir, I am not unaware of the many similar suggestions which had been turned down by Government before, but I have decided to put the proposals again before this Council because: *firstly*, I consider the situation has now been changed and we are rapidly coming to a crisis. *Secondly*, as many of us believe in 'positive non-interventionism', I think we must be pragmatic and should modify a little bit on the degree of 'positiveness' in order to make the non-

interventionism more effective. *Thirdly*, we believe the market force can be expected to work properly, but I understand that ‘force’ can always be adjusted by certain means, and *finally*, I have learnt the tactic of ‘keep talking’ after watching an interview televised ‘live’ from Upper Albert Road in October last year, and I use it here today without prior permission from my teacher (*laughter*).

With these comments, Sir, I have much pleasure in supporting the motion.

MR. BROWN:—Sir, the message which comes through very clearly in your opening address is that Government is short on Jeremiahs and long on optimists. And this applies particularly in reference to our economic situation. There is nothing wrong in being optimistic, provided it is not accompanied by complacency, and indeed Government is to be congratulated and supported for translating this into a pragmatic approach towards current economic conditions.

Reference to the wider global economic picture appears in several passages of your address; the poor state of the world economy, worldwide inflation, external interest rates etcetera. Our dependence on external factors requires constant emphasis, and I am sure we can continue to rely on Government refusing to push the ‘panic button’ whenever our economic indicators gyrate in sympathy with events largely outside our control. Avoidance of precipitate action in such circumstances does not imply that nothing at all can be done and it must be correct that the private sector, for its part, is under a duty to demonstrate it possesses the wisdom to manage its affairs in the interests of the whole community in return for Government’s commitment to as little intervention as possible in our free economy. It must be said, however, that it is not only the private sector that needs to keep this admonition in mind; in some areas the public sector also must ensure that the protection of its own sectional interests does not run contrary to the common good. I would support the comments made earlier in this debate by Miss DUNN. In particular restraint will need to be exercised in regard to future pay awards, their timing and the method by which they are determined. We have an excellent civil service that serves us well, and it is in the common interest that it should be generously rewarded. However, in times of economic hardship for many of our community we must guard against too big a gap emerging between any of its component sectors—be they private or public.

Sir, this debate has caused many references to the performance of our economy, as measured by a variety of figures, but we must be careful not to be unduly obsessed by statistics. I was once shown a graph in London which consisted of a single large cross. It was explained to me that the upward stroke represented the number and variety of statistics compiled by the central authorities. The downward stroke, in exact inverse ratio, recorded the performance of the UK economy. Sir, there is nothing wrong with the collection of statistics. It is the interpretation of them that matters, and we must be

careful not to seek solutions to problems which do not exist, or at least do not exist to the extent or in the form of popular belief.

Whether it be money supply, the creation of credit or the percentage of public expenditure etc. the statistics are of interest, but a dozen economists will give us a dozen different reasons why we should try and achieve reductions or increases in such figures. I respect these intellectual views but I have equal respect of the very visible evidence in Hong Kong that as a community we are faring remarkably well in the very difficult world conditions referred to earlier.

If the achievement of improved monetary statistics should necessitate a higher level of unemployment and lower growth rates, or if a lower ratio of public expenditure should require any reduction in our housing, transport and other essential community services and projects, then I know where my choice would lie. After all the experience of those territories which have concentrated on getting their economic indicators within self imposed acceptable levels have not generally produced results worthy of emulation. Of course we must not be complacent about the level of inflation etcetera, but I very much endorse the attitude adopted by the Financial Secretary that we must avoid any cure being worse than the disease. Moreover we must also be careful not to administer medicine just as the patient is recovering for there is growing evidence that market forces are producing their own solutions today just as they have done in the past.

If I may turn now, Sir, to the more general picture of our society and its aims and aspirations, as signposted in your address, there is cause to be both pleased and encouraged by the emphasis placed on the need to improve our cultural and physical environment. You, yourself, Sir, felt the need to commence your address by reference to economic matters because the economy is the base on which all our lives are built. That we live in a materialistic age cannot be denied but the references in your address to those aspirations which produce rewards beyond another dollar in the bank account are a timely reminder of what life is, or should be, all about.

Government's wide ranging programme for community projects during the period ahead deserves the fullest support and encouragement and I am pleased to be associated with those who support the motion before us today.

MR. CHAN KAM-CHUEN:—Your Excellency, the people of Hong Kong should be glad and proud that they are living in a place where the Government is both effective and responsive. During the last session, we have seen the scrapping of the traditional 'touch base' policy for illegal immigrants, considerable increases in personal allowances for salaries tax, and the introduction of a new form of administration with public participation at the district level. In your annual address, Sir, you announced among other things that there will be more public housing units for rental and much cheaper Home Ownership Scheme flats. This is welcome news for the lower income families.

I would like to speak today on several aspects which, I feel, directly or indirectly are of concern to our workers.

Preserving the 'Rice-bowls'

Our rate of unemployment, at 4.1%, is low by world standards but as our exports are sluggish it is still the chief worry of our working class. We are confident that once the world recession is abated the unemployment figure will be correspondingly reduced.

However, one point is significantly different when compared to the 1974-75 recession. In 1981 some factories closed down not due to the lack of orders but because some industrialists were anxious to reap huge and quick profits by selling their factory sites for re-development into domestic and commercial premises. Many of the factories which had been pulled down were not necessarily inefficient ones. To prevent recurrence of a similar nature, I urge that in future auctions of industrial lands by Government in designated areas, a new condition should be added, stipulating that the use of the industrial land may not be changed to other purposes. At the same time, I believe the time is now ripe for Government to assist our manufacturing sector by making more private treaty grants or setting the sale prices of industrial lands at lower than the market value. Of course, such subsidized lands may only be re-sold under very exceptional circumstances to Government and re-sale to the open market for profit should be prohibited. This new arrangement would not only encourage more local and overseas investments in our manufacturing sector, but also boost Hong Kong's foreign exchange earnings due to increased exports. In addition, our workers would be assured that a portion of our industrial lands and the buildings thereon are reserved for a certain number of jobs, though their ownership and types of industrial undertakings may change.

During a recession hawking may be a viable alternative to unemployment, but when the recession is over, more often than not, successful hawkers will not return to the factories, thus causing a shortage of skilled or semi-skilled workers. With cheaper factory lands, it is hoped that the manufacturers may be able to provide better pay and working conditions to induce some hawkers who are making only marginal profits to return to the foreign exchange earning jobs in our factories.

I would emphasize that, to be fair to the industrialists, the above arrangement should only apply to new industrial land sites, and should not be imposed on existing industrial lands or buildings which may continue to be freely redeveloped by their owners.

Industrial Safety

My next concern is about industrial safety. I fully support Sir S. Y. CHUNG'S suggestion of a Council for Occupational Safety. I understand that the Committee on Industrial Safety and Accident Prevention of the Labour Advisory Board is performing partly the functions of an industrial safety council on a tripartite basis, and is developing in this direction.

Meanwhile, I am pleased to note that the publicity campaign on safety at work is continuing through the media, shows and displays. These together with seminars organized with the help of the Labour Department in 1980 and 1981 have aroused a growing industrial safety consciousness among both workers and employers. I sincerely hope that this would bear fruits in reducing the number of our rather lamentable industrial accidents, particularly in the fatal and serious disability cases.

Good Staff Relations

There is always a tendency for the private sector to compare the salaries of comparable jobs in the public sector. This is quite understandable in that Government's stated pay policy is not to lead the private sector and, after all, Government is the largest single employer in Hong Kong. It is competing with the private sector as far as the recruitment and retention of staff are concerned. Because of this inter-relationship, we have the vexing problem of who is in fact leading; this seems to be a classic 'chicken and egg' question.

It is also difficult to compare jobs on salaries along since the private sector has double pay and bonuses for the Chinese New Year and different conditions of service and fringe benefits, including profit sharing options for the directors on company boards. A former head of a big hong recently revealed that he was remunerated with a high seven-figure pay in a year. Assuming that there are broadly comparable jobs in Government in terms of responsibility and policy decisions, it appears the pay of our top officials are not leading. Then there is the aspect of relativities, be these internal, external, vertical or lateral, which is an important one in the civil service. The question here seems to be whether we can have an efficient civil service or public sector staffed only by 'second-best' people. It has been said that 'if you pay peanuts, you get monkeys!' (*laughter*)

The retroactive element in civil service pay adjustments is, I believe, related to Government's policy of following general pay movements which have occurred in the private sector. The Standing Salaries Commission is currently studying the methodology of pay surveys and the timing of civil service pay adjustments. Whatever the recommendations, these would affect some 130 000 civil servants plus thousands of employees in subvented organizations. I hope therefore that after consultation with the staff bodies, Government would be prudent and fair-minded in making any necessary changes to the agreed practice so as not to unsettle the presently harmonious staff relations.

The Economy

At first glance, the word 'economy' with its host of multi-factor problems is something for the learned financial wizards to conjure up a solution. Of course, there is no simple solution to this complicated issue. We leave it to the financial people to use in the short term the interest rate and other means, and the workers and industrialists in the longer term to increase their productivity and exports to solve the problems. But since the ills of our economy—namely high inflation, rapid growth rates of the money supply and domestic demand, a

widening visible trade 'gap' and a weakening of the exchange value of the Hong Kong dollar—affect the livelihood of the people of Hong Kong, particularly the lower income group who are least able to hedge themselves against inflation, I venture to offer some observations purely from the layman's view-point.

Looking at our trade statistics for the period 1971-1977, despite the 1973 oil crisis and subsequent trade recession in 1974-75, our visible trade deficit averaged \$3.1 billion per annum which might be offset by our invisible trade balance. Thereafter, however, the visible trade 'gap' widened at an alarming rate of \$9.1, \$9.9 and \$13.4 billion in 1978, 1979 and 1980 respectively.

A visible trade 'gap' of \$12.59 billion was announced for January to September 1981, which is 41.8% higher than the same period last year. The third quarter is the usual period with the highest export figures as the bulk of our goods must then be shipped out in good time for Christmas sales overseas. On the other hand, the fourth quarter is usually the months with the highest import figures for Christmas and the two New Years in Hong Kong. These traditional trends would not add any favourable factors to our trade deficit for the last quarter of this year. The trade 'gap' for the same period was 33.9% of the total visible trade deficit in 1980. If we make a projection of the same percentage, our total 1981 visible trade deficit would have a \$19 billion look.

Using the invisible trade figures from tourism alone which have been announced for the year ended 31 March 1981, the estimated total gross expenditure of our visitors was \$6.5 billion and the estimated net tourism surplus was \$1.8 billion. This leaves us with \$4.7 billion as the estimated expenditure for the total of 7 900 400 departures of Hong Kong residents in 1980-81 to China (4 160 400), Macao (2 793 300), and other countries (946 700). This results in an average expenditure of HK\$595 per person for hotel bills meals outside hotels, entertainment, guided tours, shopping and sundries. This seems to be a very conservative estimate indeed since our incoming tourists' average stay is 3.6 days with an average expenditure of \$2,600 per person in 1980-81. By comparison, the bulk of departures to China are, however, using the two weeks Chinese New Year holidays and statutory paid leave. In addition the estimated expenditure of HK\$595 per Hong Kong resident overseas does not include such expensive gifts as TV sets and other consumer goods which were carried over the border. This may mean payment with foreign exchange by Hong Kong but the foreign exchange is not received by the recipient country of the consumer goods. These TV sets etc. are not of course a necessity of life. If they are not 'bartered' they are given away largely as a vanity item to show how well-off the Hong Kong resident is. This practice has harmful side-effects both to the individual concerned and the people of Hong Kong.

If gifts of an average value of HK\$1,838.50 were carried on each of the 7.9 million departures of Hong Kong residents on overseas tours in 1980-81, the total expenditure on such gifts would be equal to the visible trade deficit of \$14.52 billion in the same financial year. In the past, the number of such annual departures had been relatively small. However, when the number runs into 7 to

8 million a year, I believe Government might consider asking the people, on leaving Hong Kong, to complete a simple form to 'declare' the true value of any brand new consumer goods which they are bringing out of Hong Kong. This is of course not for the purpose of taxation but to present a more accurate picture of the magnitude of the problem. Government might later wish to re-classify 'personal gifts' in its trade statistics, thereby placing our visible trade deficit in the correct perspective with a view to instituting effective measures to improve our trade balance.

Saving on Foreign Exchange

When our overall trade balance is healthy excessive spending does not really matter, but during years of a successively widening trade 'gap' the public should be urged to gradually reduce their expensive habit of taking too many pleasure trips abroad and spending lavishly on non-essential consumer items. During the Chinese New Year holidays, Hong Kong seems quite deserted and its residents rain the neighbouring countries with hard-earned foreign exchanges and unnecessary gifts. Hong Kong is a free place and one is free to spend what one earns, but excessive indulgence would only help weaken the Hong Kong dollar and the lower income group would consequently suffer from runaway inflation.

If we take a look at the *truly* strong economic powers, it is not only that they are strong in their manufacturing industries, their productivity and exports but their school children are also educated to be proud of their countries and use their own products. This is the psychological defence line in the mind of every well disciplined citizen, which foreign businesses find it hard to penetrate. It is time that we should capitalize on adversity and gradually build up this mentality by starting a 'Use Hong Kong Goods' campaign. Therefore, whenever possible our manufacturers should develop our domestic market in which after all we have a potential of 5.1 million buyers. The people of Hong Kong should also be educated and encouraged to buy more Hong Kong goods.

Despite the fact that we are almost self-sufficient in eggs and we produce 89% of fresh marine fish, 66% of live chickens, 40% of vegetables, 18% of live pigs and 16% of fresh water fish we consumed, we still have a retained import figure of \$10.14 billion of food for local consumption in 1980.

As Government is already operating a number of experimental farms, it is suggested that Government may wish to consider expanding these operations to suitable outlying islands to produce vegetables and fruits, non-grain-fed livestock, fresh water and marine fish and dairy products perhaps on a strictly business corporation basis like the MTR. Large-scale, scientific and economical methods of production should be adopted with quick returns of capital to meet recurrent costs. The objective is not so much on profit-making but to save foreign exchange, reduce the degree of our dependence on outside food supplies, stabilize prices and help reduce the extent of environmental pollution caused by farm wastes.

‘Waste not want not’ is the most appropriate motto in a recessionary climate. To spend money wisely is a virtue for the rich, prudence for the middle class and a necessity for the less privileged.

It is therefore the responsibility of every citizen of Hong Kong to combine our efforts, no matter how small they may seem individually, to help prop up the Hong Kong dollar to a stable level by working hard and spending less, particularly on foreign exchange.

With these observations, Sir, I have much pleasure in supporting the motion.

MR. CHEONG:—Sir, in your opening address to this Council, you expressed your confidence that ‘Hong Kong’ will experience yet another year of prosperity (in 1982)’. Your forecast, Sir, was based partly on the belief that the recession in our major overseas markets is bottoming out, partly on the competitiveness of our current export prices, and partly on the proven ability of our manufacturers and exporters to take advantage of any revival in overseas demand for our products.

I hope your forecast would come true, Sir, but with great respect, as my honourable Colleague Mr. S. L. CHEN already mentioned yesterday in this Council, I am afraid I do not quite share your optimism at the present time.

There can be no denying the fact that the performance of the US economy in general, and the level of interest rates in particular, exert a strong influence on the performance of all other economies. The economic and monetary policies of the present US Administration are decidedly deflationary, and it was only nine days ago that President REAGAN himself admitted the existence of a recession in the United States. Given that the US Administration has been at pains to impress upon other Governments that it will take some time for its economic and monetary policies to bear fruit, I would like to know the basis upon which the consensus was reached that ‘things are likely to be better (in 1982) not worse’, and that ‘the recession is bottoming out’. Indeed, if President REAGAN is to be believed, the recession has only just begun. While I would not disagree that things are likely to be better in the future, I would hesitate to agree that this would take place in 1982. I stand to be corrected, of course, but before I am told that the revised forecast for our domestic exports in 1981 is in itself a healthy indicator, I would like to point out that our export performance so far perhaps reflected the business climate of importing countries in early 1981, when recession, or the severity of it, was perhaps only dimly perceived.

I have spoken to a good many businessmen in the manufacturing sector about prospects for next year. After discounting their well-known propensity to exaggerate their difficulties, I still detect a mood of despondency I have never come across before.

They would agree that, as a short-term phenomenon, the recent depreciation in the exchange value of the Hong Kong dollar has made our export prices more competitive; but they are in more than two minds as to whether this could last.

Our export prices are competitive only when the manufacturer has consumed stocks of raw materials that he had purchased at historically low prices. Working with historical costs, the manufacturer would be able to sell competitively and maintain a much needed profit margin at the same time. But most manufacturers are unable to do this. In a period of high interest rates, few if any manufacturer would hold a substantial inventory of raw materials. Indeed, most would hold what can be described as hand-to-mouth inventories. Thus, recent export orders would involve imports of raw materials that have to be paid for in US dollars at a highly unfavourable exchange rate. Moreover, given the unique circumstances of our economy, the recent depreciation in the exchange value of the Hong Kong dollar is generating increasing pressure on wages and on other operating costs. These factors would, in the long term, have the effect of eroding the short-term competitive advantages accrued to the recent depreciation in the exchange value of the Hong Kong dollar.

What is even more worrying is the growing reluctance I have detected amongst many export-oriented manufacturers to increase their investment in plant and equipment. This is worrying, partly because it will retard the pace of our response to any revival in demand in our overseas markets, and partly because it will slow down the rate at which our manufacturing output moves up-market. I can only hope that this reluctance is short-lived. If it persists, it will definitely have far-reaching consequences for the growth rate of our economy.

Sir, you also spoke of the need to restrain the excessive growth of credit as a means of containing the growth rate of the money supply, ‘... without putting pressure on our industry’ (paragraph 30). You then referred to the limited use that could be made of government intervention in the special circumstance of Hong Kong, and to the Financial Secretary’s strong preference for restraint of credit growth by the self-discipline and responsibility of our financial institutions.

I appreciate that, in a free market economy such as ours, the scope for government intervention is limited. But given the almost wholly export-oriented nature of our manufacturing sector and the size of their contribution to the well-being of our economy, I am not sure how the exercise of self-discipline by our financial institutions alone could restrain credit growth without, at the same time, adversely affecting the manufacturing sector. Nor am I certain that across-the-board uplifts in the banks’ best lending rate is not too blunt an instrument, particularly in difficult times such as those we are now facing.

This leads me to three sets of considerations. First, as a very substantial proportion of our manufacturing output is destined for export rather than for domestic consumption, it is arguable that our financial community should have any qualms about credit being made available to the wrong sector of the community. Second, given the important role that exports of manufactures play in maintaining the growth rate of the economy, I see a strong case for credit being made available to manufacturers at a rate of interest somewhat below that of the current best lending rate. Thirdly, the question will be asked as to whether

a two-tier system of interest rates would not be open to abuse. I do not have a watertight answer, but I am confident that guidelines can be drawn up to ensure that loans and advances at meaningful concessionary rates of interest would be made available only in respect of goods destined for export. More specifically, I would ask that serious consideration be given:

- (a) to short-term loans and advances, up to a maximum period of six months each time, for business activities associated with the manufacture of goods, against which letters of credit or firm overseas purchase contracts have been placed;
- (b) to longer-term loans, up to a maximum period of four years, associated with investments in new plant and equipment for export-oriented business.

Sir, a two-tier system of interest rates is not without precedent in Hong Kong, and I would urge the Government to take the lead by initiating consultations with the various organizations representing manufacturing interests, and our financial institutions. It may be considered irrelevant, but with your permission, Sir, I wish to point out that a meaningful two-tier system of interest rates is already in operation in South Korea, Taiwan and Singapore in support of their export-oriented industries, and needless to say these three are amongst our closest competitors.

I am making a plea for the Government to intervene in this issue not just because I believe that the current level of best lending rates is having a damaging effect on the manufacturing sector, but also because—as have been mentioned earlier—I am not convinced that the exercise of self-discipline by our financial institutions alone would reconcile the need to dampen down excessive credit creation on the one hand, and the needs of the manufacturing sector on the other.

Sir, in this debate at least three honourable colleagues before me have spoken on importance of industry to Hong Kong. They had displayed their deep concern about the industry's current state and future state of health. They also suggested possible remedial actions to be considered by the Government. If I may, I would like to share their concern. Further I would submit that it is time the Government ceases 'watching the situation closely', and starts a consultative process with a view to devising some solutions, however difficult and however unpalatable the idea of government intervention may seem in this free enterprise economy of ours. The difficulties of a two-tier system of interest rates will, I am sure, argue for themselves. But let us at least take a good, hard look at it.

With these remarks, Sir, I support the motion.

MR. CHEUNG YAN-LUNG:—Your Excellency, though I live in the Urban Area, my heart has always been in the New Territories from which I come and where my roots are. The episode I am about to relate to you, Sir, comes from my heart.

Recently, a friend of mine received some visitors from Japan. Much to his surprise, it was not shopping or cuisine, but a visit to the New Territories that topped their itinerary.

They explained that the New Territories had been featured in a television programme in Japan earlier this year. These visitors were so favourably impressed, that their only wish was to see for themselves the green hills, paddy fields, oxen, and farmers in Hakka hats.

My friend who, like me, is a native son of the NT was naturally delighted. But he also found himself in somewhat of a quandary. Were they referring to the same New Territories as we see it today?

Certainly, there are green fields and oxen to be found in the New Territories. However, these elements, and the descendants of the NT's original settlers, are very much in the minority.

In the valleys of Kwai Chung, Tsuen Wan and Sha Tin, the hamlets and villages, the fields and orchards, have long been resumed by Government for public housing projects and so forth. The old members of the indigenous communities had died. The younger ones have emigrated to England and other faraway places, to seek their living in the restaurant business.

Similar things have taken place in Tuen Mun, Tai Po, Sai Kung, and even the outlying islands. I am tempted to wonder if emigration would have happened had the circumstances of our people been different.

Visitors who take a tour of the New Territories are impressed by our massive public housing developments—not only at Kwai Chung, Tsuen Wan and Tuen Mun, but also at Sheung Shui, Tai Po, Sha Tin and Tai O. They see our ambitious road building and other public works projects, completed and under construction.

They marvel at the complex system of access roads to our Sha Tin Race Course, the Tuen Mun Highway, the four-lane motorway connecting Tuen Mun to Yuen Long, and the foundation work for a formidable roundabout at the Wo Hop Shek level crossing, and the massive reclamation near Island House—to name but a few.

Naturally our visitors are impressed by the sheer vitality that brings about the progress of Hong Kong. For this, praise is due to our incredible people. But our visitors would have to be forgiven for thinking that natural countryside has become one luxury Hong Kong cannot afford. The people of the New Territories know this to be a fact.

Since the turn of this century, when New Kowloon was carved out to make room for urbanization, we have witnessed our once peaceful countryside becoming, more and more, an extension of urban Hong Kong. We saw Tsuen Wan being turned into an industrial town, followed by the wholesale conversion of Kwai Chung. Then we witnessed the massive conversion of Sha Tin and Tuen Mun. Recently we also feel the impact of conversion in Yuen Long and Fanling.

It is urbanization for the most practical and inevitable purpose: to provide homes for a Hong Kong population that, since 1960, has been multiplying at a rate of close to one million people for each decade.

As the population expands, so shrink the frontier of what was once the distinct and separate New Territories. Today a New Territories taxi cannot travel to any point beyond Ting Kau along the west arm, or Cheung Shu Tan along the east arm of our Circular Road. The Tsang Uk Wai walled village will soon be the only relic to indicate that Sha Tin was once an integral part of the New Territories. The tranquil scenes of green hills, paddy fields, oxen, and village girls in their uniquely beautiful curtain-hats, are no longer there to be seen.

Sir, I do not doubt the capacity of the Government to accomplish feats of construction and development, once the decision has been made that such tasks need to be accomplished.

In the words of Your Excellency, may I quote, ‘... the problem is not only to provide the social, medical and security services that all communities need ...’ but ‘... also the demographic redistribution without which no rise in the quality of life is possible ...’ This I believe to be the key to the future of the New Territories, bearing in mind that our resources were barely adequate to serve the existing population even before the current urban influx, estimated to be running at about 180 000 people per year.

The Pre-war Hunters’ Arms, the Tai Po Reserve, the Fanling Golf Club— I am in a young enough position to say they all came about before my time, so I am not certain of their origins.

However, I have personally witnessed the displacement in the early 1950s, of rice-growers by vegetable gardeners, who in turn were later displaced by chicken-farmers and pig-breeders. The streams which used to water the paddy fields have long been diverted to the reservoirs.

As indigenous New Territories residents, many of the sons of displaced rice-growers made their way to England and elsewhere to become waiters or cooks in Chinese restaurants. Children of the displaced vegetable gardeners might have been absorbed in our local industries or financial services. The socioeconomic changes which have taken place since 1950 have been dramatic, if not catastrophic. Dramatic in their effect on people’s entire lives, and catastrophic in their effect on the hearts and minds of the people at the receiving end. What, Sir, if I may ask, is to be done about this?

In the planning of new housing estates, I am impressed by the humanitarian considerations—the provision of fuller social services, higher safety standards, cheaper rentals and purchase prices for the people of Hong Kong. I wonder why the same has not been done for the long-established residents of the New Territories? These people asked specifically for higher quality emergency medical services, better safety standards for overhead power pylons on their private land, premia-free licences to build their own homes on their own land, and a proper system of water supply which up till now is virtually non-existent.

I could recite a litany of pleas gathered by the Village Representatives of over 600 communities in the New Territories. It is their 'demographic redistribution' too. However as this is my maiden speech in this Council, I trust I shall be forgiven for deferring this until future days.

With these words, Sir, I support the motion.

MRS. CHOW:—Your Excellency, I am grateful for this opportunity to speak on two subjects which interests me greatly—education and communication. Being a newcomer, however, I would like to ask for your tolerance and indulgence if I happen to labour on points which might have already been touched upon by my senior colleagues, although efforts have been made to avoid this.

The overall review of the Hong Kong education system is most timely and necessary.

The Panel of visitors is no doubt best qualified to conduct the review. However, it is puzzling to some of us why the Panel does not have a Chinese or even an Asian member who is familiar with the Chinese thinking on an approach to education. Surely this is desirable as the system under review is for an essentially Chinese population.

In line with the review, Government has been and is consulting educators and various organizations for opinions. However, I cannot find any organized effort in the way of seminars, interviews, surveys or questionnaires to secure views from parents as a group. At present I understand that parents' views are sought mostly through schools and this is not satisfactory because the views that arise from discussion between parents and schools might be influenced or compromised and therefore might not be truly representative of the parents. What is required is a totally objective and direct assessment of the parents' thinking independent of schools.

Pressure on school children is still great because of the emphasis placed on academic learning. The limitations of half-day schools might result in the development of two extremes. Within school hours, lessons are often taught at too fast a pace, leaving little time for revision and communication between teachers and students and amongst students themselves. Thus, concerned parents find it necessary to complement the inadequacies of their children's schooling with revision and tutoring at home, thereby aggravating the academic pressure yet further. On the other hand, permissive or irresponsible parents leave their children entirely on their own once they are home from school with neither supervision nor attention for the better half of the day, leaving the door wide open for temptations. Thus there is a strong case for whole day schooling. The advantages are many:

- (a) Curriculum becomes less crammed, which alleviates pressures for teachers, parents and students.
- (b) Students can not only learn but revise and exercise amongst their peers in an atmosphere conducive to learning.

- (c) More time is also available for extra-curricular activities, student counselling, community services and moral education.
- (d) A more balanced and relaxed life-style should result as students can have clearly defined work and leisure periods in the day.

However, introduction of whole day schooling must not go unqualified. Obvious adjustment is necessary for students, parents and teachers. Firstly, it must be ensured that adding half a day does not mean adding 50% workload. Teachers must adopt a more relaxed style of teaching placing more emphasis on communication and discussion to generate more interest and understanding of knowledge. From random discussions that I have conducted with teachers and parents, the general feedback is that the concept of whole day schooling is right and therefore acceptable, and in fact many teachers prefer it to the present half-day system. I suggest the Government should seriously consider its adoption and implementation as soon as is practicable.

You have, Sir, mentioned in your opening address that the Government has committed to two additional teachers for remedial language work for each standard school. I feel it is a matter of urgency that at least one other teacher should be added to organize and co-ordinate all extra-curricular activities, giving priority to those with community service function so as to nourish a sense of civic duty and moral responsibility in students.

Sir, bilingualism has been one of the basic elements on which the success of Hong Kong is built. The international significance of Hong Kong can be undermined with increasing competition in this respect from our neighbours. However, we do have a historical edge over them. The Language Package for Schools and Community announced in June is a definite step in the right direction. The inadequacy of the present system is that the significance of English is underplayed in primary school, and thus students face a language shock on graduating from primary to secondary school when the medium of teaching changes from Chinese to English for a majority of our school children. We are left with two possible alternatives. Either the standard of English is upgraded in primary school so that students are equipped to accept either English or Chinese as the medium of teaching in secondary schools, or children are categorized into Chinese and English streams fairly early on in their primary schooling thereby preparing them for a smooth passage to attend Chinese and English secondary schools respectively. The former alternative is undoubtedly more desirable as children are prepared for a choice which they and their parents are free to make up to the age of twelve.

The upsurge of juvenile crime has been controversially linked with compulsory junior secondary education. I find this conclusion somewhat premature. However, I do doubt the necessity of mandatory education so long as junior secondary education is made available and free to all students who wish to continue. The choice of whether to continue should be left to parents. Once they are relieved of this choice they are more likely to relieve themselves of the consequential responsibility too.

Up to now adult education has not been a subject of public attention in Hong Kong, although it has been developing quickly and successfully in the background. Today however, it certainly calls for another long hard look, particularly in the area which concerns the training of recent immigrants from China.

The influx of recent immigrants means that we have a potential work force we can deploy. However, standards are different and therefore appropriate training is necessary, but first, information is needed to identify needs in various industries and the quality of human resources available and subsequently to plan training programmes to bridge the gap between supply and demand. This is a matter of immediate social significance as this affects employment opportunities for recent arrivals and indirectly the stability of our community as a whole.

While on the recent arrivals, Sir, permit me to digress a little. It is amazing that the Government has not formulated any course of action to ensure the smooth integration of these half a million who have arrived in Hong Kong since 1978. The study being conducted by the Home Affairs Department is a welcome step. But as this is a matter of great urgency, a programme should be drawn up to ensure speedy progress.

Hong Kong owes a lot of our success today to our people's self-discipline and readiness to share; particularly within the family structure. Three generations often share the same residence. Grandparents and parents share the responsibility of child-rearing, teachers and parents share the upbringing of children. With the breakdown of the family, all these are changing, and with it the practical economy and emotional security of sharing. The intelligent thing to do is surely to let our adults know what is happening and the possible consequences particularly towards our young people if they choose to abandon the family as the basic social unit. This we need to do with well-planned programmes of public education spearheaded by the Social Welfare Department and voluntary agencies. The most effective vehicle for it is, without a doubt, the mass media.

No one can doubt the power of the mass media in our society. It has far-reaching influence on our population, both in terms of the number of people it affects, and the degree to which they are impressed.

Recently it has been recognized by people both within and outside the broadcasting industry that perhaps the mass media should be looked at more closely not only as a medium for free entertainment but also for public education. There are some who believe that it has not fulfilled its moral functions adequately, and feel the Government should exercise more stringent control over programming. Others take the much more liberal view that no one should have the right of censorship and every viewer and listener should have the freedom of choice. I personally feel that given the context of Hong Kong and the tremendous influence the mass media has in the minds of our people, the

Government should retain some form of control, providing parameters within which creative freedom is not hampered. However, the main control is still in the hands of the people who create and select programmes, and it is they who should assume the ultimate moral responsibility. To ensure that they have the judgment and integrity to self-regulate themselves, they should be trained and qualified not only in technical skills but also in their awareness of their social responsibility. In other words there should be a more structured system to train our programme makers and managers as well as to assess their professional standards, similar to other existing social professional fields such as teachers and social workers. It is also important that they have regularly organized seminars where they are provided with inputs and opinions from various sectors of the community. These seem to be effective ways to ensure that broadcasters are at all times intellectually alert and socially responsible and responsive, so that they can maintain the positive mental stimulation which the mass media owes to society.

Under the franchise awarded to commercial television companies, they are contractually bound to provide a certain percentage of different types of programmes. However, in practice, such percentages have never been strictly adhered to or enforced. This has resulted in an overwhelming proportion of light entertainment programmes during week-day prime-time where the highest viewership is found. In my view, this is where the Government can and should come in to exercise control. By achieving the right balance in light and serious programme, and with our technical excellence, we can then claim to be the true leader in the broadcasting industry in the Asian region, as the UK is in Europe.

Sir, with these opinions and suggestions on our education and broadcasting system, I support the motion.

MISS TAM:—Sir, in your policy address, public opinion as reflected in the media was that your policy was ‘pragmatic without embellishment’ and ‘welcomed by all people’. The speech is originally drafted in Chinese hence this was from the Chinese press. From these remarks we could see the widespread support, in particular the new measures in respect of the Home Ownership Scheme, which not only excluded the cost of land from the price, but also provided practical solutions to the housing problems of the middle-income group. This was most enthusiastically received by the people.

Labour and Industry

In your address Your Excellency mentioned that there were 2 360 000 employed persons in Hong Kong. According to the initial analysis by the Census and Statistics Department early this year, of these two million or so, 42% were employed in the manufacturing industry, only 4.8% were in financial, insurance and commercial sectors, and 19.2% in retail or catering and hotel business. Therefore the sector which provided most jobs is the manufacturing sector. Any fatal blow to this sector will have far-reaching effects on the livelihood of the population.

On the other hand, the Government has been endeavouring to raise the living standard of the working class and to improve industrial safety. These directly raised the cost of labour. For instance, severance pay, workers' insurance, paid maternity leave restrictions on night work and overtime of female workers etc. are all measures supported by the people, but all the responsibilities fall on the employers. Recently, there have been heated debates on whether the statutory holidays should be increased from 10 to 17 days. With the cost of energy rising once or more every year, and the increase of factory rents or prices resulted from the high land prices in recent years, coupled with the pressure exerted by the increase in the banks' best lending rate to 20%, industrialists have continuously drawn Government's attention to their difficulties and have asked Government for such assistance as low interest loans for the purchase of machinery and raw materials, or allocation of land to erect low-cost factory buildings etc. All these requests, Sir, were fully justified.

The export of manufactured goods is the most important single factor in our foreign exchange earnings. According to statistics released in August this year, total value of exports for the first half of this year was \$35.604 billion, whilst re-export accounted for \$19.536 billion, and tourism \$3.5 billion. It could be seen that domestic exports is still the largest foreign exchange contributor.

For the upper floors of flatted factories, the increases in average rentals per square metre are as follows:

	<i>Second half 1979</i>	<i>Second half 1980</i>
Hong Kong	\$24.50	\$35.50
Kowloon	32.30	42.40
New Kowloon	22.50	29.20
NT	19.00	24.60

The Hong Kong region for the second half of 1979, \$24.50 per square metre and in second half of 1980 it has increased by about \$10 to 35.50 per square metre, Kowloon—the increase is over \$10, New Kowloon—over \$6, the New Territories—over \$5.

Purchase prices (per sq.m.) of such factories are:

	<i>1979</i>	<i>1980</i>
Hong Kong	\$2,576	\$4,483
Kowloon	3,819	5,457
New Kowloon	3,037	3,956

(Table 52, Property Review 1981)

For the purchase price per square metre of such factories we find that in 1979 in the Hong Kong area it is \$2,576 per square metre and increased in 1980 to \$4,483 per square metre, likewise this is increased in Kowloon by about \$2,000 per square metre, New Kowloon by about \$850 per square metre.

Thus, it is extremely difficult to own one's factory premises so as to facilitate the purchase of machinery and other capital equipments.

What then are the results of these unfavourable conditions? They resulted in the loss in the price competitiveness of Hong Kong products, vis-a-vis those

from Taiwan, South Korea and Singapore. A finished garment product of Hong Kong is usually about one third more expensive than one produced in Taiwan or South Korea. The previous advantage of Hong Kong's low wage rates does not exist any more now. The skills of workers in Taiwan and South Korea are also improving that they are now at a par with Hong Kong workers.

It seems that the 'free economy' and 'non-intervention' policies may have possibly led to the present state of confusing non-policy and have thrown the medium and small manufacturers in utter chaos.

It is reported that in the third quarter of 1980, 2 479 medium and small factories suspended production, a two-fold increase (1 227) over the same period in 1979. Of course there were still many who opened new factories. However their outlook was uncertain. It was only the undaunted spirit of the Hong Kong people which urged them on to seek new paths of making a living.

How far indeed has the 'non-interventionist' free economy affected us so far? Our efforts in diversification have been thwarted by high land prices which pushed the cost of setting up new factories to such high levels. Since 1978, small factories—which were recognized to have been a big contributory factor to Hong Kong's industry and standing then at some 37 000 establishments—have not received any assistance in technology or factory land. The loan for Small Industry scheme had subsided in 1976. On the contrary we are aware that South Korea has implemented the following policies to help medium and small industries which now stand as peers of Hong Kong:—

1. 1964-65: The South Korean industrial estate scheme provided land for medium and small enterprises and factories. It was further stipulated that 30% of total bank loans was to be used in medium and small industries. This comes from the Regulations Governing Operation of Bank Funds.
2. 1966-67: Through the enactment of Small Industry Basic Act 1966, Small Industry Credit Guarantee Act 1977, and the setting up of the Council of Small Industry Policy; capital, technology, export and management services were provided.
3. 1968—and since: The Bureau of Small Business was established, with six specialized sub-bureaus, to help specialization and merging of small business etc.

In the Hong Kong Housing Authority's Temporary Industrial Areas, there are at present about 356 vacant units for small factories but they cannot be sold in open market; in the property market, there are about 100 vacant units of less than 50 square metres in size but they are still insufficient to meet the needs of medium and small industries.

Sir, I realize that the Government has been increasing the stock of industrial floor space. 6.5 million square metres were provided in 1977 and in 1980 another 3.7 million square metres were added. This should have resulted in slowing down land prices through reduced competition. I do hope that Government will now allocate land to establish industrial estates for small factories to enable small factory owners to acquire their own premises. Only then would they be

confident to make long-term investments. Pausing therefore a moment, I appreciate Mr. F. K. HU's point on the fact that we should specialize and have more highly equipped factories and more advanced technological equipments etc, etc. However I hope it is not in dispute that many of the medium sized factories do turn out to be very good and excellent sub-contractors to the better equipped factories and therefore supporting them in the whole economic system.

Furthermore I would urge Government to re-consider the request of Hong Kong industrialists for low interest loans to purchase machinery and raw materials. Otherwise industrialists would lose their confidence and adaptability, which could lead to industrial recession.

Conclusion

Turning back to my point, at present some hidden worries are bedevilling Hong Kong's industries. They are: (i) global inflation; (ii) effects of the long-standing 'High Land Price Policy'; (iii) ascendancy of international protectionism; (iv) weakness of the local currency in recent years; (v) the unbearable heights at which interest rates are being pegged; (vi) the increase of production costs due to raising of industrial health and safety standards and (vii) the growing sophistication of neighbouring countries as competitors vying for markets hitherto enjoyed by our products. All these have added to the burden of our medium and small industrialists.

Suggestions

Within practical limits aid should be extended to medium and small industries in the following ways: (i) To set up as soon as possible a body which would study how a concessionary interest rates scheme could be best run for the benefit of medium and small industries to show Government's emphasis and concern; (ii) A longer-term scheme would be to set up an industrial aid agency, similar to what the Agriculture and Fisheries Department has done, which will give aid and advice to medium and small industries with regard to the four basic factors of production: land, labour, capital, and organization and management.

Law and Order

Sir, I turn to a different subject matter and that is that of assimilating 'Green Seal IC Holders'.

Your Excellency mentioned that some recent immigrants, who were unable to assimilate in Hong Kong, had turned to crime. Section 20 of the Immigration Ordinance (Chapter 115) has provided that legal immigrants with less than seven years' stay in Hong Kong will be liable to repatriation on grounds of public interest on commission of a crime punishable with two years' imprisonment or more. I hope that these law-breakers who are unable to assimilate in Hong Kong would be repatriated after serving their terms of imprisonment. However, for the 510 000 odd 'Green Seal IC holders' who have arrived in Hong Kong during the past seven years, we should treat them as part and parcel of the Hong Kong community. They should, with the exception of

voting rights, have the same rights and obligations as any other Hong Kong citizens.

I understand that the Home Affairs Department has issued questionnaires in an attempt to survey the attitude of local citizens towards these 'Green Seal IC Holders'. I am of the opinion that there is a need to carry out a systematic survey of these 'Green Seal Card Holders' in order to facilitate implementation of an assimilation scheme.

Among the 'Green Seal Card Holders' there are already many musicians, dancers, artists and writers who have added lustre to Hong Kong's art and cultural activities. There are also athletes who are now training our young sporters. The expertise of these people must first be utilized.

In the course of my ward office duties I have come into contact with a fair number of such 'Green Seal IC Holders'. Most of them are construction workers, restaurant workers, factory workers or unlicensed hawkers. Their primary concern is to solve their livelihood and accommodation problems. Some construction workers and hawkers are not earning too little, in fact their monthly income may reach \$3,000. But they lack the strong will-power when it comes to saving. To while away their spare time they are often in the company of other workers and hawkers who had arrived a bit earlier than they did. They neither have nor care about 'a sense of belonging'.

On the other hand, those who work in factories are more hard-working and thrifty. They are comparatively easier to assimilate.

I think that to integrate these ID Card Holders into our society, concern and guidance from their relatives and friends in Hong Kong are necessary. As for training and cultivating their skills, or reaching out to isolated and itinerant groups, or setting up permanent advisory services, we will have to depend on the efforts of the Government.

Juvenile Delinquency, and I would like to talk about the communication between the Police and social workers.

Your Excellency's concern over juvenile delinquency has aroused much awareness among the general public. Both Government and voluntary agencies have made detailed analyses and reports on this problem. My involvement with certain voluntary agencies has brought me into contact with outreach workers and sometimes with the Police. I discover that even though the Police and social workers maintain official liaison at a higher level there is no appropriate measure of communication between them on the level of the Divisional front especially between the beat constable and the out reach workers. Sometimes constables take outreach workers for troublemakers. Outreach workers are also unable to tell what help the Police can offer their clients who have committed a crime. As a result, workers and law enforcement agents who are on the same battle front to reduce the incidence of juvenile crime find gross inco-ordination and disharmony in their relationships. I hope the Police Community Relations Officers of various Divisional stations will strengthen such ties and make

regular contacts with workers of voluntary agencies in order to better understand one another.

Another example is the Police Discretionary Scheme which has been in operation for six years. Of the participants of this scheme only about 3 per cent returned to crime. (In 1980 a total of 749 people were in this scheme and only 28 returned to crime; in 1981 up to date 326 people took part in the scheme and only nine returned to crime). However there has been no analytical report which explains why young people with comparatively better family, school and other backgrounds turn to crime and no report on why the success rate under this scheme has been so high. An analysis of these cases will give us a clearer idea as to whether laws should be enacted to help juveniles who have committed minor offences in their rehabilitation and to have their record of conviction removed. I feel that the Police should communicate more with the Social Welfare Department and others and utilize their expertise in analysing their own data. This will enhance better results with less effort.

The Government is expanding the membership of the Junior Police Call. The Junior Police Call was founded in 1974 and its 270 000-strong members were led and guided by officers of the Police Public Relations Wing according to the officers' personal interest and experience. It was not until 1980 that the Police Public Relations Wing first organized a week-long series of lectures on oratory and meeting procedures. I hope the Government will provide expert guidance in social, recreational and sports activities so that the Police will become better equipped to discharge this important duty of teaching the Junior Police Call.

Finally, I wish to say that the District Administration Scheme now being implemented by the Government will function as an effective channel of communication between the governing and the governed. The probity of the object of the scheme is beyond question. I hope the public will actively participate for the good of the Territory.

With these words I happily join my senior colleagues, Sir, in supporting the motion.

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

Question put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT:—In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 11 November 1981.

Adjourned accordingly at thirty minutes past four o'clock.