

**THE LEGISLATIVE COUNCIL DEBATES  
OFFICIAL REPORT**

**IN THE SESSION OF THE LEGISLATIVE COUNCIL OF  
HONG KONG  
WHICH OPENED ON 6 OCTOBER 1982  
IN THE  
THIRTY-FIRST YEAR OF THE REIGN OF HER MAJESTY  
QUEEN ELIZABETH II**

**LEGISLATIVE COUNCIL CHAMBER  
Wednesday, 6 October 1982  
The Council met at half past two o'clock**

**PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR EDWARD YOUDE, K.C.M.G., M.B.E.

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

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

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

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

THE HONOURABLE ALEX WU SHU-CHIH, 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 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

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

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

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

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

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

THE HONOURABLE ALLEN LEE PENG-FEI, O.B.E., J.P.

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

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

THE HONOURABLE HU FA-KUANG, J.P.

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

THE HONOURABLE WILLIAM DORWARD, O.B.E., J.P.  
SECRETARY FOR TRADE AND INDUSTRY

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 WILLIAM CHARLES LANGDON BROWN, O.B.E., J.P.

THE HONOURABLE CHAN KAM-CHUEN, J.P.

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

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

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

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

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

THE HONOURABLE MRS. SELINA CHOW, J.P.

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, J.P.  
SECRETARY FOR CITY AND NEW TERRITORIES ADMINISTRATION (*Acting*)  
REGIONAL SECRETARY (NEW TERRITORIES), CITY AND NEW TERRITORIES ADMINISTRATION

THE HONOURABLE MARIA TAM WAI-CHU, J.P.

DR. THE HONOURABLE HENRIETTA IP MAN-HING

THE HONOURABLE PIERS JACOBS, O.B.E., J.P.  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE MICHAEL SUEN MING-YEUNG, J.P.  
SECRETARY FOR TRANSPORT (*Acting*)

**ABSENT**

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

**IN ATTENDANCE**

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

**Affirmation and Oath**

Dr. Henrietta IP Man-hing made the Affirmation of Allegiance and assumed her seat as a Member of the Council.

Mr. Michael SUEN Ming-yeung took the Oath of Allegiance and assumed his seat as a Member of the Council.

**Valedictory to Mr. D. K. NEWBIGGING**

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, this is the first meeting since the retirement of Mr. David NEWBIGGING from this Council, on which he served for four years from 1978. He has a distinguished record of public service and I am particularly grateful to him for his participation in the work of this Council during his years as an Unofficial Member, and for the way in which he has enriched our proceedings with his experience and wisdom. I am fortunate in being able to continue to count on the advice of Mr. NEWBIGGING in the Executive Council.

MR. LOBO:—Sir, on behalf of the Unofficial Members I rise to support all you have said, Sir, about Mr. NEWBIGGING.

For the past four years, Mr. NEWBIGGING has made available to us his immense knowledge of the world of commerce.

Both inside and outside this Council he has played a key role in the examination of legislation which has touched on our economic infrastructure.

His wise counsel and sound judgment have proved invaluable and will be sorely missed during the on-coming session.

As you say, Sir, we are pleased that he will be continuing to serve on the Executive Council and that his advice will still be available to us in U.M.E.L.C.O.

**Address by His Excellency the Governor**

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HIS EXCELLENCY THE PRESIDENT:—I would like first to welcome Dr. IP and Mr. SUEN to this Council.

(1) *INTRODUCTION*

Honourable Members, this is the first time I have had the honour of reporting to you on the work of the Government. I do so, after only five months in office, with a deep sense of respect and admiration for the contribution to the well-being of this territory made by my distinguished predecessor, and also by all those who have worked with him. I in turn am now privileged to count them as colleagues in a common enterprise.

2. It will I think become evident to honourable Members as I review the activities of the Government that its philosophy and objectives remain unchanged, even if we are having to pursue them, at least for the present, in a much more difficult economic climate. The Government aims to be responsive to the public will. To this end, it attaches great importance to those public bodies which give expression to that will. It aims to leave the industrial, commercial and financial sectors free and unfettered to compete in domestic and world markets, regulating only where the orderly conduct of business, fair treatment of the work force and the good name of Hong Kong so require. More positively it aims to provide the infrastructure and the environment in which modern techniques and good industrial relations can flourish and initiative and hard work bring their rewards. Only thus can our economy adjust continuously to changing circumstances and grow. But it aims, too, to be a Government concerned with the welfare of the people. It seeks to provide within the resources on which we can reasonably call, services such as housing, social welfare, health, education and recreation so essential to the well-being of individuals; and all this in a society in which the rights of the individual are respected and law and order can prevail. To these ends, the Government plans to use as efficiently as possible the manpower and money which are entrusted to us.

(2) *THE LEGISLATIVE COUNCIL AND THE CONSULTATIVE PROCESS*

(a) *Role of Unofficials*

3. I should like at this point to express my warm appreciation of the work of the Unofficial Members of both the Executive and Legislative Councils. In Hong Kong, Unofficial Members play an essential representative role: and it is

not sufficiently widely appreciated that the part which they are seen to play in this Chamber reflects only a fraction of the responsibilities which devolve upon them. For example, it has been the practice in recent years for an Official Member to move most amendments; but the initiative for many of those changes has often come from the Unofficials. During the last session of this Council 75 bills were passed; 19 of those bills were amended at the committee stage, with a total of 73 clauses being changed, some of them substantially. It was the wise advice of Unofficial Members, reflecting public concerns, which led to these changes.

4. To help public understanding of the depth of the debate behind new legislation we ought to do more in acknowledging the contribution of Unofficial Members at all stages in the legislative process—and, indeed, in the monitoring of legislation passed and policies adopted. Accordingly at my request, the Chief Secretary, with the concurrence of the Senior Unofficial Member, has set up a working party to review the Standing Orders, conventions and practices of this Council so as to achieve, among other things, a more structured public debate of legislation and an easier exchange of questions and answers, resulting in a truer reflection of this Council's essentially representative role.

5. The involvement of Unofficial Members in all aspects of the administration of Hong Kong would, I suspect, come as a surprise to an overseas observer; and I doubt that it is wholly comprehended by our own people. Their contribution begins in the formulation of policy in the Executive Council. They are our partners in the making of legislation in this Council. They are our masters in Finance Committee and in the Public Accounts Committee. During the last session of this Council, Finance Committee met 21 times, and its two subcommittees 11 times. Between them they considered more than 1 000 agenda items and papers. Unofficial Members are their own masters, with a right to be heard on behalf of the people of Hong Kong on any issues, internal or external, which in their judgment touch on the well-being of the community. They are our watch-dogs over the administrative process, with a right to call attention to any form of maladministration or public grievance. The public called their attention to over 3 000 such complaints during the term of the last session. They are our monitors on the panels which review progress in major policy areas, which met 44 times during the last session, and they are our conscience in the meetings of the I.C.A.C. Complaints Committee and the U.M.E.L.C.O. Police Group. Clearly, Hong Kong should be grateful for the work of its Unofficial Members.

*(b) Advisory Boards and Committees*

6. We should also be grateful for the work of all those public spirited men and women who give their time to serve on other councils, advisory boards and the host of other bodies which play such a vital role in the consultative process in Hong Kong. I attach great importance to the advice they offer. At the same time, it is important that the objectives and composition of these bodies are kept in tune with present day circumstances. I have accordingly asked for the next

regular review of the terms of reference and membership of all advisory boards and committees, of which there are now some 320, to be carried out as soon as possible.

*(c) District Administration*

7. This year has seen a significant extension of the consultative process. District Administration, that part of the Government which so closely touches the lives of many people, has entered a new phase with the addition of elected members to the District Boards in the New Territories in April and in the urban areas at the end of last month. At the first urban District Board elections recently concluded 244 826 people, or nearly 35.5% of the total registered electors of 706 000, voted to elect 76 members to sit on the ten urban Boards. The turnout at these elections is a demonstration of the widespread public support for the objectives of District Administration. I feel sure that the elected, appointed and official members of the new Boards, like those of the New Territories Boards, will show that they can work successfully together.

8. The matters with which District Boards deal have a direct bearing on the daily lives of the people and it is important that their voice should be heard. We must ensure that the views they express are given due weight when decisions are being taken. This the Government will do.

9. This year the 18 District Boards have been allocated nearly \$30 million for environmental improvement and community involvement projects. With these funds, they can make their contribution to the improvement of the local environment, and organize cultural, recreational, sporting and community- involvement activities in which people of all ages and walks of life can take part.

*(d) Urban Council*

10. The Urban Council too is moving into a new phase. Next March will see the completion of the reforms introduced by the White Paper on District Administration when the new Urban Council elections are held. The electorate next March will be more than twenty times the size of last year's electorate and for the first time Urban Council members will be elected on a constituency basis. The Council will be increased in size from the present 24 members to 30: fifteen appointed and fifteen elected members. All Urban Councillors will sit on District Boards, elected members sitting on the Boards for those Districts which include their constituencies. Relations between the Urban Council and District Boards are already close, but with the advent of constituency based elected members I am sure that co-operation will become even closer.

**(3) ECONOMIC AND FINANCIAL SITUATION**

*(a) The Economy in 1982*

11. Let me now turn to the state of our economy. The world is going through the worst recession since the 1930s and it would be highly unrealistic to expect

our economy, which is so highly externally oriented, to remain immune. We now expect Hong Kong's gross domestic product to grow by only 4% in 1982. The main cause of this expected fall in our growth rate is that domestic exports in the first half of this year were in real terms 3% less than in the first half of last year. Although some recovery is expected in the second half of the year, domestic exports seem likely to be down by 2% for the year as a whole. In terms of experience in recent years such an outcome is disappointing.

12. Nevertheless continuing growth even at a reduced rate has meant that we appear to be avoiding serious unemployment. The unemployment rate in March this year was only 3.5%, significantly less than the 4.1% recorded at the same time last year. Some factory workers are working shorter hours in view of the sluggishness of export demand but the manufacturing sector as a whole is not shedding labour on any substantial scale. Wages and salaries have increased all round in real terms, partly because the rate of inflation has fallen.

13. Inflation is, indeed, now running at about 11% per annum in terms of consumer prices, after remaining at around 15% for two years. This trend is partly a reflection of the general slowing down in the rate of world inflation, but favourable developments within the economy have also contributed. The pressure of demand on domestic resources has moderated. The growth rates of the money supply and of credit have slowed down. Interest rates have eased significantly. Stable or falling prices and lower rentals for property have also contributed to easing inflation, but I realize that, should the exchange value of the Hong Kong dollar weaken further inflationary pressures will reappear.

*(b) The Public Finances*

14. This reduced rate of growth of our economy will have its effect on the public finances. Revenue collections so far this year have not reached expectations, due largely to shortfalls in the yields from land sales, and earnings and profits tax. Total expenditure is higher than estimated due partly to the purchase of more land than expected and other unavoidable capital expenditure, but mainly to the annual adjustment to civil service pay. It now seems unlikely that this year the budgeted surplus of \$2.3 billion will be achieved, and present indications are that this year's accounts will only break even.

15. The downward revision of the forecast growth rate of the gross domestic product to 4% compared with the previously forecast rate of 8% coupled with increased public expenditure, means that the public sector will command a proportionately greater share of the economy's resources. This is a cause for concern.

16. In such circumstances it is doubly important that public funds should be spent in the most efficient manner. In recent years several important steps have been taken towards improving efficiency audits. The design of a computerbased financial information system is also well advanced and from next year will provide the data necessary to establish the true cost of services; thereby assisting

management decisions and providing a facility for keeping fees and charges up-to-date. Subject to the advice of Executive Council, the Public Finance Bill will be introduced into this Council this year, after nearly three years of difficult drafting, and will provide a statutory backing to our system of financial administration which will enable financial authorities to be more clearly defined.

*(c) Diversification*

*(i) Tertiary services*

17. Honourable Members, no one should doubt the severity of the world recession, nor can we be complacent about its effect on Hong Kong. But it should be remembered that our economy does adjust efficiently to changes in the world trading situation. Furthermore, it is now less narrowly based than in the past. In particular, we have seen a rapid growth in the financial and other services sectors as well as a degree of diversification within the manufacturing sector.

18. Indeed Hong Kong has emerged as an important international financial centre. The private sector and the Government are working together to provide the framework in which that centre can flourish.

19. Specifically, this year the Government exempted interest on foreign currency deposits placed with banks and deposit-taking companies from interest tax, and has reduced the rate of interest tax on Hong Kong dollar deposits from 15% to 10%. The Government has also supported the exemption of large short-term deposits from the interest rate rules of the Hong Kong Association of Banks. Meanwhile, various amendments have been introduced to the Banking Ordinance and the Deposit-taking Companies Ordinance, aimed at further improving the system of prudential supervision of Hong Kong incorporated financial institutions, thereby reinforcing their standing in the international financial community.

20. An Insurance Companies Bill, prepared after lengthy consultations with representatives of the industry, was presented to this Council in May this year. The objects of the Bill are twofold: to provide more protection to policyholders and to improve Hong Kong's standing as an insurance and reinsurance centre without stifling competition in the market. Comments on the Bill have been received from the industry and related organizations and they are being examined by the Government and Unofficial Members of this Council. I hope that the Bill with agreed amendments will be enacted within this session.

21. Again, the Companies Bill, first published in 1980 for public information and comment, aims to modernize our company law. The Bill is being re-drafted in the light of the representations received and consultations with Unofficial Members of this Council and will be introduced into this Council within this session.

(ii) *Manufacturing*

22. While the tertiary services sectors of our economy have developed rapidly our manufacturing sector, still the backbone of our economy and the main employer, has also grown, albeit at a slower rate. Diversification has taken place, in response to changing market conditions and changes in technology. The progressive implementation of the recommendations of the Advisory Committee on Diversification has helped this process.

23. That Committee recommended *inter alia* that Government should put more emphasis on the promotion of industrial investment. Four overseas industrial promotion offices have accordingly been established: in the United Kingdom, Japan, the Federal Republic of Germany and the United States. These offices are equipped to identify, develop and maintain contact with overseas companies interested in establishing industrial facilities in Hong Kong, either on their own or in joint ventures with local industrialists.

24. Our entrepreneurs and industrialists — and those who work for them — are experiencing difficult times. It is not our policy to intervene directly and interfere with market forces, but the Government seeks to provide the infrastructure, the training of skilled manpower and the environment within which growth with stability can be achieved. Our efforts in a number of sectors which contribute to a favourable environment for industry will be evident from later sections in this speech.

(d) *The China Dimension*

25. Other changes in our economy have been brought about by China's programme of modernization. In terms of trade, China has moved up from being the second largest source of Hong Kong's imports to being the largest, overtaking Japan by a small margin, and has become the fourth largest market for Hong Kong's domestic exports. China has always been the largest source of re-exports through Hong Kong, now it is the largest market for such re-exports.

26. Outside the trade field, our economic relationship with China extends over a wide range of activities. You are all aware of the agreements we have reached with the Guangdong authorities for the long-term increased supply of water to Hong Kong which is perhaps the best known example of co-operation between Hong Kong and Guangdong. These agreements have required major works on both sides of the border, with China-based construction companies winning significant public works contracts in Hong Kong. I have seen at first hand some of the investments by our manufacturers and entrepreneurs in the Special Economic Zone in Shenzhen and also in Guangzhou. On the other side of the coin is the steadily growing investment by China-based companies in Hong Kong. In particular, I welcome the participation of the China Resources Company in the Tin Shui Wai development and the decision of the Bank of China to make a major investment in building a new Head Office in Central.

This strengthening of our economic ties with China has been matched by a rapid expansion in the network of air and sea links with Chinese cities. The agreement signed with the Shenzhen authorities in April should lead to a parallel improvement in communications across the land border.

27. In this connection, I should also comment on the proposed Nuclear Power Plant to be established in Guangdong. Discussions between the People's Republic of China and other governments and companies with an interest in the plant are still continuing. The Government has agreed in principle to Hong Kong taking power from China provided that the cost is no greater than it would be if we provided the necessary fossil fuel based generating plant in Hong Kong. Should the Chinese Authorities decide to build the plant near to Hong Kong we should have an interest in it, not only as a source of power, but in its safety. We have no reason to believe that those involved will be other than responsible in their attitude to the safety of the plant both in construction and operation. And I should like to assure honourable Members that, in so far as it is likely to affect Hong Kong, we shall keep this issue under close and careful review.

*(e) Prospects for 1983*

*(i) The Economy as a whole*

28. Now let me turn to the prospects for 1983. All that can be said is this: to the extent that a consensus can be detected, it is that things are likely to be better in 1983 than in 1982. Hopefully, improved growth in several economies, such as the United States and Germany, may bring about some recovery in world trade. As the prices of our domestic exports should now be very competitive, having remained stable so far this year, I am confident that our export sector will be quick to capitalize on any recovery that may occur.

*(ii) Textiles agreements*

29. Prospects for our textile and clothing industries in particular are much influenced by our textiles agreements with our major markets.

30. A new bilateral textiles agreement covering the period 1982 to 1987 was concluded with the United States in March.

31. The existing five-year agreement with the European Community governing Hong Kong's exports of textile products there will expire at the end of 1982. Negotiations for a new agreement have yet to be concluded. You may be assured that we have been resolute in defending Hong Kong's interest and in bringing home, both to the Community and to H.M.G., the importance of these negotiations to us.

32. It is against this background that I now turn to our policy objectives, achievements and intentions in some of the main programme areas.

(4) *POLICY EMPHASIS IN MAIN SOCIAL PROGRAMME AREAS*

(a) *Housing*

33. And I shall begin with housing. Construction in both the public and private sectors has been satisfactory: in each of the last three years over 60 000 flats have been completed. Indeed, in 1981-82 a total output of 74 000 flats was achieved, an all-time record.

(i) *Public housing*

34. Over 2.2 million people or 42% of our population now live in public housing. This percentage will grow as the public sector building programmes proceed. In 1981-82 public housing production, including the Housing Society's contribution, was nearly 40 000 flats, all in modern estates with good amenities. The redevelopment of old estates ensures that earlier public housing tenants also benefit from improved standards. The indications are that this high level of production can be sustained, and every effort will be made to maintain the momentum for many years to come.

(ii) *Hong Kong Housing Society*

35. Most public housing is built by the Housing Authority, but last year's production included a significant contribution of some 3 700 flats from the Hong Kong Housing Society. The Society will continue to play a valuable role, complementary to that of the Housing Authority. It is at present directing its energies towards the Urban Improvement Scheme and the provision of small estates in rural areas.

(iii) *Private sector housing*

36. More than 34 000 flats and houses were completed last year by the private sector. Not surprisingly perhaps, production at this level, coupled with high interest rates and property values inflated by speculative activities in recent years, led to an abnormally high number of unsold properties. However, the levelling off of sale prices together with a lowering of mortgage interest rates has put more of this large stock of accommodation within the reach of those seeking housing.

(iv) *Landlord and tenant*

37. A significant advance in the private rental field over the past year has been the introduction, under the aegis of the Lands Tribunal, of a system providing reasonable security of tenure to tenants of premises not subject to rent control, provided they are prepared to pay the fair market rent.

38. All premises completed since June 1981 are now excluded from rent control, and premises of a very high rateable value are being excluded by stages. Well before the expiry in December next year of the existing legislation

controlling rent increases for post-war premises, the Government will be considering the future form of these controls, and appropriate legislation will be introduced in this session.

(v) *The squatter problem*

39. Despite high levels of housing production, in some areas major problems still exist. The most obvious is the squatter problem. Nearly 1.3 million squatters have been rehoused since the 1950's, latest estimates still put the squatter population at over half a million. Many will be rehoused through development clearances over the next few years; but most large squatter concentrations are likely to remain for quite some time, and something must be done to improve living conditions in them. As a first step, a programme has been started to reduce the danger from fire and landslip by improving access and water supply for fire fighting, creating fire breaks and undertaking essential slope stability works. Work is already well advanced in a number of densely populated areas and the programme will be progressively extended to other vulnerable areas. The next step will be to provide basic services such as water, electricity and drainage in areas not due for clearance in the near future.

40. We must, at the same time, endeavour to contain the problem by preventing the proliferation of new squatting. To this end, the higher degree of control now being exercised, together with the recently enacted legislation which provides heavier penalties for racketeering should help to deter new hut building.

(vi) *Home ownership*

41. On home ownership, a consequence of an improving standard of living has been the trend towards families owning their own homes rather than relying on rented accommodation in either the public or the private sector.

42. To meet the community's aspirations in this field, the Home Ownership Scheme enables lower-income families to buy their own flats at reasonable prices. The policy of excluding land value from the selling price of these flats has proved very popular—over 70 000 applications were received for the first 6 600 flats offered for sale on these terms—and the programme will be continued on this basis. The private sector too has an important role to play in the promotion of home ownership. So more sites will be made available for the Private Sector Participation Scheme and the Middle Income Housing Programme. These Government sponsored home ownership schemes should, by 1985-86, be producing some 12 500 flats annually for purchase by better off public housing tenants, to encourage them to vacate their heavily subsidized rental flats, and by those living in rented private flats who could not otherwise aspire to own a home of their own.

43. In the private sector, the latest figures available show that three-quarters of new flats occupied last year were occupied by their owners, bringing the

proportion of owner-occupation to about 50% of the total. This movement towards home ownership is one which the Government will encourage.

44. I am confident that, by the end of this decade, the housing problem as we have known it will have been greatly reduced. But our housing standards have in the past had to be modest and there will always be a need for qualitative improvements to bring older housing up-to-date. There will be no pause in our efforts to make Hong Kong a better place to live in.

*(b) Social Welfare*

45. And now to turn to social welfare, the 1979 White Paper: Social Welfare Into The 1980s, set out the aims for future development. It provides that our social security system should ensure that those who are least able to help themselves should be looked after; and that direct services for people who cannot manage without them, particularly the elderly and vulnerable young people, should be developed and their quality improved.

*(i) Social security*

46. Social security benefits available under the Public Assistance Scheme and the Special Needs Allowance Scheme provide the basic protection of those who are least able to help themselves. During the last year, a total of some 260 000 people received one form of cash benefit or another. The level of payment of these benefits has been progressively revised upwards.

47. The Government is also conscious of and understands the concern which has been expressed about the desirability of further improving our social security system. The issues are large ones, and the financial resources which would be required to support the more ambitious schemes are huge. We must beware of accepting recurrent commitments on public sector funds which we could not sustain. Nevertheless, we shall study the issues with great care. In the meantime we shall continue to do what we can to ameliorate the lot of those in need.

*(ii) Housing for the elderly*

48. One area in which we can take some action now is in accommodation for the elderly in institutions ranging from care and attention homes, to hostels and to ordinary housing.

49. There is in our community a traditional and commendable respect for the old: and we should not forget that Hong Kong today owes much to their hard work in past decades. They deserve a dignified old age. We shall continue to increase the amount of accommodation of all types available to them. For instance, this year the special annual quota for elderly persons applying in groups for public housing has been increased from 300 to 400 flats; and the Housing Authority is about to introduce a priority allocation scheme for public

housing applicants with parents or grandparents living with them, which will reduce the time such applicants remain on the waiting list by up to one year.

50. Whilst such measures in hand go some way to meet their housing needs, we must do more, and we can take account of the fact that some are in good physical and mental health. They can and wish to fend for themselves on a day to day basis, without the need of close supervision in an institutional environment. To supplement the accommodation needs of this group, (already provided for in part through the public housing system), the Government proposes to purchase flats in private housing developments. This will be a trial scheme which, in the first instance, will provide some 700 places, accommodated in flats suitable for four to six elderly persons living together in a family environment. Subject to the agreement of honourable Members, the scheme will be financed from the surpluses obtained from the sales of gold coins which are now held in the Special Coin Suspense Account and, if successful, and subject to the availability of further funds, the scheme could be expanded by the acquisition of further properties. Steps are now being taken to identify suitable properties for acquisition for the trial scheme. The method of allocation of places in the flats is being worked out and will be announced in due course.

(iii) *Subvention system*

51. The new system for providing subventions to voluntary social welfare organizations announced last year was formulated largely on the basis of public comments on the Report prepared by the Working Party on Provision of Social Welfare Services and Subvention Administration and on the advice of the Advisory Committees responsible. The changes proposed have attracted some concern from the voluntary sector and it must be accepted that the new system will need some fine tuning before it becomes truly effective. But more than 80% of all social welfare services are included in Category I for full Government support; the remainder, as a group, are not receiving less from Government subventions in 1982-83 than they got in 1981-82, and all should qualify for extra community support not otherwise needed for Category I services.

(iv) *Manpower*

52. The problem of shortage of trained social welfare workers has been a matter of concern to the Government, within the profession and amongst the public at large. The U.P.G.C. has been asked to invite the two universities to expand their social work student intake in the next triennium starting in 1984-85. The Polytechnic will also commence its social work degree course from 1983-84. The manpower shortage cannot be resolved in the immediate future but, with these measures, the situation should improve.

(c) *Rehabilitation*

53. I now turn to the disabled and the mentally ill. The International Year of Disabled Persons (I.Y.D.P.) provided us with an opportunity to focus the

community's attention on the problems of the disabled; and the momentum of the public education programme designed to increase the community's awareness of the capabilities, needs, aspirations and rights of the disabled generated during the International Year is being maintained.

54. In the provision of medical and social rehabilitation services and of special education and training for the disabled, the Government intends to maintain steady progress. By 1986, each regional hospital will have attached to it one medical rehabilitation centre providing specialist in-patient treatment. By the end of the decade, the number of residential and day care places will have tripled and quadrupled respectively. Pre-school training and special education and vocational training places will also have been increased substantially and we should be within sight of attaining all our targets by the early 1990s.

55. The provision of services for the mentally-ill has attracted much public concern following the tragic Un Chau Street incident of 3 June. The working party set up to review the handling of mentally disturbed persons with a disposition to violence, with special emphasis on the adequacy of the various after-care services for the integration of discharged mental patients into our community, is expected to report shortly. The Government will give urgent attention to its findings.

*(d) Medical Services*

*(i) General*

56. In the health field, continued pressure is being put on our medical facilities as a result of increased population and rising expectations. That Hong Kong has been able to maintain an impressive health record is a reflection of the effort and dedication of all concerned.

57. Our record in containing major communicable diseases has been made possible by improved sanitation, immunization programmes, epidemiological surveillance and primary health care. The tuberculosis notification rate declined further from 160 per 100 000 population in 1980 to 150 in 1981, and the death rate from this disease fell from 10.9 to 9.4 per 100 000 population over the same period. Our infant mortality rate (8.7 per thousand live births) and maternal mortality rate (0.08 per thousand total births) for 1981 are among the lowest in the world.

*(ii) The changing scene*

58. With the ageing of our population, coupled with improvements in socioeconomic conditions, there has been a change in the pattern of diseases. The leading causes of death are now cancer and heart diseases. There is also an increasing trend in the number of psychiatric cases associated with the stress of urban life. Another significant change is in the shift of population to the New Territories with the development of the New Towns.

(iii) *Hospital development*

59. Government's plans for meeting these changes are exemplified in the completion of the Kwai Chung Hospital which provides 1 340 beds for the mentally ill, the Kwok Tak-seng Cardio-Thoracic Centre at Grantham Hospital which now provides for the treatment of cardio-vascular diseases, and the 300-bed extension to the Wong Tai Sin Infirmary which provides welcome relief for the chronically ill who cannot be discharged from institutional care.

60. Over the next 18 months, the total number of hospital beds will be increased by 2 110, or 10 percent overall, of which 1 840 will be in the New Territories. The Prince of Wales Hospital at Sha Tin with its 1 448 beds will be the major regional hospital for the Eastern New Territories and the teaching hospital for the Chinese University's medical school. It will be commissioned in phases and we are all delighted that T.R.H. the Duke and Duchess of Kent will be present to mark its formal completion at the end of this month. An additional 662 beds, including 392 in the New Territories, will be provided through the subvented and private sectors, all with grant or loan assistance from the Government.

61. Looking further ahead we should have some 29 200 hospital beds by 1987. Again, the bulk of the new facilities will be in the New Territories or the new development area of East Kowloon. In addition, in order to relieve further the pressure on acute hospital beds, a development programme for the provision of infirmary beds for long term patients has been endorsed by the Medical Development Advisory Committee. It is proposed that some 1 400 further infirmary beds should be provided by the end of the decade.

(iv) *Out-patient care*

62. As regards out-patient services, five new clinics will be completed in the next 18 months. A further 18 clinics or polyclinics are being planned for the next five years, to provide a total of 539 clinic consulting rooms by 1987, compared with 287 at present.

63. In addition, day hospital places are provided for psychiatric and geriatric patients as part of their rehabilitation programme. An additional 285 psychiatric and 220 geriatric day hospital places will be available by 1987, compared with the existing provision of 200 and 75 respectively. Furthermore the extension of hospital care into discharged patients' homes is achieved by the community nursing service.

(v) *Training*

64. These expansion projects require additional trained manpower and the Government has asked the U.P.G.C. to invite the two universities to plan for increased intakes into the two medical schools: from 100 to 140 at the Chinese University and from 150 to 225 at the University of Hong Kong.

65. Three Nurses' Training Schools will be opened at Princess Margaret Hospital, Prince of Wales Hospital and the Baptist Hospital in the next 18 months, thereby increasing the total training capacity for nurses from the present 1 680 per year to 1 880. A further 960 places will be available by 1987 when new nurses' training schools or extension projects are completed.

66. A decision in principle has also been taken by the Government to introduce legislation to control the optical profession in view of the health risk posed by unqualified persons, especially over the prescription and fitting of contact lenses.

67. I must thank Mr. Alex Wu and his Working Party for reviewing the law relating to the employment of pharmacists under the Pharmacy and Poisons Ordinance. Their recommendations that the existing enforcement capability should be strengthened, and that improved training facilities should be provided for supporting staff are being considered by the Government, and the training implications considered in conjunction with the Vocational Training Council.

*(e) Education*

*(i) Overall review*

68. I now turn to education. An international Panel of Visitors from the Organization for Economic Co-operation and Development has now completed an Overall Review of our education system. The Panel conducted two very successful public plenary sessions in Hong Kong earlier this year in which they pointed to major areas of concern. These included the need to simplify our complex educational system and to improve our ability to formulate policy and plan new developments. The Panel's recommendations will be carefully considered by the Government.

*(ii) Standards*

69. Much has been achieved over the last decade, in providing more primary and secondary education, and in raising the standard of teaching in our schools. The Government recognizes the central importance of teachers in the education system and the need further to improve the quality of teaching. A start has been made by improvements in staffing ratios, to permit more remedial teaching and the encouragement of a wider range of extra-curricular activities; and the curriculum has been broadened through the addition of new subjects and a greater emphasis on practical and technical subjects, to meet the needs of a wider range of pupils. In addition, Educational Television is being extended, class libraries introduced in primary schools and libraries in secondary schools improved. Teaching centres have been established for languages, mathematics, science and social subjects and a programme of systematic re-training of teachers in primary and secondary schools has begun.

70. This year, the first students graduated from a new two-year training course, devised for Advanced Level examination entrants to the Colleges of Education, and next year students who entered the new three-year course for the first time will also graduate. These new programmes extend the range of courses and subjects and will produce better qualified teachers. In-service courses have been redesigned and lengthened and the Colleges have opened new courses for kindergarten and special education training.

71. As matters stand, these developments will bring beneficial effects, chiefly to the aided sector of education. A study is now being made of how it might be possible to improve 'bought' places in private secondary schools, having regard to our plans for building the new secondary schools which will enable us to phase out bought places in the longer run.

(iii) *Technical education*

72. As for technical education, the Vocational Training Council was established in February this year. The Council plans to double the capacity of the Technical Institutes before the end of the decade by extending existing technical institutes and building new ones. This will enable the institutes to take on technician level courses transferred from the Hong Kong Polytechnic, as well as to establish new technician and craft courses, which meet directly the needs of industry and commerce. In addition, two new industrial training complexes are planned for completion in 1985. These will have an annual capacity of nearly 9 000 trainees at craft and operative level.

(iv) *Tertiary education*

73. The growth rate of the student population of the two Universities will be raised to meet Hong Kong's professional manpower needs and students' aspirations. The present growth rate of 4% per annum will continue until 1988, but specific requests by the Government will be met over and above this figure. Thus, the targets for the 1985-88 triennium are 8 000 for Hong Kong University, and 7 000 for the Chinese University of Hong Kong. Degree programmes are planned for the Hong Kong Polytechnic, which will be expanded, on its present site, to its full capacity of 13 500 full time equivalent students. In addition, it is envisaged that the second polytechnic, from its inception, will recruit a proportion of its students onto degree courses. The Planning Committee for the Second Polytechnic, which was appointed in June this year under the able chairmanship of Sir S. Y. CHUNG, who I am glad to see here today, has made rapid progress in establishing the framework within which the new polytechnic will grow. Eventually, the two polytechnics together could have a capacity of 27 000 full time equivalent places, of which up to 30% would be for students on degree courses. The Baptist College, under the aegis of the U.P.G.C. will, in due course, offer a mix of degree and non-degree courses.

74. All of these proposals taken together should mean that, by the end of the decade, there will be first year degree places for about 6% of the relevant age

group, rising to 8% in the mid 1990s. This contrasts with a figure of about 2% at present.

75. Looking to developments in the longer term, the Government and the U.P.G.C. are studying the further growth potential of the two Universities and the possibility of establishing a third university or another major tertiary institution. The U.P.G.C. will also be asked to consider the role which a properly constituted open university might play in Hong Kong.

(v) *Students overseas*

76. On the basis of the proposals contained in the report of the Overseas Students Trust, the Government hopes to reach agreement with Her Majesty's Government for joint funding of the difference between the home and overseas student fees. If arrangements can be agreed, Hong Kong students in Britain will, subject to a means test, pay the same fees as home students. We shall also be studying the possibility of a co-ordinated scheme of scholarships to universities and comparable institutions abroad, in order to help meet current and expected shortages of manpower in particular areas.

(f) *Labour*

(i) *Industrial safety and health*

77. In the labour field, in recent years an ambitious publicity programme has made an appreciable impact on the awareness of the public of the importance of industrial safety and health. The momentum of the programme will be maintained through increasing use of modern publicity techniques.

(ii) *Legislation*

78. As for legislation, the Employees' Compensation (Amendment) Bill which covers the introduction of compulsory insurance, the establishment of a more effective machinery for assessing compensation, and measures to expedite settlement of compensation claims, has been published and will be considered by honourable Members in the coming weeks.

79. Amendments to the Factories and Industrial Undertakings Ordinance to make provisions for the enforcing authority to carry out an enquiry into a serious accident, which may not have resulted in injuries or where no inquest is to be held, and to simplify the registration procedure for factories will be put before honourable Members during this session.

80. Further amendments to the Construction Sites (Safety) Regulations to improve safety measures for workers working at heights will be made shortly.

(iii) *Labour relations*

81. Apart from its regular efforts to help employers set up joint consultative committees, the Labour Relations Service has diversified into other advisory and consultancy services. Following the satisfactory conclusion of the one-year

project on industrial relations jointly sponsored by the United Nations Development Programme, a series of training courses on labour legislation is being run for management personnel and representatives of employees' organizations. The response to these courses has been encouraging.

82. In my predecessor's address last October he said that consideration would be given to improving the conditions governing the award of severance pay. There has been much public concern on this subject and discussions have been taking place within the Labour Advisory Board. I have decided to appoint an *Ad Hoc* Working Group comprising officials as well as employers' and employees' representatives, under the chairmanship of the Commissioner for Labour, to examine this matter in depth and to make appropriate recommendations. They will take into account the reasonable claims of the workers involved to receive prompt payment of wages due, any wider consequences for the economy as a whole and the experience of other countries in this field.

(g) *Environment, the Arts and Recreation*

(i) *Environmental protection*

83. And now to environmental protection, arts and recreation: In a crowded urban community relying heavily on manufacturing industry, environmental pollution is bound to cause problems unless the Government and the community make a determined effort to prevent it. For the Government's part, action starts with legislation. The provisions of the Air Pollution Control Bill are being examined by the U.M.E.L.C.O. General Services Working Group. When this Bill is passed it will join the existing Waste Disposal and Water Pollution Ordinances and will be followed by a comprehensive Noise Control Bill, thus providing a legal framework for pollution control.

84. Tolo Harbour was declared the first Water Control Zone, under the Water Pollution Control Ordinance, in February of this year. Water Quality Objectives for the zone were gazetted in June. And the next step is the making of detailed regulations which are necessary for control and then finally comes enforcement. Regulations under the Waste Disposal Ordinance to control agricultural waste, toxic, difficult and hazardous wastes are also being drawn up.

85. The Clean Hong Kong Campaign was launched on 25 October 1981 and will continue until the end of December this year. Its operations began with a block-to-block clean up in all parts of the Urban Area and the New Towns, followed by a sustained effort in public housing estates and Temporary Housing Areas when some 85 refuse collection points were completed. In the countryside an unprecedented operation was mounted to clean all 617 villages in the New Territories, followed by the encouragement of enlightened self-interest through the introduction of village self-cleansing contracts on a trial basis.

86. The Marine Department has intensified its harbour cleansing activities, and improved its equipment by the purchase of four additional specially designed vessels to pick up floating refuse.

87. To show that cleaning is not enough a programme of planting trees, shrubs and plants has been started. This will carry through into 1983. Some 2.6 million plantings have already taken place.

88. None of this will succeed in the long run without the continued support of the public at large. A clean Hong Kong is up to the people of Hong Kong.

(ii) *The arts and recreation*

89. The arts and recreation contribute to a balanced life for a community that is enjoying greater leisure today than it enjoyed even a few years ago. The community is grateful to the Urban Council, the Council for Recreation and Sport, the Council for Performing Arts, the Recreation and Culture Department and many subvented and private bodies for their efforts in this field.

90. I should also mention that the Jubilee Sports Centre will be formally opened later this month. Hong Kong will then have first-class facilities for training sportsmen and a base from which to meet increased community interest in sport. When my predecessor spoke last year, the Academy of Performing Arts was little more than a vision. Today a site has been found, plans drawn up and work has started on this major project. The role played by the Royal Hong Kong Jockey Club in these two endeavours is to be commended.

(5) *DEVELOPMENT OF THE INFRASTRUCTURE*

(a) *Land Production and Land Sales*

91. I now turn to land and the infrastructure. A continuing programme of land production is vital to our plans for the provision of housing, employment opportunities, and basic community facilities. Miss DUNN's Special Committee on Land Supply recognized this in its annual Report published in July recommending targets for the production of land for housing and industry over the next five years.

92. The Government's policy is that formed and serviced land should be readily available to meet the needs of the public works programme and the private sector, including industry.

93. In this financial year, the total net land area which will become available is expected to be 994 hectares, 500 in the urban area and 494 in the New Territories. The bulk of this land is within the New Towns where 84 hectares of serviced land for industry, 45 hectares for private residential and commercial development, 47 hectares for public housing, and 245 hectares for community and Government facilities will be available. In 1983-84, the total net land area which is expected to become available is 593 hectares and, in 1984-85, 596 hectares.

94. In 1981-82, a total of 79 hectares of Crown land was disposed of through the land sales programme, and another 143 hectares was sold to the Industrial Estates Corporation for the Yuen Long Industrial Estate. In this financial year, the land sales programme envisages sales of 56 hectares, plus an additional 40 hectares for a marina at Tuen Mun. In recent times high interest rates have caused developers to be more careful about acquiring land. This makes it even more important that we have land of the right sort available for disposal to the private sector. The Special Committee on Land Supply has the task of monitoring this situation. While keeping a close watch on the short-term needs of the private sector the Committee will also take a long term view of the overall needs of the economy and the community in general.

*(b) Private Sector Participation in Land Production*

95. We have, over the last year, considered the question of increasing the participation of the private sector in land production. A Working Group under the Special Committee on Land Supply recommended in July that three major areas (totalling 30 hectares) in the urban area and sites in the new town development areas amounting to over 100 hectares (excluding the Kwai Chung Container Port) were suitable for disposal to the private sector and that this should be done as soon as possible.

96. The Working Group also studied the potential for large scale comprehensive development by the private sector. Junk Bay New Town was identified as suitable for the creation of a large package for comprehensive development by the private sector in the context of the planning of the new town there. Further possibilities for this sort of private sector involvement in land formation and engineering work exist, but cannot be pursued until major strategic planning studies are completed in 1983. Provision for the identification of sites suitable for comprehensive engineering and building development by the private sector will be included, at the appropriate time, in the planning brief for any new area in which it is decided to undertake large scale urban development.

97. Finally, the Working Group recommended that the concept of a development corporation should be studied in greater detail. The Government expects to employ consultants towards the end of this year and their findings should be available by the middle of next year.

*(c) Land Exchange Entitlement Policy*

98. The Land Exchange Entitlement System, which was introduced in 1960, has run into difficulties, in part because more of the development land produced has been taken up to meet the needs of greatly expanded housing and related programmes. The outstanding Letter B commitment is now some 40 million square feet on an agricultural land basis. In these circumstances, the Government has reached the conclusion that land exchange entitlements should cease to be issued with effect from the earliest possible date. The implications of this are being discussed with the Heung Yee Kuk. In addition, the Government

is carefully considering ways of reducing the outstanding Letter B commitment within a much shorter period than would be possible under the current practice of offering about 45% of sites in the New Territories for disposal by Letter B tender.

*(d) Urban Renewal*

99. Recently completed studies have indicated that the potential for urban redevelopment is enormous (some 388 hectares have been indentified in the main urban area). However, in the shorter term at least, large scale urban redevelopment to the extent that it involves the deployment of public sector resources, could only be undertaken at the expense of development elsewhere. It must be viewed, therefore, in the context of longer term strategic options. Nevertheless, it should be possible to achieve some improvements in limited areas through redevelopment. Ways of doing this—either through expansion of the work of the Housing Society or through another agency—are being investigated by the Lands Department. In addition, the consultancy on the concept of a development corporation will consider how much a corporation could aid the implementation of planned urban redevelopment.

*(e) Rural Improvement*

100. As for rural improvement, between the New Town Development Areas, genuine New Territories villages and the Country Parks there are large areas of the New Territories that can be called neither urban nor rural in nature. The deteriorating and unplanned nature of the environment in these areas is now a cause of concern. This is another problem being considered by both the Lands Department and the Special Committee on Land Supply. The consultants who will be investigating the concept of a development corporation will also be asked to consider the use of small corporations in implementing limited rural style development in these areas.

*(f) Transport*

101. And now for transport: the size of the transport programme reflects the need to meet the demand for nearly eight million passenger trips daily on public transport and to provide for over 340 000 vehicles to move around Hong Kong's road network. In the assessment of priorities in the 1970s, emphasis was rightly placed on the social programmes. More emphasis is now being placed on measures to improve the road network; to expand and improve public transport, particularly rail services; and to ensure the more economical and efficient use of our road network.

*(i) Road network*

102. Improvements in the road system so far this year have included the partial opening of the Aberdeen Tunnel and the Airport Tunnel. Early in 1983 the Tuen Mun Highway will be fully operational with dual three-lane operation. Work continues on the major trunk routes, the Island Eastern Corridor, the

Sha Tin/Tai Po coastal road and the remaining stretches of the New Territories circular road. The strategic road network will continue to be a major investment commitment as new projects, such as the link between Tsuen Wan and Sha Tin, commence.

103. The next major project to be decided upon is the second fixed crossing of the harbour. Subject to certain technical constraints connected with the airport, this is likely to be a bridge at Lei Yue Mun.

(ii) *Public transport*

104. The growth in public transport capacity in 1982 has been perhaps the greatest so far achieved. In May, the modernized and electrified K.C.R. opened its inner suburban service from Hung Hom to Sha Tin. The outer suburban service to Lo Wu will be commissioned in the latter half of 1983. New railway stations are being constructed as part of the modernization process. Facilities at the new Lo Wu Station, currently under construction, will be upgraded to provide a better service to the increasing number of people crossing the border. Discussions are in progress with the Guangdong authorities on how new facilities on each side can best be matched. To make the new railway more responsive to commercial demands, work is in hand to establish a K.C.R. Corporation.

105. The Mass Transit Railway Corporation also opened its Tsuen Wan Extension in May. The Island Line currently under construction is projected to open in 1985 and to be in full operation in 1986. This will relieve the serious congestion along the King's Road corridor. Feasibility studies are being undertaken in respect of the extension of the Modified Initial System to Junk Bay and the construction of the East Kowloon Line.

106. A comprehensive review of the operations of the two major bus companies has just been concluded and as a result a five-year development programme will be agreed with the companies, and reviewed annually. The cost of implementing such programmes will be realistically assessed, which will enable a proper balance to be found between a steady improvement in service, and acceptable fare levels.

107. The capacity of the major bus companies has continued to expand. In the last three years their combined fleet of double-decker buses has risen from 2 600 to 3 300 and their combined carrying capacity from 260 000 passengers to 360 000 passengers.

108. A Ferry Services Ordinance was enacted during the year and franchise agreements with the two major operators are being prepared and plans are in hand for additional vehicular ferry services.

(iii) *Use of the road system*

109. Public transport priority schemes and traffic management in various forms are also helping to facilitate the flow of traffic on our very crowded roads.

But, earlier this year, the Government concluded that increasingly serious congestion had to be tackled by fiscal measures to restrain the rate of growth of private vehicle numbers. The new policy provides for a growth rate of not more than 5% per annum, a target expected to be achieved this year. For 1982-83, this means not more than 1 000 new private vehicle registrations every month, but it is uncertain whether this target will be maintained in later years. The Government has thus faced the reality that unrestricted growth is intolerable, economically and socially. I have just referred to public transport passenger trips as approaching eight million every day. This is 12 times the number of passenger trips made by private cars which comprise two-thirds of our total vehicles on the roads.

110. A consultancy study is to be carried out on the economics of the trucking industry so that the Government may consider whether restrictions are also justified on goods vehicles. Decisions on this difficult and complex problem should be reached by the end of 1983.

*(g) Future development*

111. I now turn to future development and public works. The total value of outstanding commitments on capital works projects in the Public Works Programme (and that excludes public housing and the Mass Transit Railway project) has increased significantly over the past three years: from \$14.2 billion at the beginning of 1980-81, to \$21.6 billion at the beginning of 1981-82 to \$26 billion at the beginning of 1982-83. For economic and financial reasons, I do not think any further increase can be contemplated for the time being. Nevertheless, having regard to the value of new works injected into the programme during 1982-83, and to estimated total expenditure during this year, there should be room for starts to be made on about \$5 billion worth of new projects in 1983-84.

112. Annual expenditure on capital works in the Public Works Programme and on public housing projects has increased from \$6.8 billion in 1980-81, to \$11.0 billion in 1981-82 and to \$13.6 billion in 1982-83. Again, this rate of increase clearly cannot be sustained, particularly as revenue from land sales, which has been contributing exceptionally to the financing of the capital account, is unlikely to continue at the high levels of recent years. The intention, therefore, is to maintain expenditure in 1983-84 at about the level of the current year. This should, however, enable work to proceed as planned on all our projects and programmes, including housing and our new town programmes in Tsuen Wan/Kwai Chung, Tuen Mun, Yuen Long, Sha Tin, Tai Po and Fanling. Sha Tin is being extended to include development at Ma On Shan and preliminary moves have been made towards the establishment of the next new town at Junk Bay.

113. We shall need to decide soon how best to meet the demands for urban growth and improvements in living standards which population increases and

aspirations will continue to place upon us beyond the present decade. Regional and sub-regional studies are now in hand to identify development options throughout Hong Kong. We aim to complete these studies and the formulation of a long term development strategy within the next twelve months. The choice of a particular strategy involves reconciling the demands of housing, industry, domestic and international transport, environmental factors and, of course, the availability of resources. Likewise, the question of replacing Kai Tak with a new international airport is the subject of detailed and on-going consideration within the Government, related as it is to the studies presently in hand.

(6) *LAW, ORDER AND SECURITY*

(a) *Police and Crime*

114. I turn now to questions of law, order and security.

115. The Royal Hong Kong Police Force has continued its programme of reorganization and is now re-ordering its District structure. In addition, the relative size of Police Regions and the command structures in Force and Regional Headquarters are being studied with a view to devolving authority and decision-making to the most appropriate and economic levels.

116. Recruitment has continued to be satisfactory. The target for recruitment of inspectors is 280. It is expected that this will be met with recruits of a high educational standard and good leadership potential. There should also be little problem of filling 2 000 Junior Police Officer posts, many of them at Form 5 level.

117. Regardless of the Force's expansion and quality, the success of Police efforts in combatting crime, to which we all attach importance, remains heavily dependent on the self-help and co-operation of members of the public. I am pleased to note the steadily-improving relationship between the Police and the public to which the District Boards are making a useful contribution.

118. Turning to the crime situation, the incidence of robbery, in its various forms, is a useful indication of the state of crime generally. From an average of 40 reports a day in 1974, robberies fell to 20 a day in early 1979 and since then it has fluctuated at between 20 and 30 reports a day. So far this year, the daily average has been 24.

119. A disturbing feature on the crime scene, however, is the greater use of firearms. It was, therefore, most encouraging to learn in July of the successful Police operation which identified and neutralized the 'Big Circle' gang of illegal immigrants, who had been involved in some five major robberies. Since these arrests, in which a considerable quantity of firearms was seized, this brutal form of robbery has declined.

120. Another category of crime which is of concern is burglary. Regrettably this is on the increase. In mid-1979, burglaries were being reported at a rate of

17 per day, but during 1981 and so far this year the figure has risen to 29. In over a quarter of the cases reported, there was no forcible entry, indicating that many burglaries are crimes of opportunity. This underlines the need for members of the public to help themselves and the Police by safe-guarding their premises.

121. It is also a relief that the alarming increase in juvenile crime of the last three years appears to have been halted and may have been reversed. This trend is attributable to the efforts of parents, schools and the Government. It will need renewed efforts to ensure that the downward trend continues.

122. It is justifiable for criticism to be levelled at any Police Force where members fail in the discharge of their responsibilities and neither the Police nor the Government would wish to contest that right of criticism. But the public should keep in mind the wider picture. Since I arrived I have been impressed by the way in which the Force goes about its widely ranging duties in this busy, crowded place. There are a few bad apples in the barrel, as is inevitable in a Force, which, with the Auxiliaries, is 28 000 strong. But we are now served by a highly competent and professional Police Force which goes about its duties with loyalty, enthusiasm and fairness: and it is right to pay tribute to those qualities. If the community and the Police do not show confidence in each other only the criminals benefit.

*(b) Narcotics*

123. This year we are facing one of the many challenges in the struggle against narcotics. As a result of two consecutive bumper opium crops in the Golden Triangle, there is now a more abundant supply of drugs. Although the Police and Customs have seized more drugs in the first half of 1982 than in the whole of 1981, prices of drugs at street level are lower now than they have been for six years. In consequence, the declining trends in drug addiction since 1974 were reversed last year. These are obviously worrying developments. Our consolation is that 12 500, or nearly one-third, of the 40 000 addicts on record are receiving various forms of treatment or aftercare every day, and the number of newly reported addicts between the age of 15 and 24, the most-at-risk group, has dropped from 722 in the latter half of 1981 to 591 in the first half of this year.

*(c) The Garrison*

124. As regards the Garrison, this year H.M. Force have been able to make good to some extent the backlog of training which accumulated from 1979-1981 when they were so effectively employed in combatting illegal immigration both by land and by sea. The Forces are still very much committed on our borders where constant vigilance is required. The addition of a fifth battalion (2/7 Gurkha Rifles) has eased the strain imposed by this continuing task. These and other measures being taken to strengthen, modernize and accommodate the garrison are a measure of H.M.G.'s continuing commitment to Hong Kong.

*(d) Illegal Immigration*

125. As for illegal immigration, the current rate of illegal immigration remains at a fraction of what it was before the end of the 'reach-base' policy in 1980. The average daily number of arrests on entry is now around 30; before the change in policy it was 250.

126. However, the urge to enter Hong Kong seems to be as powerful as ever. We must, therefore, maintain the high level of operations by the security forces and the Immigration Department, and we are pressing on with improvements to physical barriers and communications. These will be completed by mid-1983.

127. Yet, despite the vigilance of the security forces and the formidable barrier on the border, illegal immigrants still get through. An important new factor in deterring them, and detecting them if they still manage to get in, will be the more secure replacement identity card which the Immigration Department will start issuing in May 1983. Priority of issue is being given to males between the ages of 18 and 35, because it is in this group that those who have succeeded in entering illegally are most likely to be found. In future, it will be much more difficult to forge identity cards and those already here who are trying to avoid detection by using them will be discovered and repatriated. This important operation will cause inconvenience to the extent of two short attendances at a centre, but the personal cost is worth paying to produce a much more effective document and record in the interests of the community as a whole. It goes without saying that this event will not be the occasion for an amnesty.

128. As to the other main category of immigrants from China, namely those who come with the permission of the Chinese authorities and remain here, we continue to be concerned by the numbers involved. Arriving at a rate of some 55 000 a year, they represent an additional 1% expansion in our population. We recognize the pressure on the Chinese authorities from the very large number of people with good reasons for coming to Hong Kong. We hope nevertheless it will soon be possible to make some reduction in the numbers who enter and remain here, and we are in close touch with them on this issue.

*(e) Vietnamese Refugees*

129. I turn now to the persistent problem of Vietnamese refugees. Unhappily in the last year the pendulum has swung against us. Resettlement places are dwindling and Hong Kong is getting a reduced share of them. At the same time we have been receiving a greater proportion of the arrivals in the region. As a result we find ourselves with 3 000 more refugees than six months ago. Hong Kong can be proud of its record in providing first asylum for refugees. But we cannot absorb more and more people without detriment to the welfare of our own citizens. For this reason we decided in July that in future all refugees should be held in closed camps. Our intention is to deter those Vietnamese who persist in making illegal entry to Hong Kong. Meanwhile, we remain grateful for the continued assistance of U.N.H.C.R.

*(f) Correctional Services*

130. The difficult task of managing these new camps in a firm and yet humane way has fallen to the correctional Services Department. I should like to pay tribute to the manner in which they have responded to this new demand particularly at a time when the general population in our correctional institutions has increased by 8% to 7 500. Theirs is an essential and demanding job which they carry out with loyalty and efficiency.

*(g) Fire Services*

131. Nor should I omit reference to the determined, effective and courageous performance of the Fire Services. They discharge their daunting responsibility in an exemplary way. Together with the Police and the Auxiliary Services, they performed magnificently in the very heavy rainstorms of May and August.

*(h) I.C.A.C.*

132. Corruption remains a problem in many sectors of our community and the I.C.A.C. will need to sustain its pressures on all fronts. I am, however, encouraged to see the decline which has taken place during 1982 in the number of complaints alleging corruption against the Police. In the first eight months of this year, there were 448 reports as against 514 during the same time last year: a drop of 13%. I hope this will develop into a clear trend.

133. The support given by the I.C.A.C. to the Police and the Police to the I.C.A.C. is also developing well. Co-operation in many aspects of operations has been extended and, on the prevention side, the Police Corruption Prevention Group completed its first year of work in August. This joint effort between the Force and the Commission in the field of prevention has made a good start and I expect it to expand and strengthen.

134. There has been an increase in complaints about corruption in the private sector. It is probable that the figures indicate a greater readiness to report corruption in this area.

135. The I.C.A.C. has its critics, of course, but so has every law enforcement agency. From time to time, criticism is levelled at the time it takes to complete its investigations and the extent of its powers. By their very nature corruption investigations are complex and often long drawn-out; this is a common experience and not just that of Hong Kong. Every effort is made by the Commission to reduce delays because these, apart from other considerations can well undermine the chances of a successful prosecution.

136. As for the powers of the I.C.A.C. I am satisfied that in general they are still essential in the special circumstances of Hong Kong. The role of the Attorney General in deciding on all prosecutions and the monitoring function of both the Operations Review Committee and the Complaints Against the I.C.A.C. Committee under U.M.E.L.C.O. provide sound safeguards against abuse.

(i) *Nationality*

137. Turning to a different subject, during this session Members will be invited to consider amendments to Hong Kong's immigration and other legislation as a consequence of the coming into force of the British Nationality Act on 1 January next year. An important related question which still needs to be resolved is the nationality description to be used in passports. The Government continues to urge on H.M.G. the importance we all attach to a satisfactory resolution of this issue.

(7) *GOVERNMENT'S INTERNAL ADMINISTRATION*

(a) *Organization*

138. During the past year or so several major changes have been made to the organization of Government's internal administration, including the de-federalization of the Public Works Department and the Trade, Industry and Customs Department into a number of separate departments and the creation of a new Technical Education and Industrial Training Department.

139. But we must take a dynamic view of our administrative arrangements: and further amendments to central Government organization, the network of executive departments and the relationships between them to meet changing circumstances are presently being examined. The outcome will probably be changes in the schedules of some policy Branch Secretaries in order to achieve more effective and appropriate groupings of policy programmes and a better balance of responsibilities. I am also conscious of the need to ensure that our systems are updated within sensible limits, that our advisory boards and committees are efficiently serviced and that Government departments are properly and rationally housed. By next year all branches of the Government Secretariat, with only two exceptions, will be housed in the Central Government Building.

(b) *The Public Service*

140. I believe the Hong Kong Civil Service to be assiduous and well motivated, but I am well aware of the concern among honourable Members that it has expanded too rapidly. The total establishment has grown from 98 000 posts in 1972 to nearly 170 000 posts in April this year. Since these figures encompass the staff of the Police Force, the Housing Department, the Urban Services Department, the various works departments and the medical and nursing services, this expansion of the civil service is hardly surprising in view of the growth in volume and scope of the Government's activities in these areas.

141. As the Government's services to the community are improved, some growth in the public service will still be required. But the rate of growth must now be slowed down; and, as an overall guideline, a ceiling of no more than 4% to 5% has been set on the growth of the establishment of the public service for the current financial year, as against the upper limit of 10% allowed for in the

printed estimates. To help achieve this, tighter controls have been introduced on the creation of new posts. The Government also intends to place a renewed emphasis on the value-for-money criterion; to move away from the habit of automatically refilling posts whenever they become vacant through retirement or other reasons; and to keep under critical review the size and composition of the public service as a whole.

142. Further efforts will also be made to improve the quality of performance by improved staff management, better manpower forecasting and career planning and more and better training.

143. One of the factors contributing to an effective and contented public service is a remuneration policy which is regarded as fair both by the public servants themselves and by the community they serve. In this respect, the Government is indebted to the Standing Commission on Civil Service Salaries and Conditions of Service which, under the able chairmanship of Sir S. Y. CHUNG, has done much to bring about the establishment of rational and appropriate salary levels and structures in the public service.

#### (8) *THE FUTURE OF HONG KONG*

144. Honourable Members, I now turn to the question of the future. The Prime Minister's visits to China and to Hong Kong, the first by a British Prime Minister in office are still vivid in our minds. I should like to record here the appreciation of the Government and people of Hong Kong for her concern and understanding, and for her reaffirmation of Her Majesty's Government's responsibility and commitment to the people of this territory.

145. In Peking, Mrs. THATCHER held far-reaching discussions, in a friendly atmosphere, on the future of Hong Kong with Chairman DENG Xiaoping and Premier ZHAO Ziyang. In the words of the joint statement issued after the Prime Minister's meeting with Chairman DENG: 'Both sides made clear their respective positions on this subject. They agreed to enter into talks through diplomatic channels, following the visit, with a common aim of maintaining the stability and prosperity of Hong Kong'. The agreement to start talks, and the endorsement of the common objective at the highest level were a significant achievement. The search for a satisfactory solution has been given new impetus.

146. The Prime Minister gave a clear assurance that in conducting the talks she would speak not only for Britain but for Hong Kong. H.M.G.'s commitment to the territory has never been in doubt, but the Prime Minister's forthright reaffirmation of it could not have been more timely. Nor is there any doubt that in the search for a solution H.M.G. will take the views and wishes of the people of Hong Kong fully into account. The process of consultation has already begun. An important stage in it was the visit to London by the group of Members of the Executive and Legislative Councils who accompanied me there at the beginning of September. The process will be a continuous one and careful consideration will now be given as to how this consultative process can best be pursued.

147. Honourable Members, meetings in Peking to follow up Mrs. THATCHER's visit have begun. The content of the talks must necessarily remain confidential. The aim will be to complete them as soon as possible. I cannot make any useful forecast as to when that will be. There are complex issues to be discussed, and there are differences between the two sides which must be reconciled. So steady nerves will be needed in the months ahead. But the Prime Minister has made plain her belief that, given the common objective, the differences can be reconciled and an agreement can be reached which will be acceptable to China and Britain and which will be welcomed by the people of Hong Kong. I share that belief.

148. Honourable Members we have a statement of common objective from the British and Chinese Governments. We have the commitment to this territory of the Government of the U.K. In the light of that common objective, and that commitment we shall go forward with confidence to pursue our Policies and programmes to their conclusion and to project them into the future.

(9) *CONCLUSION*

149. It will be evident from all I have said that our policies and programmes remain imaginative, ambitious and forward looking. New towns and housing estates will continue to rise in the New Territories. The aged and the disadvantaged will be cared for with a growing sense of compassion. More modern hospitals and clinics will serve the need of the sick. Our expanding education system at all levels will educate more of our youth in the skills of the modern world. Our domestic and international transport networks and facilities will be further developed. Major public works will improve and enlarge the infrastructure of this territory. In pursuing these policies and programmes, and in setting our priorities, we shall be prudent in our public expenditure for we must not live beyond our means.

150. I do not intend to speculate on the causes of the fluctuations in the foreign exchange and stock markets in recent days. The causative factors at work, both international and domestic, are many and complex. But we have a resilient economy which adjusts efficiently, sound government and a growth rate which is still positive. And let no-one be in doubt: it is the policy and the firm intention of this Government to invest vigorously in the future of Hong Kong and its people: and that we shall continue to do. Thank you.

**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, 13 October 1982.

*Adjourned accordingly at nine minutes past four o'clock.*