

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 24 November 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 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

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

THE HONOURABLE LO TAK-SHING, C.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 ALAN JAMES SCOTT, C.B.E., J.P.  
SECRETARY FOR TRANSPORT

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

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

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

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, J.P.  
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 DAVID GREGORY JEAFFRESON, C.B.E., J.P.  
SECRETARY FOR SECURITY

#### **ABSENT**

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

THE HONOURABLE HU FA-KUANG, J.P.

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

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 STEPHEN CHEONG KAM-CHUEN, J.P.

#### **IN ATTENDANCE**

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

**Papers**

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

*Subject* *L.N. No.*

**Subsidiary Legislation:**

Antiquities and Monuments Ordinance.	
Antiquities and Monuments (Designation of Proposed Monuments) Declaration 1982.....	384
Banking Ordinance.	
Specification of Specified Liquid Assets .....	385
Employment Ordinance.	
Employment Agency (Amendment) Regulations 1982.....	386
Employment Ordinance.	
Women and Young Persons (Industry) (Amendment) Regulations 1982 ....	387
Public Health and Urban Services Ordinance.	
Public Health and Urban Services (Public Pleasure Grounds) (Amendment of Fourth Schedule) (No. 14) Order 1982 .....	388
Public Health and Urban Services Ordinance.	
Public Health and Urban Services (Public Markets) (Designation and Amendment of Tenth Schedule) (No. 6) Order 1982.....	389
Public Health and Urban Services Ordinance.	
Declaration of Markets in Urban Areas (No. 3).....	390
Interpretation and General Clauses Ordinance.	
Specification of Public Office.....	391

**Sessional Papers 1982-83:**

No. 16—Hong Kong Industrial Estates Corporation—Annual Report 1981-82.

No. 17—Hong Kong Productivity Council and Centre—Annual Report 1981-82.

**Oral answers to questions****Eviction of squatters from vacant flats**

1. MR. CHAN KAM-CHUEN asked:—*In view of the large number of vacant flats which may be occupied by squatters without the owner's permission, has the*

*Government any effective (quick and inexpensive) measures in stock to help owners to evict such squatters?*

THE ATTORNEY GENERAL:—Sir, I'm sure all hope that this problem will not in fact arise. If it does, with remarkable foresight the Government introduced last year a new procedure into the High Court which is quick, and we hope effective, but hasn't yet been tested; and whether it is inexpensive would depend upon control of others outside the Government. The procedure is that under Rule 113 which allows a person to claim possession of land which has been taken from him forcibly and without his permission as opposed to tenants who have held over, or similar situations, allows a claim in the forcible possession cases to be litigated very swiftly and very quickly by the Courts. Once judgement is received then the Courts will give the usual assistance by the Bailiff in enforcing that judgement. So that rather long answer is yes.

MR. CHAN KAM-CHUEN:—*Sir, is Government aware of the local press report on 16 November 1982 on one of these cases which happened in Yuen Long, and if such cases are not nipped in the bud they may result in those ugly scenes in Holland involving a mass eviction of squatters from unlet premises?*

THE ATTORNEY GENERAL:—Sir, I am not personally aware of the press report. If Mr. CHAN would kindly show it to me perhaps at a later time, then I will take whatever steps are open to be taken in relation to the incident.

### **Off-course betting centres**

2. MR. CHEUNG YAN-LUNG asked:—*What is the Government's policy regarding the setting up of off-course betting centres?*

SECRETARY FOR HOME AFFAIRS:—Sir, one aspect of the Government's policy in controlling gambling on horse racing is the licensing of sufficient off-course betting centres to assist in the suppression of illegal gambling. The objective is not to encourage the growth of gambling.

MR. CHEUNG YAN-LUNG:—*Sir, will Government inform this Council the number of objections raised by the residents or groups regarding the opening of new off-course centres in the past 12 months in respect of such policy of controlling illegal gambling?*

SECRETARY FOR HOME AFFAIRS:—I can certainly recall one or two cases but I think it would be unwise to attempt to reply now. I would prefer, if I may, Sir, to send a letter to the Member giving the exact number.

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY.)

Since November 1981 the Royal Hong Kong Jockey Club have applied for eleven licenses for new centres. Of these applications four were approved since no objection from the public was received; one was approved, but approval was subsequently withdrawn as a result of public objection; one application was withdrawn by the club on the advice of the S.H.A.; and two are still being processed. There have been no new centres approved despite significant public objection.

In addition to these applications for new premises, the Club has applied for permission to move 40 existing centres into new, and usually larger, premises in the same period. Public opposition in such resite cases is usually less marked as no increase in the level of provision of centres is in question: 30 of the resite cases were approved since no significant opposition was recorded, seven were rejected as a result of public opposition, and two approved despite objections, since the objections were considered to be not based on objections to the use of the site; one is still pending.

REVD. JOYCE M. BENNETT:—*Sir, are there any other aspects of the Government's policy that the Secretary can share with this Council?*

SECRETARY FOR HOME AFFAIRS:—Police action against illegal gambling is the chief one.

DR. HUANG:—*Sir, in the siting of such centres does Government take into consideration the desire of the community concerned to have, or not to have, such centres?*

SECRETARY FOR HOME AFFAIRS:—Yes, Sir.

DR. HUANG:—*Sir, to protect the young from being contaminated with the gambling habit, would Government agree that such centres, if set up they must be, should not be in the vicinity of schools?*

SECRETARY FOR HOME AFFAIRS:—Yes, Sir, in so far as this is possible.

### **Safety aspects of the Tuen Mun Highway**

3. MR. ALEX WU asked:—*Will Government institute a full inquiry into the repeated accidents on, and the safety aspects of the Tuen Mun Highway and report to this Council the inquiry's findings and recommendations for improvement of public safety?*

SECRETARY FOR LANDS AND WORKS:—Sir, following the recent series of accidents on the Tuen Mun Highway investigations were instituted by the highway engineers, Transport Department and Police to ascertain the causes of the accidents and to determine what measures should be taken to improve safety aspects.

Members might like to note that a detailed check has already been carried out on the stretch of the highway between Tsing Lung Tau and Siu Lam where some nine accidents have occurred over the last two months. This check confirmed that the geometry and construction standards are in accordance with the design speed of the road, which is 40 m.p.h., or 64 k.p.h. in metric terms. Skid resistance tests of the road surface under wet conditions also proved to be satisfactory.

Sir, the investigations are continuing but preliminary indications are that the faults lie, not with the highway, but with the road users. Speed studies along this section of road have shown that the majority of drivers exceed the speed limit of 40 m.p.h. thereby putting themselves and others at risk. Consequently additional warning and speed limit signs have been erected over the last few days and hopefully the message will get through to motorists that the Tuen Mun Highway is simply a limited access, high capacity highway and it is *not*, nor was it ever intended to be, a high speed Motorway.

When the current investigations have been concluded, whatever measures, if any, are thought to be desirable to *further* enhance safety for road users will be implemented as a matter of urgency but I will, of course, provide Members with full details of the investigations and recommendations in due course.

MR. ALEX WU:—*Sir, on 14 November 1981, in response to a supplementary question the then Secretary for Transport said inter alia that Government would consider making a study of adopting such safety devices as ribs on the road to warn motorists of merging traffic points where accidents often occurred. Can my honourable Friend inform this Council whether a study has been made and what is the outcome thereof?*

SECRETARY FOR LANDS AND WORKS:—Sir, the particular problem occurring recently has nothing to do with merging traffic as these accidents have been occurring on the new dual three lane section, and this is the area which is under investigation at the moment.

REVD. JOYCE M. BENNETT:—*Sir, is it true that the Police seldom use their radar equipment on this stretch of road?*

SECRETARY FOR LANDS AND WORKS:—No, Sir, the Police have a regular radar system but it is a mobile one which moves along the Highway.

MISS DUNN:—*Sir, given that drivers' fault has been the reason consistently given in this Council in the last 4½ years as being the main cause of accidents on this road, why hasn't any action been taken until now to educate and warn drivers?*

SECRETARY FOR LANDS AND WORKS:—*Sir, there is a persistent attempt by the Police and the Transport Department to educate drivers but I think this campaign should be stepped up.*

MISS DUNN:—*Sir, given that there does not seem to be any sign of a reduction in the rate of accidents on this road, is it not possible that there might be design flaws on this road?*

SECRETARY FOR LANDS AND WORKS:—*Sir, no, there are no serious design flaws on this road. In fact the accident rate on the Tuen Mun Highway is about one per million vehicle kilometres per day as against the territorial average of about 3.6 vehicle kilometres per day; in other words, about one-quarter of the territorial average.*

### **Working hours, skill and behaviour of bus drivers**

4. MISS DUNN asked:—*What guidelines have been issued to the operators of omnibuses regarding the working hours, skill and behaviour of bus drivers?*

SECRETARY FOR TRANSPORT:—*Sir, a research team from the University of Hong Kong carried out an investigation into these matters on behalf of the Transport Department last year, and in November 1981 presented its report entitled 'Preliminary Investigations of Working Hours, Working Conditions and Fatigue among Bus Drivers in Hong Kong'. The research team used as background to their work the E.E.C. standards relevant to these matters. They found, however, that there was not sufficient evidence of a reasonable correlation between these standards and driver behaviour and skill to justify a conclusion that these standards should be applied *in toto* to Hong Kong. Also obviously conditions in Hong Kong are different from those for which the E.E.C. standards were created. The research team recommended further investigation of the relationship between the pattern of work of drivers and accidents, and this is in hand.*

Meanwhile, the Commissioner for Transport has asked the bus companies to examine the adoption of standards aimed at eliminating certain unsatisfactory work shift patterns. These standards will have implications for bus schedules, specifically periods of operation and frequencies of operation because of the effects on drivers' duty rosters. This in turn will require decisions on the balance between maintaining standards of service or increasing operating costs.

The Commissioner hopes that the companies will accept these standards and adopt them voluntarily. If this does not occur, Government has the power under the Public Omnibus Services Ordinance to introduce regulations for the purpose.

In the matter of the behaviour of bus drivers, the Transport Department encourages the bus companies to set standards, but does not prescribe regulations. One large company employs a training consultant from overseas and drivers receive classroom training on safety, courtesy and relations with the public. Both the major bus companies have teams of plain clothes supervisors out on routes checking the behaviour of drivers. Disciplinary action by the companies is taken in the case of repeated breaches of company regulations in this regard.

In relation to skill, Sir, both the major companies employ instructors. Drivers upon recruitment receive some 90 hours of training before they take the required test at the Transport Department. They are not presented by the companies to take the test until they demonstrate to the satisfaction of their instructors their competence in driving. As a result the pass rate is high and about 90% of the drivers who take the test pass it.

MISS DUNN:—*Sir, why does the absence of what the Secretary for Transport describes as a reasonable correlation between the E.E.C. standards and driver behaviour and skill in itself justify these standards not being applied, and why can't we devise absolute standards of our own?*

SECRETARY FOR TRANSPORT:—I think the answer, Sir, is in what I have already said. It is not *only* the insufficient evidence of reasonable correlation, it is also the differing environments between the countries for which the E.E.C. standards are laid down and Hong Kong.

In reply to the second part of the question, we have in fact set certain standards, and if you will bear with me, I will give you some examples of what we have put to the companies. As I said in the first answer, the problem really relates to the work-shift pattern; this is not so much the hours worked but the hours across which the duty shift is spread. The standards that we have put to the bus companies are as follows. First, for every aggregate of 5½ hours of scheduled duty a driver should have one interval of at least 30 minutes, or two intervals of at least 20 minutes, or three intervals of at least 15 minutes. Second, maximum daily duty, that is, a working day less any off-duty periods in excess of one hour, should not exceed 11 hours. Third, the maximum period between commencement of the initial period of daily duty and the completion of the final period of daily duty should be 14 hours, that is, the daily duty of 11 hours should not be spread over more than 14 hours. And finally, total cumulative duty should not exceed 77 hours in any eight-day period. We believe that these are reasonable.

MISS DUNN:—*Sir, in what way is the Government monitoring the improvement of work shift patterns and have the bus companies been given a deadline before mandatory regulations are imposed on them?*

SECRETARY FOR TRANSPORT:—On the first part of the question, Sir, the bus companies maintain complete records and therefore the Transport Department officers responsible can look at those records and check them.

On the second part, we have not set a deadline but the biggest bus company has already made it clear that they accept these standards, and I am reasonably confident that the second biggest bus company will, perhaps a little less quickly, also accept them. I repeat, Sir, if they are not accepted, we have the legislative power to impose them.

REVD. JOYCE M. BENNETT:—*Sir, can the Secretary for Transport clarify a point— am I correct that you said that a bus-driver must not be driving a bus for more than 77 hours a week and that he must not drive a bus for more than 11 hours during the day; if so, does he have a day off a week?*

SECRETARY FOR TRANSPORT:—The figure is not more than 77 hours in an eight-day period, that's the first point; the second is, it is an 11-hour daily shift spread over not more than 14 hours. In other words, a broken shift: total working time 11 hours, total spread time 14 hours. On the third point, yes, they have a day off a week. That may not, of course, be the same day in each week because of the shift duty sequence.

### **Neonatal screening for congenital hypothyroidism**

5. DR. HENRIETTA IP asked:—*When will Government introduce neonatal screening for congenital hypothyroidism to facilitate early diagnosis and medical treatment of infants who may otherwise suffer mental retardation?*

DIRECTOR OF MEDICAL AND HEALTH SERVICES:—Sir, the technical and administrative aspects for providing a neonatal screening service for congenital hypothyroidism are currently being examined. It is envisaged that the service should be in operation by the end of 1983.

DR. HENRIETTA IP:—*Sir, is Government aware of what the long and short term cost of having delayed and further delaying this valuable screening, namely, the difference between the cost of the initial screening for hypothyroidism and the cost of life-time rehabilitation of those children who become mentally handicapped because of it?*

DIRECTOR OF MEDICAL AND HEALTH SERVICES:—Sir, in the first place I do not think there is delay because this development is comparatively new and the Hong Kong Government has acted very quickly on this issue.

Secondly, I do not know if such comparative data are in fact available; if so, I shall be happy of course to supply them to Dr. IP in writing.

DR. HENRIETTA IP:—I would like, however, if it is possible for the Government to prepare such costing figures for the information of this Council.

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY.)

As agreed, I am attaching costing figures which are available in the Department for your information on:

- (a) the setting up of a service for neonatal screening for congenital hypothyroidism; and
- (b) rehabilitation for mentally handicapped persons up to, say, 50 years of age.

As you are aware, the incidence of congenital hypothyroidism is about 1:5 000 which is .02% of all newborns, i.e., about 15 to 20 cases a year.

#### APPENDIX A

##### COST OF INITIAL SCREENING SERVICE FOR CONGENITAL HYPOTHYROIDISM

<i>Capital Equipment Cost</i>		\$210,000
(a) Gamma Counter	\$150,000	
(b) G M Tube	6,000	
(c) Mixer	3,000	
(d) Centrifuge	30,000	
(e) 2 Refrigerators	5,000	
(f) Other Consumables	10,000	
	Total	\$204,000
	say	210,000
 <i>Annually Staffing Cost*</i>		 \$657,540
1 Senior Medical and Health Officer (i/c Overall Screening Programme)	\$238,380	
1 Medical and Health Officer	160,860	
1 Medical Technologist	119,460	

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\* The cost of the S.M.O. and M.O. is included as this is the recommendation of the Consultant for this matter to include doctors in the team for neonatal screening. However, it would not be possible to apportion such cost among the screening programmes for different conditions. The rest of the cost of the staff is purely for hypothyroidism.

2	Medical Laboratory Technician (II)	78,900
1	Laboratory Attendant	30,540
1	Clerical Assistant	<u>29,400</u>
	Total	\$657,540

<i>Annually Reagents Cost</i>	<u>\$400,000</u>
Total	\$1,267,540

## APPENDIX B

### COST OF REHABILITATION OF MENTALLY-HANDICAPPED

<i>Type of Service</i>	<i>Age in Years</i>	<i>Cost per Year</i>	<i>Years of Service</i>	<i>Cost of Rehabilitation per person</i>
	Below 2	—	—	—
Special Child Care Centre	2-5	\$9,000	4	\$36,000
Special Schools	6-15	\$17,085	10	\$170,850
Vocational Training Centres	16-17	\$6,570	2	\$13,140
Sheltered Workshop	18-50	\$5,000	32	\$160,000
Disability Allowance	0-50	\$5,400	50	<u>\$270,000</u>
Total Cost				\$649,990
			say	\$650,000

*Source:* R.D.C.C. Rehabilitation Programme Plan Chapter 7, 1981.

### Non-departmental quarters

6. MISS DUNN asked:—*What is the total number of leased non-departmental quarters, the present shortfall of non-departmental quarters and what is the Government's policy to meet its requirements for quarters in the light of the present property market?*

SECRETARY FOR THE CIVIL SERVICE:—Sir, at the present time the Government has 1 409 leased non-departmental quarters: this represents 42 per cent of our total stock of 3 338 non-departmental quarters.

For practical purposes I estimate the current shortfall of non-departmental quarters at about 130. Between now and the end of March 1983 we shall be acquiring a further 133 non-departmental quarters of which 72 are being purchased on the open market, 57 are being leased from private developers and four are being built by the Government itself.

By the end of March 1983 therefore the present shortfall of non-departmental quarters will in theory have been almost eliminated. But demand is continuing to increase so that further additions to our stock of non-departmental quarters will in practice be necessary.

The Government's policy on the provision of quarters should clearly take account of changing circumstances, for example in the property market. At the present time we envisage meeting our short term requirements as far as possible by purchasing or leasing on the open market.

### **Child abuse and protection**

7. REVD. JOYCE M. BENNETT asked:—*Will Government make a statement on any enquiries it has made into the deaths of children who died as a result of being abused by their parents in order to uncover the weaknesses in our present system of child protection?*

DIRECTOR OF SOCIAL WELFARE:—Sir, under the existing system for protection of children reports of a child suspected of being the subject of abuse are normally dealt with by a social worker in the Social Welfare Department or a voluntary agency, staff in a hospital or clinic, the Police or other persons such as teachers in schools.

As at the end of September there were 159 cases classified as child abuse under the care of the Social Welfare Department.

I should like if I may to explain briefly how child abuse cases are handled. On being notified of a suspected case a caseworker will be immediately assigned as a matter of urgency to conduct an investigation and make a report. The caseworker will notify the child's parents of her intention to seek a medical examination and escort the child to the nearest hospital. The Police will also be notified. If the parents are unwilling to co-operate, the caseworker can exercise her powers under the Protection of Women and Juveniles Ordinance to detain the child for admission to a Place of Refuge.

If the doctor has reason to believe that the child has been the subject of abuse, a case conference attended by all the professional staff concerned will be called to work out a co-ordinated treatment plan for the child and for his family. If the parents refuse to co-operate and there are grounds for believing that future abuse is likely a Care and Protection Order will be obtained; and if the child requires to be removed from the control of his parents the caseworker will

arrange for admission of the child to a Place of Refuge under the Protection of Women and Juveniles Ordinance. Similar guide lines are applied where a case comes to the attention of other Government departments. These procedures have been in force since September 1981.

I am reviewing this system after making enquiries and investigations, particularly into the recent cases before the Courts to try and gain a better understanding of this difficult and tragic social problem, and to strengthen the procedures for earlier identification and protective measures for children at risk. I would again ask for the co-operation of the public in reporting any suspected cases of child abuse to the Police or to the nearest district office of the Social Welfare Department or by calling the Departmental Telephone Hot-line No. 3-432255.

REVD. JOYCE M. BENNETT:—*Sir, how do the voluntary agencies fit into this Government scheme and how many such cases at the moment are under the care of the voluntary agencies?*

DIRECTOR OF SOCIAL WELFARE:—Sir, the guidelines to which I have referred have been communicated to the voluntary agencies. The second part to Miss BENNETT's question I can't answer without doing a quick subtraction, but I think I can give the figures that in 1981 the number of child abuse cases handled by both the Social Welfare Department and voluntary agencies amounted to 200, the number of child abuse cases handled by the Social Welfare Department alone was 108. In 1982 the number of child abuse cases handled by the Social Welfare Department and voluntary agencies as at the 30 June was 323 and the number of child abuse cases now being handled by the Social Welfare Department is 159.

REVD. JOYCE M. BENNETT:—*How many cases does one such case worker have on his or her caseload?*

DIRECTOR OF SOCIAL WELFARE:—Sir, a case worker handling a child abuse case is normally a member of our Family Services Division and she would normally have 70 or more cases under her care but that would be a mixed caseload, of course, and not all to do with child abuse but also to do with family cases.

REVD. JOYCE M. BENNETT:—*Sir, is it possible that we should be putting more manpower into the social welfare agencies so that more children can be helped when they are at risk?*

DIRECTOR OF SOCIAL WELFARE:—Sir, there is of course a general shortage of social workers; these are professional trained graduate social workers in the main. I certainly would like to have more manpower but, as I have said, we are devoting our attention as a matter of priority to any child abuse case which does come to attention.

### **Sex education in the school curriculum**

8. DR. HO asked:—*Is Government satisfied that adequate provision is made in school curricula for sex education?*

DIRECTOR OF EDUCATION:—Sir, I am satisfied that there is adequate provision in the school curricula for sex education.

This is made through syllabuses for primary and secondary schools, Educational Television, a mass of audio visual resource material, regular seminars and workshops for teachers, the training of teachers at the Colleges of Education, school inspection, and close collaboration with the Family Planning Association, and Family Life Education Section of the Social Welfare Department.

I can detail provision if necessary but in general terms we believe that sex is but one of many facets of human development, and accordingly embody aspects of sex education in basic subjects such as Health Education, Social Studies and in the Biological Sciences, rather than present it as a separate subject. We think that this is the most effective way of dealing with the topic because it enables children to understand sex as part of a person's total health and well being, rather than as something which is isolated from other aspects of personal and social behaviour. In this approach, which is aptly described as Family Life Education, the family plays as important a role as the school in promoting children's understanding and acceptance of sex.

I am satisfied that most schools accept our provision for sex education but, of course, practice varies. Some schools are very active in taking advantage of all the opportunities we provide, others less so. Here, I think it is important to emphasize that my Department recommends and encourages sex education, but we do not believe in forcing people to accept our views. This is true of all subjects in the school curriculum. We point the way but it is up to schools to travel the distance.

Community attitudes are changing and more conservative schools are demonstrating an interest in the approach to sex education that I have described. I am encouraged by the growing participation in our Family Life Education programme.

DR. HO:—*Roughly how many primary schools and secondary schools are there where sex education is not yet included in their curriculum and what measures will the Director of Education take to encourage these schools to teach sex education in the interests of the students?*

DIRECTOR OF EDUCATION:—I cannot give precise figures but I don't think there can be many primary schools or secondary schools that do not subscribe to our Health Education syllabuses and to our Social Studies programmes. Most

schools also subscribe to our educational television service, so they are getting that aspect of sex education. There is very active use of audio visual resources and I can certainly supply Dr. Ho with precise figures in writing but may I repeat that I am confident that most schools are in fact availing themselves of the provision that we make in the school curricula.

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY).

To date, 782 schools have borrowed slides, film loops and films from my Audio Visual Library.

I can now confirm that *all* primary and secondary schools subscribe to sex education in some form or another. The Health Education syllabuses for primary and secondary levels appear to be universal and these are supplemented by Social Studies and the Biological Sciences.

E.T.V. audiences are of the order of 650 000 children in primary and secondary schools.

May I take this opportunity to repeat that I am satisfied that there is adequate provision in school curricula for sex education.

### **Door-to-door postal delivery service in the New Territories**

9. MR. CHARLES YEUNG asked:—*Will the Government inform this Council of the progress made in the provision of the door-to-door postal delivery service to established villages in the New Territories since my last question in this Council on this subject on 8 July 1981?*

SECRETARY FOR ECONOMIC SERVICES:—Sir, in the reply to the earlier question by Mr. YEUNG, my predecessor advised this Council that the Postmaster General had already extended the door-to-door delivery of mail to 362 established villages.

I am glad to be able to report that the Post Office now makes door-to-door deliveries in the New Territories to all established villages which are accessible within reason.

This means that the Post Office now provides this service to a total of 448 villages. The remaining established villages comprise 55 which are not reasonably accessible, another 56 which are deserted and six villages which prefer to do without door-to-door deliveries. (*laughter*)

I am also able to report, Sir, that postal deliveries are now made twice a day to industrial areas throughout the territory. Previously certain places received only one delivery a day. These included Kwai Chung, Tsing Yi, Fo Tan and Tai Wai in the New Territories, Kowloon Bay and Yau Tong in Kowloon and Chai Wan in Hong Kong.

### Drug abuse and offences among young people

10. DR.HO asked:—*Will Government inform this Council—*

- (a) *the number of young people prosecuted for drug offences during each of the past five years;*
- (b) *what measures are being taken to reduce the problem of drug abuse among young people?*

SECRETARY FOR SECURITY:—Sir, the numbers of young people, defined for the purpose of answering this question as being under 21 years of age, prosecuted for drug offences during the past five years are:

1977	245
1978	294
1979	264
1980	304
1981	693

For 1982, up to the end of September, the number stands at 691.

The reason for the worrying upward trend in 1981 and 1982 include greater availability of drugs and continued intensive enforcement action by Police and Customs. The figures include many young people prosecuted for such offences as carrying drugs, but who are not themselves addicts.

With the second part of his question, Mr. Ho really has hit the nail on the head. The importance of discouraging the young from starting on drugs cannot be over emphasized. For medical evidence indicates that drug addiction is a chronically relapsing condition for which no permanent cure has been found.

Accordingly, acting on the advice of the Action Committee Against Narcotics, the Government has developed a programme of preventive education and publicity specifically directed at those vulnerable young people most at risk of becoming drug addicts.

These young people can be readily identified from the typical profile of a Hong Kong addict. He has no more than 5½ years' education. He is employed in casual-labour or semi-skilled occupations. He lives in overcrowded conditions. He has generally a poor home background.

Obviously then, the main target for the Government's efforts *must* be young people from poor families likely to leave school as soon as they can and who are susceptible to the bad influence of such organizations as the Triads.

At this target, the Government has developed two main lines of attack.

The *first* is directed at the *community*. It is designed to tell society generally and parents in particular about the dangers of drugs and to enlist their support in actively discouraging young people from starting on drugs.

The *second* is directed at the *potential addicts* themselves. Drug education in schools starts at primary 6 in the general context of basic health education. The dangers of drugs are then stressed in much greater detail in secondary schools. The Government has produced teaching kits to aid the teachers. It runs seminars to brief them. It also runs seminars and exhibitions designed to influence particular groups of young people who are most at risk. As examples of this latter group, we have been explaining to young girls who may be attracted to fishball stalls, that it is a road that can often lead to drugs. Then for boys there is the other road that starts with earning easy money as couriers distributing drugs.

Sir, I think the schools, and particularly those with the most vulnerable pupils, must continue to be our main target as far as prevention is concerned. With the help of A.C.A.N. and the Education Department (and a member of the Education Department sits on A.C.A.N.'s Preventive Education and Publicity Sub-Committee) we are seeking additional information on those schools where problems generally with the young appear to be on the increase. We shall then see whether a more intensive effort should be directed at these schools as far as education on the dangers of drugs is concerned.

But we must also continue to remind those who have left school of these dangers. This we are doing via the usual publicity channels in a host of different ways. Worth mentioning as recent initiatives is that during the past year we have started two new projects directed specifically at young people. *First* there is the A.C.A.N. Youth Volunteer Group designed to back our efforts by providing assistance to district anti-drug campaigns, rallies and seminars. *Second* there is the Hong Kong Youth Against Drugs Scheme, targetted at youth groups to encourage the young to plan and to implement their own programmes on anti-drug education.

Sir, I have been talking about the measures we are taking directly to discourage the young from starting on drugs. I must add that the Action Committee Against Narcotics is acutely conscious of the value of the *indirect* method of simply encouraging the vulnerable to direct their lives in such a way that they are not led into temptation. The Action Committee and the Narcotics Division of the Security Branch are very strong and active backers of the efforts of voluntary agencies and of various Government departments to encourage recreational, cultural, educational and social activities at minimum cost for the young, and particularly for those young living in public housing and squatter areas.

And finally, Sir, I must mention another indirect measure. That is the immense effort of the Police and the Customs Service in the fight to cut out the supply of drugs in the almost impossibly difficult environment of Hong Kong and its free port. Perhaps one of the most powerful, and typically Hong Kong, weapons against young people becoming addicts is market forces. If the price is too high they won't be able to afford it. Hence the critical importance of the

work of the Police and the Customs Services. But I'm afraid we must not delude ourselves that market forces are likely to be much help at present in the short term. I am afraid the indications are that the forthcoming harvest in the Golden Triangle will be an abundant one for the third successive year. This most depressing fact plus the enormous success of the Golden Crescent in breaking into the European and North American markets for drugs means that the pressure on prices will be downwards rather than pushing them up.

Sir, I can assure honourable Members that the Action Committee Against Narcotics and the Government will continue to pay particular attention to the struggle to educate young people away from drugs.

DR. HO:—*Sir, I understand that the present law requires written parental consent for a child under 18 years of age before he will be sent to an institution for drug treatment. How does the Government deal with these young addicts when their parents refuse to give consent?*

SECRETARY FOR SECURITY:—I am afraid I must plead the fact that I have only been 24 days in my present job and I have not, to my great regret, yet read the law concerned, but if my honourable Friend will bear with me, I will give him an answer in writing.

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY.)

I have since examined the relevant legislation on this particular point, including the Dangerous Drugs Ordinance (Cap. 134) which deals with the use of and trafficking in dangerous drugs; the Drug Addiction Treatment Centres Ordinance (Cap. 244) which provides for the operation of drug addiction treatment centres (D.A.T.C.s) by the Correctional Services Department; and the Drug Addicts Treatment and Rehabilitation Ordinance (Cap. 326) under which the Society for the Aid and Rehabilitation of Drug Abusers (S.A.R.D.A.) runs a male treatment centre on the island of Shek Kwu Chau and a women's treatment centre in Wan Chai.

There is no provision in the first two Ordinances requiring parental consent to be given before a young person can receive in-patient treatment. Such matters fall wholly within the jurisdiction of the courts and arise from the fact that the young person had either committed an offence under the Dangerous Drugs Ordinance (Cap. 134) or had committed some other offence and was found by the courts to be in need of treatment for drug addiction. In some cases, the courts may, instead of sending a convicted young addict to a D.A.T.C., issue a probation order requiring him to receive in-patient treatment in S.A.R.D.A. for a certain period of time, which is normally six months followed by 18 months of aftercare.

The Drug Addicts Treatment and Rehabilitation Ordinance (Cap. 326) provides *inter alia* for the admission of addicts, who have *not* come before the courts, to a S.A.R.D.A. treatment centre. Application by the parent or guardian under section 7(1) of the Ordinance is required before an addict who is under 19 years of age can be admitted for treatment. S.A.R.D.A. has never encountered any difficulty in getting a parent or guardian to apply for the admission to a treatment centre of a young person under the age of 19. In the unlikely event of a parent or guardian being unwilling to apply for the admission of a young addict to S.A.R.D.A.'s treatment centre, the matter would be brought to the notice of the Director of Social Welfare, whose staff would try to persuade the parent or guardian concerned to give the necessary consent. If the consent was still not forthcoming and if the young person was under the age of 18, the Director of Social Welfare may apply to the court for the issue of a Care and Protection Order under section 34 of the Protection of Women and Juveniles Ordinance (Cap. 213) under the terms of which the young addict would be admitted to the S.A.R.D.A. treatment centre. Thus the answer to your question is that adequate provision exists; and the situation in any case has never arisen as far as I know. But if the young person was *over* 18 the provisions of the Protection of Women and Juveniles Ordinance (Cap. 213) would not apply and no Care and Protection Order could be made. The problem therefore is with regard to young persons over the age of 18 and under the age of 19 whose parent or guardian is not willing to apply on behalf of the young person for admission to a S.A.R.D.A. treatment centre. In such cases there is no means by which the young person can be required to undergo in-patient treatment. Experience has shown that in practice this is not a serious problem in that most parents and guardians of young persons under the age of 19 are willing to apply on behalf of the addict for his admission to a S.A.R.D.A. treatment centre.

The Drug Addicts Treatment and Rehabilitation Ordinance (Cap. 326) under which S.A.R.D.A. operates is to be generally reviewed and we shall see if it would be possible to require a young person to be admitted to a S.A.R.D.A. treatment centre without parental consent on application to the court by the Director of Social Welfare.

MISS TAM:—*Sir, will the Government consider giving immunity to the young couriers involved in the rising number of prosecutions so that the brave ones can help to divulge the source of the supply or the identify of their suppliers?*

SECRETARY FOR SECURITY:—Yes, Sir, certainly we will give that consideration but I can see the Attorney General wincing already!*(laughter)*

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY.)

I have since consulted the Attorney General's Chambers. The position is that while it is not possible for the Government to grant a blanket immunity, the Attorney General is able to grant immunity in the context of individual cases

as they arise. Each case falls to be considered on its own individual merits and circumstances. The Police are well aware of the Attorney General's powers in such matters and do make use of them.

### **Obscene advertising signs outside clubs and domestic apartments**

11. MISS TAM asked:—*Will Government state whether it can take action in removing obscene advertising signs outside of clubs and domestic apartments under the provisions of the Objectionable Publications Ordinance?*

SECRETARY FOR HOME AFFAIRS:—Yes, Sir. An obscene advertising sign would fall under the definition of 'objectionable article' in the Objectionable Publications Ordinance (Cap. 150). Under subsection 6(3) of the Ordinance, any Police officer, having obtained a warrant issued by a magistrate may seize any article which he reasonably suspects is objectionable under the law.

MISS TAM:—*Sir, has Government taken such action in the past and will Government do so in the future?*

SECRETARY FOR HOME AFFAIRS:—Yes, Sir, there has been one operation in Wan Chai and two others are planned, one in Mong Kok and one in Tsuen Wan.

MRS. CHOW:—*Apart from removing the signs, will the Government be in any position to prevent the putting up of such signs or to hold the people who put up these signs responsible in any way?*

SECRETARY FOR HOME AFFAIRS:—If more signs are put up, then they will be taken down. The difficulty in prosecution is to discover who puts them up.

### **Double-decker buses overturning in road accidents**

12. DR. HUANG asked:—*Will Government state how many double-decker buses overturned in road accidents during the past year and what were the reasons for these accidents?*

SECRETARY FOR TRANSPORT:—Sir, nine double-decker buses overturned in accidents in the twelve months up to the 23 November 1982.

Of the nine cases referred to, five are under investigation by the Police. The other four accidents resulted in prosecutions. In three of those cases, the drivers were found guilty of dangerous driving. They were subsequently dismissed by their employers. In the remaining case, the company was fined for not properly maintaining the steering of the vehicle.

Every type of double-decker bus has to pass a stability or tilt test in Hong Kong before it may go into service. The test requires that the top deck of the bus be loaded with the equivalent full passenger capacity at an average of 57 kilogrammes per person, or roughly 125 lbs. The bus is then tested to a tilt angle of 28 degrees.

The stability of double-decker buses is high and it is a fact that few buses overturn, compared with motor cars. The major cause of vehicles overturning including double-decker buses is when they hit obstructions on the ground, or go off the road.

MR. LO:—*Sir, is the steep camber in some part of our roads a contributing factor?*

SECRETARY FOR TRANSPORT:—*Sir, I have read many reports of investigations and I think I cannot recall one, certainly in the last 12 months, to which that was even a contributory cause.*

REVD. JOYCE M. BENNETT:—*Sir, for how many of these accidents could the reason be given that people were standing on the top deck of a double-decker bus?*

SECRETARY FOR TRANSPORT:—*To the best of my knowledge, Sir, none.*

REVD. JOYCE M. BENNETT:—*Sir, isn't it true that very often people do stand on the top decks of double-decker buses and I have never known Police take action against this. Do the Police take action against people standing on the top decks of double-decker buses?*

SECRETARY FOR TRANSPORT:—*Sir, if it were called to Police attention, I am sure they would. I didn't quite follow the first part; there were, I think, two questions in that supplementary. If I have not answered the first part, could I have it again?*

HIS EXCELLENCY THE PRESIDENT:—*Are you satisfied, Miss BENNETT?*

REVD. JOYCE M. BENNETT:—*Sir, my concern is that people who stand on the top decks of double-decker buses, contravening the regulations—I am concerned that no action is ever taken against them. I think you did answer.*

HIS EXCELLENCY THE PRESIDENT:—*Would you take that as a question, Secretary for Transport?*

SECRETARY FOR TRANSPORT:—*Sir, the Police, if the information is given to them, will take action. I will have a check made as to how many prosecutions have been taken and inform Miss BENNETT in writing.*

(THE FOLLOWING WRITTEN REPLY WAS PROVIDED SUBSEQUENTLY.)

The number of passengers permitted on a bus depends on the design of the bus, mechanical engineering considerations, braking capability and other technical factors which are specified by manufacturers, and accepted by the transport authorities, as well as the number of seats in the bus and the area available for standing. In some bus designs the number of standers must be limited because of the design weight of the bus. In others with a higher design capacity it is possible for a bus to be totally full (to the point of overcrowding) but still be within the design capacity. If you would like to make a closer examination of bus design and the criteria used to evaluate the number of passengers who may be carried, this can easily be arranged.

Prosecutions are not taken out against standers on upper decks *as such*, as this is not at present a specific offence. Amendments in hand to the Public Omnibus Services Ordinance, together with Regulations and By-laws including this point, will be introduced into Legislative Council in 1983. Meanwhile, Police take action against bus companies when evidence is available of overloading. In the first ten months of 1982, 32 such prosecutions were taken out.

It will take some time to produce data on any possible correlation between overcrowding or standing on the top deck and bus accidents, which I have asked the Road Safety Division to provide. I am, I might say, reluctant to take staff off their regular accident prevention work. The computer is not at present programmed to provide this sort of detail and a manual check of the records of bus accidents will be required. The computer programmes on road accidents are being re-designed, to make it possible to derive such data in future.

One aspect of this matter, which I am sure you will at once understand, is that accidents are rarely due to one factor or cause alone—and to establish the degree of contribution to a given accident of one factor alone (such as overcrowding), may not be easily possible, by computer programme or manually.

### **Parking facilities in large commercial buildings**

13. DR. HUANG asked:—

- (a) *Will Government explain why, despite the expectation over the years that traffic congestion in town would be on the sharp increase, it has not required large commercial buildings being built in the area to provide their own parking facilities?*
- (b) *Will Government consider revising whatever guidelines it has been using in the planning of car parking facilities to require developers of commercial buildings in the town area to be responsible for the adequate provision of such facilities for their tenants?*

SECRETARY FOR TRANSPORT:—Sir, it has indeed been clear for some years at least that in the built-up areas of the Territory, congestion was reaching undesirably high levels. The additional traffic generated by a significant additional amount of parking provision in new commercial buildings would have brought certain roads up to saturation point. The main constraint on further traffic is the capacity of already busy central roads. For general background on the subject of congestion, may I refer Dr. HUANG to my speeches in this Council on 5 May and 2 June this year, the latter of which he, fortunately or unfortunately depending on your point of view, was unable to hear personally.

Parking standards are being reviewed and some relaxation of *residential* parking standards is likely. The standards for commercial buildings are next for review, but I have to repeat, Sir, that in built-up Zone I areas, the capacity of the existing road network will remain the main constraint. I should also make reference again to the two speeches earlier this year, which dealt with the continuing development of public transport which is, of course, very relevant to this question. I have to repeat that, unfortunately, in such built-up areas the capacity of the existing road network will remain the main constraint. It seems probable that the best course will be to consider each site on its merits, and to set parking provision at a level at which the traffic generated will not overload adjacent streets.

DR. HUANG:—*Sir, would the Secretary care to explain why the standards of commercial buildings are to be reviewed only after those in residential buildings have been reviewed?*

SECRETARY FOR TRANSPORT:—Sir, I think because very largely at the instigation of Unofficial Members, we were asked to look at parking as a whole, and the residential part was relatively straight forward to consider and has been completed; and the commercial part will follow.

### **Child adoption service in Hong Kong**

14. MR. PETER C. WONG asked:—

- (a) *Will Government say whether the Hong Kong adoption service is up to international standards and, if not, will steps be taken to improve the situation?*
- (b) *What are the prospects of handicapped children in residential institutions of being adopted; and what steps are being taken to promote the interests of these unfortunate children?*

DIRECTOR OF SOCIAL WELFARE:—Sir, (a) adoption work in Hong Kong is entrusted to professionally trained, graduate social workers. In terms of the quality of investigatory work, matching of the child with prospective adoptive parents, compliance with the legal formalities, and subsequent supervision of

the placement, I consider that our adoption service compares well with that in other places. As an example the home study reports produced by our own adoption caseworkers are very similar to those of overseas workers who assist us in finding suitable prospective adoptive parents for children who cannot be adopted locally, and our submissions to the courts both in respect of local and overseas adoptions appear to be well accepted.

(b) During the past two years a total of 58 handicapped children from residential institutions in Hong Kong have been adopted, the majority of them overseas because of difficulties in finding suitable local adopters.

At present about 80 handicapped children in local residential institutions are awaiting adoption. The Adoption Unit of the Social Welfare Department is being strengthened and more overseas adoption agencies identified so as to improve the prospects for these children. We are making particular efforts to persuade prospective adoptive parents in our own community to consider the adoption of handicapped children. Continuous education and greater publicity is required and the assistance of the International Social Service in handling more cases of overseas adoptions on our behalf should do much to improve the prospects of finding suitable homes for handicapped children.

MR. PETER C. WONG:—*Sir, will the Government consider introducing in Hong Kong the admirable practice in Western countries whereby children in residential institutions are fostered out and put in small family homes for a period of time so that these children may have a taste of family life?*

DIRECTOR OF SOCIAL WELFARE:—*Sir, I am now considering both facilities and I would like to see an expansion in both areas.*

MR. PETER C. WONG:—*Sir, does the answer contained in part (a) imply that the Government is not taking steps to improve the current standard of adoption service in Hong Kong?*

DIRECTOR OF SOCIAL WELFARE:—*Sir, as I indicated, I am devoting more staff resources to strengthening our present adoption unit. I think our standards compare very well with other countries.*

### **Traffic accidents involving school children**

15. MRS. CHOW asked:—*In view of the particular vulnerability of school children to injury on the roads, will Government inform this Council how many traffic accidents have occurred in the last 12 months involving children travelling to and from school?*

SECRETARY FOR TRANSPORT:—Sir, the Government has a considerable range of accident statistics, but not exactly in the form requested in Mrs. CHOW's question, but I will do my best.

In the year ended 30 September 1982, there were 578 casualties among pedestrians travelling to or from school. Most of these were children but accompanying adults are included in the figure. This represents 7% of all pedestrian casualties. Total pedestrian casualties of children aged from five up to 15, in all circumstances, totalled 2 324, or 25% of all such casualties.

There were 3 972 casualties of all kinds involving children between 0 and 15 years, that is not only going to and from school but in all circumstances. This was 16% of total casualties. Children up to age 15 form 24% of total population. May I draw Members' attention to the fact that these last two figures are slightly different from the previous information before them.

The vulnerability of young children is a matter of very considerable concern to the Government. Road safety initiatives such as increasing road safety patrols, legislation on seat belt wearing, the proposed penalty points system, reflective number plates, improved training in schools and the accident black spot investigations are all aimed at reducing the toll of traffic accidents.

MRS. CHOW:—*Sir, is the Government aware of the state of confusion that occurs at and near main entrances of schools, including those situated at main thoroughfares, when classes are dismissed simultaneously at the end of a school session, and will Government issue safety codes to ensure orderliness and thereby preventing unnecessary accidents?*

SECRETARY FOR TRANSPORT:—Sir, I will consider that but I would point out that road safety patrols are very active and very numerous, and we are encouraging their growth. And during 1983 we shall be issuing road safety kits to schools which have been constructed with the help of the Royal Hong Kong Police, the Education Department and the Transport Department. I will certainly take the additional point into consideration.

### **Safe and unobstructed covered walkways around construction sites**

16. MR. SO asked in Cantonese:—

政府可否告知本局，在過去兩年內，曾經採取何種行動去對付那些並沒有在建築地盤四週設置安全、暢通無阻的有蓋通道，以供行人使用的承建商？又違例的承建商受到何種處分？

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

*Will Government inform this Council what enforcement action has been taken over the last two years against building contractors for failing to provide safe and unobstructed covered walkways for pedestrians around their construction sites, and what penalties have been imposed on defaulting contractors?*

SECRETARY FOR LANDS AND WORKS:—Sir, over the last two years the Building Authority has had to draw the attention of Registered Contractors to the unsatisfactory condition of covered walkways at building sites in approximately 270 instances. In every case the Contractor took immediate action to put the walkway into a satisfactory state of repair and no further action by the Building Authority was required.

In cases where walkways are rendered impassable due to blockage by debris, building materials, etc., actions against the offenders are instituted by the Police under section 4A of the Summary Offences Ordinance. However, as the Police do not maintain readily available statistics on this type of prosecution I am unable to say how many contractors may have been prosecuted over the period in question nor what penalties may have been imposed.

## **Statements**

### **The nationality and citizenship descriptions in British passports**

THE CHIEF SECRETARY:—Sir, I rise to make a statement in accordance with Standing Order 20 on the subject of the nationality and citizenship descriptions in British passports.

Members will recall that Mr. SWAINE raised this subject in the recent debate on your Annual Address to this Council. In responding on 10 November, the Attorney General said that the Government was hopeful that, before too long, a satisfactory resolution of the points at issue would be achieved.

I am very pleased to be able to report to Members this afternoon that this is now the case. H.M.G. have agreed that opposite the word ‘nationality’ on the first page on all British Dependent Territories passports will appear the word ‘British’.

Immediately under this description of nationality there will be a description of the passport holder’s citizenship. In the case of Hong Kong, after the British Nationality Act comes into force on 1 January 1983, this description will be ‘British Dependent Territories Citizen, Hong Kong’.

These descriptions do not, of course, alter or affect existing law so far as rights of entry to, or abode in, the United Kingdom or elsewhere are concerned to which reference is made elsewhere in the passport. But nationality and citizenship will be accurately described in passports to the great satisfaction, I am sure, of Members of this Council and the community at large.

MR. LOBO:—With your permission, Sir, may I say how pleased I am, and I am sure my pleasure is shared by my Unofficial Colleagues, with the contents of the Chief Secretary’s statement. I know that the Prime Minister took a personal

interest in this issue and may I ask the Government to convey our appreciation to H.M.G.

THE CHIEF SECRETARY:—We will certainly do that, Sir.

### **HONG KONG PRODUCTIVITY COUNCIL AND CENTRE —ANNUAL REPORT 1981-82**

MR. ALLEN LEE:—Your Excellency, among the various papers laid on the table of this Council to-day is the Annual Report of the Hong Kong Productivity Council and Centre for the year ending 31 March 1982.

I am pleased to report a year of satisfactory performance and growth for the Hong Kong Productivity Centre. In addition to maintaining the momentum of its core activities in industrial consultancy, training, market research and electronic data processing services, H.K.P.C. was able to make considerable progress in implementing relevant recommendations arising from the Report of the Advisory Committee on Diversification which were subsequently endorsed by the Industrial Development Board.

Several recommendations of direct relevance to H.K.P.C. were concerned with quality improvement and the provision of industry support facilities.

Supplementing the efforts of other institutions, H.K.P.C. adopts quality as a cohesive theme. The task of improving quality is designed mainly at management and process rather than specifically the product. H.K.P.C. therefore supports quality assurance and process control.

Industry support facilities cannot be created overnight for clearly there has to be a lead time for detailed planning and implementation. However, within the last 12 months, I am happy to report substantial progress has been made on a broad front.

To strengthen the supply capability of industry, H.K.P.C. has established a number of support facilities aimed at reinforcing weak areas in industry. These include a heat treatment laboratory, a surface treatment and analytical chemical laboratory, an environmental control laboratory and a microprocessor application laboratory. Industry's response to these enlarged facilities has been very favourable. The microprocessor application laboratory has opened up enormous opportunities for improved process control at the production of new products. This laboratory will be further expanded to cope with the increasing demand for its services.

The Report of the Advisory Committee on Diversification indicated significant unfulfilled needs, particularly in industry support and technical services. The success of the new support facilities bears testimony to the correctness of this view. The newly-developed services cover a broad spectrum

of activities but the scale on which these services are provided vary widely. The heat treatment and microprocessor application units are the best equipped and developed but the other new units are less well developed in terms of hardware investment and expertise. Given the constraint of time and resources, it can be claimed that a good start had been made but in the Hong Kong context, much more remains to be done.

H.K.P.C. has also been again commissioned by the Industrial Development Board to study the metals and electronics industries to find out their development needs, and as soon as these have been ascertained, proposals will be formulated to provide a better and more diversified range of support facilities.

A technology transfer study proposal formulated during the year under review has recently been approved by the Industrial Development Board. It will by intensive study of selected segments try to identify what services and facilities are now available and to what extent they should be improved.

A solid foundation is gradually being laid upon which will be built more specific activities which will facilitate the process of industrial diversification.

When I presented the 1980-81 Report to this Council last year, I pointed out the deficiencies in the H.K.P.C. financial system in relation to the Centre's enlarged role as recommended by the Advisory Committee on Diversification (A.C.D.).

I am pleased to note that this statement stimulated a prompt and understanding response from the Government, leading to a series of consultative meetings. The Council submitted a detailed proposal aimed at removing some existing financial constraints and improving the budget system. This proposal is now under consideration by Government.

On behalf of the Hong Kong Productivity Council, I should like to record our sincere appreciation for the contributions of my honourable Friend S. L. CHEN, who assumed the Chairmanship of the Council from January 1977 to December 1981. With his leadership and dedication, Mr. CHEN has established a strong base from which the Centre can further fulfill its role in the industrial development of Hong Kong.

## **THE HONG KONG INDUSTRIAL ESTATES CORPORATION — ANNUAL REPORT 1981-82**

MR. WONG PO-YAN:—The Annual Report of the Hong Kong Industrial Estates Corporation is among the papers laid on the table of this Council today.

The report, covering the year ended 31 March 1982, records the continued growth and development of both Tai Po and Yuen Long industrial estates.

Presently, at Tai Po estate, there are a total of 35 companies of which 20 are in production, while at Yuen Long the granting of the first factory heralds an additional milestone in the Corporation's history. These 36 companies will invest in land, building, equipment and machinery a total of 1.3 billion Hong Kong dollars of which 30% is from overseas investors and the remaining 70% from local industrialists.

At Tai Po the Corporation witnessed the completion of the first standard factory block and the estate centre.

On the completion of the first standard factory block at Tai Po the Board decided to proceed with the construction of an additional two blocks at Tai Po and two at Yuen Long with approved loans from the Government Development Loan Fund.

The standard factory units represent an important alternative for industrialists who meet the Corporation's criteria and wish to commence manufacturing immediately in premises which provide for a wide range of manufacturing requirements. They also further enhance the Corporation's objective of broadening the base of Hong Kong industry by providing a new stimulus for industrial investment and diversification.

The estate centre at Tai Po has been completed and is now operational. Leases for the first open restaurants have been granted while leasing of the estate centre building is now in progress.

Future development of the two estates include the completion of the Yuen Long Estate scheduled for 1983 and the third stage at Tai Po in 1985.

The general international recession and continued high interest rates have unfortunately and inevitably meant a slower rate of applications for leases during the past year.

With land now available the Corporation would of course expect to see more applications with the hoped-for upturn in the world economy. On the other hand, the Corporation must maintain the established selection criteria to ensure that there is no deviation from the original objectives. Bearing these factors in mind, it is pleasing to note that the Corporation is currently processing some applications involving substantial investment.

The percentage of approved applications has continued to rise from 26 percent in the first year 1977-78 to 69 percent in 1981-82.

The 35 companies listed in the Annual Report represent a wide variety of products using up-to-date technology. Among the products are many which will not only contribute directly to the advancement of Hong Kong industry but will also improve our export performance, and to this extent, it is very encouraging.

Further development on the estates will depend greatly on Hong Kong's industrial investment promotional activities. As recorded in the Annual Report, the Corporation has continued to direct its promotional activities towards local industrialists in association with the Department of Industry and other trade and industrial organizations.

The Corporation has also produced new publicity literature and accepted opportunities to promote itself internationally. During the year the Chairman participated in a Hong Kong Mission organized by the Hong Kong General Chamber of Commerce to the United States, and the Chief Executive of the Corporation has recently participated in missions to attract industrial investment in Hong Kong at seminars held in Germany, Sweden and Japan.

Even though there was a substantial decrease in the price of industrial land in Hong Kong this year, the premium for land on the estates, which has remained at a constant level since July 1981, is still significantly less.

Despite the prevailing economic conditions which are not conducive to industrial investment, I believe, Sir, that the Corporation's Annual Report shows steady progress, and a valuable contribution to the future industrial development of Hong Kong.

## **Government Business**

### **Motions**

#### **IMMIGRATION ORDINANCE**

THE SECRETARY FOR SECURITY moved the following motion:—That section 18(3) and Parts VIIA and VIIB of the Immigration Ordinance shall expire on 31 December 1983.

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

Section 18(3) of the Immigration Ordinance was enacted in January 1979 to provide that Vietnamese refugees are subject to removal from Hong Kong at any time. By virtue of section 18(4), section 18(3) will expire on 31 December of this year unless extended by resolution of this Council.

Parts VIIA and VIIB of the Ordinance were enacted in August 1979 to deal with the problem of trafficking in illegal immigrants. By virtue of sections 37M and 37T, they also will expire on 31 December.

The problems of both Vietnamese refugees and trafficking in illegal immigrants are still with us. So we still need section 18(3) and Parts VIIA and VIIB. But our hope remains that both problems are *not* with us permanently. It is for this reason that this motion seeks Council's approval for extensions only for a further year until 31 December 1983.

By way of background, 6 788 Vietnamese refugees arrived by boat direct from Vietnam during 1980. In 1981 the number increased to 8 470. This year to date, there have been 7 741 arrivals, of whom 3 466 have reached Hong Kong since the introduction of the closed centres policy on 2 July.

As regards illegal immigrants, in the first ten months of this year, 6 896 were arrested as they were trying to enter Hong Kong. During the same period 2 018 evaders have been arrested within Hong Kong itself. These figures are a significant increase over the corresponding period of 1981.

Sir, I beg to move.

*Question put and agreed to.*

## **MERCHANT SHIPPING ORDINANCE**

THE SECRETARY FOR SECURITY moved the following motion:—That sections 34A, 34B and 34C of the Merchant Shipping Ordinance shall expire on 31 December 1983.

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

In January 1979, the Merchant Shipping (Amendment) Ordinance provided for the forfeiture of a vessel in certain circumstances involving the carriage of excess passengers. This provision was enacted as part of the measures to counter the substantial number of Vietnamese refugees arriving in Hong Kong by sea. Sections 34A, 34B and 34C are the relevant sections of the Merchant Shipping Ordinance.

By virtue of section 34D, these sections will expire on 31 December 1982 unless they are extended by resolution of this Council. As I have just explained when moving the previous motion, the problem of Vietnamese refugees is still with us. We continue to need the provisions of sections 34A, 34B and 34C, but hopefully only temporarily.

Sir, I beg to move.

*Question put and agreed to.*

## **Second reading of bills**

### **PUBLIC HEALTH AND URBAN SERVICES (AMENDMENT) (NO. 3) BILL 1982**

#### **Resumption of debate on second reading (13 October 1982)**

*Question proposed.*

DR. FANG:—Sir, when the Secretary for Social Services moved the second reading of the Public Health and Urban Services (Amendment) (No.3) Bill 1982 in this Council on 13 October this year, he said that the main purpose was to establish a mechanism for the speedy updating of regulations in the light of local and overseas scientific findings in the control of harmful ingredients in food. I welcome this action as an important advancement in Government's continuous efforts to protect public health.

Health standards in food are recommended by international bodies like the World Health Organization based on detailed and authoritative researches. They are invariably accepted by many European and American countries, as well as by many nations in Asia. We must not therefore allow our requirements to fall below the international standard, otherwise with our need to import most of our food, Hong Kong may well become the dumping ground of many unsuitable food items. It is unreasonable to expect members of the public to discover for themselves which food is suitable for consumption and which is not. Legislative control and Government supervision are therefore necessary. This is something beyond dispute.

I wish to point out, however, that while speedy actions in the control of harmful substances in food are necessary, they should not be taken at the expense of a careful consideration of all the possible implications to which they may lead. For example, I understand that although the intention to control the level of aflatoxin and erucic acid in food was first initiated in 1977, no formal arrangement had been entered into with the traders concerned regarding details of how the control was to be implemented. This state of uncertainty had resulted in a number of food traders approaching the U.M.E.L.C.O. Office recently for an assurance that they would be consulted before Government decides to impose specific limits on the presence of substance considered harmful in food. I am glad that such assurance has now been given and, with the recent establishment of the Hong Kong Food Council by the trade sector, I hope that the consultative process will in future be made much easier and more fruitful.

Sir, with these remarks, I support the motion.

MISS TAM:—Sir, the purpose of the Bill is to allow provisions in regulations made under section 55(1) of the Public Health and Urban Services Ordinance Cap. 132 for the Director of Urban Services to make any amendment thereof 'by notice in the *gazette*'. It is the intention of the Administration that two regulations, one for the control of the level of metallic contamination and the other for the presence of harmful substances (Aflatoxin and Erucic Acid) in food for human consumption will be introduced at a later stage.

Research experiments in countries abroad and in Hong Kong show a correlation between aflatoxin in food and the incidence of liver diseases and liver cancer. The experiment in Hong Kong was carried out by the Department of

Biochemistry in the University of Hong Kong in 1979-1980 by feeding aflatoxin contaminated peanut oil sold in Hong Kong to Sprague Dawley rats. The data produced in this experiment indicated that there is a health hazard in the use of such oil. Hence following the standard adopted by the United States of America and the People's Republic of China, Hong Kong seeks to introduce a 20 parts per billion (ppb) limit on aflatoxin in peanut and peanut products; and 15 ppb limit of aflatoxin in other foods.

Erucic acid is known to be responsible for fatty deposits in the heart muscle and this can be dangerous if concentrated in food for human consumption. The European Economic Community, the Codex Alimentarius Commission of the Food and Agriculture Organization of the United Nations and the World Health Organization all recommend that edible oil (mainly rapeseed oil) or fat should not contain more than 5% of erucic acid in its fatty acid content. Hong Kong proposes to adopt the same standard of control so as to eliminate the danger of becoming the dumping ground of 'sub-standard' edible oil from other parts of the world. Since 1977, the Urban Services Department has stopped the sale of two consignments of such edible oil in Hong Kong.

The main concern of the local edible oil and food trade is that although there was consultation with the trade between November 1979 to September 1981 carried out by the Urban Services Department on the forthcoming control, there was as Dr. FANG said no consultation on the proposed limits of 20 ppb and 15 ppb in aflatoxin and 5% on erucic acid; and that the Director of Urban Services has too much power in introducing regulations merely 'by notice in the *Gazette*'. They raised objection to this Bill.

The limits of control in contamination in food stuff in Hong Kong must closely follow the recommendation of the World Health Organization which is contained in widely publicized documents available both to governments and the trade. In respect of compliance with international standards there is very little room for negotiations. However, at a meeting between the representatives of the trade and the Urban Services Department on the advice of the Social Services Group of the Legislative Council, the representatives of the trade (now called the Hong Kong Foods Council) Promised to establish a proper representative capacity to speak on food control issues, and the Urban Services Department agreed to seek an extension in the scope of consultation in respect of new regulations in future.

It was also explained to the trade that the Director of Urban Services cannot make regulations merely 'by notice in the *gazette*'. All proposed regulations have to go through the consultation process with the Food Hygiene Select Committee of the Urban Council, and the scrutiny of the Legislative Council before they can be enacted as a piece of subsidiary legislation.

On learning of these safe guards in the consultative and legislative processes the trade withdraw their objections.

Sir, I also support this motion.

SECRETARY FOR SOCIAL SERVICES:—Sir, I am grateful to the Social Services Group of the Unofficial Members of this Council for the care they have taken over this Bill, and to Dr. FANG and Miss TAM for speaking in support of the motion before the Council.

Dr. FANG has stressed the need for consultation. I am happy to say that there is no disagreement on this point. It is the policy of the Urban Services Department to consult the trade on major issues and on changes in requirements where hardship to the trade could result. In the case of the proposed control of aflatoxins and erucic acid in food, as both Dr. FANG and Miss TAM have acknowledged, the trade has been consulted over a period of six years. I agree with them that the consultative process could be improved in future with the formation of a representative body by the food trade itself. I am also grateful to Miss TAM for amplifying on the safeguards which already exist. Accordingly, I need only add that consultation does not and cannot mean that the Government must not move without a complete identity of views with the organizations consulted, because as both Dr. FANG and Miss TAM have emphasized, it is the Government's duty to protect public health. In the final analysis it is the Government which will have to take a view as to what is best in the public interest.

As regards Dr. FANG's point about the absence of a formal arrangement with the trade as to details of the controls to be implemented, I would observe that the methods and procedures for the taking of samples for analysis are set out in sections 62 to 67 of the Public Health and Urban Services Ordinance, and that the methods of testing adopted by the Government Chemist are based on The Official Methods of Analysis of the Association of Official Analytical Chemists. Members will be pleased to know that our Government Laboratory was awarded first place among 55 other international laboratories in the determination of aflatoxins in peanut products in a check programme organized by the American Oil Chemists' Society in 1978. The trade may therefore rest assured that all the test procedures are in accordance with the law and internationally accepted standards.

Finally, the Administration is conscious that it is necessary to give adequate notice of the effective date of certain new proposals. Accordingly, in the draft regulations which will soon be submitted for Your Excellency's consideration in Executive Council provision will be included that the controls on erucic acid will not come into effect until 1 January 1985, if approved.

Sir, I beg to move.

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43 (1).*

**LABOUR TRIBUNAL (AMENDMENT) BILL 1982****Resumption of debate on second reading (10 November 1982)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43(1).*

**SMALL CLAIMS TRIBUNAL (AMENDMENT) BILL 1982****Resumption of debate on second reading (10 November 1982)**

*Question proposed.*

*Question put and agreed to.*

Bill read the second time.

*Bill committed to a committee of the whole Council pursuant to Standing Order 43 (1).*

**Committee stage of bills**

Council went into Committee.

**PUBLIC HEALTH AND URBAN SERVICES (AMENDMENT) (NO. 3) BILL 1982**

Clauses 1 and 2 were agreed to.

**LABOUR TRIBUNAL (AMENDMENT) BILL 1982**

Clauses 1 and 2 were agreed to.

**SMALL CLAIMS TRIBUNAL (AMENDMENT) BILL 1982**

Clauses 1 and 2 were agreed to.

Council then resumed.

**Third reading of bills**

THE ATTORNEY GENERAL reported that the

**PUBLIC HEALTH AND URBAN SERVICES (AMENDMENT) (NO. 3) BILL****LABOUR TRIBUNAL (AMENDMENT) BILL and the****SMALL CLAIMS TRIBUNAL (AMENDMENT) BILL**

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

*Question put on each Bill and agreed to.*

Bills read the third time and passed.

3.57 p.m.

HIS EXCELLENCY THE PRESIDENT:—At this point Members might like a short break. Council will accordingly resume in ten minutes.

4.07 p.m.

HIS EXCELLENCY THE PRESIDENT:—Council will resume.

**Unofficial Member's Motion****SCHEME OF CONTROL AGREEMENTS**

MR. ANDREW SO KWOK-WING moved the following motion:—That this Council welcomes the recent publication of the Scheme of Control Agreements entered into by the Hong Kong Government under which the major public utilities operate.

MR. SO delivered his speech in Cantonese:—

督憲閣下：本人謹依照議程表所載，動議討論下述事項。

首先，請各位留心細聽：本次的動議是歡迎政府最近公佈管制計劃，而非歡迎政府最近公佈的管制計劃。

在本港，市民所必要的服務，例如電力和交通工具，一般均由公用事業公司在專利或半專利的情況下提供的。水的供應，因為涉及大量土地，所以由政府經營；火車服務亦將由政府辦理改為由法定的團體去經營，本人認為這些都是正確的導向，最適合香港的環境。而且，數十年來，我們的公用事業服務，水準頗高。

顧名思義，公用事業是市民不可或缺的，加上是在專利情況下經營，所以政府爲了廣義的公眾利益制訂準則，務使公用事業公司在經營其業務時遵守。

管制計劃是政府與有關公司之間達成的協議，本屬「機密文件」，這次政府在獲得有關公司的同意後，公佈各管制計劃，是一項突破，亦是順從民意之舉，值得本局表示歡迎。

但是，公佈的管制計劃並非諮詢性的文件，本人希望政府考慮設立一個正式的途徑使市民及消費者在細讀現有的管制計劃後，發表怎樣改善監管各公用事業公司的意見。行政立法兩局非官守議員辦事處當然歡迎市民就有關此事發表意見，並向當局反映。不過，政府若能單就管制計劃的意見搜集而設立途徑，定必受市民的歡迎。

至於兩家電力公司在政府公佈管制計劃後不久便同時宣佈在明年元旦實行加價，引起了社會各方面一些異議。本人深知政府在批准加價前，會經過極審慎的研究，以最廣泛的公眾利益爲大前題及所訂的協議範圍爲依歸。政府必定要遵守協議，方能建立本港內外人士對香港的信心，大眾對這點必定接納。不過，政府可以與兩間電力公司再度洽商，就目前本港的經濟狀況，工商各業艱困，一般盈利均告下降，連明年的公務員薪酬增加亦有消息不會超過百分之十，要求兩電重新考慮加價，自動降低盈利標準，共渡時艱。就本人認識兩電負責人的經驗，他們都能深明大義，知道公用事業公司與私人企業有很大的分別，除了要照顧股東的利益外，還要顧及公眾的利益。若提出上述的要求，當然不會是「與虎謀皮」。

督憲閣下，本人謹此動議，並希望本局將來有機會動議歡迎管制計劃。

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

Sir, I rise to move the motion standing in my name on the Order Paper.

First, may I have your close attention to the following: the motion is to *welcome* the Government's recent *publication* of the Schemes of Control, and *not* the *Control Schemes* as recently published by the Government.

In Hong Kong, services essential to the public, e.g. electricity and public transport, are provided by public utility companies which have been granted monopoly or semi-monopoly. Water supply is under Government control as it involves vast areas of land; the railway is going to be run by a statutory body instead of by the Government. I think the above are steps in the right direction, most suitable to the conditions in Hong Kong. And for scores of years, our public utility services have maintained quite a high standard.

As the term itself suggests, 'public utilities' are essential to the public. Moreover, they are monopolistic. The Government therefore, in the interest of the general public, lays down guidelines which must be observed by the utility companies when conducting business.

A Scheme of Control is an agreement reached between the Government and the company concerned. By nature it should be 'confidential'. The recent announcement of the Schemes of Control by the Government, after securing the consent of the companies concerned is a break-through and an act in deference to public opinion. It is to be welcomed by this Council.

However, the published booklet on the Schemes of Control is not a consultative document. It is hoped that the Government will consider establishing a proper channel through which the general public and consumers may, after reading the present Schemes of Control carefully, voice their opinion as to how to monitor the public utilities in a better way. The U.M.E.L.C.O. Office would, of course, welcome opinion from the public on this issue and would accordingly reflect them to the authorities concerned. But I am sure the public would welcome it more if the Government should set up a channel solely for collecting opinion on the Control Schemes.

Shortly after the Government made public the Schemes of Control, the two power companies simultaneously announced increases in power charges which will come into effect from 1 January next year. The announcements have aroused protests from various sectors of the community. I am well aware of the fact that before approving the increases, the Government has studied the matter very carefully, taking into consideration the public interest in the broadest sense as well as the current agreements. The Government must abide by the agreements in order to gain the confidence of people in Hong Kong and abroad, to this I am sure we all agree. Nevertheless, the Government can make further negotiations with the two companies, requesting them to re-consider the increases in the light of the present economic situation in Hong Kong, the difficulties encountered by the commercial and industrial sectors, the general lowering of profits and the news of less than 10% salary-increase for the civil service next year. We hope the two companies will take the initiative to lower the profits target so that with concerted effort we may tide over the present difficulties. As far as I know, the responsible executives of the two power companies are reasonable and understanding. They know very well that there is a big difference between public utilities and private enterprises. Apart from looking after the welfare of the shareholders, they have to care for the interest of the public as well. I am sure the above request will not be made in vain.

Sir, I move the motion in the hope that this Council will have the chance to *welcome* the future *Schemes of Control*.

MR. ALEX WU:—Sir, the notes in the publication entitled ‘The Schemes of Control’ stated: Schemes of Control exist because certain companies provide services to the public in a monopoly or semi-monopoly situation. This makes it necessary, in the public interest, for the Government to establish certain guidelines (known as Schemes of Control) under which the companies will operate.

Since other Members will deal with issues such as interpretation of the meaning of permitted return, its application in calculating tariffs and others, I would like to raise only one point, concerning Government’s role in exercising the control of the schemes, in this electrifying debate.

In as much as the schemes were designed on the one hand to provide the public with a reasonable deal and on the other to ensure that investors will continue to be willing to invest in providing electricity, the monitoring function of Government on these schemes needs to be strengthened. In my opinion, the Government should not only approve the financial plans at intervals but should play an active part in the operation. In other words, the Government should have a place on the Board of Directors of the companies operating under the Schemes of Control, as in the case of other public utilities in which Government representation is already present. Provided the Government representatives have the necessary knowledge and expertise of the business, they can play an extremely useful role to see that there is adequate safeguard for public interest.

The power companies have served us well. We must realize that the investment made by them today is not just for the immediate needs of tomorrow but those of the next year or the next decade. Hong Kong's growth rate in maximum demand for electricity is one of the highest in the world. Let this demand be met intelligently so that we can maintain Hong Kong's stability and prosperity.

With these remarks, Sir, I support the motion.

DR. HENRY HU:—Sir, I would like to present certain views on the subject of this motion which have been put to me by Mr. F. K. HU who is absent today and with which I agree.

I welcome the Government's decision to publish all the Schemes of Control for public utility companies. I believe that essential services can be provided more efficiently and economically by the private sector because of adequate level of financial, technical and administrative competence on the part of public utility companies. Therefore, these companies can be expected to provide services to the general public at reasonable prices and yet generate adequate profit for the shareholders, while Government-run public utility organizations may be able to provide the same services at the same price but most probably with substantial subsidy from public funds.

We will not tolerate inefficient operation of public utility companies nor allow them to incur excessive capital and running expenses which have to be passed to the general public in order to keep the companies profitable. Close monitoring of the operation of the companies is therefore necessary so as to ensure efficient and satisfactory operation of the companies. If both the Government and the general public are satisfied with their efforts in minimizing capital and operation expenses while providing acceptable services, their requests for adjustment of charges for services provided will no doubt meet with favourable response.

I will now limit my comments on power companies which do not have monopoly on the supply of electricity although under the Schemes of Control they have agreements with Government in providing substantial additional

facilities to meet future demand of electricity. Any electricity user, especially industrial undertakings using large amount of electricity, if they wish, can have their own generating plant to meet their own requirements. The fact that they have not done so is a good indication that they can buy electricity from the power companies at reasonable prices. However, we have to ensure that the power companies will continue to supply electricity at reasonable and acceptable prices in future.

The Government assumes that the power companies are financially, technically and administratively competent and the Government exercises a monitoring role in accordance with the Schemes of Control. Most of us would accept the Government's assumption to be correct and yet certain sectors of the general public would query such an assumption. It is only fair to all parties concerned to verify such assumption.

Power generation, transmission and distribution are highly technical and complicated. Technical development and the cost of fuel would affect the operation of power companies. The possible establishment of pumped storage units utilizing water supply from reservoir in China to Hong Kong and nuclear power plants supplying electricity to China Light and Power Company Limited will also have a bearing on their future operation. Schemes of Control have to be assessed and modified if necessary from time to time to cope with changing situation.

The existing Schemes of Control allow the Government and C.L.P. or H.E.C. to have the right to request modification of any part of the Scheme of Control during the year ending 30 September 1983 and 31 December 1983 respectively. All parties, including the Government, the power companies and the consumers, must ensure satisfactory implementation of the Schemes of Control which can be modified if all signing parties agree. Neither the Government nor the power companies would like to have dissatisfied consumers, but rather they would like to see consumers satisfied with the efficient operation of the power companies in supplying electricity at reasonable prices with the interest of the general public at heart. Therefore, I would suggest that the Government should form an *ad hoc* committee consisting of Official Members, Unofficial Members of Executive and Legislative Council and members of the public knowledgeable in management and electricity generation to look into the operation of the power companies and the implementation of the present Schemes of Control. Consultants should be engaged to provide advice and service to this committee which will look into the following areas:—

- (a) Efficiency of operation
- (b) Realistic and flexible expansion plan to cope with forecast demand
- (c) Secured fuel supply at reasonable price
- (d) Procurement of generating plant, transmission and distribution system bearing in mind the overall economy and with due regard to efficiency and cost

- (e) Minimum risk on foreign exchange
- (f) Effect on operation of C.L.P. on the possible establishment of pumped storage units and unclear power plant

Upon conclusion of the investigation, the findings and recommendations of this *ad hoc* committee should be made public. If agreeable to all signing parties, the Schemes of Control can be modified accordingly.

Sir, with these remarks, I support the motion.

MR. PETER C. WONG:—Sir, I would like to present certain views on the subject of this motion which have been put to me by Mr. W. C. L. BROWN who is absent today and with which I agree.

We all agree that the decision to publish the Schemes of Control is a wise and timely move, but the current spot light on the power companies must not blind us to the significance of the fact that *all* of these schemes are now open to the public gaze.

Criticism may be levelled at the Schemes, not only by consumers but in some cases and in some respects by the companies themselves. But whichever way one looks at it any fairminded person must surely agree that in Hong Kong we enjoy standards of service from our utilities which compare favourably with most other territories both in terms of reliability and in cost.

Of course we dislike overcrowded buses and the frequency of their breakdowns, of course we dislike increased electricity and telephone charges. On the other hand we do have a bus service that moves large numbers of people at cheap fares; we are able to put up new buildings and indeed create new towns confident of obtaining a telephone service. Our homes all respond to a light switch, and industry expands secure in the knowledge that their power requirements will be met.

If all this seems normal in Hong Kong let me remind Members that many populations in other territories do not have such good fortune and would willingly exchange circumstances with us.

As the spot light is on the power companies perhaps I should support these remarks with something more substantial than rhetoric regarding their position. It is difficult to make a direct comparison of tariffs of different places for various reasons. For example, Government subsidies are involved in some places, revisions of tariffs take place at different times of the year and there are differences in the size of the network and demand requirements of consumers.

However, if we take the October 1982 figures (i.e. before the power companies tariff increases effective 1.1.83), their charges compared favourably with seven neighbouring areas (Korea, Singapore, Japan, Malaysia, Philippines, Thailand and Taiwan). The average electricity cost per unit (based on exchange rates ruling in October 1982) for commercial consumers was lower in Hong Kong

than in all of these seven countries. For industries it was lower than those of six of the countries, the exception being Taiwan where Government subsidy is involved. In the case of domestic consumers it was lower in all countries except Thailand and Taiwan.

For industrial consumers, the changes in electricity cost in those seven places during the last 12-month period (October 1981 to October 1982) ranged from -2% to + 27%, an average increase of 13%. For consumers in Hong Kong, the cost did not increase and in fact, as far as the cost to industrial consumers in Kowloon and the New Territories is concerned, it decreased by 5%. For other consumers in Kowloon and the New Territories the cost also decreased by 4% for commercial and 3% for domestic users—whilst most other territories recorded significant increases.

It has been argued that the Schemes of Control covering the power companies should be amended, but the fact is that the basic terms cannot be changed at this time. The duration of the schemes extends until 1993 and such a period is necessary to provide the continuity essential for the planning and financing of major projects. Substantial international loans (at highly competitive interest rates) totalling many billions of dollars have been arranged on the security of the Schemes in their present form. These loans were advanced only after the lenders had satisfied themselves that their security was assured through the Schemes of Control. There can, therefore, be no question of changing the basic terms of the Schemes before 1993 since to do so would cast doubts on the viability of Hong Kong in the eyes of international financial markets.

It has also been argued that the Schemes of Control should be monitored by an independent body. As all utilities are used by all members of the community it is not difficult to see who could be more neutral than Government itself. The operations of the utilities are closely monitored by Government. The companies submit to Government for review on a continuing basis full details of their financial forecasts, demand and sales forecasts, capital equipment requirements and tariff projections. In addition to examining these financial forecasts, Government conducts an annual audit review in which actual financial results are compared with forecasts submitted and full explanations and justifications are provided by the companies on any variances. In the light of the review and control functions performed by Government, the establishment of any public monitoring of electricity utilities would be a duplication of what is already being done and would be of doubtful benefit to consumers. In particular, the responsibility for ensuring that electricity is available when and where required must remain with the power companies—it cannot be delegated to a monitoring body.

Sir, this debate is an important one for this Chamber, for as Mr. BROWN mentioned recently in another context, this is the proper place for matters of public interest to be aired. Here all sides of an argument can be presented in a responsible manner. I know that the views presented in this speech will not

necessarily coincide with those of my Unofficial Colleagues. I would like, however, to conclude by reiterating what to me these schemes are all about.

They are to ensure:—

- that service to the public is adequate to meet demand, is efficient and is provided at the lowest costs; and
- that Shareholders receive a return, which is reasonable in relation to the risk involved and capital invested.

I believe they achieve just that and it would be difficult to devise other methods which would produce better results.

Sir, I support the motion.

DR. HUANG:—Sir, I support the motion welcoming the publication of the Schemes of Control for public utilities.

All developed societies must ensure for themselves an adequate measure of control over those services which are essential for the maintenance of their corporate life and wealth-creative enterprises. These services, on which both the general public and the workforce, and commerce and industry depend, include supplies of power and public transport, and Government must ensure that no section of society is in a position to hold another to ransom through the provision or non-provision of these services. On the other hand, these are areas where economic viability and optimum efficiency are, by and large, best guaranteed by a monopoly system.

Some governments attempt to reconcile the economic advantages of monopoly with the necessity of control through nationalization. This, however, suffers from the serious drawback of removing the financial incentive which is so often the mainspring for efficiency, drive and enterprise, and understandably nationalized industries are not infrequently undermined by bureaucratic inefficiency, apathy and lack of accountability. Hong Kong has always sought to retain incentive and encourage initiative and so individual companies are accorded the franchise for the provision of essential public services, subject to a degree of Government control.

Under this system, the companies concerned are guaranteed a 'permitted return' which provides them the financial incentive necessary and also incorporates a guarantee to the public of Government's insistence on a satisfactory level of service. To a certain extent therefore, the companies are in a privileged position as they are guaranteed a profit without competition and the public would be interested in, and has a right to know, the Scheme of Control under which these companies operate. At a time when the economy is buoyant the companies concerned share in the general prosperity and the workforce which also benefits from the general prosperity pays a fair price for the service with which it is provided. In times when the economy is less buoyant, however, when business and industrial enterprises are having to accept lower profits or

worse, it would be reasonable to expect the level of 'permitted return' for these franchised companies to be suitably adjusted. It is important that they, relative to other enterprises, are not accorded a position of undue privilege.

Furthermore, it is essential that the Schemes of Control should be such as to ensure maximum efficiency and economic viability. 'The bigger the operation the more efficient' is the justification for monopoly. Having in the interest of efficiency chosen monopoly any deviation from this must be thoroughly justified. For example it is difficult to see how, for a relatively small area like Hong Kong, three power companies can provide as efficient a service as one or even two could, for unification would surely bring savings in administrative costs, planning operations and power transmission. There are advantages both in monopoly and in competition and Hong Kong has chosen controlled monopoly. To countenance proliferation of operations, yet without any element of competition, is tantamount to protectionism.

With these reservations, Sir, I support the motion.

DR. HO:—Sir, because the public utilities are providing essential services under quasi-monopoly conditions, the Government must see to it that the public will get an uninterrupted supply of services at a reasonable price on the one hand, and that the utility company will earn a reasonable financial return for the shareholders on their investment and will adjust its production capacity in anticipation of forecast demand on the other. It is out of this obligation the Government has formulated a set of mutually agreed guidelines with major utility companies under which the latter operate. These guidelines are popularly known as 'Schemes of Control'.

In his speech at a Rotary Club luncheon in July 1982 on the Government's policies on Public Utilities, the Secretary for Economic Services said that 'the responsibility for what these companies do, the quality of service they provide and the level of charges they impose, must lie basically with the companies concerned. They are and must continue to be directly answerable to their consumers.' I have doubts on whether such an arrangement is reasonable given that neither the Government nor the consuming public has the power to unilaterally disallow increases in charges and expansion plans proposed by the utility companies when these proposals are within the terms stipulated in the Schemes of Control. In the next review of the schemes of control, may I suggest that additional provisions be introduced so that the approval of tariff increases and capital expansion plans proposed by the utility company should be considered in the light of economic conditions at that time, and not merely by reference to the 'maximum permitted return' provision.

There is no doubt that the Government drew up a scheme of control with a utility company in good faith. However, there are indications that the scheme is unable to provide adequate protection for the consumers. The frequent criticism about the scheme is the absence of an incentive to improve operational efficiency

while a certain level of profit is maintained. Because permitted returns are computed on the value of average net fixed assets, a public utility company tends to expand its capital expenditure far beyond the demand for its services. The end result may mean higher costs per unit of service produced for the consumers.

The ever increasing tariffs imposed by the public utilities call for the 'consumer monitoring' of such utilities. There is a myth that consumer monitoring of the operation of a public utility company is an automatic answer to improved efficiency and maximized public interest.

The consumers of a public utility such as a power company, however, fall into two broad categories. The first category may be termed corporate consumers, which include industrial establishments and commercial undertakings. These corporate consumers normally use the services in bulk and include the cost of these services in the total costs of their products. In order to enhance the competitiveness of their products, these corporate consumers often form themselves into a federation or an association, in order to take collective action to fend for their interests. These corporate consumers have the needed resources and expertise to study the problem confronting them and have the skill and tack to negotiate with and to bring pressure to bear on the public utility companies.

However, the second category refers to the individual household consumers. They are numerous in number and are therefore far more difficult in organizing themselves into any form of collectivity. These individual household consumers are far less resourceful in terms of time, money, skill and expertise in dealing with a modern utility company which has become highly complex in organization and operation. It is understandable that some of the criticisms from the laymen-consumers may be somewhat misplaced from a technical point of view. Furthermore, the interests of the corporate consumers may not always coincide with those of the individual household consumers. Under these circumstances, it is important that the utility company should not compromise its interests with those of the corporate consumers at the expense of the individual household consumers.

In the event of a monitoring machinery being established to oversee the operation of the public utility companies, I would like to recommend that such a body should necessarily include Government officials and appointed unofficials who have the relevant professional expertise, among other representatives from the consuming public and from the companies concerned. The principal function of these Government officials or appointed unofficials is to play an impartial role in safeguarding the interests of the individual household consumers and the community as a whole.

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

MR. ALLEN LEE:—I am glad Mr. Peter C. WONG spoke on behalf of Mr. BROWN before I speak. I will compare my notes on statistics with Mr. BROWN's after this debate. When the Federation of Hong Kong Industries did our research and presented and discussed with China Light, they were different from Mr. BROWN's and I hope...

THE CHIEF SECRETARY:—Sir, on a point of order, I think it is incorrect to say that Mr. WONG is speaking on behalf of Mr. BROWN. Mr. WONG said that Mr. BROWN had put to him certain views which he, Mr. WONG, saw fit to include in his speech.

MR. ALLEN LEE:—I take your point. I hope it won't be misleading to Members.

HIS EXCELLENCY THE PRESIDENT:—Please proceed, Mr. LEE.

MR. ALLEN LEE:—Sir, I would like to join Mr. Andrew So and my other colleagues in this Council in welcoming the publication of the Schemes of Control on profits relating to public utility companies in Hong Kong. These companies, under the Schemes of Control, are providing essential services in a monopoly situation. The Schemes of Control has been somewhat of a mystery to the general public in the past. For some strange reasons, it was considered by both the Government and the companies involved that they had to agree to the publication even though it deals with public service. Being a serious student on electricity charges, and being associated with the Federation of Hong Kong Industries for many years, it is understandable that I have particular interest in the Schemes of Control with regard to the power companies. Perhaps it is worthwhile for me to go back to history as to why members of the Federation, being businessmen themselves, have been outspoken on the subject of electricity charges. I am sure they agree with me that we have been well served by China Light over the years and China Light has met without hesitation the very considerable demands placed upon it by industry. The reason for our concern is pure and simple, the numbers speak for themselves. The electricity charges went up more than 2½ times for the same amount of units consumed in a matter of two years. In absolute terms, the cost of electricity of one of the Federation's member-factories increased from HK\$950,000 per month to HK\$2.6 million per month, again for the same amount of units consumed. Understandably, it was during the period of oil crisis. The Federation set up a special committee to study the subject of electricity generation and electricity charges. We do not have technical experts in the Federation and it took us a year to generate a report entitled 'A Study on the Electricity Generating Industry in Hong Kong'. The Federation made several recommendations, one of which is the publication of the Schemes of Control.

*Capital Expenditure, Permitted Return, Net Return and Tariff*

Based on the Schemes of Control, there is a direct relationship between Capital Expenditure, Permitted Return, Net Return and Tariff. There are some people

in Hong Kong, but very few, who believe that Permitted Return of 15% based on Average Net Fixed Assets is to limit the power companies' profitability. On the other hand, there are many, including myself, who believe it is a guaranteed profit regardless of economic environment. I agree that in the capital intensive industry, because of the large amount of money involved, a *reasonable* return should be expected. I underlined '*reasonable*' because I wish to return to this point later. Without obtaining exact data on planned future capital expenditure and future average net fixed assets, one cannot actually pin-point precisely what would be the future profits and tariff increases, but I can intelligently guess, based on some information on capital expansion plan of China Light, that profit on year to year basis will be increased by a large percentage and tariff increases every year is inevitable. Let me illustrate my point. In the case of China Light, Net Return increased from \$238 million in 1978 to \$919 million in 1982. On year to year, increase of net return percentage from 1978 to 1982 is 34%, 50%, 45% and 31% respectively. Of course, during the same period, the average net fixed assets increased from \$1,863 million to \$9,290 million. China Light has proudly announced that the China Light Group's Power Stations and Transmission Networks represent the single largest private investment ever made in Hong Kong, and from 1978-1992, it is \$45 billion. But it did not mention that 'you are going to pay for it'. Sir, I am not being critical of China Light, as I said, China Light has been providing Hong Kong with good service and we have had very few black-outs over the years. I am questioning under the current Schemes of Control, whether the consumer's interest is being protected? What will happen to tariff if the projection of increase consumption is over the optimistic?

Sir, I said I would get back to '*reasonable*' return, now I would like to speak on this subject. The Secretary for Economic Services spoke in this Council on the Motion of Thanks on 10 November this year. He mentioned that the Schemes of Control constitute one method whereby the Government monitors the affairs of the public utilities. One of the purposes of this monitoring is to ensure that shareholders get a *reasonable* financial return on their investment and I agree. He also underlined the word *reasonable*. Please bear with me in examining the return for shareholders on their investment. Sir, from 1967 to 1979 in 13 years the average net return based on Shareholders Funds is 16.27% for China Light, with the best year which was 1971 at 17%, but it was 20.4% in 1980 and 24% in 1981. In the last few days, I tried to enquire through the U.M.E.L.C.O. Office what the percentage for 1982 was but without success. I can, however, guess it could be in the region of 27%. I can also guess that in the late eighties, it will well exceed 30%. Does the Secretary for Economic Services still think that this is a reasonable financial return for shareholders' investments? It is my opinion that 16% is reasonable, 20-25% is excessive and 30% or over is enormous, particularly when dealing with capital intensive industry of public concern.

*Development Fund*

My second point is with regard to the Development Fund. It is mentioned in the Schemes of Control that the main purpose of the Development Fund is to assist in the acquisition of fixed assets. My understanding is totally different. The Development Fund, is being used as an equilibrium fund. In other words, in any given year, if the power companies' permitted return is in excess of 15%, the excess will be transferred to the Development Fund. On the other hand, if the permitted return of 15% is not reached, it will be transferred from the Development Fund to make up the difference. This practice confirms my argument of guarantee profit. It is my belief that the terms of Development Fund needs to be reviewed.

*Reserve Capacity*

My third point is with regard to the Reserve Capacity. I am not a technical expert in electricity generation, however, I assume with two major power companies in Hong Kong supplying electricity, the subject of total reserve capacity needs to be examined as reserve capacity is in direct proportion of capital investments. In 1983, the Reserve Capacity for China Light will be 34.2% and for Hong Kong Electric it will be 52%. Both networks are interconnected, but I understand it is a manual system. Why can it not be interconnected through an automatic system? What is the use of a Grid Network if it is manually operated? There should be savings in total capacity required to meet maximum demand.

Sir, I raised a number of key issues this afternoon. Electricity charges, electricity generation, generation efficiency and reserve capacity, etc. are highly complex subjects. Therefore, I urge the Government again and also on behalf of members of the Federation of Hong Kong Industries, to set up a tripartite commission which consists of Government officials, representatives from the power companies and the general public to review the Schemes of Control to ensure that the shareholders' interests are accounted for and the consumers' interests are also protected.

As stated in the power companies' Schemes of Control, each of the companies and the Government will have the right during the year ending 30 September 1983 for China Light, and 31 December 1983 for Hong Kong Electric, to request modification of any part of the Schemes of Control. Therefore, this commission can only serve its purpose if it is set up urgently. I am fully aware of the importance of Hong Kong's credibility with regard to the international financial commitments. On the other hand, if it can be guaranteed that the payment schedule of the long term loans of the power companies will be met and that the purposes mentioned above can be achieved, I see no reason for Government's refusal to set up a commission. Sir, I believe there will be suggestions from various circles with regard to the September 1983 review. If the Government, taking into account positive recommendations, fail to come to terms in negotiating with the power companies, then and only then, the onus is with the power companies, not the Government.

Finally, I would like to mention that Mr. Stephen CHEONG, who has been working with me on this subject for a long time, desperately wanted to participate in this debate (*laughter*). Unfortunately, he is currently in Brussels with the Hong Kong team on E.E.C. Textiles negotiation. He called me from Brussels at 3 a.m. and wishes to express that he shares my views and supports the motion of this debate.

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

MR. WONG PO-YAN:— Sir, in rising to support the motion, I wish to commend Government's efforts in the publication of the Scheme of Control Agreements under which the major public utilities operate, and its intention and commitment in monitoring the companies' current operations and future developments.

The general public and all interested parties can now study the terms set forth in the Agreements without unnecessary doubts and apprehension, and will much enhance the confidence of citizens in the Government.

Among the Schemes published, the two governing the electricity companies attract most public attention. It is clear from intensive reports in all media and representations made to U.M.E.L.C.O. by various bodies that the subject is a matter of serious concern to the public.

Sir, I understand the fact that Government had entered into agreements with the electricity companies and their recent announcements of tariff increase effective from 1 January 1983 is in line with the terms of the agreement.

But, I also understand that there are provisions, clause 7(3) and clause 9(2) of the respective agreements, that the electricity companies and Government will have the right, during the year ending 30 September 1983 for China Light and 31 December 1983 for Hong Kong Electric, to request modification of any part of the Scheme of Control; and I think it is opportune that we should make preparation now for such review with an open mind to balance the interest of every party concerned.

Comments have been made on various aspects of the Schemes and the most crucial ones are:

- first*, the scale and timing of expansion of power generating capacity;
- second*, permitted return being based on Average Net Fixed Assets.

I am given to understand that the planning for the expansion of generating capacity had been considered carefully both by Government and the electricity companies basing on the projection of anticipated demand and I can reasonably believe that the decision reached must be the best under the circumstances at that time.

I am also given to understand that the commitment on certain capital investment had been made because of the lead time required. Thus, I accept that there is little room for readjustment in this direction.

On the second point—the provision of permitted return and consequentially the net return of the electricity companies being based on Average Net Fixed Assets, and not on a more equitable basis such as Shareholders Fund—is, from my point of view, debatable.

From data available, C.L.P.'s net return for the 13-year period between 1967 to 1979 expressed as a percentage of average shareholders fund fluctuated between 14.7% and 17%. A relatively consistent and stable pattern was shown denoting an average of 16.28%.

From 1980 onwards, however, this percentage jumped perceptibly to 20.3% in 1980, 24% in 1981 and could substantially increase to an unjustifiable 30% and over within the next few years, taking into consideration the scheduled increase of the fixed assets.

The reason for such increase is: permitted return being related to Average Net Fixed Assets.

Under this provision, because of the expansion in fixed assets, the profit of the electricity companies in terms of percentage of sales revenue will increase disproportionately; the profit per unit of electricity sold will cease to reflect realistically neither sales nor operational efficiency.

It is also evident that because the return of any year is assured, the decrease of sales or the slow down of growth of electricity consumption rate will effect a tariff increase automatically. I need not remind honourable Members of this Council the adverse effects and implication of such phenomena on the future development of our economic activities.

The provision of permitted return, therefore, should be closely examined when the terms of the agreements are to be reviewed next year.

It has been suggested that the provision of permitted return related to Average Net Fixed Assets is essential to enable the electricity companies to obtain the necessary financing from outside sources. I can hardly be convinced to agreeing. Hong Kong's financial standing and strength of our electricity companies are internationally recognized and it is an established fact that many private non-franchised undertakings have obtained loans on similar terms.

Of course, the scale of investment and the risks undertaken by the electricity companies should be taken into consideration. But there is no apparent reason, as far as I am aware, that the permitted return could not and should not be based on a more equitable basis—for example, Shareholders Fund with the percentage subject to careful discussion by all parties concerned.

I sincerely hope that the coming review will bring forth a satisfactory arrangement acceptable to both the general public and the electricity companies, and in the interim period, the electricity companies will, in

consideration of the prevailing economic situation, exercise their right to tariff adjustment with prudence.

With these remarks, Sir, I support the motion.

MR. CHAN KAM-CHUEN:—Your Excellency, I rise to welcome the recent publication of the Schemes of Control agreed between the Government and the major public utilities. This is a great improvement in public relations and shows that the Government and the public utilities have nothing to hide. The recent statements by the power companies on tariff increases also help to strip that shroud of mystery which breeds suspicion in the public's mind. Public utilities supply essential services, mostly of a highly technological nature, to the public. They operate largely under monopolistic conditions with wide implications on public interest. Unless nationalized, Government monitoring is therefore essential.

The Chinese have long recognized that the people cannot live without water and fire (民無水火不生活) as these are the basic necessities of life. In fact, ancient communities usually flourished along rivers for agricultural reasons and the use of fire would enable the cooking of food, the baking of earthenware and also the shaping of metal into implements which accelerated the progress of civilization.

In Hong Kong, we are fortunate that water is 'nationalized'. The Government has made strenuous efforts to build reservoirs, some of which are among the largest in the world, to store rain, and water from China. We even have a desalter for contingency use and this is a far cry from the post-war days when we had four hours rationing every four days.

As for 'fire', the modern word is 'energy', and electricity is one of its sophisticated forms. It is important not only because it improves the living standards of the domestic consumers but also because it enhances our industrial and commercial capabilities for earning our sizeable export and tourist income. It is therefore of paramount importance that we keep the price of electricity (as well as inflation) down to make our products and air-conditioned hotels competitive with those provided by other neighbouring countries. I need not remind the power companies that some of the geese which laid the golden eggs (e.g. textile factories, each paying millions of dollars of electricity bills a month) have disappeared through a number of unfortunate reasons.

Having said that, I must give credit to the power companies for their efficient service and we should not take things for granted. I have travelled to cities which have blackout, brownout and zoning of supplies due to inadequate planning which is detrimental to industry.

It is unfortunate that when the decision was made in Hong Kong to change from coal-fired to oil-fired power stations for environmental and other reasons, no one could foretell that the oil crisis was just round the corner. It was this transfer of wealth from oil-using countries to oil-producing countries in the last decade that people and business of the whole world suffered.

With our new coal-fired power stations, we may get a break from the steep increase of electricity tariffs in the coming years provided that savings in fuel cost are mainly passed on to the customers and are not all absorbed into the permitted return of 13½% of the average net fixed assets, which is approximately 24% of average shareholders funds by 1981 figures.

It is hoped that preventive measures should be worked out so that, when there is a steep fall in consumption arising from a recession or energy conservation measures, the permitted return would not be automatically maximized by a pro rata increase in tariff which defeats the whole object of the exercise. If the permitted return is computed on shareholders funds, it may inhibit development to meet the expansion of industry and domestic demand. But on the other hand, if the permitted return is based on average net fixed assets, it may result in consumers paying for a much larger permitted return which includes gross assets not yet in use or those used for electricity supply outside Hong Kong. It would seem therefore that only a permitted return based on *fixed assets which are required and actually in use for supplying to Hong Kong consumers exclusively*, would be a more acceptable formula to all parties concerned.

I am all for a reasonable return for the calculated risk of such long term investments. Even with my limited experience in generator installation projects, I agree that consumption projections and lead time in planning are often factors overlooked by the man-in-the-street, they will say 'aye' when the question is put to them on whether increases should be frozen, or even better, reduced without studying the mind-boggling figures of a public utility. However, they may adjudge the 300% electricity tariff increases since the oil crisis by comparing them with the 150% increase of their income for the same period and arrive at a simple conclusion, rightly or wrongly, that the increases are excessive.

With these remarks, Sir, I support the motion.

MRS. CHOW:—Sir, now that the Schemes of Control are public knowledge, it seems obvious to all of us that tariff increases introduced by the power companies are not, and need not be approved by either Government or the Executive Council as such, so long as they comply with the Schemes. I could only echo appeals to the power companies not to disregard the very strong sentiments expressed by various quarters of our community especially in the face of rough climate currently affecting our economy adversely.

Are the Schemes then adequate in safe-guarding the interest of the public in a monopoly situation?

Let us examine some of the points in the Schemes.

Firstly, Government has often explained the rationale behind using 'net fixed assets' as the base for the percentage of permitted return. We are not told however how the figure of 13½ was arrived at. However, since the percentage of permitted return is being related to a base which is not subject to control, it is in fact guaranteed to grow as much as the net fixed

asset does. Thus, as is the case of one of the companies, namely, China Light and Power, although the percentage of return on assets has dropped over the last five years, the annual increase in that return has jumped from single digit increase to over 60% these last two years. In fact according to the projection into the next ten years, its capital investment is likely to increase from \$9 billion to \$45 billion, a growth of five times, which means that its permitted return would relatively increase. Is that fair return, or more than fair return?

This arrangement is not fair to to-day's consumers, for the power companies are investing in the future. Since assets paid for to-day will not start to generate electricity until some four years later, consumers are now already paying for that portion of the permitted return derived from the non-generating assets.

Secondly, the five-yearly financial plans stipulated in the Schemes of Control are necessary from the power companies' point of view, as the planning and civil engineering works required warrant such an arrangement. However, should the rate of increase of electricity consumption fall short of that envisaged in the original plan, will consumers have to face steep increases to make up for the shortfall in the percentage in permitted return?

Thirdly, in view of the drop in percentage permitted return against net fixed assets in recent years, the size of the development fund is dwindling to such an extent that it cannot be relied upon to act as an equalizing account as it was originally intended for. This might very well lead the companies to seek a major increase in tariffs to make up for the shortfall.

In view of the fact that the companies have sought tariff increases even in good times, when the profits are good, we cannot rely on them to go easy on their consumers when times are bad. It is therefore vital that Government should seize the opportunity to review the Schemes before 30 September 1983, for China Light and 31 December 1983, for Hong Kong Electric, with maximum consultation with the public, so that the interest of the consumer is, and will be, protected.

With these remarks, I support the motion.

MISS TAM:—Your Excellency, I welcome the recent publication of the Schemes of Control Agreements entered into by the Hong Kong Government and the major public utility companies, and in particular, the Schemes of Control under which the China Light and Power Company Ltd. (C.L.P.) and the Hong Kong Electric Company Ltd. (H.E.C.) operate. The rising cost of electricity has generated much heat in the consumers' criticism of the fixed percentage of profits made under monopoly. Disclosure of the rationale behind such cost increases must, in the long run, help to shed light on the subject matter.

The C.L.P. Schemes of Control was contracted about four and a half years ago, on the 27 February 1978. Under clause 4 of this Scheme of Control, C.L.P. is allowed to earn a profit of 13.5% p.a. on its assets acquired before 30 September 1978 and a 15% return on its assets acquired after this date. The H.E.C. Scheme of Control was made on the 13 April 1980 and H.E.C. is allowed to earn a profit at the same percentage, with the watershed date between a 13.5% and 15% return fixed on January 1979.

In the relevant periods between 1979 and 1981, C.L.P. electricity charges soared from 23.51 cents per kilowatt-hour (Kwh) to 49.86 cents per Kwh, a rise of 112%. H.E.C. charges also rose significantly over the same period. The consumers' exasperation over this ever growing burden is I think written on the wall.

If these schemes are not modified the two power companies' profit, although kept at 15% of its acquired assets, will in real monetary terms snowball, and so may be the dissatisfaction of the 5.2 million consumers towards the other contracting party, the Government.

As the Schemes of Control are contracts entered into by the Government with private companies, only the Government has the right in law to seek modification on the terms of these agreements on the consumers' behalf:—

clause 7(3) of the C.L.P. Schemes of Control says:—'Each of the Companies and the Government will have the right during the year ending 30 September 1983 and during the year ending 30 September 1988 to request modification of any part of the Scheme of Control.'

and clause 9(2) of the H.E.C. Schemes of Control has similar provisions, which says:—'H.E.C. and the Government shall each have the right, during the year ending 31 December 1983 and during the year ending 31 December 1988, to request modification to any part of the Scheme of Control as set out herein or as subsequently amended.'

Hence in order to protect public interest, Government should now examine ways, for example, to—

- (a) adjust the figures on 'reasonable return' under clause (c) in the preamble of the C.L.P. agreement and paragraph of the preamble the H.E.C. agreement to a lower figure; or
- (b) confine Development Funds to the purpose of development of plants and equipments and not to make up for inadequate profits. The 'permitted return' under clause 5(1)(b) of the C.L.P. Scheme and clause 5(3)(b) of the H.E.C. Scheme in fact become a guaranteed return by making transfers from the Development Funds; or
- (c) to calculate the 'permitted return' under clause 4(1)(b) of the C.L.P. agreement and clause 4(b) of the H.E.C. agreement by reference to 'acquired assets' in operation in the relevant year of assessment rather than purely 'acquired assets' on the specific dates.

With these observations, Sir, I support the motion.

MR. T. S. LO:—Sir, I'm a non executive director of the China Light and Power Company and use electricity provided by the Hong Kong Electric Company for which I pay. However I shall not refer to the services provided by or charges of either Company. I intervene merely to draw attention to the lack of any scheme of control of the company which supplies electricity to the residents of Cheung Chau. Its cost is high, supply uncertain. Perhaps those unhappy with the companies covered by Schemes of Control will agree with me: a lesson could be learnt from this.

I support the motion.

MR. S. L. CHEN:—Sir, first of all I declare my interest as an Executive Director and General Manager of the Hong Kong Electric Company. I do not wish to discuss the pros and cons of the Schemes of Control but I would like to have the opportunity to comment on the figures quoted by my Friend Mr. Allen LEE particularly in respect of the reserve capacity of my company. I wish I had the reserve generation capacity which Mr. LEE mentioned for operational reason. However, since I do not have the benefit of the content of Mr. LEE'S speech before hand, I've to speak with my figures off-the-cuff. For Members' information. I'd like to mention that during the year 1980 our reserve capacity was 33.3%; as for 1981 it was really a difficult position because we only had 10.2% reserve capacity under our command. With the installation of the first unit in Lamma, we managed to increase the reserve capacity in 1982, during the summer, up to 26.2%. I dare say all these percentages can be verified without any difficulty and all these percentages are well below the international average. If I may quote even the C.E.G.B. of the U.K. has got 29% reserve capacity in 1981 but one has to bear in mind that C.E.G.B.'s system is about 40 times the size of the system which I operate.

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

SECRETARY FOR ECONOMIC SERVICES:—

### *Introduction*

Sir, in my speech in this Council on 10 November 1982 in support of the Motion of Thanks, I expressed the hope that the publication of the Schemes of Control would remove the air of mystery that had previously surrounded them. I did not expect then that my hope would be realized so quickly with the air of mystery being swept away by the gale of public debate. But let me say, Sir, that I welcome Mr. SO'S motion in that it affords me an opportunity to expand upon some of the remarks that I made on that earlier occasion in relation to the Schemes of Control and their operation.

Before doing so, Sir, there is a matter that I would like to mention. Members will be aware that on Monday this week I held a meeting with representatives of the Federation of Hong Kong Industries and the Chinese Manufacturers' Association regarding the power companies' tariffs, and more particularly the

Schemes of Control relating to the power companies. A very useful exchange of views took place, but I emphasized at the meeting that no decisions could, of course, be taken at that time.

*Standing Commissions, Commissions and alternatives*

One of the suggestions made by the Federation and the Chinese Manufacturers' Association was that a commission be established, and this has been widely reported upon in the press and urged by several of my Unofficial Colleagues here this afternoon.

In fact, three proposals were discussed during the meeting.

The first concerned the establishment of a Standing Commission. As that term is understood, it would mean a permanent commission which would play an active role in relation to the monitoring of the power companies. I made it clear at the meeting that I did not support this proposal. As Mr. Peter WONG has already pointed out, such a Standing Commission would duplicate the work that is already being done by the Administration. A Standing Commission would have to be backed by a secretariat and professional and technical services. This would be very costly. Moreover, whatever terms of reference may be devised for a Standing Commission today, it is inevitable that that Commission, over the course of time, would not be able to avoid becoming involved in supervising the management of the companies. This involvement would dilute and confuse the responsibility of the management and almost certainly lead to less reliable services at an increased cost.

The next type of commission mentioned was some sort of commission of enquiry. In general terms a commission of enquiry may be appropriate where there is clearly something wrong, and a public enquiry at which evidence can be given is the only method of establishing the facts. But as it was agreed at the meeting that the power companies provide a reliable service—and this has been repeated by several of my Unofficial Colleagues here today—there is in my view no case whatsoever for the establishment of a commission of enquiry in relation to the performance of the power companies. What was *basically* at issue at the meeting was the level of tariffs and other aspects of the financing plans and the terms of the Schemes of Control. Here I must emphasize that these plans and the Schemes of Control have been approved by the Executive Council and this reinforces my view that a commission of enquiry would be totally inappropriate.

The third proposal, or idea, that emerged in the course of our discussions, involved the appointment of independent professionals to examine our existing monitoring arrangements in order to see whether they accomplish the purposes for which they are designed, although I have no hesitation in saying that I am completely satisfied that they do. The concept of a second opinion, particularly if it is designed to give some reassurance to the public, is not unappealing. We already engage the assistance of technical consultants and a similar approach on

the financial side could well prove useful. At this stage, Sir, I must stress that I speak personally. The idea has not been developed within the Administration, and it may be that on closer examination it will be found to be impracticable. But I have given an undertaking to the Federation and the Chinese Manufacturers' Association to look more closely at this idea as well as some others that emerged in the course of our discussions in order to see whether there is anything that can be built upon, so as to give that reasonable assurance to the public that I believe to be essential.

Mr. Allen LEE, Dr. F. K. HU and Dr. Ho Kam-fai in their speeches have referred to standing commissions or consultancies of one type or another. I hope that, without going into more detail, what I have said this afternoon will provide some answers to the points they have raised.

#### *Purpose of Schemes of Control*

Turning now, Sir, to the general issues raised in this debate, as Mr. So and Mr. WU have said, certain utility companies have been granted monopoly or semi-monopoly status. In these circumstances the Government has an obligation to provide a monitoring facility. The Schemes of Control constitute but one aspect of that monitoring process. The Government's policy is to ensure that the prices that these utility companies charge should be related to the cost of the services they provide. But, subject to the monitoring arrangements, the responsibility for a reliable service at a reasonable price rests primarily with the company concerned, and it is the company that is directly accountable to its consumers.

The Schemes of Control are designed amongst other things to enable the companies to finance the expansion necessary to meet the demand from consumers *and* to remain financially viable by giving shareholders sufficient incentive to invest. So, every Scheme of Control must provide a reasonable return to shareholders on their investment.

#### *Permitted rate of return*

Mr. Allen LEE in his speech has referred to this aspect of 'reasonable' return, which I first mentioned in my speech on the Motion of Thanks. Although the rate of return as a percentage of the value of average net fixed assets has remained steady in recent years, it has, as Mr. Allen LEE and Mr. WONG Po-yan point out, increased as a percentage of shareholders' funds. This may appear to suggest an over-generous return to the shareholder. But it is not as simple as that. The permitted profit as a percentage of shareholders' funds is not the same as the *actual* dividend the shareholders receive, the money that goes into their pocket. Much of the company's profit is retained in the business and is needed for financing expansion and for servicing debt. The significance of Mr. LEE's and Mr. WONG'S calculations is that they reflect a trend towards financing a greater proportion of capital assets from long term borrowings. This is no bad thing, so far as the long term interest of the consumer is concerned, because once the debt has been repaid it no longer has to be serviced. The situation is

different where shareholders provide the money. There a dividend is payable indefinitely. Recently negotiated loans carry rates of interest that are very favourable, and which under the Schemes of Control the shareholder and not the consumer pays out of his return. I think it is fair to add that if borrowing were not encouraged in the context of a balanced financing strategy it is most unlikely that the vast sums of money we are talking about could be provided by shareholders. The possibility that necessary expansion would not be financed should not be ignored. This would be to the detriment of the consumer. It has been said that today's consumers are paying for generating capacity which will benefit the consumers of tomorrow. But, equally, it can be argued that the consumers of today are enjoying the fruits of yesterday's investment.

*Arrangements for annual review of the financing plans*

The Schemes of Control provide that before the companies can introduce changes of tariff in accordance with the financing plans approved by the Executive Council, they must review with the Government the company's actual performance against the contents of the plans. This is done annually. Provided that any proposed changes are within certain stated limits, the changes can be made without reference back to the Executive Council as Mrs. CHOW said. But, I emphasize this point, if the proposed changes exceed those limits, then they must be referred back to the Executive Council. So far this has not happened in relation to the power companies. But if it did, we would require a completely revised financing plan, which would have to be considered in very great detail by the Financial Monitoring Unit of the Economic Services Branch and myself. The process does not end there. I would have to satisfy the Executive Council that the new plan would best serve the public interest.

Many have commented that the Schemes of Control do not provide adequate safeguards for consumers in that there is no provision for any ceiling to the increases for which the companies may apply. This is not so. The Schemes do provide safeguards for consumers. I would like to illustrate this by an example.

*Effect of falling demand*

There has been some understandable concern in relation to the power companies that when sales fall, or grow more slowly than forecast, tariffs may have to increase in order to cover the companies' costs. In practice the consumer is protected against this to a great extent because as sales fall so would direct costs. And given the current progression to coal-fired generation the proportion of the demand being met from coal-fired generation will increase and, possibly, the decommissioning of oil-fired equipment could be accelerated. With coal at present costing about half the price of oil the effect would be significant.

The Schemes of Control provide, moreover, a safeguard to the consumer in that the financing plans, which include the tariffs, are, as I have said, subject to annual review. If it became apparent that sales forecasts were no longer realistic, and that despite the offsetting savings mentioned earlier the tariffs would have to be increased significantly, then the financing plan would in effect become

invalid and a new one would have to be drawn up to take account of the new circumstances. Like all others this plan would be submitted to the Executive Council, who would advise on its acceptability having due regard to all the relevant factors including economic implications and the interest of the community.

So to write in a ceiling on profits is really quite unnecessary. The ceiling is already there by virtue of the fact that departures from the approved financing plans dictate a *new* plan with the consequences I have described.

#### *Development Fund*

Mr. LEE has mentioned the development funds. He says that according to the Schemes of Control the main purpose of a fund is to assist in the acquisition of fixed assets. He goes on to say that in fact the funds have been used as profit equalization funds and that this practice confirms his argument that the funds guarantee profit.

The way a development fund works is as follows. If in any year the actual profit exceeds the maximum permitted return, then the excess is transferred to a development fund. Mr. LEE is quite correct when he says that if the profit in any year is less than the maximum permitted return, the balance in the development fund has been used from time to time to make up the shortfall. But the fund does not form part of the shareholders' funds. It belongs to the consumers, and interest which is earned on the fund is deducted from the permitted return and applied by way of rebate to consumers. Our policy in relation to the development funds has been to keep them fairly low. In these circumstances they are not really a significant source of finance for development, certainly not in the case of the power companies, whose development is measured in billions of dollars. Nevertheless, I do not accept that the use of a development fund constitutes in any way a guarantee of return to shareholders as suggested by Dr. HUANG and others. It can even out the return between one year and another, but if there were a particularly bad year in which the company suffered a loss, that loss would be reflected in a reduced dividend to the shareholders.

As far as the power companies are concerned, the small balance at the end of this year will be insufficient either to defer or to reduce the approved increases in tariffs to any appreciable extent if cash flow problems are to be avoided.

#### *Interconnection*

Mr. LEE has also referred to interconnection. The Government, and the power companies, are very conscious of the fact that a developed system of interconnection can result in considerable savings for consumers. In April last year the companies established an interconnection arrangement under which more efficient use can be made of existing generating plant. The Government has played an important role in fostering interconnection, and continues to take an interest in this area through a steering committee, which I chair.

Mr. LEE's

timely reminder of the benefits that can flow from inter-connection will certainly be reported at the next meeting of the steering committee, which is due to be held in December.

### *1983 Review*

Several Members have referred to the review that can take place next year. This review is provided for in the Schemes of Control, but it is a review that can only be requested. It is not one that can be imposed by one party on the other. Given that the current investment and development programmes have been designed upon the basis of the existing Schemes, it is difficult to envisage any basic amendment to these Schemes taking place before the date of their expiry. I am very glad that Mr. Peter C. WONG has very rightly also drawn attention to this aspect.

### *Conclusion*

Sir, the theme of many remarks made by members of the public is that the existing arrangements do not serve the public interest because *first* there is no public involvement in the process, and *second* there is a danger that Government might accept too readily the point of view of the power companies. I have indicated at the outset why I do not believe that we can have direct public involvement in the actual monitoring process. And I have also stressed the importance of the role that the Executive Council plays in the approval of the financing plans, the tariffs and the Schemes of Control themselves, and in safeguarding the interests of all consumers and the community at large.

Lastly, Mr. Peter C. WONG has reminded us that this Council is the proper place for matters of public interest to be aired and I fully subscribe to that view in relation to the matters debated this afternoon.

Sir, with these remarks I support the motion.

THE FINANCIAL SECRETARY:— Sir, debates in this Chamber are usually formalized; speeches are co-ordinated and trimmed. Not so, however, in the case of adjournment debates when there is true immediacy. So much the better for lively comment; but not so good for intelligent preparation. (This applies not only to me but to some others who have spoken this afternoon) (*laughter*). If my comments are shallow, however, please forgive me.

No amount of decent concern, no degree of charming naivety can for long obscure the inexorable laws of economics. Hong Kong is not a rich place. What we have, we pay for. No one else will. But prices rise in inflationary times. It is not only valuable but essential to Government to listen to public opinion. It is good that people should seek to discuss the complicated schemes of control, which are of great importance to us all. But beyond the interests of their organizers, the value of signatures on petitions calling for cheaper electricity charges is hard to descry. Who would not wish for cheaper electricity bills? Or for that matter cheaper food or transport or water? Why not free beer? Or better

still, free brandy (*laughter*). It all signifies nothing unless the public is asked at the same time how else they wish to pay if not by direct charges. It is an old union tactic to say at a mass meeting: 'Hands up all those who do not want higher pay'. Mr. CHAN'S comments are entirely to the point.

Whence is the true cost to be met? As I said in the budget debate, manna no longer falls from heaven, contrary apparently to Mr. LEE'S quite misleading and, indeed, misled views. It is a good thing that Government should consistently be prodded. Nothing is ever perfect—and this includes schemes of control, which are based on pragmatism not science. But some degree of responsibility seems advisable. If we accepted all the ideas of the reformers, Hong Kong would soon be as bankrupt as many of the nations of Africa or South America. By all means let us give ear to those who believe that the earth is flat (*laughter*). But, for example, promotion of such believers to the boards of shipping companies tends to be unwise (*laughter*). The decency of most of our critics inside and outside this Chamber who have joined generally in the debate on the schemes of control is beyond reproach. But some others represent few except themselves and possess neither technical knowledge nor management experience. All should reflect that negotiation of schemes of control calls for a meeting of the minds. Government cannot compel investment. What does Mr. HO propose in the event of disagreement? What course does Mr. LEE suggest when his views of what a reasonable profit is are not surprisingly unacceptable? Many enter this arena bright eyed and bushy tailed as members have this debate. I did six years ago. But, as they say, it takes two to tango. Compromise is inevitable. To change the metaphor, a Mexican standoff is useless. And we operate under the rule of law.

It is Government'S responsibility to arrange for the availability of the basic necessities: law and order, housing, transport, education, food and water, and so on. Some indivisible services must be provided directly by Government. Others are more efficiently produced in the private sector. There is scope for independent statutory corporations. In the case of monopolies, where competition by definition does not exist, there is constant debate in the Administration and then in the Executive Council between the protasis of proper, measured provision now and in the future of essential services and the antithesis of control both of the costs and the inseparable profits of the providers. It is a narrow margin between insufficient provision and insufficient profit. And a reasonable synthesis is hard to achieve. None is perfect. But without an agreed level of profit there will be no long-term provision for there will be no investment. Failing agreement the alternatives basically are an incompetent and inefficient service, or Government subsidy, or take-over by the Government. The latter two are attractive only to those who cannot see that Government funds are *their* funds—the people'S fund.

Of course no government will always get it right. For instance our bus companies are not everyone'S friends. But at least they provide reasonably sufficient services at a price well below those found in Singapore. Do people

really believe that Government ownership could do better? Our telephone company, though regularly execrated, is probably the cheapest and best in the world. Our electricity companies, though subject to constant attack, offer electricity cheaper than most in Asia, a reliable supply, efficient long-term planning and competent management. Why do the critics not remark on the fact Hong Kong Electric's increases over two years reflect less than half the rate of inflation, or that China Light and Power will offer bulk consumers next year power more cheaply than two years before? The first coal fired generator at Castle Peak A represents a saving of HK\$1 million per day over oil usage. The capital costs of the change from oil to coal are huge. How was it planned many years ago? How was it financed?

All the industries subject to schemes of control are different. There is not much in common between Telco which requires to invest \$5.6 billion in the next five years, China Light and Power who are committed to \$35 billion, the bus companies and the small Hong Kong Air Terminal Services. Consequently all schemes of control must be tailored to suit each industry. There is no virtue in a standard pattern.

I am personally no great protagonist of schemes based on net fixed assets. I much prefer a criterion of shareholders' funds, although indeed there are sound arguments either way. But given that Government has available expert technical consultants who in the case of the power companies can and do advise professionally on equipment and on future planning and on current efficiency, the base from which profits are calculated is not very material except as a matter of presentation to the man in the street. Profit there must be. Does it matter if this profit is based on 15% of net fixed assets or an alternative of perhaps 24% of shareholders' funds? Both might offer fairly similar outcomes. Do not believe that the percentages will remain similar, for they certainly will not. The criterion however remains constant—a reasonable profit, sufficient to encourage new and to reward past investment.

Hong Kong has prospered under a system of low taxation with services paid for by those who use them. There seems to me much evidence in the world that increase in public expenditure reflecting relatively kind-hearted transfer of cost from the user to the taxpayer at large is both inflationary and counter-productive.

We thus encourage private enterprise. Most serves us well. Some arguably does not. But forced sequestration—say nationalization—is wholly alien to us. I share Dr. HUANG'S views here, though I suspect his opinion that bigger is better for power companies. He would not by analogy advocate a merger of the two universities and the Polytechnic (*laughter*). But if both companies want to merge I doubt if Government would object. It is if I may say so, *very* hypothetical. In any case it is useful for Government to be able to compare the different costs of the two companies. In fact in 1959 the Mould Commission recommended the establishment of an Authority to generate, transmit and distribute electricity.

This involved nationalization of the two power companies. Lucky Hong Kong to avoid such a fate. If a takeover of the two companies was undertaken today my exceedingly rough calculations show that fair compensation of about \$20 billion would be needed. With 10% Government bonds and a ten-year sinking fund less earnings the annual cost would be at least \$2 billion, and the burden of management would be transferred to Government. At present in Hong Kong our annual corporate profits tax yields about \$6.8 billion per year. Would those who believe in nationalization accept the need for corporate profits tax to be increased by 29%? What effect would this have on industry? In any case I suspect that under Government control electricity prices would anyway still rise, not fall—so the problem would still be with us. Well, some will say, let us have subsidies instead. Refusal to allow a 10% across the board increase in electricity charges could involve Government in paying a subsidy to the companies of \$660 million per year. Salaries tax this year will yield about \$2.2 billion. How do you feel about a 30% increase? Would the vast majority not prefer direct charging of users? Let me also point to the fact that long-term shareholders—not speculators—are as much concerned with yield on investment as with any other criteria. Despite what has been said in this Council today, I ask you to note that the current dividend yield on H.E.C. and C.L.P. shares is below 5%. Is this exorbitant? Is it a good basis for Government interference? Or criticism of excess returns? Indeed I believe that Exxon with a majority stake in the generation sector of C.L.P. have in fact so far taken no dividends whatsoever.

There are more relatively sensible suggestions such as Mr. SO's that long agreed rises should only be postponed for a period, thus helping Hong Kong in the current recession. This is a fair decision for the power companies to take—not Government. We would certainly accept their decision, and with pleasure. But Hong Kong is riding the present recession better than most. Do we really want *double* increases in a year's time? Or *treble* increases in two year's time? Moreover the companies must consider cash flow and commitments to bankers. Any attempt by Government to meddle in this area would scarcely be an attractive sign to those seeking to raise funds for new enterprises in Hong Kong. There exist anyway firm legally-enforceable agreements between utility companies and the Government which cannot be altered in the case of the power companies before 1993, except with the consent of *both* signatories, and I would ask you to remember—*both* signatories. Mrs. CHOW, Miss TAM and Mr. WONG Po-yan must remember this in the context of the review opening in 1983. On the back of several of these agreements finance has been arranged and large forward orders for equipment placed. Unilateral action is quite unthinkable. Mrs. CHOW, however, is again quite wrong when she says that tariff increases need not be approved by Executive Council. They certainly do; and they take very full account of consumer interests.

Let me repeat. I do not think that the schemes of control are perfect. Improvements are possible in any situation; but so of course is deterioration.

I shall consider Mr. WU's suggestion about the appointment of Government directors to the power company boards. There is a precedent in the case of the bus companies but I always have my doubts about this because directors should represent shareholders and we're blurring responsibilities. In any case, both power companies are fortunate in the numbers of this Council and the Executive Council they have seen fit to appoint. On the whole in Hong Kong we have good utility services at prices at least comparable with others in Asia. I fully agree with Peter WONG'S comments. Let those industrialists who are seduced by recent Siren calls from Manila remember to take their own generating sets with them! (*laughter*). Moreover, I do not believe that shareholders in any of the utilities are being over-rewarded. In 1981 the average return on a selection of shareholders' funds in major disparate companies ranged from 22% to 40%. This was a high return in a good year. They will do less well in bad years. They will, however, average out, while the utilities remain steady on a middle course. But do Members think, for example, that the shareholders in Telco entitled to 16% are unnecessarily privileged? Or C.M.B. with 15%? The argument that other companies cut back in times of difficulty is matched by the need of the utilities consistently to be planning and providing for what is essential to the needs of the community in five or even ten years' time. No one cares much—except its labour force—if an ordinary company goes bankrupt because it has guessed wrong. But we would not find it amusing if this happened to one of the power or bus companies. In brief, some can make serious mistakes, but the utilities cannot. In any case H.E.C. and C.L.P. are very large companies indeed by world standards. Agreed profits are bound to reflect their size.

Sir, the majority and indeed probably all Members of this responsible Council see the need to balance efficient service, long-term development, and shareholders' profits. Despite what we hear, Government has not let down the public. The utilities have served it well and it is their responsibility, not Government's, to continue to do so. It is quite wrong for Government to interfere with management, some of whose sense of proper public relations has admittedly in the past been frequently and significantly lacking. It must be clear, however, where management responsibility lies. And it can never lie with a committee. I totally reject any concept of a monitoring and interfering committee.

The present economic climate is difficult. We shall as before find our way out and up by hard work, not by selecting whipping boys or seeking to burn witches. Before schemes of control come to their contractual end we shall naturally seek improvement in the light of experience. But in a free society this is a two-way process little helped by some seeking instant personal acclaim and who bear no responsibility for the burdens of the future, as does this Council.

Sir, I support the motion.

*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, 8 December 1982.

*Adjourned accordingly at 6 o'clock.*