

OFFICIAL REPORT OF PROCEEDINGS**Thursday, 25 March 1982****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 CHARLES PHILIP HADDON-CAVE, K.B.E., C.M.G., 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 CITY AND NEW TERRITORIES ADMINISTRATION

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 ALAN JAMES SCOTT, C.B.E., 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 GRAHAM BARNES, J.P.
REGIONAL SECRETARY (HONG KONG AND KOWLOON), CITY AND NEW
TERRITORIES ADMINISTRATION

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.
REGIONAL SECRETARY (NEW TERRITORIES), CITY AND NEW TERRITORIES ADMINISTRATION

DR. THE HONOURABLE JAMES WILLIAM HAYES, J.P.
COMMISSIONER FOR LABOUR (*Acting*)

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

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

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

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

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

DR. THE HONOURABLE HO KAM-FAI, O.B.E., J.P.

THE HONOURABLE ALLEN LEE PENG-FEI, 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 JOSEP 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 LEWIS MERVYN DAVIES, C.M.G., O.B.E., J.P.
SECRETARY FOR SECURITY

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

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

THE HONOURABLE DAVID KENNEDY NEWBIGGING, O.B.E., J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MRS. JENNIE CHOK PANG YUEN-YEE

Second reading of bill

APPROPRIATION BILL 1982

Resumption of debate on second reading (24 March 1982)

Question proposed.

DR. FANG:—Sir, I rise to join my Colleagues in congratulating the new Financial Secretary on a well-considered and pragmatic Budget.

I would like to speak briefly on three subjects—localization in the public sector, streamlining of certain Government responsibilities and the aging population of Hong Kong.

Government's localization policy is a matter of well-established fact. Much has been done in the past three decades since it was introduced in the 1940s but these efforts stand in danger of being eroded unless there is a more coherent and better co-ordinated manpower planning and training programme. Undoubtedly the rapid expansion of services in the recent years in many fields of Government activities have exacerbated the demand for qualified personnel but these should have been anticipated. For example, Government establishment is likely to be increased by 16 500 posts in 1982-83, which is 30% more than the previous year's increase of 12 000 posts; the Public Works Departments alone average an increase of about 25%. Unless there had been adequate forward planning, overseas recruitment is inevitable. The localization policy is too important a matter to be left to a 'hit or miss' chance.

I do not need to point to the obvious solution of increasing training capabilities, both in local training institutions, through departmental in-service training programmes and by encouraging overseas training. But it is equally important to attract qualified local personnel into the Civil Service. It is obvious that in certain disciplines such as medicine, law and architecture or in the computer field, existing Civil Service salaries will never match the monetary rewards in the private sector. Fringe benefits such as housing have narrowed the gap somewhat but the total package remains unattractive. I am aware that contract terms are offered in the areas where there are recruitment difficulties but this again is of limited assistance. I suggest that a bolder and more pragmatic approach is necessary. The Government should seriously consider whether internal relativities must be maintained at all costs or whether in selected areas of serious shortages, it should consider granting additional incentive allowances in order to attract quality personnel.

In addition, the basic recruitment qualifications might be reviewed to ensure that they are realistic, practical and flexible enough to attract the right people. I refer here both to academic and experience qualifications. For example, the ten years' experience required of Magistrates makes it particularly difficult for the Civil Service to compete with the private sector.

I have suggested earlier the need for more long term manpower planning. This should occur both at the central level and at the departmental level. Many Government departments are now of a sufficient size and complexity to warrant a senior officer working full time on staff management, training and development. The departmental secretary has his hands full with day to day personnel and house-keeping matters and cannot be expected to devote sufficient time and attention to these important aspects. Personal emoluments account for 35% of the entire Government's recurrent expenditure and if, as the Financial Secretary puts it, we are to learn 'a thrifty use of resources', we must take steps to manage our human resources better and to reduce wastage.

One of the ways of going about this is to provide better opportunities for professional officers to acquire the necessary managerial and administrative skills to move forward in their careers. Professional officers frequently have less exposure in these areas than administrative and executive officers and are therefore at a disadvantage when competing for senior positions. However, there will always be some officers who prefer to work in their own specialties rather than assume administrative duties. The social work profession is a good example. Some provision should be made for these officers to remain in their professional fields without sacrificing promotional prospects. In this way, both the Government and the community stand to reap the full benefits from the considerable investments that have gone into training these personnel.

As regards streamlining and rationalizing Government responsibilities, this is a continuing process, the latest manifestation of which is the newly created Lands and Works Branch and the City and New Territories Administration. I consider that in the areas of housing and transport, Sir, for the disabled, some streamlining of responsibilities is necessary to ensure that the clients obtain the required services in the most speedy and efficient manner.

At present when a disabled person is fortunate enough to acquire a housing unit either through the normal procedures or on compassionate grounds, the Housing Department is responsible only to make the external modifications to facilitate access. All interior modifications to the doorway and utility areas to make the units habitable for disabled persons are organized and funded by the Social Welfare Department. This results in a splitting of responsibilities and unnecessary delays. I see no reason why housing for the disabled should not be integrated with the normal housing programme and to be made the responsibility of the Housing Department and I so recommend.

As regards transport, Rehabus is the only means of public transport for the severely handicapped from their homes to their places of work. This too is now being funded by the Social Welfare Department. I believe that the Transport Department should assume this responsibility in the same way as they have taken over administration of the students travel scheme. If I may digress slightly, our subsidy of students using public transport in 1981-82 is HK\$224

million, whereas the Rehabus has a fleet of 11 buses, all donated by the public, with a recurrent expenditure met by the Government of only HK\$0.54 million a year.

Our entire rehabilitation programme is aimed at integrating the disabled into the community. They should therefore have the same expectations for an adequate standard of accommodation and transport as the rest of the community. Let us not continue to label their needs with the 'welfare' stigma.

Finally, Sir, I would like to speak on the aging population in Hong Kong. Greatly improved standards of health and living have prolonged life expectancy in Hong Kong as it has elsewhere. Our males now have an average life expectancy of about 70. Our females, not to be outdone by their male counterparts, have an even longer expectancy of over 76. Some would say that this is a mixed blessing but the problems of a growing number of old people in the community are increasingly coming to the fore and must be firmly tackled. International concern over this matter is also growing and this year, there will be a world assembly on aging to focus attention on the needs of the elderly.

We have made great strides in developing and improving services for the elderly but there remains large shortfalls, particularly in residential services. We must emphasize and re-emphasize the concept of keeping our senior citizens in the community. This means providing more support for the family to encourage them to look after their elderly members. Filial piety has always been a treasured part of Chinese tradition and culture and is well worth promoting, particularly in the education of the young. But positive incentives are also required and I would like to suggest two. Firstly, in the allocation of public housing, additional points might be awarded to those families who are prepared to live with and look after their elderly members. Alternatively, they might be allowed to choose flats in more accessible locations. Secondly, the expansion of day care centres for the elderly should be given priority to provide relief for hard pressed families who would otherwise choose the less desirable alternative of consigning their elderly members to residential institutions.

Sir, no other sentiment in the Financial Secretary's admirable Budget Speech will attract more unanimous support than that embodied in his words, and I quote, 'the whole long term purpose of our policy of the encouragement of the creation of wealth is not to enable the rich to get richer but rather to achieve an improving standard of life in all its aspects for the whole community'. The few proposals I have made are designed, in their small way, to give practical effect to this sentiment.

Sir, I beg to support the motion.

MR. ALLEN LEE:—Sir, I would like to join my Colleagues in congratulating the Financial Secretary on his first Budget Speech.

I have not heard any negative comments with regard to the 1982-83 Budget. It is welcomed by all sectors in Hong Kong. The tax concessions proposed by the Financial Secretary with regard to business taxation, interest tax, personal taxation and estate duty are widely supported by the whole community. However, I feel there are several points that need to be clarified from industrialists' point of view.

There have been increasing calls from industrialists recently for Government assistance. Sir, with due respect, I do not think that these appeals can be summarily dismissed as self-interested calls for special treatment or handouts. Being involved in industry myself and also being connected with two of the major organizations representing industrialists, I can say that these appeals form an accurate reflection, on the one hand, of severe strains and, on the other, a genuine effort to identify possible areas where Government assistance might be helpful not only to the manufacturing sector but the continued socioeconomic well-being of our community as a whole.

I believe in free trade and competition, however, I do not for one moment believe that the law of the jungle has been the secret of our success over the years. Government most certainly played an important role in this success through support for vocational, technical and tertiary education; industrial investment promotion, training schemes, industrial diversification and many more. What is being sought is increased support in areas supplementary to these and what is strongly felt to be essential to preserving as well as improving an environment conducive to the continued development of our manufacturing sector so that the Government coffers may be adequately replenished through tax on profits to enable it to achieve an improved standard of living for our citizens, an aim upon which the Financial Secretary has so rightly placed emphasis. The low level of taxation reinforces the need to consider whether its sources should be carefully guarded and nurtured.

These, Sir, have been the general underlying principles of recent calls from industrialists. If they have appeared in some cases somewhat emotional, then it is because industry and Hong Kong community are close to their hearts. Let me assure the Financial Secretary, however, that they have not lost their heads. Industrialists are not calling for subsidies for businesses which can no longer survive in a competitive world. It is not simply a matter of the survival of the fittest. It is, given the industrial structure of Hong Kong, a question of whether we can afford to lose essential industries. For example, can we afford to lose our textile and garment industries? Why is it that these are the very industries that the most advanced countries in the world have so fiercely defended against our own in Hong Kong? The textile and garment industries account for almost half of our export revenue. As industrialists, we see a decline not only in these sectors but also in others. Can we afford not to have a growing manufacturing sector? If not, should something be done to strengthen this backbone of our economy? What are the implications for other sectors and for employment if our

manufacturing sector declines? These questions have been on the minds of industrialists in making their proposals, certainly not in self-interest but rather for the prosperity with everyone in the community. The growth of all community services depends on the creation of wealth.

If I may turn now, Sir, to some specific areas where industrialists have made their appeals known.

Land and Rent

I believe everyone in these chambers is aware of the rising cost of land and rents for industrial premises over the last few years even though we have only recently realized the price of industrial land has levelled off and I do not need to labour that point. When the price of land is such that it is only a minority who can afford to purchase and develop it, this can hardly be called the operation of a free market force.

We are encouraged to learn that the production and sale of land will increase in future. Industrialists advocated this and, of course, increased supply will stabilize prices. They have also advocated that the criteria for qualification for the Hong Kong Industrial Estates be relaxed to allow further utilization. This is because, in the process of diversification, more and more suitable industrial premises of both proper design and reasonable price will be essential.

Interest Rates

We welcome, Sir, the experimental efforts by Government to influence the money market rates. The cost of finance has been another constraining factor of industrial investments. Let me make it clear that industrialists are looking for facilities for long term, fixed interest loans at reasonable costs, not special treatment. Specifically, for example, the Federation of Hong Kong Industries is proposing the formation of a financial body which, in essence, will pool loans so that the aggregate amount will be sufficient for it to borrow from cheaper sources which do exist overseas. Industrialists are seeking assistance in the formation of such a corporation.

Electricity

This is really one area which causes major concern. What is being sought is an assurance that a fair price is being paid and that an effective monitoring machinery is in operation. Events have demonstrated possible shortcomings when electricity charges went up two and a half times in a matter of two years from essentially monopolies supplying a vital product. Do the consumers not have the right to raise several questions which they do not understand?

The Federation has now formed a joint working party with one of the electricity companies to better understand its workings. What has been proposed is in the interest of the community as a whole of which industry is a part. That the industrialists have the courage to speak up does not indicate, I contend, any self interests but rather, a public responsibility.

Water Charges

Industrialists have cautioned against increases of water charges because it affects in particular one essential sector, the bleaching, dyeing and finishing industry. This sector utilizes a substantial amount of industrial water. However, it is an essential link in the textile and garment chain. It provides a vital service to the industries at both ends and, without it, these sectors which account for almost half of our exports in value and in number of workers engaged will be affected. In putting forward these views, industrialists are aware of the need for Government to recover costs. However, industrialists are also mindful of the cost element involved all together with others.

All these rising costs are eroding profit margins. Less profits, less taxation. In weighing these factors, the view of industrialists on these matters was that there should be an expanding sector of industry producing wealth rather than a non-profitable and diminishing one affecting a host of other sectors.

Sir, I believe my verbosity on this subject is valid and I feel it needs to be said that industrialists are not seeking for special treatment but are sincerely trying to seek ways in co-operation and co-ordination with Government to ensure the future well-being of our economy.

Sir, I support the motion.

MR. SO delivered his speech in Cantonese:—

督憲閣下：

閣下對香港的勞苦大眾極為關注，對改善他們的生活質素貢獻良多，因為這份深切的關懷，政府於一九七七年發表了社會保障發展計劃綠皮書，研究設立一個由中央管理和半自願性供款的僱員傷病人壽保險計劃的可能性。可惜的是，因為各項因素和根據一項意見調查，政府最近決定取消鑽研這項供款計劃，其中一項因素是恐怕執行供款計劃，政府要增設人手，因而令公共開支增加。

財政司雖然要求議員們在這次辯論中，盡可能提出節省開支的方案，務求達到抑制公共開支的增長，但本人不得不趁閣下最後一次參與本局預算辯論的機會，就社會保障一題進言，因為本人認為經濟不外是選擇和作為的邏輯，而投資在本港的勞苦大眾身上，是最佳的選擇和作為！

香港五百多萬人中，勞動人口佔二百四十萬，比率超過總人口的三分之一，這個數字，再加上工人的家屬和已退休的工人，足以證明香港是一個勞動工人的社會。而貧富日益懸殊，指出了香港所依賴的工人並未能公平地分享經濟發展的成果。

大部份社會人士並不希望政府把用於較為急切的公共房屋建設及其他社會服務的資源用於社會保障上，這是無可置疑的。同時，我們亦深信，香港不應該讓其他國家的社會保障形式影響本身的決定。不過，香港的社會保障安排，近年雖然不斷改進，但是距離理想尚遠。所謂理想是足夠保證與人性尊嚴相合的生活；把收益從健康者分配到患病者，從年青的分配到年老的，從優薪的分配到低薪的，從家庭人口少的分配到家庭人口眾多的，從就業者分配到失業者。換言之，香港在保障工人，增加生產，分配收益，確保安定和人性尊嚴方面，還有一段頗長的道路。

我們不應只顧複製先進國家的社會保障制度，在選擇最適合香港情勢的社會保障形式時，本人認為應考慮設立由中央管理和半自願性供款的保險計劃，使非公務員和非任職於大機構的僱員在長期疾病、工傷及退休時得到保障，使社會保障邁向助人自助的目標，而非停滯在救濟式的觀念上。經過週詳考慮的供款計劃，若能配合適當的宣傳和教育，加上免稅等獎勵，必能吸引僱員和僱主。政府極關心長期計劃，長期作為，香港的穩定，社區參與，市民歸屬感等問題。供款的社會保障計劃對這些問題，間接和直接都有幫助，又何樂而不為呢？

香港有不下四百個諮詢委員會向政府提供建設性的意見，本人懇請閣下離任前考慮設立第四百零一個專責鑽研社會保障的委員會，則本港的勞苦大眾幸甚矣！

督憲閣下，本人謹此陳詞，支持本動議。

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

Sir, much has been done to improve the quality of life of our less fortunate working class, thanks to your valuable contributions and deep concern. It was out of this deep concern that the Government published in 1977 the Green Paper 'Help for Those Least Able to Help Themselves', in which the feasibility of introducing a centrally-administered semi-voluntary contributory sickness, injury and death benefit scheme was examined. Regrettably, the Government has, after considering the findings of an opinion survey, decided not to go ahead with the scheme for a combination of reasons, among which was the fear that public expenditure might be increased as a result of the need for additional staff to implement the scheme.

Sir, this is the last time you preside at the Council's Budget Debate. I would like to take this opportunity to voice my opinion on social security notwithstanding the Financial Secretary's request for Members of this Council to suggest at this Debate recommendations on how public expenditure could be kept to the minimum and its growth restrained. Economics, in my interpretation, is about the logic of choice and commitments. Investing in our working class is by far the best choice and commitment.

Hong Kong has an employed population of 2.4 million, representing over $\frac{1}{3}$ of her total population of 5 million. On top of this figure, there are the workers' families and the retired workers, which makes it evident that Hong Kong is a worker society. The fact that the gap between the rich and the poor is widening shows that the workers, on whom Hong Kong depends, are not getting a fair share of the economic cake.

One cannot argue that our community in general would prefer not to see our resources diverted from more immediate needs such as housing and other social services to social security. At the same time, we believe that we should not allow the system of social security adopted by other countries to affect our decision. While steady improvements have been made in recent years, social security provisions in Hong Kong are still far from adequate. By 'adequate', I mean sufficient to guarantee a life compatible with human dignity and to redistribute income from the healthy to the sick, from the young to the old, from high

income to low income earners, from families with few children to families with many, from the employed to the unemployed. In other words, we still have a long way to go in our quest for protecting our workers, increasing productivity, redistributing income, promoting security and human dignity.

We should not aim at merely copying the social security systems of developed countries. In choosing a system best suited to the needs of Hong Kong, we should, in my opinion, consider the setting up of a centrally-administered semi-voluntary contributory benefit scheme to protect workers not employed by Government or well-established institutions against prolonged sickness, injury at work and retirement. Such a scheme would enable the social security system in Hong Kong to move towards its target of helping people to help themselves instead of playing just a relief role. With the help of proper publicity and education and given the incentives such as tax relief, a carefully worked out contributory scheme should prove attractive to both employers and employees. Our Government is anxious to promote long-term planning, long-term commitments, the stability of Hong Kong, community involvements and a sense of belonging among the people. A contributory social security scheme would, directly or indirectly, enhance such issues. So why shouldn't we go ahead with the scheme?

We have some 400 advisory boards in Hong Kong to advise the Government in a constructive way. I propose that a new board on social security be set up in addition to the existing advisory boards. May I urge you, Sir, to consider this proposal before your departure? It would certainly be welcome news to the working population in Hong Kong.

With these remarks, Sir, I support the motion.

MR. F. K. HU:—Sir, I am most impressed with the budget as presented by the Financial Secretary. The budget has indeed been very well received by practically every sector in Hong Kong. Not only did the Financial Secretary put forward his proposal in a succinct and eloquent way, he also anticipated the reaction of the various sectors and the possible comments of the Unofficial Members of this Council. So there is not much left which I can usefully comment. I shall therefore confine myself to a few related issues in one particular area only.

The maintenance and growth of Government services including all community services depend heavily on the creation of wealth and its availability. The new Capital Works Reserve Fund is established for the purpose of financing Public Works Programmes and land acquisitions. The source of this Fund is based on a formula of 80% of estimated revenue from land sales and 15% of estimated total recurrent revenue in each year. Without land production and subsequent land sales, many of our Public Works Programmes will be affected. The Financial Secretary has pointed out that despite the current

cyclical downturn in the economy, he had complete confidence in the long-term prospects of our real estate developers.

The private sector has an important part to play in the provision of factory buildings, commercial premises and residential buildings for middle and high income groups as well as the low income group through the Private Sector Participation Scheme. Through the private sector's investment, Hong Kong has been able to cope with the growing demand for factory buildings and commercial premises arising from the expansion of domestic and export markets and the expectation of the swelling population for better living and environmental conditions. It has provided more employment opportunities and has helped to introduce advanced technology into our building and construction sector which now employs more than 80 000 persons.

Obviously, every effort should be made to encourage developers to invest enthusiastically in Hong Kong with a reasonable rate of return over the shortest possible development period. In the present situation of high interest rate, the longer the delay, the higher will be the production cost. This will inevitably result in higher rent and selling price, which are neither socially nor economically desirable for the community as a whole.

Many governments in other countries would do their best to assist developers in overcoming whatever problems they may encounter. Unfortunately, there is quite a strong impression in private sector that many of the staff in our Government departments tend to take a rather negative attitude or even create additional problems and obstacles for developers, delaying the processing or approving of applications and projects.

I understand that the Geotechnical Control Office provides staff and specialist support for the Buildings Ordinance Office in dealing with slopes and foundation problems associated with public and private building programmes. Given that it is a difficult subject on which the matter of life and death is involved and as geotechnology is a fairly new science to Hong Kong, the Geotechnical Control Office seems to be lacking in clearly defined standard and its approach could be over cautious and consequently extravagantly expensive. There being no established procedure to follow and if disagreement between the experts emerges, there is no provision for appeal. The result will be unnecessary long delay.

I am also aware that there are numerous frustrating cases in the Buildings Ordinance Office and Fire Services Department where developers are required to submit amendments to their plans which are only to be followed by further amendments. With the modern development of technology, many of the existing rules, regulations and codes of practice become outdated and can no longer be based upon to make decision. Inconsistency in the interpretation of regulations poses another problem as different officer may interpret the same piece of regulation in a different way which may necessitate major re-designing

or amendment with consequential delay or increase in cost. I would suggest that where changes in policies or interpretations may cause major modifications in building plans, a grace period should be allowed. Plans already approved should not be subject to disapproval on these grounds when they are resubmitted for minor amendments. These are but a few examples to illustrate the difficulties faced by developers, contractors and professional persons involved. This is an area where Government must clear urgently with all parties concerned to ensure smooth and speedy execution of building projects.

I suggest that Government might consider setting up a Building Industry Advisory Board comprising officials from relevant Government departments, representatives of real estate developers, building contractors, electrical and mechanical contractors professional institutions and other unofficial members. This Board should meet regularly to advise Government on matters affecting the building industry and to iron out any problem which may exist or occur from time to time. It will offer an opportunity for the various sectors to keep Government directly informed of the impact of existing policy or change of policy. With better communication and understanding established and uncertainty removed, I am sure that developers will be able to make greater contributions to Hong Kong by intensifying their investment in Hong Kong instead of diversifying their resources outside the Colony as one well have noticed to be an increasing trend of such development lately. Continued outflow of funds and reduced interest in property investment in Hong Kong will lead to a chain reaction which may have serious effects on our position socially and economically.

I come now to land resumption policies. The Financial Secretary mentioned that in land resumption more land-holders opted for full cash compensation in preference of accepting Letter B exchange and entitlements. It may not be a bad idea to stick to cash compensation in order to avoid additional commitments on Letter B entitlements as Government is already finding it increasingly difficult in meeting outstanding commitments already on hand.

I suggested in my speech on 1 November, 1979 in this Council the combination of the Private Sector Participation Scheme and the Letter B exchange scheme in order to increase the public housing stock and to speed up the discharge of Letter B commitments. On one occasion, Government did put out a Home Ownership Scheme site for Letter B tender, but it failed to attract bidders probably due to the terms being not attractive as the prevailing value of Letter B was high at that time. I would suggest that this scheme be pursued again. Besides the commercial premises, 30-40% of the residential area at attractive location should be left to the successful bidders to develop and sell at their own price, while 60-70% of the residential area should be built and handed back to Government at an agreed price for the Home Ownership Scheme or even for Rental Public Housing depending on the extent of demand. Integration of accommodation for different income groups in a prime site or any site is socially an idea we should encourage.

Government could also consider tying up the Letter B entitlement exchange scheme with seabed reclamation and land excavation projects on acceptable locations as Government could achieve the same purpose of land production without incurring any expenditure besides clearing some Letter B commitments at the same time. As we cannot really separate the New Territories from the urban areas, Government may also wish to consider the extension of the Letter B Exchange Scheme to the urban areas.

With these remarks, Sir, I support the motion before Council.

MR. WONG PO-YAN:—Sir, I am glad that our Financial Secretary has not failed to respond to the prevalent economic and social needs. In particular, the proposed concessions on interest tax and increased allowances for industry are steps in the right direction for Hong Kong to grow as an international financial centre and prosper in its industrial advancement. The Financial Secretary is to be congratulated on presenting a realistic and pragmatic Budget for 1982-83.

Before proceeding with the Debate, I shall turn to two important developments in the past year which I find particularly gratifying.

First, paragraph 5 of the Budget Speech stated that the economic relationship between Hong Kong and China has been healthy and growing. In fact, economic ties with China have been more than healthy and growing. Our 1981 trade statistics show that China ranks second as our major supplier and the fifth buyer. The potential for further expansion is enormous.

In recognition of this possibility, chambers of commerce and trade associations organize seminars, study groups and special committees to help their members to have a better understanding of the two markets. In their respective endeavours, there is, however, a need for concerted and co-ordinated efforts.

While other developed countries have mounted large scale national exhibitions in Shanghai, Beijing and other major Chinese cities, our past efforts have been confined mainly to organizing fairs by individual companies. There is, undoubtedly, a disturbing absence of aggressive promotional activities in China. A planned and systematic policy of promoting our products, our service and our expertise in China is urgently needed.

In formulating this policy, we should concentrate our efforts on industrial developments in the Special Economic Zones. As regards trade and commerce, we should reach out to the developing industrial centres and cities in the northeast, the light industrial zones in the southwest and northwest, and the coastal provinces.

In addition to our activities in the financing of selected projects, joint ventures in Special Economic Zones and re-export trading, we should play a more active role in introducing into China the internationally accepted practice in

conducting business, the upgrading of managerial and industrial efficiency, product design and control.

Secondly, the year witnessed the final establishment of the Vocational Training Council which assumes overall responsibility and rationalizes the provision of technical education and industrial training. This is particularly meaningful against a steep decline in our growth rate of output per head which has dropped from 9% in 1977 to only 2 to 3% in 1980 and 3 to 3.5% in 1981.

We are all aware that the reason for the decline is due, in part, to the unusual number of new immigrants who swelled the ranks of our labour force within the last few years and who, in most cases, are unskilled workers. Given that output per head is closely related to such factors as the type and quality of plant and machinery used, the time devoted to productive work, and the skills of the workers, the last factor is by far the most important, most versatile and most cost-effective in the context of the Hong Kong industrial scene. The establishment of the Council will provide our potential workers with the requisite technical education and our workers with appropriate opportunities for optimal training to upgrade their work skills and efficiency to meet the changing needs of our commerce and industry, including the service industry. The work and success of the Council have therefore a direct bearing on encouraging growth in output per head which will be vital, for our industrialists and workers alike, in meeting future challenges.

While it is comforting to note that a 10% growth in Gross Domestic Products in real terms has been achieved, 1981 has also been a trying year for the manufacturing and trading sectors.

With regard to the industrial sector, manufacturers have been burdened with spiralling costs of raw materials, high interest rate and inflation. The import value index doubled from 1980's 7% to 14% for the first eleven months of 1981. The consumer price index registered an increase of 15%. The prime rate fluctuated between a historical high of 20% and now stays at 16%. As for the trading sector, our combined visible and invisible trade gap has widened to 5.3% in 1981 compared with 4.3% in 1980 and 2.5% in 1979.

Externally, there have been rising protectionist sentiments in our major export markets and increasing competition from other developing countries.

Against such a background, the proposals to help industrialists by increasing allowances for new capital equipment, plants and industrial buildings, though steps in the right direction, are but small steps and are clearly not enough. Sir, in the Financial Secretary's own words, 'Trade, Industry and Commerce represent our life blood', and I make no apologies for having to play, again this year, the role of *Oliver Twist* for the sake of our industrialists and workers. I would emphasize that I am not asking for handouts, but Government support and assistance for industries to help themselves.

Simply and clearly, more positive measures are needed to foster a favourable climate for manufacturing and exports.

Such measures should include effective use of the interest rate, if we accept the concept that the interest rate is a means—and an effective means—to stimulate and regulate investment. Government should pay more attention to this sensitive issue.

Such measures should also include active exploration of possibilities for increasing our export of domestic products and service. The realization of the long advocated and long awaited exhibition centre, for example, will add considerably to our export of service, not to mention the contribution that the Hong Kong industrialists anxiously expect.

Such measures should include, furthermore, a consistent and effective policy in curbing inflation, both imported and domestic.

While conceding that the inherent absence of raw materials to support our manufacturing activities will necessarily render imported inflation difficult to control, Government should adapt stringent measures to restrain forces of inflation due to internal elements.

We should, for example, take measures to enable industry and consumers to have their burden on the cost of energy, including power, fuel and light, to be adjusted downward to reflect the recent easing of oil price in the world.

Sir, I feel a little uneasy when I read the notes explaining increases of spending on Other Charges in various Government departments; the sentence used most frequently is 'due mainly to increases in expenditure on electricity resulting from increased charges'.

Thus, in the context of inflation, I welcome the Financial Secretary's determination to cut back the growth rate in public spending to that of the G.D.P., but I consider that expenditure on public housing and the road transport system should not be curtailed. I shall return to these later.

The growth rate of expenditure on Consolidated Account surged from 17.8% in 1980-81 to an estimated 21.8% in 1981-82 while the relative size of the public sector increased steadily from 15.4% in 1977-78 to 22.9% in 1981-82. It is indeed high time that Government should aim at consolidation and more effective use of its resources.

For the coming year, the Financial Secretary has budgeted for a 10.7% increase in real terms in public sector expenditure, and the total expenditure on Consolidated Account would be \$37.7 billion. An analysis of the latter shows that due emphases have been given to land production, public housing and road transport projects, among others.

Housing

I am pleased to note that a series of measures has been implemented by Government last year to accelerate the public housing programmes. Government now aims to further increase the stock of public housing to provide for the four-year period 1982-83 to 1985-86 a total of 148 900 flats—excluding that of the Housing Society and Home Ownership Scheme—surpassing production in the previous four years by 31 429 flats.

During the past year, the selling price of Home Ownership Scheme flats has been revised to exclude the land value. The subsequent number of applications received proved the prudence of such a measure. For the coming financial year, \$4.1 billion has been provided for the actual construction of housing.

Despite these very commendable efforts made by Government, however, as admitted by the Financial Secretary, the length of the Housing Authority's waiting list has remained disappointingly static. The gross addition of 170 804 flats (including the Housing Society and H.O.S. flats) for the coming four years will not bridge the gap between supply and demand. It is imperative, Sir, if not long overdue, that we should examine other alternatives and come to the next option, the private sector.

The performance of the property market in the past year left much to be desired by the real estate developers. There is little doubt that the high price of a flat, even after the recent downward adjustment, and the very high interest rates have put the cost of a home beyond the reach of many of those who might otherwise have been willing and happy purchasers.

The Rating and Valuation Department's recently released draft '1982 Property Review' shows that a total of 34 475 units of private domestic accommodation were completed in 1981, of which 18 120 or 52.6% were found vacant at the end of the year. Projecting from a 5% sample survey of all rated units in the private sector undertaken at the end of the year, it was estimated that of the pre-1981 stock, some 11 580 units were vacant at the end of the year. Thus, it gives a total vacancy of 29 700 units, compared with 17 000 units vacant a year earlier; that is an increase of 74.7%. The total figure of 29 700 vacant units also represents about 5.8% of the year-end stock.

On closer examination, of the 18 120 units completed in 1981 and found vacant at the end of the year, 15 990 units or 88.2% are of less than 90 sq. m. (968 sq. ft.) in area.

This gives rise to the highly unsatisfactory situation where completed flats, into which labour, material and other valuable resources have been put to use, stand vacant while the pressure on housing continues to surge.

To rectify this situation, it would be expedient to match the repressed demand of the sandwiched class to the existing supply of small units by exempting interest payable on the purchase of small domestic premises from taxation.

It could be specified that, for example, for a potential purchaser to be eligible for such deduction or allowance, the person should be the intended owner-occupier of his first purchased flat direct from the real estate developer. Resale restrictions could be imposed to eliminate any element of speculation. It could be further specified that the size of the flat should not exceed a certain limit, say 90 sq. m., to ensure that the units are to be used by the intended middle and low income groups. To limit the financial implications and cost, the deductible sum could be restricted to a certain ceiling of the owner-occupier's family income.

Granted that the implementation of this proposal would entail an intensive ironing out of administrative problems, it could serve to solve, within a relatively short period of time, the pressing twin problems of enabling the sandwiched class, who are not eligible for Government housing or subsidies, to purchase their own homes and, at the same time, of reducing the accumulated stock of small flats in a sluggish property market to encourage new developments.

Transport

Next, I turn to my final topic on transport.

I am pleased to note that \$1.6 billion has been earmarked for the construction of highways and that main trunk routes have been identified to provide a network to improve traffic flow. However, I wish to raise the following points.

First, the existing Cross Harbour Tunnel is undoubtedly one of the most heavily used tunnels in the world. The approach roads, which have long been recognized to be inadequate, are bottlenecks themselves and are totally congested, particularly during rush hours. With the anticipated increase in the number of vehicles, it is imperative that the examination and construction of a second vehicular cross harbour link, be it another tunnel or a bridge, should be accorded top priority.

Secondly, I wonder if Government has a comprehensive car parking policy for lorries and heavy-duty industrial trailers, including container trailers. The apparent lack of planning and direction in this aspect results in serious traffic congestions in many industrial areas, notably Tsuen Wan and Kwun Tong, where lorries are often found to be parking or double-parking on-street, to load or unload their cargoes. The resultant obstruction is not only a nuisance to other road-users and the travelling public, but also wasteful of manpower and other resources.

As an example, the one-way Hill Road Flyover, which was constructed in 1978 and completed in 1981 with the aim of diverting traffic from Pok Fu Lam Road to the waterfront, is avoided by most motorists and is not fully utilized because of congestion created by the parking and double-parking of lorries along both sides of Connaught Road West. Though improvement plans for the area include multi-storey lorry car parks, these are expected to be completed by 1989.

I therefore urge that the construction of multi-storey lorry car parks in selected industrial and other areas, where the loading and unloading of cargoes and a high concentration of goods vehicles are planned or anticipated, should be accorded a high priority. Notwithstanding that the construction of such facilities would take up valuable land space, the economic benefits derived would justify it in the long run.

With these remarks, Sir, I am pleased to support the motion.

MR. BROWN:—Sir, speaking late in this debate I find that my Unofficial Colleagues have already spoken on most issues of importance. I do not wish to be repetitive, but I would like to say a few words to endorse some of the points which have been raised and which I believe are of particular importance.

The Financial Secretary acknowledges that his predecessor has left him a clean slate, and few would disagree with the current picture he has chalked up for us, representing as it does a satisfactory degree of economic stability overall. The budget and its proposals are entirely consistent with this situation and they should guide us towards achieving further stable growth.

I will refrain from delivering the anticipated strictures on the growth rate in public expenditure, partly because others have already done so, and partly because I happen to agree that there is no ideal percentage figure for the circumstances of Hong Kong. Indeed a degree of pragmatism is necessary if we are to avoid any arbitrarily fixed percentage becoming such a touch stone of economic virtue that we get led into 'stop go' policies and all the chaos such cause to proper planning. On the subject of 'stop go' policies I particularly welcome the concept of a Capital Works Reserve Fund and the common sense view behind it that major capital programmes cannot be stopped in mid-stream and once commenced must proceed to completion.

The stated aim of keeping the trend of the growth rate of public expenditure within the growth rate of the G.D.P. seems to me to be both sensible and appropriate.

Having said this, however, I am nevertheless concerned by two trends which are now clearly visible in the public sector, both of which have already been commented on in some detail by my Colleagues.

Firstly I believe we must give serious consideration as to the extent that we are now reliant on land sales to pay for the public works programme. In saying this I am conscious of the comments made in the last budget speech which warned against getting locked into a level of expenditure on capital account which would not be sustainable as and when the level of capital revenue settled down and the financing of capital expenditure again became dependent on the surplus on recurrent account.

An increasingly smaller proportion of capital expenditure can be covered by recurrent income and it will be noted that the surplus on recurrent account,

expressed as a proportion of actual total capital expenditure, is projected to fall to 44% in 1982-83, a sharp drop from the estimated 74% in the current financial year, and from the average of 100% in the previous decade.

The 44% must be viewed against our traditional guideline of at least 60%, although it has been suggested tentatively since last year that this latter ratio could perhaps be lowered to at least 33%. Sir, I am not sure how long it takes for tentative ratios appearing in footnotes and appendices of budget speeches to become established guidelines, but I would not in any case wish to debate here the logic of changing this particular ratio just because our economic circumstances vacillate.

However, the Financial Secretary has anticipated that his subjective view regarding the financing of the capital account in the forecast period, which he believes will continue to be less dependent on the surplus on recurrent account than in past years, would be raised in this debate, and I would not wish to disappoint him.

Although I share his confidence in the long term prospects of our real estate developers, a confidence which I believe to be soundly based, the statistics I have quoted are indicative of a trend which seems to be accelerating. The ratios are there to serve as an early warning system and we should not ignore their signals, particularly when one bears in mind that quite apart from the on-going Public Housing programme we are contemplating a large number of major projects in the period ahead.

Moreover land sales are inherently the least stable component of our public accounts, and to some extent—although perhaps of lesser importance—too much reliance on land sales revenue makes it difficult for Government to convince its critics that it has no interest in the outcome of land sales or that the resultant financing does not have serious inflationary consequences.

Secondly I turn to the continued growth of the Civil Service. The current role of Government in Hong Kong is probably, with very good reasons, greater than it has been for many years, and in these circumstances it is not really surprising to see the establishment grow in size. Indeed in some areas it has not grown enough, and thus the oft heard excuse of shortage of staff to explain away cases of poor or inadequate performance brought to our attention by the Director of Public Audit. Moreover the frequent and seemingly ever increasing need for Government to employ external consultants certainly belies any suggestion that there is any overmanning in the specialists areas.

My voice, therefore, does not necessarily join those who criticize the size of the Civil Service, but the costs of Government administration place a burden on the taxpayer and he is entitled to expect that such costs are subject to efficient control. Although controlling staff numbers is important it is equally necessary to get pay rates right and that includes taking due cognizance of the proper value of fringe benefits when reviewing salary scales.

Perhaps most important of all is the need to maximize productivity, and I am encouraged that the Financial Secretary shares the view that more effective use could be made of the available staff resources. His comment that this is an area that will require particular attention during the coming year is welcome. However, I would have been happier had he been a little more specific and undertaken to ensure that additional resources would be directed to existing programmes designed to improve productivity. It is a management function to ensure that staff are used effectively and it would not be fair to the large number of hard working civil servants, which I am sure form the majority, if the criticism many of us have made on this score were to be applied to them without this qualification.

Turning now to the measures designed to advance Hong Kong as a financial centre, the Financial Secretary is to be congratulated on providing a stimulus to long term growth. The revenue measures and changes to the interest withholding tax make Hong Kong even more attractive to prospective investors and users of our financial services, and they deserve our unqualified support. I have complete confidence that our free markets will fully vindicate these measures and that our growth will be rapid.

Sir, it would be a pity if the criticism levied by myself and others against certain aspects of public expenditure were to overshadow the very positive nature of this budget. I believe it does place all sectors of our economy in a better position to take full advantage of the improvement in world economic conditions which we may expect now that the impact of recent changes in the oil market are having an encouraging effect on the international outlook for prices and output, and for this reason, Sir, I am pleased to support the motion.

MR. CHAN KAM-CHUEN:—Your Excellency, I was and still am most impressed and cannot agree more with the Financial Secretary, himself a former Tai Pan, when he pointed out clearly that ‘the whole long-term purpose of our policy of the encouragement of the creation of wealth is not to enable the rich to get richer, but rather to achieve an improving standard of life in all its aspects for the *whole* community’.

To some extent, this is borne out by the Financial Secretary’s first Budget Proposals which are perceptive, realistic, responsive and generally very well received. This is not surprising since there is something for virtually everyone.

I am pleased to note that there has been a slight improvement in our visible trade gap which narrowed slightly from 12% in 1980 to 11.7% in 1981, though the deficit still amounts to \$17.1 billion. In a way, this shows the buoyancy of our economy, the ingenuity of our entrepreneurs, the diligence and versatility of our workers and the largely self-adjusting mechanisms of our free market and free enterprise system, among other factors, have been at work. Despite the rapid growth in our labour force due to the large number of recent immigrants, our unemployment rate, which has dropped from 4.1% to 3.6%, is low by any

standards. The 1981 growth rate in real terms was 7.6%. Unfortunately, real wages for the very low income groups last year rose only marginally or not at all for some sectors, even with a decrease of 1% for construction workers.

The glut in the world oil market, coupled with the adoption of conservative budgets by some developed countries to painfully curb inflation and to strenuously boost industrial output and free their economies from the clutches of world recession would, hopefully, result in a better world market—hence Hong Kong's major overseas markets—in the coming year.

It appears that inflation in Hong Kong would somewhat lessen as speculators in the property market find that their unrealistic flat prices are out of reach of the middle income group. Hitherto exorbitant flat prices had set into motion a vicious inflationary cycle, adversely affecting the livelihood of the man in the street. However, the higher the prices go the heavier will be the fall, and I have no tears for those speculators caught in the crash and pulverized into fertilisers for the blossom of another boom in Hong Kong when world recession is over (*laughter*). Hopefully, capital used for speculation will be channelled back to productive business activities.

The annual Budget Speech is usually anxiously awaited by industry and commerce and above all by the ordinary citizens as important announcement of financial and economic policies, especially changes in direct taxation, would affect their well-being. And I have the following observations.

Business Taxation

The proposed tax concessions for new plants, equipment and industrial buildings are truly welcome, and these apply to all types of industrial undertakings. However, I feel that further concessions should be made for a fixed period for new capital-intensive equipment for new, relatively high-level technology industries which Hong Kong requires for its diversification programme. The Minimum qualifying criteria for such further concessions should be similar to those set by the Industrial Estates Corporation for industrial operations in its estates.

Moreover, we should attract a sufficient number of new high-technology industries to fill up the estates as quickly as possible. Otherwise it would defeat the object of setting up such estates. Empty sites are non-productive and if we are to compete with neighbouring countries to attract more new industries, then we must not be afraid to make our terms and conditions more favourable.

The transfer of new technology provides not only profits for the investors, but also more employment and training opportunities for our workers. These long term benefits are by far more important to the future of Hong Kong than the short term loss in tax revenue.

Personal Taxation

I have gauged the allowances proposed for salaries tax with my own yardstick, which is necessarily crude and subjective. I find the allowances generally fair, provided that they are reviewed annually.

The annual allowance for dependent parents would be increased from \$7,000 to \$8,000. For those who claim this allowance in their tax returns but who are not in fact supporting or who subsequently withdraw their financial support from their parents, or dump them in hospitals (which is of course unfair to other members of the public who are sick and waiting for hospital beds), or even drive their parents out of the home in extreme cases, we should have a law to make such fraudulent claimants pay this allowance direct to their parents. To serve as effective deterrents, there should also be severe penalties and fines for offences.

The separation of salaries tax return for husband and working wife has been a bone of contention for some years. This issue is understandably of particular concern to 'Mr. LOBO's sandwiched society'.

The present combined assessment of working couples has, together with other factors, compelled many to choose co-habitation instead of formal marriage. There is in fact a very high social cost to pay. Other than seriously undermining the traditional Chinese value of the family as a unit, there would be unwanted children and other associated problems.

Since the sandwiched society is the backbone of Society and as they are not eligible for most social benefits, I request that this problem be examined again in the next Budget and given the most sympathetic consideration.

Interest Tax

The proposed exemption of foreign currency deposits removes one of the major stumbling blocks which prevent Hong Kong from competing with other financial centres. This is certainly a welcome step and would be beneficial to our money market.

Although the financial sector does not at present provide as many jobs as the manufacturing sector, in the long term the former's potential as one of the major sources of employment should not be overlooked.

The reduction of interest tax of Hong Kong dollar deposits to 10% is another step in the right direction. It is only appropriate that concessions in salaries tax should be accompanied by a lowering of interest tax as this would encourage more prudent people to put their money into savings for further investments, rather than to overspend to fuel imported inflation.

Estate Duty

I am glad that the proposed exemption limit for estate duty is set at \$2 million in keeping with inflation.

This generosity, however, is dwarfed on humanitarian grounds by the proposed total exemption from duty of the principal matrimonial home of the deceased to the surviving spouse. It is often found that what one leaves behind is not what one's family gets. The deceased would turn in the grave if he knew that his spouse might be forced out of her home into the streets before her sorrow was over. The surviving spouse may curse the tax people but it is not their fault as it is the law. It takes one in authority who has a penetrating perception and a big heart to have spotted this point and made such a warm proposal.

Reserve Funds

I support the separate establishment of the Capital Works Reserve Fund. This would give those who like to harp on the General Reserve Fund a much clearer picture of our future commitments which comprise works built for enjoyment by them or for their future generations. A government without a substantial reserve fund is as lamentable as a family without savings and living from hand to mouth or on loans and it would not be able to cope with unforeseen circumstances.

Elevated Pedestrian Walkways

Sir, travelling is a basic necessity of the public and the covered elevated walkways with escalators in the Central District is a very civilized move to return some leisurely walking rights to the people. They are very popular because they save time and allow a smooth pedestrian flow from one point to another. They are also used by those who do a sedantary job for a stroll during lunch time. To encourage the public to use a walkway, it should be covered and should have an escalator, at least for the ascending portion, to save the public the effort of climbing up the stairs. This type of elevated walkway has many advantages and I shall just name a few:—

- (1) It provides a convenient, time-saving and safe walkway for the public, away from the traffic and traffic exhaust.
- (2) Those who do morning exercises may prefer walking to and from offices, schools and shops. Such daily exercises are good for all people of all ages.
- (3) It provides an alternative to public transport for people to move from one location to another and would help to ease congestions on the ground level during rush hours.
- (4) It shelters pedestrians from the sun and wet weather. But I shall then miss the occasional free showers from passing vehicles whilst walking along pavements after heavy rain. (*laughter*)
- (5) The elevated walkway is cleaner than the pavement as it is wind swept.
- (6) Owners of commercial buildings en route would welcome such walkways because they bring clients into their buildings from a second floor level, thus turning less valuable office spaces into more valuable shop arcades.

I therefore urge that Government should consider extending the present network of covered elevated walkways serviced by escalators to suitably selected areas outside the Central District.

Maximization of Manpower Resources

I fully agree with the Financial Secretary on the need to control the size of the civil service. In addition, we must ensure that there is no excessive overlapping of duties. I quote as an example, the issuing of traffic offence tickets. The constable on the beat, the traffic policeman and the traffic warden are all doing the same task. This is unnecessary triplication. Does this mean that one group of officers is not given sufficient training or authority to do the job?

To my mind, the most important job of the Police is crime prevention and detection. I am confident that we have a well-trained, well-disciplined and highly efficient Police Force to achieve this basic objective. But we must not overload them with this and other sundry tasks. As we now have a separate policy Transport Branch and a corresponding operations Transport Department, I propose that all operational jobs involving land traffic matters and the grade of traffic Warden be transferred to the Transport Department. Let our Police have more time and energy in tackling criminals. In other words, we should not underutilize our valuable and scarce Police resources.

Historically, Government's Estimates are prudent and usually 'err' on the generous side by usually ending up with a bigger surplus than estimated. It is important to permit the public sector to have sufficient funds to see that Government has its business accomplished at the end of the year whilst a favourable investment environment must be maintained for the private sector.

For the ordinary citizen, the prudent Chinese financial philosophy of 藏富於民 or 'storing wealth in the people' by means of light, direct taxation would make the public feel that Government is benevolent and caring. In any case, some surplus in the pocket goes a long way towards satisfying the people. After all, the money from tax concessions will eventually find its way back to the community through savings, investments, purchases, etc. From the tax-payers' point of view, indirect taxation is always easier to accept than direct taxation.

With these comments, Sir, I support the motion now before Council.

MR. Stephen CHEONG:— Sir, I would like to join my Unofficial Colleagues in congratulating the Financial Secretary in producing a very satisfactory Budget. It says a good deal for the inherent strength of our economy, and for the wisdom with which it has been managed, that the Financial Secretary has been able to offer as many as ten tax concessions, particularly when this package has to be considered against the volatile circumstances of 1981 and the rather uncertain prospects of 1982.

Having read '1982 Economic Prospects' several times, and even allowing for the warning that the 'forecast of economic prospects for Hong Kong are inevitably liable to errors', I am not quite convinced that the actual G.D.P. growth rate in 1982 is likely to be close to the forecast rate of 8%.

First, underlying the forecast growth rate of 16% for gross domestic fixed capital formation is an assumption that the growth rate of investment in plant, machinery and equipment will be 14% in 1982. In arriving at this forecast, we are told that account has been taken, amongst other things, of the effect of increased depreciation allowances introduced in 1981 and of the further increases proposed for 1982. I am afraid I do not share the Government's optimism. As the Appendix to this speech shows, the additional benefit accruing to the manufacturer in the proposed increase in the depreciation allowance is not very significant in absolute terms. For example, the manufacturer who invests \$1 million in new plant and equipment will, under the proposed increase in depreciation allowance, enjoy an accumulated tax exemption benefit in four years of approximately \$147,173 which is only approximately \$8,000 more than under the existing allowance, or only 0.8% more on the capital invested. Whilst any increase in the rate of the depreciation allowance will no doubt be helpful, I do not think the present proposal would necessarily provide the envisaged incentive for investment in plant and equipment to grow at the rate of 14% in 1982.

Secondly, the forecasts on most of the components of expenditure on the G.D.P. are based on a likely recovery of demand for our exports in 1982, particularly in the United States which accounted for 36% our domestic exports by value in 1981. (I refer to paragraphs 3.4, 3.13 to 3.19, and 4.1 in '1982 Economic Prospects') The general impression that these paragraphs throw out is the belief that the recession in our largest overseas market 'is expected to turn in the first half of 1982'. I find it disturbing that the forecast in respect of the probable timing of a recovery in the U.S. market appears to have been uncritically accepted. The U.S. Administration first predicted that recovery would begin shortly after the start of 1982, then in the spring. The prevailing opinion now amongst the forecasters is mid-1982 but this is still accompanied with loud dissent. At the same time, there is, in the United States, an influential body of opinion which suggests that the recession is heading towards a depression. This is in sharp contrast to the U.S. Administration's expectation of a recovery in the second half of 1982. Sir, the disquieting thing is that the prospective date for the upturn keeps getting pushed back.

The forecast 7% growth rate of our domestic exports would become more realistic if the Government could tell us that recent figures on retained imports of raw materials are favourable to support the view that the declining trend in the fourth quarter of 1981 has been arrested. It would also be helpful to know whether the forecast growth rate in respect of domestic exports has taken into account the effect of a possible attack on our textile access rights in respect of the U.S.A. and the E.E.C. Nevertheless, should the demand for our exports in our largest overseas market fail to pick up until towards the end of 1982, it would be difficult for domestic exports to achieve the forecast growth rate of 7%. Given the nature of our economy it might be difficult for the G.D.P. to achieve a growth rate of 8%.

Having regard to these uncertain prospects, I would urge the Government to exercise caution and restraint on expenditure during the coming financial year. In this connexion, it might be prudent to try to maintain a fixed relationship between the perceived growth rate of the economy and the growth rate of public spending during the course of 1982-83. I would specifically suggest that, if at any time it transpires that the forecast growth rate for the G.D.P. of 8% is unlikely to be achieved, the Government should consider slowing down the growth rate of total public sector spending to a level that would be in line with whatever revised forecast of G.D.P. growth the Financial Secretary may settle upon, when he reviews the state of the economy in September.

Because of the need for caution, I would also like to record my total agreement with the Financial Secretary's observations at paragraphs 28 and 48 of the Budget Speech. Recurrent expenditure in money terms has increased by 35% in 1980-81, by an unprecedented 40% in 1981-82 (revised estimates), and we are told that it is to increase by yet another 17% in 1982-83. In my view these growth rates are too high. At 35%, the largest single component of recurrent expenditure in the 1982-83 Draft Estimate is Civil Service personal emoluments. It is not just Civil Service salaries that worries me. What worries me even more is the possibility that, in reforming our complementing procedures, the authority delegated to heads of departments to create posts could have been exercised without due restraint. Since the Financial Secretary has already said that 'none of us is satisfied that the most effective use is being made of available resources', would it not be reasonable for the creation of some of the 16 500 posts for 1982-83 to be frozen, or at least not fully funded, until such time as the bulk of the current 15 000 vacancies have been filled?

Turning to the general revenue account of the 1982-83 Draft Estimates, I note that capital account at \$12.6 billion represents an increase in money terms of 21% over the revised estimates of 1981-82. In view of the recent sharp down turn in the real estate sector of our economy, I have reservations on whether the projected capital revenue of \$12.5 billion to be derived from land transaction can actually be achieved. Under such circumstances, recurrent revenue account will have to bear an increasing share of the burden in financing the capital account deficits in 1982-83. Sir, we can of course afford such dislocations if they are only of a temporary nature. What we must guard against is that such temporary phenomena would be allowed to become permanent. Otherwise, in order to balance our books in future we may have to resort to such unpalatable alternatives as deficit financing, digging deep into our reserve, or, if I may echo Miss DUNN, raising additional revenue through taxation, probably at the wrong time.

In the overall context of capital expenditure, Sir, I would now like to move on to two issues relating to our transport infrastructure. First, as far as I can make out, the aim in having an integrated network of highways, railways and the underground rail system is to facilitate the efficient and rapid movement of

people and goods throughout Hong Kong. Great strides have already been made towards achieving this aim. But are we as satisfied as we should be with the present state of surface transport and traffic? Are we satisfied that, after spending something like \$10 billion on the M.T.R. Modified Initial System and the Tsuen Wan Extension with a view to relieving congestion on our urban road system, we still need to spend between \$1 billion to \$2 billion every year on the highways programme? I realize, of course, that a good part of this expenditure is to provide roads that open up new areas for development. But a good part of this expenditure is also allocated for works that would improve the flow of traffic on the road system as it exists and to enable it to accommodate the rapidly increasing volume of traffic. The question is whether simply by allocating an increasing amount of our resources on such road improvements would provide an effective long term solution to our congestion problems. We must accept that space is a rare luxury in Hong Kong. If the current growth of vehicles at more than 30 000 annually is not contained, congestion on our roads will surely worsen. At best we will have an increasingly frustrated community on our hands. What is even more insidious is the damaging effect that increasing congestion will have on the efficient flow of people and goods, and therefore on the health of our economy. It seems to me that there must be a limit to which we could and should make further improvements to cater for a growing volume of vehicular traffic, and that other perhaps more drastic measures should be introduced. It may well be that we should actively seek to contain, rather than to accommodate, the growth in the number of vehicles and vehicular traffic.

Secondly, the rapid growth in recent years of our trade with China has already exerted considerable strains on our transport links with China. A recent visit to Shenzhen with some of my Unofficial Colleagues reaffirmed the view that our relationship with the Special Economic Zone must progressively be drawn closer together. I am sure the Government must have plans to improve our transport links with the Special Economic Zone. Electrification of K.C.R. no doubt will contribute significantly towards the more efficient movement of people. But what about the efficient transport of raw materials and manufactured goods? It appears that the industrial output of this area will one day be so vast that it will want more efficient ways of gaining access to Hong Kong, for we are so far the only practicable deep water port of any size in the region. It seems to me, therefore, that we will need to examine not only improvements in respect of our passenger links with China but also the implications that the industrial output of the area will have for our transport system. I would urge the Government not to lose sight of this aspect when plans are to be drawn up to further improve our transport links with the Special Economic Zone.

Sir, with these remarks, I support the motion.

APPENDIX

DEPRECIATION ALLOWANCE ON PURCHASING OF MACHINERY

- EXISTING SYSTEM: A. PROFIT TAX RATE 16.5%
 B. INITIAL ALLOWANCE 35%
 C. 1st YEAR ONWARDS, 30% ON REDUCING BALANCE

Year	Percentage allowance		Tax exempted (Purchased \$1 M)		
	on cost of machinery	Percentage on tax deducted	Current year	Accumulate	
1st yr	35%+65%(30%) = 54.5000%	8.9925%	\$89,925	\$ 89,925	
2nd yr	45.5%(30%) 13.6500%	2.2523%	22,523	112,448	
3rd yr	31.85%(30%) 9.5550%	1.5766%	15,766	128,214	
4th yr	22.295%(30%) 6.6885%	1.1036%	11,036	139,250	
5th yr	15.6065%(30%) 4.6820%	0.7725%	7,725	146,975	
6th yr	10.9245%(30%) 3.2774%	0.5408%	5,408	152,383	
7th yr	7.6471%(30%) 2.2941%	0.3785%	3,785	156,168	
8th yr	5.353%(30%) 1.6059%	0.2650%	2,650	158,818	
9th yr	3.7471%(30%) 1.1241%	0.1855%	1,855	<u>160,673</u>	

- PROPOSED NEW SYSTEM: A. PROFIT TAX RATE 16.5%
 B. INITIAL ALLOWANCE 55%
 C. 1ST YEAR ONWARDS, 30% ON REDUCING BALANCE

1st yr	55%+45%(30%) = 68.5000%	11.3025%	\$113,025	\$113,025	
2nd yr	31.5%(30%) 9.4500%	1.5593%	15,593	128,618	
3rd yr	22.05%(30%) 6.6150%	1.0915%	10,915	139,533	
4th yr	15.435%(30%) 4.6305%	0.7640%	7,640	147,173	
5th yr	10.8045%(30%) 3.2414%	0.5348%	5,348	152,521	
6th yr	7.5631%(30%) 2.2689%	0.3744%	3,744	156,265	
7th yr	5.2942%(30%) 1.5883%	0.2621%	2,621	158,886	
8th yr	3.7059%(30%) 1.1118%	0.1834%	1,834	160,720	
9th yr	2.5941%(30%) 0.7782%	0.1284%	1,284	162,004	

MR. CHEUNG YAN-LUNG:—Sir, may I begin my comments on the 1982-83 Budget with a sincere compliment.

Agriculture and Fisheries Department

The Director of Agriculture and Fisheries and his staff are to be congratulated on their achievements of the past year, and their plans for improving the quality of life in Hong Kong. Allow me to give some examples.

In the past year, eight million people visited our country parks—or every member of the population and many more. In fact, the Department takes care of 40 per cent of the total land area of Hong Kong, which is the area occupied by our 21 Country Parks. During the year, the parks echoed to the happy sounds of thousands of families and friends enjoying the great outdoors. Furthermore there were 62 organized events such as sponsored walks, camping festivals and marathon running. And to make Hong Kong greener, 232 000 trees were planted.

On the less pleasant side, all these activities resulted in 2 500 tonnes of litter, and the need for 310 kilometres of footpath repairs. And 50 000 trees were damaged in over 400 hill fires.

The Department has committed \$12.4 million for completion of the countryside recreational development programme previously approved in 1977. In addition, during the coming year, provision is made for \$6.7 million to be spent on minor recreational facilities and road works in our country parks. In layman's terms, this latter figure is roughly \$1.28 per population head—a real bargain for a pleasant day in our country parks. But no mention is made of security measures. Are there plans for regular police patrols in the country parks? Increased public toilet facilities in our country parks are included in the estimates. But are there plans to improve existing public toilet facilities?

One of the Department's principal duties is administration of the co-operative societies under the Co-operative Societies Ordinance. This system has been operating since the mid-1940s, and has been a key factor in the maintenance and development of farming and fishing. However, after 40 years of service to the farming and fishing community, perhaps the time has come for a review of the co-operative societies system. It is less well-known that the Government also aids individual farmers with loans and advice. This aid should be increased and the Agriculture and Fisheries Department should be working for the agricultural and fisheries community at large.

The rice growing farmers lost their natural water supply when rivers and streams were diverted to form the catchwater network for our reservoirs. The vegetable farmers lost their agricultural land when it was resumed for new towns and public housing. And the pig and poultry breeders are required to conform to the new standards of animal waste disposal which are costlier and have made their trade less competitive. Are we to understand that all this constitutes not permitting our hearts to rule our heads?

Some tenant farmers have received 'crop compensation' in exchange for the land which was their livelihood. Is this a fair exchange? Could not a more constructive exchange be to grant permits to these tenant farmers for alternative Crown Land sites where they can continue to farm, and which are not earmarked for immediate development?

Between 1977 and 1981, the area of crop land assessed for resumption compensation increased from 380 hectares to 600 hectares. One would think that under these circumstances, the farm working population would have decreased. Yet the 1981 Census statistics show an increase in the farm working population from around 27 600 in 1976, to 28 300 last year. This could suggest that more people are using less land for their livelihood. However, I've heard it said that statistics can be deceptive. I wonder if the higher prices we are paying for our meat and vegetables have anything to do with this.

The name 'Agriculture and Fisheries Department' denotes concern for the livelihood and well being of the farming and fishing population. The Department has had many names since it started as the Department of Government Gardens in 1861. In view of the diversification of the Department's responsibilities, the time may have come again for a new name, new terms of reference and different priorities.

Lands Department

Not much can be said about the proposed Lands Department at this preliminary stage, except perhaps to wish the Department well (*laughter*), and to mention that I look forward to reading their Programmes and Achievements in next year's budget notes.

There is one point which I would like to mention because it is of concern to quite a number of New Territories residents to whom I have spoken, who are questioning the wisdom of the new system.

It is a well-known fact that up to now District Officers spend a good two-thirds of their working time on land-related matters. From next month onwards, these matters will become the responsibility of the professional officers of the Lands Department in relation to the allocation, acquisition, disposal and control of land in the New Territories, but not the registration of 'instruments'.

With due respect to the professional qualifications of the land officers, I hope that in executing their duties, they will, like what the District Officers have done in the past, also give heed to cultural, social, political and other sensitive considerations in the New Territories. It is hoped that the \$1.5 million allowance for possible new posts will take all this into consideration.

Furthermore I hope Government will ensure that the 'handing over' period of land authority will not delay the processing of development projects rather than expediting them as is the intention of setting up this new department.

With reference to another land issue, I have always been mystified by the term 'land production', as if land can be manufactured like a garment or an electronic calculator. If only this were so! The truth is that even reclaiming a part of the seabed which might have been the fishing grounds of shore-bound inhabitants, implies also the necessity of removing earth from the nearby hills, formerly grass-cutting land or burial ground. Most of our new towns are built on what was formerly arable land inherited by New Territories people from their forefathers. Surely most people will agree that a Letter B entitlement or a cash offer at the proposed ceiling of \$71 per sq. ft. does not really compensate for the loss of heritage.

City and New Territories Administration

The recent enthusiastic response of New Territories residents to District Board

elections was a pleasant and welcome surprise to many. I think it is wonderful, and I hope the same will apply to the District Board elections in the urban areas. But a word of caution—enthusiasm must be encouraged and rewarded if it is to be maintained. We must now stop congratulating ourselves on the success of the elections, and concentrate on producing real results—and that means truly effective district administration.

I hope that everyone concerned will actively seek to prevent the bureaucracy and red tape that may foul up the best conceived plans. Mutual respect and co-operation must be there, and a continuous alert against apathy or disillusionment because of delays or breakdowns in communication. The future success or failure of the District Board system depends as much on the sympathetic and active co-operation of all Government officials and departments as on Unofficial Members of the boards.

I note with special interest the Department's comments about provision of street lighting for rural villages as part of the main road lighting programme.

The existing electricity supply to Cheung Chau is much more expensive than that to other parts of Hong Kong because of the unique supply situation there. Will the Government consider re-examining the power supply system for Cheung Chau Island? In the interim, would a form of subsidy not unlike the one applicable to a certain bus company be available to offset the high cost of electricity supplied to Cheung Chau residents?

With these remarks, Sir, I support the motion.

MRS. CHOW:—Sir, in rising to support the motion before this Council, I would like to congratulate the Financial Secretary for the brevity and vision of his Budget. I intend, nevertheless, to comment on the following issues.

Civil Service

The Financial Secretary told us in the Budget Speech that the Civil Service is to grow by another 16 500 posts during 1982-83 representing a 12% growth over last year's provisions.

Looking at the Estimates of Expenditure, one wishes that the break-down for departmental establishment for the 1982-83 provision were compared to that of 1981-82 so that one could better determine where the main areas of expansion were projected to be. It is, however, gratifying to hear the question raised by the Financial Secretary as to whether the most effective use is being made of available staff resources. On this issue, I would like to make the following observations.

The Civil Service has long since been described as the 'Golden Rice Bowl'. To a tax payer, particularly one who makes his living in the private sector, this term signifies the rather 'unfair' job security that all civil servants seem to enjoy. It is generally believed and has yet to be proven otherwise, that a civil servant's

employment is rarely terminated on grounds of inefficiency or incompetence. On the contrary, with few exceptions every civil servant is rewarded with an annual increment regardless of performance (or non-performance) until he reaches the top of his pay scale, not to mention the annual revision based on the pay trend survey. Government's reluctance to relate the evaluation of its service to a system of merit remains to be justified.

Ours is a well-paid civil service and so it should be. It is only fair that the same degree of efficiency be expected from it as that of an equally well-paid staff in the private sector.

Primary and Secondary Education

a. The J.S.E.A. Scaling Test

To be a teenager nowadays in Hong Kong is to live under constant pressure of public examinations. At the age of 12, a student has to sit through the primary academic aptitude test. At 15, the same student has to sit for the scaling test which is part of the Junior Secondary Education Assessment System. Two years later, he sits yet a third time for the School Certificate Examination.

Teachers and parents alike have spoken out against the J.S.E.A. Scaling Test. Although it has only taken place twice, the strain is already showing. Already there are signs that students are drilled for the Form III Scaling Test. Few can share the optimism of the Director of Education that teachers and parents can be persuaded to treat the test lightly, as they regard it as a critical stage in determining the future of their children's academic careers.

Owing to the existence of the J.S.E.A. Scaling Test, the gradual preparation of secondary students for the school certificate examination over a five-year period is no longer possible. Cramming for the latter starts in Form IV, and the negative effect is even more acute, with less than two years between the start of Form IV in September and the time of the examination in Form V which takes place in May, 17 months later.

Yet the projected figures show that 62% of 15 year-olds in 1982, 68% in 1983 and 71% in 1984 will be provided with subsidized places at Form IV level. Why then is it necessary to subject all of them to such a nerve-wrecking exercise as the J.S.E.A. Scaling Test just so that the minority can be eliminated. Why cannot the discretion be given to the schools and the parents? Why is the internal school assessment not enough?

b. Curriculum Development

Two main factors dictate the interest and attention of students in their school work:

- (1) The curricula and teaching materials.
- (2) The method of teaching.

The training of teachers is by and large given sufficient emphasis particularly with the introduction of the language package and other forms of in-service training made available to graduate and non-graduate teachers. However not enough has been said about curriculum development. At the moment, this is a task undertaken by the Advisory Inspectorate in the Education Department, the major function of which is to improve the quality of teaching. It is supposed to monitor the quality of textbooks and the development of new curricula and teaching materials. However, in the Estimates, the only provision listed for curriculum development is a sum of \$57,000 to meet the expenses of an overseas adviser for kindergarten training. Does this reflect the insignificance Government attaches to curriculum development at primary and secondary levels? None of us can be satisfied with any half-hearted effort in this task, and I hope the panel of advisers will have specific things to say on the subject. However, Government should take up a more positive and active role in this matter as we all realize that curriculum development is an on-going creative commitment which requires the right balance of correctness, consistency and presentation.

Housing

In spite of the splendid achievements in the supply of public housing, the Financial Secretary has expressed the sentiment very much shared by the public that the Housing Authority's waiting list has remained disappointingly static in recent years, one of the major reasons being the increasing numbers of eligible households. Surely the time has come for Government to review its policy of offering tenancy in perpetuity. It is both fair and practical that households which have prospered beyond the ceiling of eligibility should have their tenancy terminated, with reasonable notice of say one year, thereby making way for households more in need of assistance. With the backing of appropriate legislation and administrative measures, we might not only ease the queue for public housing, but also help fill up some of the 30 000 units of vacant flats in private development, thereby eliminating wastage as a whole.

The revised basis for the selling price of the Home Ownership Scheme is undoubtedly an improvement on the previous pricing structure. However, the system of the two application lists deserves a second look. All applicants have to fulfil certain eligibility criteria, thus they deserve to be awarded equal opportunity. The present system of separate lists means that tenants of public housing are enjoying a double benefit: subsidized housing and a better chance to the Home Ownership Scheme. For them the allotment ratio is 1 to 8 applicants. For the eligible public, it is 1 to every 25. Why should there be such a disparity while both groups are equally eligible?

Separate taxation for women

Being the only married female Member of this Council, I don't think I will ever be forgiven for letting the subject of separate taxation for women pass without

comment, even if only to say that I for one welcome the major breakthrough in the Financial Secretary's deliberation on women's rights and look forward with interest to the result of his study on the subject during the coming year.

Sir, I support the motion.

MISS TAM:—Sir, the Financial Secretary's budget has earned support and praise not only in this Council but also from the general public of Hong Kong. This budget reflects his concern for the future of development in our industry, the financial burden of the blue or white collar workers with children whose livelihood depends on their parents' income; and a business like generosity in abolishing interest tax on foreign currency deposits placed with licenced banks and registered and licenced deposit-taking companies, and the lifting of Estate Duty exemptions of \$2 million. The reward of a budget that shows care for the people is in winning their confidence in a responsive and responsible Government which, as we can observe from the public's reaction, has been achieved.

Capital Works Reserve Fund

Much of how Hong Kong is going to develop as a city can be read from the expansion of the public works programme, land acquisition, New Towns and Public Housing developments, engineering and waterworks. The provision of a Capital Works Reserve Fund (at \$11 billion at present) does not merely avoid having a distorted picture in the General Revenue Account which will occur where there is significant increase or reduction on capital works expenditures or income from land sales. It also provides for funds earmarked for projects from the point of their upgrading to Category A with at least four years worth of expenditure on such project; or to completion if they take less than five years. In Hong Kong, the public's attention is often focused on how the Government spends its income from land sales. I think it is an appropriate move that such incomes are earmarked for public work and seen in black and white in the budget to be spent on public work instead of being listed in the fiscal reserves.

Land Sales and Public Sector Housing

Sir, property and land prices have been going down in the last six months by about 20% to 30% judging from the price of flats offered for sale. Observing this trend with the interest of the genuine home and/or factory premises seekers in mind I see this as a timely change for the better. The continued expansion of the land sales programme from 63 hectares in 1980-81 and 86 hectares in 1981-82 to 91 hectares in 1982-83 helps to dispel the myth of the high land prices policy, and the apprehension of the real estate developers on the costs of their future stocks in trade, as the continued supply of land on auction and/or tender would result in a lower purchasing price. It seems to me a matter of paramount importance that every family should have a home to call its own. For this same reason, I repeat my support for the exclusion of the value of land for development of the Home Ownership Scheme.

Social Welfare

It is a cause for concern that the percentage of the expenditure on social services: i.e. education, medical and health, housing, social welfare, labour and rehabilitation dropped from 41.6% of the total budget for 1981-82 to 39.2% of the total budget for 1982-83 in spite of the increase in population in the late 1970s. I appreciate that at times the reason for reduction of services is probably due to the fact that 'the true shortage is at present of resources including people— but not of money' and this is borne out by the shortage of Bachelor Degree holders with social work training to fill the posts of Assistant Social Work Officers. The shortfall of social workers is forecast to be at 930 for graduates and 1 060 for non-graduates by 1989-90.

The willingness or otherwise of young people to take up social work depends a lot on the reward and in particular the security the job has to offer; this is especially so in persuading them to join voluntary welfare agencies. The New Subvention Policy is a business-like approach which substitutes the system of providing discretionary grants by giving a full basic cost subvention to Category I services and a less than 100% subvention to Category II services. Under Category II some agencies are to be funded according to the percentage under a 'standard cost' assessment and the others are aided by way of a lump sum discretionary grant which may be 'topped up' on application by the relevant agencies and will be considered on the merit of each case.

Since Category II agencies (e.g. boy scouts, social centres for the elderly and disabled, and co-ordinating bodies) do not provide 'fundamental services' or 'services which are required by law', and they can have other funding sources apart from the Government, it is understandable that they are not 100% subvented by the Government.

Going back now to the point of job security, social workers, engaged in working for Category I agencies enjoy parity of salary with their counterparts working for the Government, that is to say, when Government social workers are given a pay rise, Category I voluntary agency workers receive one too.

The situation in a Category II agency is different, instead of getting an automatic increase to cover salary rises the agency applies to the Social Welfare Department for a 'topped up' discretionary grant which can be used for staff salary. The size of the final grant cannot be predicted with certainty.

The work of Category II agencies is monitored by the Social Welfare Department and it is still possible to define which posts are subventable and which are not. I think that there should be a publicized policy guideline that the holders of posts which are found to be subventable are treated in the same way as their counterparts in Category I agencies and can be sure of receiving the same level of salary increase. It should be stated that applications from agencies for a 'topped up' sum based on such salary increases will be deemed to be an application with merit.

The shortage of social workers is such that we may have to encourage graduates with social work training to become social workers. When presented with the choice of a job in a Category II agency and a job elsewhere with a well defined pay structure I think these graduates will choose the latter.

It is worth using financial resources, to develop the manpower resources in this much needed area of service.

Separate Taxation

Sir, the Financial Secretary indicated in his budget speech his willingness to explore the feasibility of Separate Taxation for married women and the olive-branch he offered is accepted, appreciating the arguments which will have to be considered before an ultimate decision can be reached. My reasons for supporting Separate Taxation are that many married women are coming out to work because of the need to earn a second wage packet for the family, rather than for mere intellectual satisfaction. The savings on the tax exemption in a case where a working wife opts for separate assessment is a privilege earned for the practical benefit of the family. This is not an issue arising out of a battle of the sexes.

Tax concessions are of course, not asked for or given without good reason. Whilst at this moment we are offering laurels to the Financial Secretary in appreciation of his budget, we can already hear the rumbling chariot of the M.T.R. fare increases, with more increases in other types of charges to come. In order to help working men and women to cope with the rising cost of living, separate assessment deserves serious consideration.

Sir, I also support the motion.

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

Question put and agreed to.

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, 14 April 1982.

Adjourned accordingly at twenty-three minutes to five o'clock.