

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 5 October 1983****The Council met at half past two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR EDWARD YOUDE, G.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
SIR JOHN HENRY BREMRIDGE, K.B.E.

THE HONOURABLE THE ATTORNEY GENERAL
MR. MICHAEL DAVID THOMAS, Q.C.

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

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

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

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

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

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

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

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

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

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

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

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

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.
SECRETARY FOR TRADE AND INDUSTRY

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

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

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

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

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

THE HONOURABLE HU FA-KUANG, J.P.

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

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

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

THE HONOURABLE CHAN KAM-CHUEN, J.P.

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

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

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

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

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

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

THE HONOURABLE HENRY CHING, C.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE CHAN NAI-KEONG, J.P.
SECRETARY FOR LANDS AND WORKS

THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, J.P.
COMMISSIONER FOR LABOUR

THE HONOURABLE CHAN YING-LUN

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN

THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.

THE HONOURABLE JAMES NEIL HENDERSON, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, O.B.E., J.P.
SECRETARY FOR DISTRICT ADMINISTRATION (*Acting*)

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

ABSENT

THE HONOURABLE YEUNG PO-KWAN, C.P.M.

IN ATTENDANCE

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

Affirmation

Mr. CHAN Ying-lun made the Affirmation of Allegiance and assumed his seat as a Member of the Council.

HIS EXCELLENCY THE PRESIDENT:—I should like to welcome Mr. CHAN to this Council.

Valedictories to Dr. Henry HU and Dr. Rayson HUANG

HIS EXCELLENCY THE PRESIDENT:—Honourable Members, before I deliver my opening address to this Council, I would like to mark the departure of Dr. Henry HU and Dr. Rayson HUANG who have just retired from this Council.

Dr. Henry HU served for seven years from 1976. I would like to thank him for his keen interest in all aspects of this Council's work throughout these years, and his enthusiasm for the work done by Unofficial Members through the UMELCO organization.

Dr. Rayson HUANG was a Member of this Council for six years from 1977. The work of this Council was a substantial addition to his other major responsibilities, but during that time he gave us generously of his time and counsel.

We are all grateful for the contributions of Dr. HU and Dr. HUANG and would like to wish them well in their continuing service to the community.

MR. LOBO:—Sir, the Unofficial Members of this Council would wish to be associated with Your Excellency's warm tribute to Dr. Henry HU and Dr. Rayson HUANG.

On behalf of my colleagues, I would like to add, Sir, that Dr. HU has been a loyal and dedicated Member of UMELCO and a good friend to everyone.

He participated in many UMELCO panels and study groups and was a member of our Legislation Scrutiny Group throughout his service. He was also active outside UMELCO and seldom failed to join any group visiting Government Institutions or Districts.

Dr. HU rarely missed a meeting during his seven years of service, and he was always actively involved in housing, welfare, and many other fields of public service.

Sir, the Unofficial Members of this Council will also miss Dr. Rayson HUANG; in particular for his wide-experience and great knowledge.

Notwithstanding his very demanding duties at the Hong Kong University, Dr. HUANG shared with us his wit and his wisdom. He participated in panels and served on various public Committees both inside and outside UMELCO.

My Unofficial Colleagues and I are however pleased that Dr. Henry HU and Dr. Rayson HUANG are not leaving Hong Kong, and we are therefore able to

continue to draw, in the future, on their wealth of experience and many fine qualities.

We wish them both every success in their future endeavours.

Address by His Excellency the Governor

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(1) *INTRODUCTION*

Honourable Members of the Legislative Council, the year which has passed since I addressed this Council for the first time on the work of the Government has been an eventful one. It has been marked by the commencement of talks in Peking on the future of this territory; by the impact of the world recession on our economy, followed by a rapid recovery in our export industries; by fluctuations in the exchange rate of our currency; and in consequence an international interest in our affairs which surpasses any previous period in our history.

2. But, as I expect to show during the course of this address, it has also been a year in which your Government has not been distracted from its task of sound administration, from its sustained effort to improve the services which it offers to our citizens, and to provide the environment in which our industry and commerce can compete efficiently in the market places of the world.

(a) *The Future*

3. Throughout the past year, there has been no more important issue for your Government than the search for a settlement of the future of this territory which

will secure its long-term stability and prosperity. That search has been our first and overriding concern, and it will remain our highest priority until a settlement is found. The aim, which has been stated by Her Majesty's Government in the United Kingdom in the Queen's Speech, remains that of reaching a solution acceptable to the United Kingdom Parliament, to China and to the people of Hong Kong.

4. Our consultations with Her Majesty's Government on this issue have been continuous and intensive, and Ministers in London, including the Prime Minister herself, have emphasized the importance which they attach to this process of consultation. Unofficials of the Executive Council were able to make their views and the views of their Unofficial Colleagues in this Council known directly to British Ministers when they visited London in July. The Minister of State with particular responsibility for Hong Kong affairs, Mr. Richard LUCE, had discussions with a wide cross section of people during his recent visit, and during that visit he reaffirmed once again the firm commitment of the British Government to the search for a solution. As Members know, I shall be leaving tonight with the Unofficial Members of the Executive Council for further talks in London with the Prime Minister, with the Foreign and Commonwealth Secretary, and with other Ministers, as part of this continuing series of discussions.

5. Honourable Members will understand why in such circumstances it would be difficult for me to say more on this issue in this address. It will be to the benefit of all for the talks to be conducted in an atmosphere of calm and deliberation. As I have said on many occasions, it was not to be expected, given the complexity and importance of the issues, that they could reach quick results. But we remain determined to do all within our power to pursue them to a successful conclusion.

(b) Tasks for Next Year

6. On the domestic front, we have made good progress with major public works projects and we have pursued our long-term social programmes. Total public expenditure on all capital works this financial year is forecast to be \$13.3 billion, an increase of 13% over the previous year's expenditure which was itself the highest ever. The bulk of this expenditure has been directed towards the development of new towns and upgrading of our road system. But social programmes have not been neglected. Capital expenditure on new public housing, including the Home Ownership Scheme, is expected to be some \$3.7 billion this year, when production is forecast to be a record 36 500 flats. We have made steady advances in many other areas. Looking ahead to the coming year, we shall pay particular attention to the formulation of our long-term development strategy and to education.

(i) *Long-term development strategy*

7. During the year we shall need to formulate a development strategy to meet the long-term needs of Hong Kong into the 1990s and into the next century. The ambitious new town development programmes which were started in the 1970s should be largely completed by the end of the present decade. The time has now come to look further ahead to ensure that we shall be able to maintain the momentum of our industrial and commercial development, and meet the requirements of our housing, education and other social programmes.

(ii) *Education*

8. Another vital task will be the further development of our system of education. The report of the International Panel of Visitors on the overall review of education in Hong Kong was published for public comment in May this year. Education is a subject to which the community and this Council attach great importance. I share the view that our education system, its quality and direction, are matters of the highest importance for the future prosperity of Hong Kong. Improvements are already being made in the standards of teaching in schools; vocational and industrial training are being expanded, and the number of degree and higher diploma places at the two Universities and the Polytechnic increased. It is now time to take a fresh look at the education system as a whole and to ensure that it will continue to meet the aspirations of the community, and that it remains geared to the future needs of Hong Kong.

(c) *Work of the Legislative Council*

9. As far as this Council is concerned, there were many important pieces of legislation which came before the Council during the last session. Amendments to the Companies Ordinance, the Insurance Companies Ordinance and the Protection of Investors Ordinance provided for the better regulation of our increasingly important financial and service industries. The Landlord and Tenant (Consolidation) (Amendment) Ordinance revised the form of rent controls. The Hong Kong Baptist College Ordinance established a new framework for the administration of the College as a publicly funded college of higher education. The Employees Compensation (Amendment) Ordinance introduced a new system for the assessment and settlement of compensation claims by employees. The Kowloon-Canton Railway Corporation Ordinance transformed the Railway from a Government department into an independent corporation; and the Public Finance Ordinance provided for the first time a statutory framework for the control and management of the public finances.

10. Major items of legislation which I expect to come before the Council for consideration during this session include amendments to the Banking and Deposit-taking Companies Ordinances to improve the framework of regulation of these institutions. There will be legislation to regulate the hire purchase and outbound travel industries; to provide improved sickness and severance pay benefits for employees; to establish a second polytechnic, the City Polytechnic of Hong Kong; to amend the Crown Lands Resumption Ordinance to provide

for certain additional payments when land is acquired for a public purpose; and to revise and update Hong Kong's law on property and conveyancing.

(2) *ECONOMIC AND FINANCIAL SITUATION*

(a) *State of the Economy and Medium-term Prospects*

11. Turning now to the economy, developments so far this year indicate that an export-led recovery is underway. Given no unforeseen external shocks, domestic exports will probably grow by 11% in real terms and, as a consequence, Hong Kong's gross domestic product is expected to grow by between 5½% and 6% in 1983. This is very encouraging and illustrates, once again, the resilience of our economy and its ability to respond quickly to a revival in demand in our major export markets. Locally, however, both consumer spending and investment have been relatively weak. Some effects of the 1982 recession linger on, and private sector investment and reinvestment—in plant and machinery and in building and property—have been affected by anxiety about the future.

12. Reflecting the depressed state of the property market, employment in the building and construction industry has fallen. But the recovery of our exports has created more job opportunities in manufacturing industries. For the labour force as a whole, the employment situation has greatly improved. In the three months May to July this year, the unemployment rate was 3.9% and the underemployment rate was 1.7%, both substantially below the peaks recorded earlier this year.

13. The rate of inflation, as measured by the Consumer Price Index, is now just over 9% per year. It would have been much lower had it not been for the depreciation of the Hong Kong dollar over the past twelve months. It must be expected that the recent sharp fall in the value of the Hong Kong dollar will continue to have an adverse effect on the rate of inflation for the rest of this year.

14. The world economy however is likely to continue to improve in 1984, and Hong Kong should continue to benefit from improvements in the economies of our major export markets. But our economy remains vulnerable to external factors.

15. I shall not deal here with the question of the exchange value of the Hong Kong dollar. But this does not mean that I do not understand the anxieties of the community on this issue. On the contrary, for all of us in Government who deal with these matters, it is an issue of daily attention, and constant concern. But because of the immediate effect on sensitive financial markets of everything we may say and do; because we must not mislead as to what is within the power of Government to achieve and what is not; and because we must be as sure as we reasonably can of the consequences of any action we might take, we must proceed with care and caution. I shall, therefore, do no more than repeat once again that I do not believe that the erratic fluctuations of recent weeks reflect

the economic and political realities of the situation in which we find ourselves, nor the strengths of our economy or of our society.

(b) Management of the Public Finances

16. As regards the public finances, revenue collections so far this year have been lower than expected, due mainly to the depressed state of the property market and the resulting shortfall in the yields from land sales. The higher growth rate of the economy which we now expect should bring about some improvement in the situation towards the end of this financial year. Fortunately, total expenditure is also lower than estimated, because of a continuing reduction in tender prices for large capital projects, reduced expenditure on land resumption, and tight control of recurrent expenditure. As a result it seems likely that the deficit on General Revenue Account will be in the region of the budgetted \$3.2 billion.

17. The rise in the forecast rate of growth of the gross domestic product, together with the expected reduction in the growth of public expenditure, means that the public sector will this year constitute slightly less than 23% of the gross domestic product, as compared with the original budget estimate of 24.1%. This is an encouraging trend.

18. Despite all this, a deficit still exists; a return to a balanced budget will depend on the maintenance of strict control over the level and manner of expenditure from public funds. We intend this year to contain expenditure on General Revenue Account within the budgetted limit of \$35.5 billion; present indications are that this will be achieved.

(c) Regulation of Financial and Commercial Sectors

19. As a result of Hong Kong's development as a major international financial centre, it falls to the Government to maintain and improve the legal and institutional framework within which the financial and allied services industries carry on business. I shall cite a few examples.

20. The Companies (Amendment) Bill, which seeks to modernize our company law, was introduced into this Council last March. An *Ad hoc* group of the Unofficial Members of this Council invited public representations on the Bill in April, and these representations are now being examined by the Government and by Unofficial Members. I hope that the Bill will be enacted within this session. A Standing Committee on Company Law Reform, as recommended by the Companies Law Revision Committee, will be appointed after the Companies (Amendment) Bill is enacted. It will be charged with keeping under review not only the Companies Ordinance, but also the Securities Ordinance and the Protection of Investors Ordinance, and with making recommendations to the Government thereon.

21. Proposals to amend the ordinances governing banks and deposit-taking companies were introduced into the Council at the end of the last session, and should become law by the end of the year. The amendments seek to tighten the

restrictions on certain types of lending; and to increase the Government's ability to order an investigation into the affairs of banks and deposit-taking companies; and to provide more effectively for the licence or registration of a deposit-taking company to be suspended or revoked where the public interest or the interests of depositors so require. These changes should give better protection to depositors and investors.

22. Last week this Council met to enact the Hang Lung Bank (Acquisition) Ordinance. It was necessary for the Government to move swiftly and decisively in this case in order to prevent the failure of the bank, to protect the interests of the bank depositors, and to maintain confidence in our banking system. The Government intends to restore the long-term viability of the bank and in due course to return it under sound management to private ownership. The Government will also draw from this experience any necessary lessons for the better regulation of our banking system.

23. Recent events involving certain listed public companies have demonstrated the need for some form of requirement for the disclosure of shareholdings and dealings. The Securities Commission has recently made proposals which it considers would be in the best interests of the financial community and the investing public. These proposals have been considered and approved in principle by the Executive Council, and the Government is now consulting business and professional organizations to them.

24. In recent year there has been both an increasing demand and an increasing need for consumer protection. Much has been achieved by the Consumer Council through the dissemination of information and advice, and the investigation of complaints; and by encouraging business and professional bodies to establish codes of practice. Where, however, these measures prove inadequate, and consumers are unable to protect themselves, the Government will, where appropriate, intervene to improve the protection of their interest. The need has been recognized to provide members of the travelling public with some degree of protection against fraudulent travel agents. Legislation is accordingly now being drafted to provide for the control and regulation of the outward bound travel business through registration and licensing. A Bill is also being drafted to provide a statutory framework for hire purchase transactions. The aim is to prevent a vendor imposing unduly onerous conditions on a purchaser.

(d) Trade and Industry

(i) Trade

25. I have no need to remind the Council of the heavy dependence of our economy on trade, and on the economies of our major export markets, in particular the United States of America. In recent years we achieved sustained real growth in the value of our trade, although in 1982 there was a decline of 2.6% in the value of our domestic exports, and of 2.3% in the value of our imports. Since the beginning of this year, our trade, particularly our exports,

has once again shown an encouraging growth in real terms. If the recovery of the world economy from the recent recession is maintained, Hong Kong is well placed to take advantage of the resulting increased opportunities for trade.

26. The world economic recession generated pressures for increased protectionism. Fortunately for Hong Kong, attempts to weaken the General Agreement on Tariffs and Trade and to allow the selective restraint of imports made no headway at the 1982 Ministerial meeting of the G.A.T.T. On the contrary, the Ministerial Meeting reaffirmed the support of governments for an open trading system as essential to world economic recovery.

27. One specific result of the G.A.T.T. Ministerial Meeting was the decision that the G.A.T.T. Secretariat should conduct an urgent study of the problems relating to trade in textiles and clothing. The Multi-Fibre Agreement, under which Hong Kong's exports of these products are limited by bilateral restraint agreements, represents a derogation from the principles of the G.A.T.T. The main objective of the study is to examine the possibility of liberalization, and the eventual removal of all discriminatory restraints from this sector of world trade. The study is due for completion in 1984.

28. Last year I mentioned the renegotiation of the textiles agreement with the European Economic Community then in prospect. In the end, the new agreement between the two sides, although more restrictive than the previous agreement, was a substantial improvement on the terms originally demanded by the E.E.C. Broadly, the agreement allows Hong Kong to maintain the existing levels of trade, but the reduced growth rate permitted under the agreement will mean that, when economic activity and demand in the European Economic Community pick up, Hong Kong's ability to increase its exports to meet the higher demand will be restricted. However, the terms were the best available to Hong Kong in the circumstances.

29. If Hong Kong is to continue to derive maximum benefit from its textile agreements, it is important that we have an efficient textile quota system. A review of the present system, guided by the able advice of the Textiles Advisory Board, has concluded that the present textile export control system has generally succeeded in ensuring that Hong Kong makes full use of its export restraint limits. Some changes have, however, been proposed to the administration of the system to achieve a fairer allocation of quotas and to deter speculation. The recommendations have recently been accepted by the Executive Council, and are now being brought into effect.

(ii) *Industry*

30. Manufacturing industry still employs 40% of our total labour force, and its output constitutes one quarter of our gross domestic product. It is the foundation of our trade, and in many respects the catalyst for the other sectors of the economy. If our industry is to maintain these roles, it must continue to diversify and to develop the technology required to meet changing consumer demand in our export markets, and the challenge of international competition.

The Government's role is to provide a favourable environment for both our industrial entrepreneurs and our workforce. In particular, it seeks to provide an adequate supply of industrial land, an efficient infrastructure, a stable low tax base, generous depreciation allowances for industry, and industrial and technical training facilities.

31. In order to ensure that the Government has ready access to co-ordinated advice on industrial matters and the requirements of industry, it has been decided to amalgamate the Industry Advisory Board and the Industrial Development Board into a new Industry Development Board. The Government will continue to support other statutory or independent bodies in this field. They provide valuable services for our trade and industry: for example, the Hong Kong Productivity Council has established a microprocessor applications laboratory for the electronics industry, and has completed two studies on the electronics industry and the metals and light engineering industries. The Industry Development Board is now examining the recommendations of the electronics study. We are also considering, in conjunction with the Hong Kong Productivity Council, how best to implement the recommendations in respect of the metals and light engineering industries.

32. The Government recognizes the practical contribution which our academic institutions can make to industrial development through applied research and development work. It has allocated \$3.5 million to the Universities and the Polytechnic to enable them to undertake a number of research and development projects relating to the electronics industry.

33. The Government will shortly decide whether an exhibition centre should be established in Hong Kong. A consultancy study has proposed a design for a multi-storey complex on a site in Wan Chai, to include exhibition halls, a conference centre, a hotel and office accommodation. The Government is now assessing the viability of this project and the likely interest of the private sector in participation in it.

(3) *DEVELOPMENT OF INFRASTRUCTURE*

(a) *Land Supply*

34. The Government will continue to invest in the infrastructure necessary for our economic development. A ready supply of land is essential for this purpose, but our land production programmes should not be too influenced by short-term market conditions. The Special Committee on Land Supply has taken a long term view in assessing land requirements over the next five years, and the Government is committed to providing sufficient land to meet the needs of both the public and private sectors. The Government will continue to make available as much land as is required for genuine development, leaving it to the free operation of market forces to determine the development value of land. We have not had and we do not have a 'high land price' policy. In this financial year total land production is expected to be 593 hectares, including 77 hectares for

industry. In each of the following two years, total land production is expected to exceed the figure for this year.

(b) Long-term Development Strategy

35. By the end of this decade, the new town development programmes already in train will be substantially complete. We must now decide on a development strategy which by the turn of the century can accommodate the needs of a population likely to be over seven million people, as against just over five million at present, and a workforce of about 3.4 million people, as against 2.4 million at present.

36. To this end, work has been proceeding steadily for the past three years with sub-regional studies of the North-west New Territories, the North-east New Territories, the Harbour Area, Lantau and Junk Bay. These have been supplemented by other studies on the future land requirements of major Government programmes. We have taken stock of the options for urban growth available throughout the territory, and examined each option thoroughly.

37. The results of all these studies are now being brought together, and we intend to make public our findings over the coming months and to take decisions by the middle of next year. It is important that we choose a strategy which will be both relevant to our needs and within our means.

(c) Transport

(i) Road network

38. On transport, the cost and feasibility of the supporting transport infrastructure will be major factors in our choice of strategy. New roads to serve Junk Bay and Ma On Shan, which represent possible components in the first stage of our strategy, are already at the planning stage. The feasibility of a new road through Tai Mo Shan linking the North-west New Territories with Tsuen Wan, and of a new road through Lion Rock or Ma On Shan linking the Northeast New Territories with Kowloon, are also being studied.

39. Meanwhile, improvements to the road system continue, based on the programme laid down in the comprehensive Transport Study and the White Paper on Transport Policy. Links across the border, a recent feature of the programme, will be expanded. A second bridge will be built at Man Kam To, the Sha Tau Kok crossing will be improved, and planning will continue for a road link between the Lok Ma Chau crossing and the New Territories circular road.

(ii) Public transport

40. During the year the Kowloon-Canton Railway Corporation extended its electrified services to Lo Wu. The railway main line from Hung Hom to Lo Wu is now also fully double-tracked. The more comfortable and faster service has proved to be very popular, and some 150 000 passengers now use it every day, thus reducing congestion on the main trunk road in the eastern New Territories.

41. In the past year, the two major franchised bus companies have increased their carrying capacities by about 15%, and introduced twelve new routes. They have recently completed their route development programmes for the next two years. These should result in further substantial improvements to existing services and the opening of additional routes to serve new development areas. Work on the Mass Transit Railway Island line continues on schedule, and should, when completed in late 1985, bring about a major reduction in travelling time to and from the eastern part of Hong Kong Island.

42. Although the first choice for a second vehicular harbour crossing, a bridge at Lei Yue Mun, has been found to be impracticable in the near future for technical reason, other crossing options are being investigated. These include bored or submerged tunnels at Lei Yue Mun, between Tai Koo Shing and Cha Kwo Ling, or alongside the existing cross-harbour tunnel.

(iii) *Air services*

43. Although we cannot, and indeed need not on present traffic estimates, proceed with our plans for the development of a new airport, the airport terminal building at Kai Tak will be expanded. This will ensure that the airport can continue to handle efficiently our future air passenger traffic: this is forecast to increase from some ten million passengers in 1984 to about 18 million passengers in 1990.

44. Negotiations are in progress with a private helicopter company for the construction of an international heliport on the Wan Chai reclamation for further flights to Macau and various parts of Guangdong. The establishment of a network of helicopter landing sites to service domestic flights is also being considered.

(iv) *Port facilities*

45. As regards our port facilities, the Government has recently completed negotiations with the Kwai Chung container terminal operators for the expansion of the existing facilities there in line with the expected growth of future container trade. The first stage of the expansion, which involves the reclamation of the Kwai Chung creek, is expected to be completed in 1987, and should increase the capacity of the existing terminals by about 57%. Negotiations are expected to commence shortly for the construction of a sixth terminal, to be completed in the late 1980s.

46. In parallel with the expansion of container terminal facilities, the Government is also increasing the capacity of public cargo working areas for the handling of break bulk cargo. The capacity of the existing cargo working areas will be increased by some 30% next year, when works are completed at Chai Wan and Rambler Channel.

47. All these developments will yet further improve facilities in the harbour, one of Hong Kong's most important and enduring assets.

(d) *Public Utilities*

(i) *Gas*

48. Turning now to the public utilities, the Hong Kong and China Gas Company will, by 1986, have extended its distribution network to practically all unserved areas in the mainland New Territories. To meet the expected increase in demand from this expansion of its network, the company is seeking a grant of land on which to build a second production plant.

(ii) *Electricity*

49. The two electricity companies have invested very substantially in the expansion of their generating capacity to meet the expected growth in demand. Their total planned investment, which is subject to careful scrutiny by the Government, amounts to many billions of dollars. Despite this massive investment programme, the cost of electricity to the Hong Kong consumer is among the lowest in Asia, and it is still falling in real terms. The introduction of coal-fired units should result in a further significant saving to consumers, since the present cost of coal is about half that of oil.

50. Earlier this year, the Government published the summary of a report by consultants appointed to advise on technical aspects of system planning by the two major power companies. Perhaps the most important of the consultants' findings was that the expansion plans of both power companies have been founded on good engineering practices and sound economic judgement, and are sufficiently flexible to allow for changes without the risk of over-provision of generating capacity. The Government has recently engaged the services of other consultants to study our existing monitoring arrangements, and to advise whether the present schemes of control adequately safeguard the position both of the consumers and of the power companies, and whether any improvements are required. The consultancy study should be completed before the end of the year.

(iii) *Guangdong Nuclear Power Station*

51. Last December, the Chinese Government decided that a nuclear power station should be built in Daya Bay, east of Hong Kong. The long-term demand forecasts suggest that Hong Kong will need additional generating capacity in the 1990s. We have therefore been considering possible participation in the project by Hong Kong interests, and the terms on which Hong Kong might purchase electricity from the power station. The Government is ready to support Hong Kong's involvement in the project, but it must be satisfied that such involvement will ultimately prove to be in the interests of Hong Kong's consumers.

52. As part of its evaluation of the long-term implications for Hong Kong, the Government commissioned merchant bankers to advise on the financial implications of the project; their report is now being studied. It raises a number of

important issues which will need to be discussed with the Chinese Authorities. Our preliminary assessment is, however, that, provided that these discussions prove satisfactory, it ought to be possible to negotiate and off-take agreement which will be to the benefit of all concerned.

(4) *SOCIAL PROGRAMME AREAS*

53. I come now to the pursuit of our long-term programmes in education and housing, in health care, and community and welfare services.

(a) *Education*

(i) *Overall review*

54. Our education system must keep pace with the changing needs and aspirations of our community. For this reason the Government in 1981 initiated an overall review of our education system, with the aim of assessing the inter-relationship of the various levels of education, and the effectiveness of each part of the education system.

55. The international panel which conducted the review identified in its report five areas which required priority attention. These were the establishment of a comprehensive language policy for schools; the need to increase both the number and the quality of teachers; the improvement of selection and allocation procedures to reduce the number and pressure of examinations; and the provision of greater access to post-school education; and the establishment of the means of regular reviews of the education system. As the report has important implications for the whole future of education policy, the Government decided that it should be published, and the views of the community sought, before any decisions were taken on its recommendations.

56. Since the report was published in May this year, it has been debated by this Council, and many individuals and organizations have submitted comments. The recommendations which have attracted most public comment and debate are those in respect of the language of instruction in schools; the abolition of the Junior Secondary Education Assessment; the incorporation of kindergartens into the aided sector; better teacher training; and the expansion of opportunities for higher education. The report, together with public comments thereon, should be submitted to the Executive Council for decision before the end of this year. The financing of any improvements to our system of education will need to be carefully considered, but I believe that the people of Hong Kong attach great importance to education, and are prepared to pay for improvements.

(ii) *Technical education*

57. Meanwhile, a major expansion of technical education and industrial training is in progress. The present five technical institutes provide technician and craft level courses in commercial and industrial subjects, and part-time day-release courses for apprentices. The number of places is being increased by expansion of two existing technical institutes, and construction of two more

technical institutes in Sha Tin and Tuen Mun, expected to be completed by July 1985.

58. Two new industrial training complexes are under construction at Kwai Chung and Kowloon Bay; they should be in operation by late 1984. Completion of a Seamen's Training Centre is also scheduled for next year.

(iii) *Higher education*

59. As regards the further development of higher education, present Government policy is to increase the provision of first degree places from the present 3 100 first year places to 5 200 by 1989, and 7 000 by 1994. By the end of the 1985-88 triennium, the student population at the University of Hong Kong should be approximately 8 000, and at the Chinese University of Hong Kong approximately 7 000. The University and Polytechnic Grants Committee is looking into the possibility of further expansion of the two universities.

60. At the Hong Kong Polytechnic, five degree courses—in social work, computing studies, applied science and mathematics, electronic engineering, and mechanical and marine engineering—have been started this academic year, and a further degree course in design will start next year. The introduction of degree courses at the Hong Kong Polytechnic represents a milestone in its history. It is intended that the Hong Kong Polytechnic should ultimately have about 4 000 degree students. However, its main emphasis will continue to be the education and training of the higher technicians who are essential for Hong Kong's future industrial development.

61. Under Sir S. Y. CHUNG's able guidance, excellent progress has also been made in planning the City Polytechnic. A site at Kowloon Tong has been earmarked for its permanent premises; a preliminary campus design has been agreed by the planning committee; the Director designate is in post; and other key staff are being recruited. It is planned that the City Polytechnic should have 8 000 full-time equivalent students by October 1994, and that it can also offer degree courses, ultimately for up to 30% of the total student population. The planning committee has recommended that the City Polytechnic should acquire temporary premises in order to make a start in 1984-85, and a decision on this should be taken by the Executive Council later this month.

62. The University and Polytechnic Grants Committee has advised that a third university should be established with an emphasis on professional and technical studies. A decision on whether planning for a third university should proceed is expected by the end of the year or early next year.

63. I should like at this point to pay tribute to the University and Polytechnic Grants Committee whose role in our education system is vital. The U.P.G.C. advises the Government not only on the financial needs of our institutions of higher education, but also on a wide range of subjects concerning the development of higher education in Hong Kong. Apart from advising on the need for a

third university, it has also advised on a proposal of the University of Hong Kong to introduce an external degree programme. The U.P.G.C. is also considering the need for, and feasibility of, developing other forms of education in Hong Kong, such as an open university and the extension of educational television.

(b) Housing

64. The housing programme remains a high priority, and rightly so since better housing is one of the main aspirations of the people of Hong Kong. Some 240 000 new dwellings have been added to our total housing stock in the last four years, including more than 111 000 new flats built by the private sector, three-quarters of them occupied by their owners. In 1982 alone, total public and private sector production was 67 000 flats, just below the record figure for 1981.

(i) Public housing

65. In the public sector, some 130 000 flats are at present under construction, and between now and the end of this decade over 300 000 flats will be produced for rent or sale. We should by then be able to provide decent homes for most if not all of those families who are now eligible for public housing.

66. The problems of those families living in the oldest resettlement blocks have not been ignored. The redevelopment of the first resettlement estate, Shek Kip Mei, will be completed during 1984. Other old estates, such as Chai Wan, have already been largely transformed into modern estates. In 1975, half a million people were living in Mark I and Mark II blocks. Some 300 000 of them have since benefited from the redevelopment and improvement programmes for those estates. These programmes are to be stepped up, so that by 1990 we plan to have redeveloped or substantially improved all the remaining Mark I and Mark II estates.

67. The Housing Authority has made a substantial contribution to the programme for the care of the elderly. 800 public housing flats a year are now reserved specifically for the elderly, and this ensures that no eligible applicant over the age of 60 should need to wait for more than two years for public housing. Every new estate also now incorporates a hostel for the elderly managed by one of the voluntary agencies.

(ii) Home ownership

68. Since the Home Ownership Scheme started in 1978, some 27 000 flats have been sold to families who would otherwise have been unable to buy their own homes. The popularity of the scheme is shown by the fact that every sale has been heavily oversubscribed. To meet this demand the Housing Authority decided that in 1984-85 an additional 5 000 flats will be offered for sale. The basic design of the flats now being built by the Housing Authority makes them suitable for either rent or for sale, so that, as circumstances demand, the balance between the proportions of public sector housing offered for rent and for sale can easily be re-adjusted.

(iii) *Hong Kong Housing Society*

69. The Housing Society continues to play a valuable role complementary to that of the Housing Authority in the provision of low-cost housing for rent and for sale. During last year the Society's largest estate was completed at Jat Min Chuen in Sha Tin, bringing to almost 30 000 the number of flats managed by the Society. The Society is also involved in urban renewal, such as the recently completed Western Garden Urban Improvement Scheme, and in the rural housing scheme at Sai Kung, which should be completed in 1985.

(iv) *Squatters*

70. Our ambitious housing programmes should result in a steady reduction in the numbers who live in unsatisfactory temporary accommodation. Over 34 000 families have been rehoused from squatter huts during the last four years. The latest census survey indicates that some 100 000 families still live in temporary huts. Our plans envisage that about half of these families will be rehoused over the next five years. During the same period, a new programme to improve safety, sanitation and environmental conditions in squatter areas should benefit most of the remaining families.

(c) *Medical Services*

(i) *Preventive health services*

71. Despite the pressure on our medical services, the general health of the community, as reflected in the major health indices, is very satisfactory, but we continue to seek improvements. Our maternal and child health service will take a significant step forward later this year with the expansion of the neo-natal screening service. The importance of health education is also recognized, and plans are in hand to expand the Central Health Education Unit of the Medical and Health Department.

(ii) *Hospital and clinic development*

72. Good progress has been made in the building of hospitals and clinics. An extension of Pok Oi Hospital later this year will provide an additional 113 beds to meet district needs. Completion of the Red Cross Blood Transfusion Centre—also towards the end of this year—will provide Hong Kong with a more modern blood transfusion service, and with facilities for pathological research. Among the projects to be completed next year are the 150-bed MacLehose Medical Rehabilitation Centre, an extension of the Yan Chai Hospital, and six new clinics.

73. Despite all the difficulties over the Prince of Wales Hospital, we expect that building work will be completed before the end of the year, and that it should be in operation before the middle of next year. Site formation work has started on the \$752 million project to upgrade the facilities at the Queen Mary Hospital. Construction of the Tuen Mun Hospital is due to commence early next year; and there are plans for three new hospitals at Chai Wan, East

Kowloon and Tai Po, each with between 1 200 and 1 500 beds, and each costing over one billion dollars at current prices.

(iii) *Medical training*

74. These expansion plans, and the need to upgrade existing services, will require a corresponding expansion of medical training facilities. This year, the intake of medical students at the Chinese University of Hong Kong was 80, and it will rise to 100 in 1984, when clinical facilities will be available at the Prince of Wales Hospital. The University of Hong Kong also plans to expand its medical school, and to increase its annual intake of medical students from the present 150 to 225 as soon as additional clinical training facilities can be provided at the proposed East Kowloon hospital. There are plans for five new training schools for nurses. The intakes to the physiotherapy, occupational therapy, laboratory technology and radiotherapy schools at the Hong Kong Polytechnic will also be increased. The University of Hong Kong dental faculty will produce its first graduates in 1985.

(d) *Social Welfare*

(i) *Services for the elderly*

75. As regards our programmes for the care of the elderly, the trial scheme which I announced in this Council last October of purchasing flats in private housing developments for the elderly is proceeding well. 80 flats to accommodate about 470 people in Sha Tin have already been purchased using funds from the Special Coin Suspense Account. A further 23 flats have been identified for purchase in the urban area, and it is expected that they will be ready for occupation by the spring of next year.

76. Next year will also see the addition of 385 hostel places, 560 home places and 475 care and attention places for the elderly. Much of the headway made in this field has been possible because of the efforts of the voluntary sector. To complement their efforts, plans are now in hand for the Government to operate some of these services directly.

(ii) *Services for the disabled*

77. There will be better rehabilitation services for children. To improve the identification and assessment of disabilities at an early stage, the two existing child assessment centres will be increased to eight by 1988. A Working Party is reviewing pre-school care, training and education of disabled children, and is expected to report in early 1984. A new combined screening programme for all Primary two pupils, to detect children with vision, hearing, speech and learning difficulties, is already achieving almost 100% coverage. New intensive remedial services are also being introduced in ordinary schools to cater for children with learning difficulties.

78. In the field of vocational rehabilitation, 750 additional places in three new vocational training centres for the disabled will be provided by 1988; expansion

of sheltered workshops to provide an additional 550 places per year over the next five years is also planned. A stepped-up programme of public education, aimed at encouraging public understanding and acceptance of the disabled, will help their integration into the community in which they live.

(e) Labour

79. Coming now to labour legislation, an amendment to the Employment Ordinance to improve sickness benefits was introduced into this Council during the last session. The second reading of the Bill was deferred to give both employers and employees an opportunity to comment on its provisions; consideration of the Bill will be resumed in the current session in the light of these comments. Other legislation on labour matters will be submitted to this Council during this session: the Labour Advisory Board is now finalizing its proposals for an increase in the rate of severance pay; the Working Group on the Problems Experienced by Employees of Companies in Receivership, whose establishment I announced last year, has recommended that a wage security fund should be set up for the benefit of the employees of companies in liquidation, and its recommendations have been accepted in principle by the Executive Council. These proposals respond to public concern that there should be better protection for employees.

(f) Environment

80. As I stated in my address to this Council last October, in a crowded urban community such as Hong Kong, which relies heavily on manufacturing industry, environmental pollution is bound to cause problems unless the Government and the community make a determined effort to prevent it. During the past year another milestone was reached with the enactment of the Air Pollution Control Ordinance. This Ordinance was brought into force at the beginning of this month, replacing and widening the scope of the Clean Air Ordinance.

81. Particular attention has been paid to water pollution. Controls on discharges into Tolo Harbour, the first water control zone in the territory, will be brought into force in 1984. Complementary plans are being drawn up to deal with specific types of water pollution, the most significant being animal waste, upon which a major consultancy was completed earlier this year. The consultants' recommendations for the safe, sanitary disposal of such wastes will shortly be considered by the Executive Council.

(g) Broadcasting

82. I now like to turn to the importance of television and sound broadcasting as an influence on, and a potential for good or bad in, society is now widely acknowledged throughout the world. The technology on which it relies is also developing at a dramatic rate. The Government has accordingly decided that there should be a comprehensive review of broadcasting well ahead of the expiry of the present television licences in 1988 and of the sound broadcasting licence

in 1989. The review will assess long term needs for television and sound broadcasting, taking into account the major technological advances which have occurred since the last review, and it will recommend a policy for the future development of broadcasting in Hong Kong. Television and radio, apart from their entertainment value, have an important role to play in public information and in education. The present educational television service, produced jointly by Radio Television Hong Kong and the Education Department, already successfully complements classroom teaching in schools. But I believe there is great potential for increasing the contribution which television can make to all forms of education, and this will be one of matters which will be investigated in the review of broadcasting.

(5) *LAW, ORDER AND SECURITY*

83. The maintenance of law and order must be a prime objective for any Government. I am conscious that the people of Hong Kong desire a secure environment in which they can go about their business peacefully, and without fear or worry for their own or their children's safety. It is also important to Hong Kong's reputation as a major commercial and trading centre that all who live and trade here should have confidence in the rule of law.

(a) *Crime*

84. 1983 is likely to show a slight increase in crime over 1982. On the other hand, last year's welcome downward trend in juvenile crime has continued. The Government is, however, concerned about the high incidence of crimes, many of a serious and violent nature, being committed by young males aged between 14 and 20 years. The Fight Crime Committee has thus chosen to target the 1983-84 Fight Crime Campaign at young males in this age group. They represent only about 15% of the male population, but accounted for about 31% of all male criminal prosecutions between 1980 and 1982.

(b) *Police*

85. To pursue the fight against crime effectively, a police force must be well-trained, well-equipped and up to strength. I am pleased to be able to report that recruitment to the Royal Hong Kong Police Force remains satisfactory, and training continues to receive high priority.

86. A crucial factor in effectiveness of any police force is the ability to disseminate accurate information quickly so that it is available to police officers on the ground as soon as possible. An improve computer assisted command and control system to replace the existing equipment should be in operation by 1988. The new equipment will be the hub of the beat radio system which has proved so effective. An integrated radio system for the joint use of the Marine Police, Royal Navy and other organizations concerned with maritime security is being set up, and should be finished by the end of the year.

(c) *Narcotics*

87. The battle against drug trafficking and addiction is a hard and unceasing one. Despite the successes of the Police and Customs in the first half of 1983 in seizing almost the same amount of drugs they seized in the whole of 1982, the price of heroin on the streets has in recent months been appreciably lower than in 1982. Supplies are all too plentiful, and the increase in the number of newly reported addicts which began in 1981 is continuing.

88. In particular, the increasing involvement of young men and women in drugs is disturbing. The number of those newly reported in the first half of 1983 was 589, an increase of 55% over the first half of 1982. Their average age when they first used drugs was sixteen and a half. To counter this disturbing trend, several new courses of action recommended by the Action Committee Against Narcotics are to be followed. Greater emphasis is to be given to preventive education in junior secondary schools; special attention is to be paid to the treatment of young first-time addicts and to their after-care; the help of parents in steering their children away from drugs will continue to be sought; and every encouragement will be given to young people to take part in recreational programmes and to follow other healthy activities.

(d) *Immigration*

89. As a result of the continued vigilance of the Security Forces and the Immigration Department, and the firm administration of our repatriation policy, there has been a significant and welcome reduction in illegal immigration from China. However, the smuggling of young children by traffickers, who have little regard for the safety of their passengers, has been of particular concern to the Government. We are co-operating with the Chinese authorities so that together we may put a stop to this deplorable and dangerous traffic. Criminals who organize illegal immigration for their own profit continue in business by spreading rumours of an amnesty, despite frequently repeated official statements to the contrary. Let me again make the position quite clear: there will be no amnesty; the operations of the Security Forces will not be relaxed; we will continue to apprehend illegal immigrants, and they will be sent back.

90. A valuable additional deterrent to illegal immigration was the introduction in May of the new, more secure identity card which should eliminate the forged cards on which most illegal immigrants depend. So far, over 650 000 new cards have been issued: all men under 35 should have new cards by May 1984.

91. The hopes I expressed in my speech last year have been fulfilled with the introduction in December 1982 of a properly regulated scheme for visitors from China. The new arrangements agreed with the authorities in China have worked well. The great majority of visitors have returned to China in accordance with the terms of their visit permits. The few who overstay are detected sooner or later and are repatriated.

(e) *Vietnamese refugees*

92. Despite the establishment of closed centres in July 1982, refugees have continued to arrive here from Vietnam. The number of arrivals has fallen: 3 900 in the twelve months to September 1983 as compared with 8 220 in the previous twelve months. But so too have the numbers leaving for resettlement; 3 844 as against 10 155 over the the same two periods. On the first of October this year there were 13 462 in camps here as compared with 12 700 a year ago. So, far from being resolved, the problem has become rather worse, and we must reluctantly continue to operate the closed centres. Without this form of deterrent, the numbers arriving here might well have been markedly higher. We shall also continue strongly to support the efforts of the United Nations High Commissioner for Refugees to persuade other Governments to accept more refugees for resettlement, and to take our own initiatives to this end whenever opportunities arise. But I see no quick or easy solution to this intractable problem.

(f) *Correctional Services*

93. The Correctional Services Department has taken on the difficult task of administering the closed centres. They have performed their duties admirably, often in trying circumstances. The Government was confident that the Correctional Services Department was equipped to carry out this new and onerous role, and experience has proved that trust to have been well-placed.

94. The population in our correctional institutions is growing, in part because of the increasing number of long-term prisoners. To cope with these increased numbers, more correctional institutions are being provided and new schemes for training and rehabilitation are being introduced. Lai Sun correctional institution, for some 200 young offenders under the age of 21, will be opened later this year, the Shek Pik maximum security prison will be opened early next year.

95. Other important developments will include the introduction of the parole and pre-release employment schemes, which will help offenders on their release to integrate themselves properly into society and not to turn again to crime. These schemes represent an extension of existing correctional programmes, and will, we hope, eventually lead to a reduction in our penal population. In addition, a programme of improved vocational training for young offenders will be introduced next year.

(g) *I.C.A.C.*

96. Although some of the more vociferous critics of Hong Kong would have us believe otherwise, it is not the case that Hong Kong compares badly with other parts of the world in the level of corruption. What is true is that Hong Kong makes a very determined effort to eradicate corruption, and has already achieved considerable success. Gone is the syndicated corruption which caused so much distress in the sixties and early seventies; and new standards of public conduct have emerged. There has also been a marked change in public attitudes:

the many reports received from ordinary citizens indicate that they are not prepared to tolerate corruption. But the unrelenting effort to eradicate this social evil will continue. In sustaining its pressures on the corrupt, the I.C.A.C. has the full confidence and backing of the Government.

(6) *GOVERNMENT*

(a) *Executive and Legislative Councils*

97. Turning now to our system of Government, there have been recent changes in the composition of both the Executive and Legislative Councils. Three new Unofficial Members have been appointed to the Executive Council, one Unofficial Member having retired. We welcome five new Unofficial Members to this Council, three of its former Members having retired.

98. The yet larger majority which the Unofficial Members now hold in these Councils means that, in seeking to formulate policies and make laws which reflect the ambitions, the hopes and best interests of all the people in Hong Kong, the Administration and I have access to a still wider range of opinion and advice. I welcome this wider representation, and the improved lines with the District Boards and the Urban Council which it provides.

99. With such a diverse Chamber, I hope that there will be even greater scope for the sort of lively debate which was recently heard in this Council on the overall review of education. For it is in debate that the work of this Council finds public expression. It brings proof to the sceptics that the Unofficials who represent the public do understand and care about the issues of our society. It demonstrates the variety of views which the community holds on those issues. Above all, it shows reason at work in the governance of our community and the power of persuasion in a free and open society.

(b) *Urban Council and District Boards*

100. This is a year of particular significance for the Urban Council. It marks the 100th anniversary of the establishment of the Sanitary Board, from which the present Council traces its origins; and it is the tenth anniversary of the reconstitution of the Council in 1973. The Urban Council makes a very important contribution to the health and well-being of our community, to the environment of our city, to recreation and many aspects of cultural life. It has established close links with District Boards, and thus improved its understanding of problems at district level.

101. When I spoke last year, elections for the urban District Boards had just been concluded. At the end of a year's work, I can say with confidence that the District Boards have more than proved their worth. They have already made an impact on local environmental problems; they are producing balanced and constructive advice on matters affecting life in the districts; and they have promoted local participation in recreational and cultural events.

102. Together, the 489 members of the eighteen District Boards constitute the largest advisory body of opinion in Hong Kong. The Government will continue to support them, and District Management Committees will continue to ensure that the advice of the Boards is considered and, where appropriate, acted upon promptly and with imagination.

103. Our present system of local administration is relatively new. In particular, the District Administration Scheme, an innovative extension of the system of Government by consultation and consent which has evolved in Hong Kong, now enables people to exert a direct influence on the management of district affairs. But we must ensure that it remains suited to Hong Kong's changing needs and circumstances. I have therefore asked that the existing arrangements for local administration, and the organization of Government departments to give effect to the decisions of the Urban Council and the advice of District Boards, should be examined to consider whether they might be improved.

(c) Civil Service

104. We have achieved considerable success in restraining the growth of the civil service. Departments are meeting demands for new or expanded services largely from existing resources by redeploying staff or by increasing productivity. This policy will continue. In 1984-85 our aim will be to permit no growth except where it is essential to provide staff for new facilities and where such staff cannot be provided by redeployment.

105. The Executive Council has approved the introduction of a civil service senior staff course, and an advisory board, with representatives from the Government, the academic institutions and the private sector, was established in April this year to oversee the project. The Director of Studies and four staff tutors should be in post by early next year. The first courses, of three months' duration, designed to prepare mid-career officers for senior directorate level responsibilities, will be introduced later next year.

(7) CONCLUSION

106. Honourable Members, the year ahead will be a challenging one for us all. I fully understand the anxieties and concerns of all our people and their wish to know, as far as it is within the power of man to judge, what the future holds. I am deeply conscious of the importance which they attach to the essentials of the free society which have made Hong Kong what it is today and their deep desire that these essentials should be maintained. It is their concern and their aspirations which will govern our thinking and our actions in the year to come.

107. Let me conclude by saying that if we wish others to have confidence in us, we should not lose confidence in ourselves. In spite of the financial turbulence we face from time to time we have a strong underlying economy, a gifted and resilient population, a highly motivated public service and a will to succeed. Against this background, your Government will be getting on with the job of

making Hong Kong a better place in which the people of Hong Kong can live, work and bring up their children. In concert with the Executive and Legislative Councils, it will be my constant concern to ensure that Hong Kong continues to enjoy steady and progressive government; and let there be no doubt in any quarter about our determination to do our utmost to seek a successful outcome to the talks. Patience, calm and resolution are the qualities that will be required of us. These are the qualities which have brought Hong Kong through difficult times before. I have no doubt that they will do so again.

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, 12 October 1983.

Adjourned accordingly at eight minutes to four o'clock.