

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 8 OCTOBER 1986
IN THE
THIRTY-FIFTH YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

LEGISLATIVE COUNCIL CHAMBER

Wednesday, 8 October 1986

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 DAVID AKERS-JONES, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY

MR. PIERS JACOBS, O.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL

MR. MICHAEL DAVID THOMAS, C.M.G., Q.C.

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

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

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

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.

SECRETARY FOR TRADE AND INDUSTRY

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

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

THE HONOURABLE HU FA-KUANG, O.B.E., 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 DISTRICT ADMINISTRATION

THE HONOURABLE CHAN KAM-CHUEN, O.B.E., J.P.

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

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, O.B.E., J.P.

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

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

THE HONOURABLE MARIA TAM WAI-CHU, O.B.E., J.P.

DR. THE HONOURABLE HENRIETTA IP MAN-HING, O.B.E., J.P.

THE HONOURABLE CHAN YING-LUN, J.P.

THE HONOURABLE MRS. RITA FAN HSU LAI-TAI, J.P.

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN, J.P.

THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.
THE HONOURABLE YEUNG PO-KWAN, C.P.M., J.P.
THE HONOURABLE KIM CHAM YAU-SUM, J.P.
THE HONOURABLE JOHN WALTER CHAMBERS, J.P.
SECRETARY FOR HEALTH AND WELFARE
THE HONOURABLE JACKIE CHAN CHAI-KEUNG
THE HONOURABLE CHENG HON-KWAN
THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.
DR. THE HONOURABLE CHIU HIN-KWONG
THE HONOURABLE CHUNG PUI-LUM
THE HONOURABLE THOMAS CLYDESDALE
THE HONOURABLE HO SAI-CHU, M.B.E., J.P.
THE HONOURABLE HUI YIN-FAT
THE HONOURABLE RICHARD LAI
DR. THE HONOURABLE CONRAD LAM KUI-SHING
THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.
THE HONOURABLE LEE YU-TAI
THE HONOURABLE DAVID LI KWOK-PO, J.P.
THE HONOURABLE LIU LIT-FOR, J.P.
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.
THE HONOURABLE PANG CHUN-HOI, M.B.E.
THE HONOURABLE POON CHI-FAI
PROF. THE HONOURABLE POON CHUNG-KWONG
THE HONOURABLE HELMUT SOHMEN
THE HONOURABLE SZETO WAH
THE HONOURABLE TAI CHIN-WAH
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING
THE HONOURABLE TAM YIU-CHUNG
DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.
THE HONOURABLE ANDREW WONG WANG-FAT
THE HONOURABLE HARNAM SINGH GREWAL, E.D., J.P.
SECRETARY FOR TRANSPORT
THE HONOURABLE GRAHAM BARNES, J.P.
SECRETARY FOR LANDS AND WORKS
THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER
THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR SECURITY

ABSENT

THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR. LAW KAM-SANG

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(1) **INTRODUCTION**

Hon. Members of the Legislative Council, I addressed you last year at a significant point in the history of the Legislative Council. The Council welcomed many new Members, most, for the first time, chosen by indirect election. It had also just moved into its new Chamber. The way in which the new Council settled down to its demanding schedule of work during the last session was impressive; it did much to strengthen our system of government.

2. Early in this session, in two weeks' time, Hong Kong will have the privilege of welcoming Her Majesty the Queen and His Royal Highness the Duke of Edinburgh, following their historic visit to the People's Republic of China. They can be assured that the welcome will be a very warm one. During her busy stay, Her Majesty will meet a wide range of Hong Kong people and have the opportunity to visit this Chamber. She will be able to see for herself the tremendous progress and developments which have taken place in Hong Kong since her visit in 1975.

3. The past year has been a year of steady progress for Hong Kong. The task of implementing the Sino-British Joint Declaration has added a new dimension to the conduct of the Government's business. The additional demands which it has made on our time and energies have not deflected the Government from pressing ahead with many programmes, nor from continuing to improve the quality and efficiency of its services.

4. The work of the Government is directed towards clear and specific policy objectives to which I will refer in detail as my address progresses. But first, it is worth recalling the principles which guide our policies.

5. First and foremost is the objective of ensuring that Hong Kong remains prosperous and stable. This means continuing to foster an economic environment in which enterprise can flourish, there is sufficient employment, and hard work reaps rewards. It means vigorous defence of our trading interests overseas, and prudent, but firm supervision of our financial institutions at home. It means maintaining law and good order, not just on the streets but in all aspects of the conduct of our affairs. It requires too, political stability. There has been and is room for healthy dissent and debate. But the dramatic progress which Hong Kong has made over the last two decades was not built on conflict and turbulence. It was built on a constant search for consensus.

6. It is only a society which is both prosperous and stable which can offer the means, continuously, to improve the quality of life of the people of Hong Kong; the means to ensure that decent housing is available for all, however limited their income; the means to expand and improve our education, medical and welfare services for those in need and to provide opportunities for people to enrich their lives through social, recreational, cultural and sporting pursuits in a healthier and cleaner environment.

7. Only with prosperity and stability can we maintain a strong, caring and cohesive society, confident in itself and its institutions; and continue to develop a system of government which is fair, responsible and responsive to the wishes of the people of Hong Kong. Only thus can we provide the resources which are essential to a better life for all the people of Hong Kong.

(2) STRUCTURE OF GOVERNMENT

8. The general structure of government is now well established, at district board, Urban and Regional Council and central legislative level. Experience over the last year suggests that this structure is serving Hong Kong well.

9. In 1987 we shall review progress and consider the further development of representative government. This will be one of the most important tasks of the coming year. Our society is not static and we must be alive to the need to allow wider participation in the processes of government, if this proves to be the general aspiration of the community.

10. The 1987 review will call for a careful assessment of developments since the publication of the 1984 White Paper, and of the response of the community to them. It will consider whether further changes are desirable and if so, the time scale for their introduction. The Green Paper, which will be published in the first half of next year, will seek the views of the public on these issues, including whether there should be further changes in the composition and the method of selection of Members to this Council. At this point in time there is a wide range of opinion and no clear consensus on many important issues. Ample time will therefore be allowed for public consultation. Only then will come the time for firm decisions. I expect the subsequent White Paper to be ready by the end of 1987.

11. During the year, the Basic Law Drafting Committee established by the National People's Congress of the People's Republic of China, and its various specialist groups, have discussed many issues which are key to the political structure in the Hong Kong Special Administrative Region after 1997, and to the relationship between the Special Administrative Region and the Central Government. The Basic Law Consultative Committee has been able to reflect the views of a wide spectrum of Hong Kong people and there has been lively debate elsewhere and in the media. It will be the responsibility of the Chinese Government to promulgate the Basic Law; but all concerned will need to keep the discussions on it constantly in mind. As I said last year, I am sure that both her Majesty's Government and the Chinese Government will be alive, at all times, to the concerns and views of the other, as well as to the views expressed by the people of Hong Kong. This is the best formula for maintaining confidence and ensuring a smooth transfer of government in 1997.

12. One small change we propose to make now. In future we shall not, in general, use the title Unofficial Member of the Legislative Council, which can be misleading to those not familiar with its operations. All are Members of the same Council and we shall use the appropriate title which reflects that fact—that is 'Member of the Legislative Council'. To accommodate this change it has been agreed that, in future, OMELCO: the Office of Members of the Executive and Legislative Councils, should replace UMELCO.

(3) ECONOMIC AND FINANCIAL SITUATION

(a) State of the economy and prospects

13. I make no apology for turning next to our economy and trade prospects. These are issues vital to our future. Politics may provide the more exciting fare. It is economics, trade and finance which have been the base on which Hong Kong's success has been built. It will continue to be so.

14. The first half of 1986 was marked by a strong recovery in Hong Kong's domestic exports which have grown by 8 per cent in real terms since the same period last year. Domestic exports and re-exports to China continued to be affected by the tighter control on imports which were adopted by China in early 1985.

15. A major factor in the revival of domestic exports has been the depreciation of the Hong Kong dollar in line with the US dollar, against most other major currencies, due to the linked exchange rate system. This has resulted in the prices of our goods becoming more competitive in some of our major markets. Despite this relative depreciation, the rate of inflation has remained low at about 3 per cent during the last 12 months. This is due in part to lower world commodity prices. The stability of the value of the Hong Kong dollar against the US dollar in recent months provides further evidence of the benefit of the fixed exchange rate system to Hong Kong. Let me repeat again. There are no plans to change it.

16. The recovery in exports has helped to contain a decline in employment in the manufacturing sector and to boost real wages. Overall rates of unemployment and underemployment remain stable at 2.9 per cent and 1.7 per cent respectively, and the signs are that there will be continuing growth in the demand for labour, particularly in the distribution trades and in the financial and other business services sectors.

17. Private consumption demand has continued to grow. The property market has remained reasonably active. Planned developments for all types of property showed a marked increase, in terms of floor area, in the first half of 1986 compared with the same period in 1985.

18. For the rest of 1986, the prospect is for continued export-led growth with low unemployment and moderate inflation. The growth rate of the gross domestic product this year is now forecast at 5.6 per cent, considerably higher than that achieved last year. Looking ahead to 1987, our economic performance will remain dominated by external forces. The lower level of demand for exports to China is likely to continue. The threat of increased protectionism remains. Increased protectionism would have a direct impact on our ability to export; it would also undermine efforts to achieve the more liberal world trading environment so vital to the future prosperity of trade-based economies like Hong Kong.

19. Unfortunately, this shadow of protectionism still hangs over our largest export market: the United States. We appreciate the firm stance being maintained by the United States Administration. Hong Kong's efforts to counter the arguments for protectionism, wherever they may be put forward, will continue.

(b) *Trade*

20. This has been a busy and challenging year for those concerned with protecting our trading interests, and the coming year will be equally demanding.

21. In April, agreement was reached between the British and Chinese Governments enabling Hong Kong to become the 91st contracting party to the General Agreement on Tariffs and Trade (GATT). This is a most important development for it ensures that Hong Kong's products will continue to have access, on most favoured nation terms, to the markets of countries which collectively account for over four fifths of world trade.

22. A new round of multilateral trade negotiations covering both trade in goods and, for the first time, services, was successfully launched at the recent meeting of GATT contracting parties held in Uruguay. The Ministerial Declaration, adopted for the new round, adequately addresses those subjects of interest to Hong Kong, including provisions for action or

negotiation to bring about trade liberalisation and improved market access, or to achieve improved discipline in the multilateral trading system. Hong Kong also has considerable interest in negotiations on trade in services, which is a sector of growing importance to our economy.

23. This year has seen agreement on the extension of the Multi-Fibre Arrangement until July 1991. Two important bilateral agreements on textiles were also concluded: one with the United States and one with the European Economic Community. These will also extend until 1991. In all cases we would have liked to see fewer restrictions, but the packages agreed provide Hong Kong with a period of stability and security for the textile and garments industries at a time when the dangers of overseas protectionist sentiment cannot be ignored.

(c) *Industry*

24. Hong Kong's economic prosperity was founded on its manufacturing industry. It still accounts for a quarter of Hong Kong's gross domestic product and provides jobs for 33 per cent of the labour force.

25. Vigorous defence of our right to export is one of the most positive ways in which the Government is assisting Hong Kong's industry, but there are many others. The findings of a series of recent studies on specific industries indicate that the availability of technology is often a catalyst for further industrial development. Accordingly, the Government is working through bodies like the Hong Kong Productivity Council and the Industry Development Board to stimulate research and to introduce industries to the new technology available in the fields of industrial automation and precision tooling. These initiatives not only promote increased productivity but also help to strengthen and diversify our industrial base.

26. Another way in which the Government is supporting industrial growth is through investment in education and training. Grants totalling some \$550 million will be made to Vocational Training Council this year to fund the training of craftsmen, technicians and technologists. There are now nearly 600 places on first-year first degree courses in professional and technological subjects at the Hong Kong Polytechnic. Degree courses are being introduced at the City Polytechnic and courses at the third university will have a strong bias towards science and technology and professional subjects.

27. The assurance of the quality of our manufactured products is also crucial and this year has seen some encouraging progress in this field. In July this year, the Hong Kong Standards and Calibration Laboratory obtained formal recognition from the National Measurement Accreditation Service under the British Calibration Services. The Hong

Kong Laboratory Accreditation Scheme has also helped to upgrade our commercial testing laboratories to the benefit of our industry.

(d) *Management of the public finances*

28. Let me now turn to the management of public finances. My expectation last year of a return to a balanced Budget proved conservative and the end of the 1985-86 financial year saw a welcome return to Budget surplus after three years of deficits on general revenue account. The higher yields from earnings and profits tax are being maintained and, if present trends continue, the surplus in 1986-87 may be greater than originally estimated.

29. Nevertheless we intend to keep public expenditure firmly under control. Strict control in this area has enabled Hong Kong to avoid many of the difficulties which have bedevilled other economies. Public expenditure is therefore planned to grow, in 1986-87, at a rate of 3 per cent to 4 per cent in real terms, in line with Budget forecasts. Control of the growth of expenditure should result in the size of the public sector being kept at about 16 per cent of the gross domestic product in 1986-87.

30. The medium range forecast, referred to in the Financial Secretary's Budget speech this year, also gives grounds for cautious optimism on the health of the public finances over the medium-term, 1987-88 to 1990-91, forecast period. There will be some room for expansion and improvement of services. This will need careful management. Inevitably not all the services financed by the Government can be developed at the rate that some may wish. There will be difficult choices to be made, and honest differences of view on which needs are most important. To assist the determination of priorities an improved method of longer-term financial planning is being developed which will enable a clearer view to be taken of relative priorities than hitherto. It should be possible to introduce elements of the new system in time for the coming Budget exercise.

31. Expenditure on capital works has been slower than originally forecast. However, the effect of the increase, to \$4.8 billion, in the level of commitment for new works to start in the financial year 1986-87 should soon become apparent, and it is expected that expenditure will begin to pick up in the second half of the year. The level of commitment for new works to start in 1987-88 will be the highest ever, at some \$6 billion.

(e) *Regulation of financial and commercial sectors*

32. The banking sector has gone through difficult times during the last four years. The Government has had to intervene on several occasions to protect the integrity of our financial system, which is vital to the well-being of our economy.

The resources of the Exchange Fund were used in some cases, but the more recent problems have been dealt with through timely supervisory action, with the Exchange Fund providing temporary liquidity while long-term solutions are being worked out. I have no doubt that the business community, both in Hong Kong and internationally, support the measures which the Government has taken.

33. The Hang Lung and Overseas Trust Banks are recovering steadily under Government ownership. When they are on a sound commercial footing they will be sold to the private sector, as will the Government's majority interest in the Hongkong Industrial and Commercial Bank.

34. Many of the problems that have arisen in the banking sector stem from fraudulent or other improper activities. The acts of a few have placed in jeopardy the livelihood of many. It is impossible to legislate fraud out of existence. However, the passing into law of the Banking Ordinance, in May this year, had greatly strengthened the ability of the Commissioner of Banking to provide effective supervision of financial institutions and to detect problems or irregularities earlier than has been possible in the past.

35. An important new piece of legislation will be published for public consultation in a few months' time. A Bill, which follows on recommendations by the Standing Committee on Company Law Reform, will provide for a greater degree of disclosure of the true ownership of public companies and bring our laws, in this regard, in line with other major financial centres. The Standing Committee and the Securities Commission are also being consulted on whether the laws relating to insider dealing of shares should be strengthened, following publication of the Insider Dealing Tribunal Report in April this year.

(4) IMPLEMENTATION OF THE SINO-BRITISH JOINT DECLARATION

36. Now I turn to the implementation of the Sino-British Joint Declaration. A steady record of faithful implementation of this declaration is essential to maintaining confidence in the agreement. Such a record is now being built up. I have already mentioned the new GATT arrangement. Progress has also been made in introducing the British National (Overseas) passport.

(a) Nationality and passports

37. The Hong Kong (British Nationality) Order 1986 provides that persons who are British Dependent Territories citizens, by virtue of a connection with Hong Kong, may apply for a British National (Overseas) passport before 1 July 1997. The new passport will be introduced from 1 July 1987 and Her Majesty's Government has already begun formal approaches to foreign and Commonwealth countries in a major effort to ensure international recognition of the new status and the passport that goes with it. Following strong

representations by Members of this Council Her Majesty's Government has agreed that the new passport will state that its holders do not require an entry certificate or visa to visit the United Kingdom.

38. Earlier this year, the British and Chinese Governments reached agreement that the British National (Overseas) passport will include an endorsement indicating that the holder has a permanent identity card which states that he has the right of abode in Hong Kong. This is important to its international acceptability. New types of identity card, for both permanent and temporary residents, will be available from 1 July 1987, and may continue to be used until they are replaced by cards issued by the Government of the Hong Kong Special Administrative Region after 1997.

39. The need for identity cards which state a right of abode in Hong Kong could not have been foreseen when the present card was designed in 1981. Indeed there was no such concept in Hong Kong law at that time. Every effort will be made, in issuing new cards, to minimise inconvenience to holders.

40. In addition, the British and Chinese Governments have agreed that Certificates of Identity, issued up to 1997, will continue to be valid for 10 years, and that they will also be endorsed to show that the holder has a permanent identity card which states that he has the right of abode in Hong Kong. These arrangements will give Hong Kong residents confidence in their ability to travel freely in the transition period, and after 1997.

(b) International rights and obligations

41. The Joint Liaison Group has established a standing sub-group on international rights and obligations. It will advise on the 'action to be taken by the two Governments to ensure the continued application of international rights and obligations affecting Hong Kong', as required in Annex II of the Joint Declaration. There are a very large number of treaties and international organisations whose provisions or activities are important to Hong Kong. The work will, in consequence, take several years to complete. A good start has been made with broad agreement on Hong Kong's future participation in international meteorological and postal arrangements.

(c) Civil aviation

42. Work has commenced on separating Hong Kong's air service agreements from the United Kingdom Air Service Agreements which at present govern them. A common understanding of the principles governing this process has been reached with the Chinese Government. The separate Hong Kong/Netherlands Air Services Agreement, signed on 17 September, paves the way for similar action in regard to some 20 other agreements applicable to Hong Kong.

(d) *Hong Kong Register of Shipping*

43. The Joint Declaration provides that the Hong Kong Special Administrative Region will be authorised to maintain a shipping register and to issue certificates under its own legislation. After extensive consultation with shipowners, seamen's unions, and other interested parties, the basic principles for the register have been agreed by the United Kingdom and Chinese Governments. These principles have now been published. We hope to have the new register in operation in the early 1990s.

(e) *Land Commission*

44. The Land Commission has continued to make good progress, reaching agreement on the accounting arrangements for the sharing of income from land sales, and on the form and content of a number of important legal documents for use in land transactions. The majority of leases in the New Territories will expire on 27 June 1997. To seek to renew these leases individually, would, under existing statutory procedures, be a monumental task. Accordingly, it has been concluded that the extension of these leases, under the provisions of paragraph 2 of Annex III of the Joint Declaration, would best be achieved by legislation. A Bill for this purpose will be introduced into this Council in the coming session.

45. Paragraph 6 of Annex III to the Joint Declaration provides that premium income from land transactions shall, after deducting the average cost of land production, be shared equally between the Hong Kong Government and the future Special Administrative Region Government. To date, in excess of \$1.4 billion has been credited to the future SAR Government's account. The Chinese side of the Land Commission, which is responsible for managing, in trust, the future SAR Government's share of premium income, established a Hong Kong Special Administrative Region Government Land Fund and an Investment Committee in August this year. The committee includes eminent bankers and monetary experts to oversee investment of the fund, paying particular attention to the maintenance of monetary stability in Hong Kong. It is expected that the fund will grow in the years ahead, and that a very substantial sum will be available to the future SAR Government in 1997.

(f) *Planning ahead*

46. Certain of our laws, for example, those governing merchant shipping and civil aviation, are United Kingdom laws applied to Hong Kong through subsidiary legislation or by means of Orders in Council. Before 1997, such laws must be replaced by legislation to the same or similar effect, enacted in Hong Kong. The Hong Kong (Legislative Powers) Order in Council, which came into operation on 26 August 1986, gives the Hong Kong legislature power to amend or repeal United Kingdom legislation which applies to Hong Kong in the fields of merchant shipping, civil aviation and admiralty jurisdiction, and also empowers the Hong Kong legislature to make laws having extra-territorial

effect in those fields. Springing from that order, this Council will be invited to consider many important legislative provisions over the next few years.

(5) **EDUCATION**

47. Now let me turn to education. To expand the education system and improve the quality and range of opportunities it offers remains a prime objective of the Government's policies. A well educated community, supported by highly qualified professionals and a skilled labour force, is one of the best guarantees of Hong Kong's continued prosperity and well-being.

(a) *Higher education and the third university*

48. To achieve these objectives, adequate provision is essential at all levels of the system, not least in the field of higher education. When I addressed you last year, I announced the intention to proceed with the planning of a third university. It has since been decided that the university will be a grouping of professional schools emphasising science, technology, management and business studies. A planning committee, headed by Sir S. Y. CHUNG, with Mr. CHENG Hon-kwan as Deputy Chairman and with distinguished local and overseas membership, is already at work on the complex task of establishing this major new institution. We are grateful to them for their readiness to give their time, energy and experience to this project which is so important for Hong Kong. We can look forward to the new university admitting its first students in the mid-1990s. With the addition of the third university, and the additional places which will be provided as a result of expansion at the existing five tertiary institutions, 8 300 first-year first degree places will be available by the mid-1990s, compared with 4 200 today.

49. From this academic year, both the City Polytechnic and the Baptist College will offer degree programmes. Hong Kong now has five degree-awarding institutions, with 16 000 students on their degree courses. Next year, additional degree programmes will be introduced at the two polytechnics and the Baptist College.

50. These developments have increased the demand for validation of new degree courses. At present, proposals from the Hong Kong Polytechnic, the City Polytechnic and the Baptist College are assessed by the United Kingdom Council for National Academic Awards, at the invitation of our University and Polytechnic Grants Committee. The time has now come to prepare for our own validation system, in line with the wider objective of increasing Hong Kong's self-reliance in the field of higher education. A Planning Committee on Academic Awards has been appointed and invited to prepare recommendations by the middle of next year.

(b) *Education Commission Report No.2*

51. Under the chairmanship of Mr.Q.W.LEE, the Education Commission has

completed a further phase of its work and submitted its second report to the Executive Council. It contains far-reaching recommendations for the sixth form; pre-school education; teacher preparation; open education; and the financing of the education system.

52. The Commission has placed high priority on the introduction of a simple and logical system for entry to the tertiary institutions, while emphasising the importance of sixth form education, in its own right, for that majority of students who do not proceed to higher education. The report, which has been published for public consultation, had already generated wide public interest and we can expect stimulating discussion of its recommendations in this Council.

53. Work meanwhile continues on implementation of the recommendations contained in the commission's report No.1. In particular, a school building programme consisting of 31 new secondary schools and four new prevocational schools, scheduled for completion by 1993, has been approved. This should permit the abolition of the Junior Secondary Education Assessment by 1991. A Chinese Textbooks Committee, under the chairmanship of Mr. SZETO Wah, has also been established to ensure that an adequate supply of textbooks will be available to assist schools wishing to adopt Chinese as the medium of instruction. We look forward to hearing an account of its work.

(c) *Technical education and industrial training*

54. In a society such as ours, which depends for its income on both manufacturing and service industries, technical education and industrial training are of equal importance to education at the higher level. The recent opening of the Sha Tin and the Tuen Mun Technical Institutes has substantially increased the number of full-time and equivalent places in the seven technical institutes, from 9 100 to 13 400. An eighth technical institute, now under construction at Chai Wan, will open in September 1987, and will provide a further 2 700 places. These institutes are the first to be built under the auspices of the Vocational Training Council. The council's two industrial training centre complexes, in Kowloon Bay and Kwai Chung, are meanwhile entering their second year of operation and are providing training in the major industrial skills for some 9 000 trainees each year. On the commercial side, two training centres—for insurance and electronic data processing—have come into operation this year.

(d) *Computer education*

55. Computer education continues to expand in government and aided secondary schools with 265 schools now offering computer studies in the Form IV and Form V curricula. Plans are in hand to extend computer education to junior secondary forms, starting in September 1987. Last year I announced the setting up of a fully equipped computer education centre. This will be completed in December and will serve as a training centre for teachers and central library of reference materials and teaching aids. 2 700 teachers and student teachers will make use of its facilities in the first year of its operation.

(6) HEALTH AND SOCIAL PROGRAMMES

56. Now I turn to health and social programmes. The growing awareness in the community of the need to provide care and support for those unable to care for themselves has been matched by an impressive expansion of medical and welfare services in the last 10 years.

57. For example, in 1976 there were just under 17 000 beds in government and subvented hospitals. By the end of this year there will be over 22 000 and this figure is projected to rise to over 27 000 by the end of 1990. This expansion has required the devotion of massive resources to building and staffing new hospitals, clinics and welfare institutions. What we have done could not have been achieved without the enormous effort and experience, not only of the government departments, but of many charitable and religious organisations and their generous supporters. The community owes them all a great and continuing debt.

(a) *Medical services*

(i) *The hospital service*

58. The report by overseas consultants on the management and organisation of our hospital services was published in March. The report's proposals, particularly the recommendation that the management of government and subvented hospitals be vested in a hospital authority, are far-reaching and have generated spirited discussion amongst professional bodies and subvented organisations, and among the community at large. On the whole, district boards and professional bodies support the formation of a hospital authority, provided the Government does not reduce its commitment to financing medical services which are known to be expensive. Concern has been expressed, however, about the repercussions of disestablishing staff working in government hospitals and with regard to the position of subvented hospitals within the hospital authority, if it were to be established. There has also been concern about the implied separation of hospitals from other health services. An internal working group is now examining the recommendations of the consultants' report, their feasibility and resource implications. I also look forward to hearing Members' views on this important subject.

59. Meanwhile the Government is pressing on with the hospital building programme. Work on the Tuen Mun and the Eastern Hospitals is on schedule and also on the extensions to the Queen Mary Hospital, United Christian Hospital, Yan Chai Hospital and Pok Oi Hospital.

(ii) *Medical education*

60. A working party on postgraduate medical education and training was formed earlier this month, to examine the needs, format, and standards for postgraduate medical education. It will also advise on whether a body should be established to accredit the training programmes. It has been asked to submit its report within two years.

(iii) *Mental health*

61. Major changes to the Mental Health Ordinance will be proposed in a Bill which I expect to be introduced in the current session of this Council. The Bill is the product of some four years of careful study and extensive consultation. The amendments proposed will provide a sound legal framework within which to improve the treatment and aftercare of the mentally ill.

(b) *Social welfare*

62. The past year has seen much debate, both in this Chamber and outside, on the management of social welfare services. The complexity of human problems thrown up by our increasingly sophisticated and competitive society offers new challenges to the staff, both voluntary and official, who seek to deal with them. They deserve, and must have, our support.

63. Steps have already been taken to implement some of the recommendations made by the UMELCO Welfare Services Panel in its report on the 'Kwok Ah-nui' case. Additional resources have been provided in the Social Welfare Department's family services centres, and further improvements are planned during the coming year. A review of the Protection of Women and Juveniles Ordinance is underway.

64. During the coming year, reviews will be completed of the system of subventing services provided by non-government welfare agencies and of residential services for children who cannot be cared for in their own homes. The views of subvented welfare agencies will be taken fully into account. A useful study has recently been completed into the school social work service, which is now available to nearly all schools. The study has endorsed the value of the service to pupils who face emotional, social and learning problems and has suggested ways of improving co-operation between class teachers, guidance teachers and social workers.

(c) *Labour*

(i) *Central provident fund*

65. And now I turn to the labour sector. Hong Kong's hard-working, resilient labour force continues to be the backbone of our economic success. In recent years attention has been given to possible ways in which workers might

contribute, during their working life, to provision for a stable income in their retirement. There have been calls for the establishment of a central provident fund.

66. The Administration has recently completed an internal reassessment of the arguments for and against such a scheme and will shortly seek the views of the Labour Advisory Board, the Social Welfare Advisory Committee and other bodies concerned. The implications of introducing such a scheme are far reaching. The decisions on such matters will affect not only the welfare of individuals in the workforce, but also, as experience elsewhere shows, the general state of our economy. Decisions cannot be taken lightly. Alternative means of affording protection to employees must also be examined. The views of Members of this Council will, of course, be sought before any decision is reached.

(ii) *Long Service Payment Scheme*

67. The Long Service Payment Scheme, which was introduced eight months ago, has been generally welcomed as a way of recognising long and loyal service to one employer. Certain provisions have, however, been criticised: namely the exclusion from coverage of workers whose employment is terminated because of ill health and the limiting of full benefits to older employees. The Government will complete a review of the scheme early next year. It remains the intention that the scheme should be as equitable as possible to employees and employers alike.

(d) *Environment*

68. And now for the environment. In order to improve pollution control, to the benefit of the physical environment in which we live, responsibilities for such control have been centralised in the recently established Environmental Protection Department.

69. A draft Noise Control Bill will be published soon. It will be primarily an enabling instrument: detailed provisions in respect of the measurement and control of noise will be contained in subsidiary regulations and technical memoranda. The powers conferred by the Bill will encompass noise from domestic, commercial and industrial premises, as well as from public places and construction sites. Its provisions must be flexible enough to take account of the fact that measurement of the impact of some types of noise nuisance is subjective. The legislation must nevertheless be sufficiently precise to enable effective enforcement. It must be capable of being applied in a manner which is equitable and realistic in the light of local circumstances, since it will affect our industries as well as the environment. These are complex issues and so there will be careful public consultation.

70. New regulations for controlling water pollution were made under the Water Pollution Control Ordinance in June. Particular attention is being given to improving water quality in Tolo Harbour and the Shing Mun River, and to seriously polluted nullahs and stream courses. The indiscriminate dumping of animal waste into streams is a major source of pollution. This will be significantly reduced by a ban on livestock keeping in the urban areas and by strict control in rural districts. Another serious problem is the pollution caused by factory effluent discharged directly into the stormwater drainage system. In an effort to tackle this problem many factories have been served notice, under the Buildings Ordinance, requiring them to direct polluting discharges into the sewerage system. Legislative controls are being prepared to control the storage, transportation, treatment and final disposal of toxic and other dangerous waste materials.

71. The first two 'air quality' zones covering the harbour area and Tsuen Wan/Kwai Chung will be declared under the Air Pollution Control Ordinance before the end of this year. These zones will form the basis of air quality management in Hong Kong, and they will be subject to comprehensive monitoring and control procedures. In all this, the needs of the environment must be balanced against the ability of industry to comply with new requirements, whilst still remaining competitive in international markets.

(e) *Broadcasting*

72. I now turn to the future of broadcasting. In February this year the Government concluded a lengthy period of public consultation on the Report of the Broadcasting Review Board.

73. The report contains over one hundred specific recommendations and these are being studied in groups. The advice of the Executive Council will shortly be sought on such important issues as the future of Radio Television Hong Kong, regulation of the broadcasting industry, standards of advertising—in particular whether tobacco advertising on television should continue—and the technical standards and requirements of broadcasting. The Government hopes that decisions on all the major proposals in the report will be taken before the end of this year, at which time the post-1988 broadcasting policies will be announced. Legislation to give effect to these policies will be introduced into the Legislative Council within this session.

74. One recommendation has been dealt with already. Earlier this year the Executive Council gave approval, in principle, to the introduction of cable television in Hong Kong and tenders for the provision of cable television will be invited early next year.

(f) *Control of obscene publications*

75. The proliferation of pornographic publications, and the comparative ease with which young people can buy them, has been a constant source of concern to the community. In August, the Government published a draft Bill on the Control of Obscene and Indecent Articles for public information and comment. The draft Bill proposes a number of measures to improve existing arrangements for assessing whether material may offend the community's standards of propriety, as well as the introduction of a classification system to determine what may be available to adults, and not to young people.

76. The Bill's proposals have attracted considerable comment. The control of obscene materials is always a controversial issue; opinions are strongly held on all sides. It is therefore important that the widest range of public opinion is obtained so that the wishes of the community at large may be respected. We have heard much from the media and the academic community. I hope that parents and teachers will also take this opportunity to voice their views, if they have not already done so, because the well-being of our young people, and the image of Hong Kong is at issue. The Government will take all views fully into account before the Bill is introduced in the current session.

(7) **DEVELOPMENT OF INFRASTRUCTURE**

77. And now I turn to the development of our infrastructure. Neither the development of our economy, nor the growing aspirations of our community can, in a city like Hong Kong, be satisfied without a modern infrastructure.

(a) *Public Works Programme*

78. The Government has therefore continued to invest heavily in capital works for Hong Kong's future development. The approved provision for Public Works Programme projects this financial year, excluding land acquisition costs, is nearly \$5.4 billion.

79. Over 55 per cent of Public Works Programme expenditure is on highways and engineering projects, including site formation. Major projects this year include the Hung Hom Bay Reclamation, a further stage of the New Territories circular road, and the realignment of the Shenzhen River. Building projects include preliminary work on the Eastern District Hospital, the extension of Queen Elizabeth Hospital and a government office block in Wan Chai. There is also substantial investment in water supply projects, including the Pak Kong treatment works, and improved facilities to handle increased water supplies from China.

80. Over \$360 million is allocated for environmental projects, while nearly \$18 million is provided for the improvement of access, drainage, water supplies and other basic services in squatter areas. The provision of recreation and cultural

facilities is another major area of expenditure. Over \$370 million is earmarked for such projects, many of them in the new towns where there is a growing demand for them.

(b) *Housing*

(i) *Housing production*

81. In housing, the Housing Authority looks forward to another highly productive year with 43 000 flats being added to the public housing stock. For the seventh consecutive year the authority will exceed its annual target. At this rate, the outstanding demand for rental housing should be met by the mid-1990s. And steady progress continues to be made in improving the standards of new public housing and in upgrading the authority's older properties

82. Private sector production is forecast to reach a record 37 000 flats in this calendar year, rising to 38 000 in 1987. These flats, together with over 10 000 flats which will be produced under the Home Ownership and Private Sector Participation Schemes next year, will help to cater for the growing demand from families wishing to own their own homes.

83. It is, however, now timely for the Government to review its production programmes and to formulate long-term housing strategies for the 1990s, and beyond, which can form a solid base for future development plans. While the Housing Authority should be in a position to meet the demand for rental housing by the mid-1990s, the growing wish among the population, to own their own homes, will take many years to satisfy at the current rate of flat production by the public and private sectors. The review will consider how private sector output can best be encouraged, and how public resources can best be used to complement the private sector to meet the overall demand for housing. The results of these studies are expected towards the end of this year.

(ii) *Redevelopment programme*

84. In the shorter term, the programme to re-develop the older housing blocks continues and is expected to be completed in 1990. Understandable public concern was echoed in this Council over the discovery that a number of blocks were of sub-standard structural quality. Demolition of these blocks will begin next year. Meanwhile, their structural condition is being monitored closely. In rectifying the mistakes of the past we must not lose sight of the achievements of a programme which has housed some two and a half million people, over the last quarter of a century, and provides homes for nearly half our population.

(iii) *Public housing subsidies*

85. Two committees, set up by the Housing Authority to review special aspects of public housing policy, published their reports last month. After careful consideration of the public comments expressed on the proposals in last year's Green Paper, the Committee on Housing Subsidy to Tenants of Public Housing has concluded that there is considerable public support for the principle that housing subsidies should be given only to those who are really in need of them. The committee recommends that tenants who have occupied public housing for 10 years, or more, and whose household income has risen to a level which is twice the equivalent income limit for those on the waiting list for public housing, should be required to pay double rent. The committee does not support the suggestion that more prosperous tenants should be evicted.

86. The committee set up to review domestic rent policy in public housing has concluded that a maximum of 15 per cent of the median income of new tenants should be used as a guideline in determining rents for new estates. Both reports will be considered by the Housing Authority in November.

(iv) *Squatter area improvement*

87. Satisfactory progress towards the achievement of our public housing targets has enabled a start to be made on a comprehensive 10-year programme to clear and rehouse families living in urban squatter areas. A major clearance in the Shau Kei Wan area will be carried out soon. Significant improvements in the environment of many squatter areas have been achieved as a result of the programme launched in 1983. They include the provision of better drainage, water supply, footpaths, street lighting and fire fighting and refuse collection arrangements

(c) *New towns*

88. Development of the new towns continues with expenditure at the rate of about HK\$3 billion a year. Work has commenced on the construction of two new towns at Junk Bay and Tin Shui Wai. The first stage of development at Junk Bay will accommodate 75 000 people in public housing and 48 000 people in private housing. The first public housing intake is expected in early 1987. Work on the Junk Bay tunnel, which will provide the primary means of access to the new town, will start later this year.

89. At Tin Shui Wai, preparatory work continues. This new town is expected to receive its first residents in the early 1990s. The Government has so far committed \$130 million on planning, investigation, design and construction works. Tenders for work valued at several hundred million dollars will be invited in the next 12 months, to support the initial development for over 145 000 people.

(d) *Land Development Corporation*

90. Hong Kong has been very successful in creating new towns and in redeveloping the central business district. We have been less successful in redeveloping some of the older areas whose dilapidated condition is no credit to this city. The decision to establish a Land Development Corporation is designed to provide a means of tackling this complex problem in conjunction with the private sector.

91. The provisional board of the corporation was formed in September under the chairmanship of the Secretary for Lands and Works. Its first job is to recruit a chief executive and it is hoped a suitable person will be appointed in early 1987. In parallel with this, the board will be advising on the draft legislation for establishing the statutory corporation under an unofficial chairman. It is intended to bring the legislation before this Council within the current session.

(e) *Transport*

92. The steady development of our transport infrastructure continues. The Mass Transit Railway Island Line was completed in May. The Government remains committed to the continued operation of the Mass Transit Railway Corporation as an efficient and integral element of the public transport system in Hong Kong. Other highlights of the last year included the signing of the contract for construction of a second harbour crossing, the commencement of work on the first phase of the Light Rail Transit system to serve Tuen Mun and Yuen Long, and the completion of the Tsuen Wan Bypass.

(i) *Eastern Harbour Crossing*

93. Work on the Eastern Harbour Crossing began in August and will be completed in early 1990. The new tunnel, combining a road and underground rail crossing, is one of the largest projects of its kind in the world. It will relieve road congestion at the existing Cross Harbour Tunnel and passenger pressure on the Nathan Road section of the MTR's present network. I expect it to have a substantial impact on the development of the Eastern District of Hong Kong Island and the eastern half of Kowloon. The fact that it will be financed, built and operated, by the private sector, is an impressive demonstration of confidence in Hong Kong's future.

(ii) *Future development*

94. Looking ahead there is an obvious public demand for better communications between the western New Territories: particularly between Tuen Mun and Yuen Long and the urban area. During the year both the Kowloon-Canton Railway and the Mass Transit Railway began separate studies on possible extensions of their systems to meet this demand. To relieve pressure on the road system linking the urban area to the eastern New Territories

and, in particular, the Lion Rock Tunnel, a study is underway of the technical and financial viability of a new road link to Sha Tin via a tunnel under Tate's Cairn.

(f) *Communications*

95. Activity in our port increases every year: during 1985 it increased by 12 per cent over 1984. Further major reclamation is therefore being undertaken by the Government at Kwai Chung Creek, while private enterprise is reclaiming 29 hectares of sea bed to provide Kwai Chung's sixth container terminal. This should be completed by the end of the decade.

96. A recent study of longer-term strategic requirements for further port development in the 1990s and beyond, has identified as a key issue the provision of additional land for container terminal and related facilities. The study recommends further reclamation to the west of Stonecutters Island as the best option. The feasibility of this recommendation is being studied. At the airport a second freight complex is being planned.

(g) *Energy*

97. Now I turn to energy. The expected growth in Hong Kong's economy, the needs of industry and our development programmes, will continue to require an increased supply of energy from Hong Kong's power companies and other utilities. They have risen to these challenges effectively and in good time.

(i) *Daya Bay*

98. I have, in past addresses to this Council, referred to the arrangements under which Hong Kong would, from the middle of the next decade, receive supplies of electricity from the nuclear power plant being built by the Guangdong Nuclear Power Joint Venture Company at Daya Bay. Members will recall that this project was the result of six years of serious consideration and negotiation regarding its feasibility, construction, operation and management, and the arrangements required to finance it. During this period it was regarded, in most quarters, as encouraging evidence of co-operation between all the parties concerned, which augured well for the future. It was taken as a helpful and encouraging sign at a time of continuing anxiety about Hong Kong's future.

99. It was subsequent to that the nuclear accident at Chernobyl provoked an intense debate, world-wide, about the safety of civil nuclear energy programmes, even though the Chernobyl plant was of a design not used in other countries. It turned the spotlight of international attention on to safety measures and international co-operation in this field. It did not, however, change the view of many governments with civil nuclear programmes that nuclear power, properly managed, had an important part to play in meeting the world's energy needs. The Chinese Government, in particular, decided that the project at Daya Bay should go ahead.

100. Given, however, the anxieties felt world-wide, as a result of the Chernobyl disaster, it was in no way surprising that deep and genuine concern should also be expressed in Hong Kong about the safety of the plant at Daya Bay. This concern was conveyed both to the Chinese and British Governments. For their part, the Chinese Government, in confirming their intention to proceed with the project, emphasised that they have taken, and will take, all possible measures to ensure the safe construction and operation of the plant. During the recent visit of Members of the Executive Council to London, the British Prime Minister gave an assurance that the British Government was fully aware of its responsibilities for the welfare and well-being of the people of Hong Kong, and had stressed the concerns, expressed in Hong Kong, to the Chinese Government on several occasions. In the light of its discussions with the other governments concerned, the British Government was confident that every effort would be made to ensure that the construction, operation and management of the Daya Bay plant would be carried out to the highest possible safety standards.

101. The position of the Hong Kong Government, and its status in these matters, was set out by the Financial Secretary in this statement to this Council during the adjournment debate on 16 July. There will be a further debate shortly, in this Council, and I do not seek to preempt it this afternoon. I would, however, wish to pay tribute to the work done by Members of this Council and, in particular, by the delegations to the United States and Japan, and to Europe, and during their subsequent visit to Peking to discuss their observations with the Chinese Government. The issue of civil nuclear power is one on which there are different views, deeply and sincerely held. This has led to an intensity of debate for which there can have been few precedents in Hong Kong. In face of that debate their task has not been an easy one.

(ii) *Gas*

102. And then to gas supply. The first phase of the work on the Hong Kong and China Gas Company's second gas production plant in the Tai Po Industrial Estate is expected to be in commercial operation before the end of 1986, ready to cope with the usual peak winter demand. When that plant comes into operation, the company will be able to reduce production at the Ma Tau Kok plant, reducing to some extent its environmental impact in the district.

103. Following a number of deaths, as a result of the operation of open-flue gas water heaters in inadequately ventilated bathrooms, the Government engaged overseas consultants in 1981, to recommend ways of improving all aspects of gas safety. Their recommendations formed the basis for the drafting of a comprehensive Gas Safety Bill which is now nearly complete. It is the product of several years of research and consultation with the gas supply industry, and it will provide clear standards and safeguards in respect of the importation, manufacture, storage, transmission, distribution and consumption of gas. The Bill will apply to both Towngas and to liquefied petroleum gas, and will be introduced in this Council during the current session.

(8) **LAW, ORDER AND SECURITY**

Now I turn to a different subject, that of law, order and security.

(a) *Crime*

104. I am pleased to report that, overall, crime in 1986 is likely to show a slight decline. The incidence of most types of offence has fallen, but there have been disturbing exceptions.

(i) *Triads*

105. Last year I said that I had asked the Fight Crime Committee to give high priority to further measures to combat the menace of triads. The result was the publication in April of a discussion document on Options for Changes in the Law and in the Administration of the Law to Counter the Triad Problem. This document generated great interest and discussion amongst the public and was well received by district fight crime committees. There is a strong demand in the community for firmer and more effective action to be taken against triads.

106. The Government intends to press ahead with measures to provide greater protection to witnesses, and to improve public education on the evils of triad activities. These received wide public support. There was less of a consensus on proposals for introducing a system of police supervision and placing limits on the activities of triad offenders. The views expressed will be taken into full account in devising the measures which will be needed if we are to intensify the effort to eliminate the triad cancer from our society.

(ii) *Commercial crime*

107. There is public concern over the cost and length of complex commercial trials. And the Select Committee on Complex Commercial Crime, which was re-appointed last October, published its report in July. The report examines a wide range of issues relating to the investigation of complex commercial crime, the conduct and mode of trials and the specialised training needs of investigators, legal counsel and the Judiciary. The committee has taken the view that committal proceedings for such cases should be abolished, but that the existing system of jury trial should not be changed. The advice of the Executive Council will be sought on the report's recommendations later this year.

(iii) *Corruption*

108. The fight against the upsurge in corruption related commercial crime has led to increasingly close co-operation between the Police Commercial Crime Bureau and the Independent Commission Against Corruption. In recent months, as many as one third of the Commission's investigative staff have been deployed on such cases. Additional manpower has been provided to ensure that the heavy demands on resources, made by commercial crime investigations, do not undermine the Commission's ability to tackle other forms of corruption.

109. Corruption reports received by the ICAC so far this year have shown an increase of 7 per cent over the same period in 1985. The number of reports warranting investigation has increased by 28 per cent. Private sector reports have continued to increase; they now constitute about 42 per cent of reports received. Reports received by the ICAC concerning the police and other government departments have decreased by 11 per cent and 1 per cent respectively.

(b) *Police*

110. Since my address last year, much thought has been given to increasing the proportion of local officers at command levels in the police force. This objective must be achieved without reducing the efficiency and morale of the force on which we depend for the maintenance of public order and the day-to-day battle against crime.

111. After consultation within the force, it has been agreed that promotion on merit alone will continue to be given first priority. At the same time measures have been introduced to identify local officers suitable for promotion and to develop their potential through special training. If necessary, more vacancies will be created for local officers, first by advancing the creation of new posts, then by not renewing the contracts of overseas officers on agreement terms, or by early retirement of those on pensionable terms. Only as a last resort will overseas officers, deserving of promotion, be passed over. Appropriate compensation arrangements are now being worked out.

(c) *Narcotics*

112. The concern about the abuse of drugs and drug trafficking is now worldwide. Both in the interests of the well-being of our population and in our international reputation there must be no let-up in Hong Kong's fight against these evils. The main targets of the preventive programmes co-ordinated by the Action Committee Against Narcotics are, rightly, school children and young people, in the hope of keeping them away from drugs altogether. It is heartening to note that the number of young persons prosecuted, in the first half of this year, dropped by some 12 per cent compared with the same period last year. Moreover, the number of new reported addicts has continued to decline; a trend which began in 1984 and has persisted despite the low price of heroin. This is encouraging, as is the significant increase in the numbers struggling to free themselves from addiction by attending methadone clinics, or through treatment and rehabilitation programmes.

113. But this progress will only continue if we maintain relentless pressure on the traffickers and dealers. Prosecutions for drug offences increased by nearly 7 per cent in the first half of 1986 over the same period last year. The Government has also been working on legislative proposals aimed at depriving convicted drug traffickers of their ill-gotten gains. The task is a complex one, which raises

issues not only of the burden of proof, but of the confidentiality of the banking system. I hope that these proposals will be ready for consideration during this session.

(d) *Vietnamese refugees*

114. On the matter of refugees, this year has seen an increase in arrivals of refugees from Vietnam. As a matter of policy, Hong Kong would find it difficult to act as a place of first asylum, if there was no longer an international presumption that those still leaving Vietnam are genuine refugees, and that resettlement countries are prepared to take them.

115. We are grateful to the United Nations High Commission for Refugees for their assistance in running our refugee programme. This year, the rate of resettlement has improved, mainly due to the response of other countries to a British initiative to enable more refugees to enter the United Kingdom under family reunion criteria. For our part, the Government has decided to take up to 250 refugees of Chinese origin for permanent settlement in Hong Kong. As a result, the refugee population fell from 9 900 to 8 200 during the past year.

116. But the outlook for the future is less bright. During the current year some 4 200 refugees will be resettled, but this level is unlikely to be maintained in 1987. Every year more and more effort is required to retain the interest of the resettlement countries. A more durable solution to the problem of the continuing exodus from Vietnam must be found. We shall continue, with the assistance of Her Majesty's Government, to press the international community for such a solution.

(e) *Illegal immigrants*

117. Over the past four years there has been a gradual increase in the number of illegal immigrants arrested while attempting to enter Hong Kong, from a daily average of 17, in the first six months of 1983, to 38 per day in the same period this year. The number of illegal immigrants apprehended in Hong Kong has remained steady, at an average of nine a day. These statistics indicate that our security forces are effective in controlling the border and coastal waters. There will be no amnesty to allow those who do succeed in getting into Hong Kong to stay here. When they are caught, illegal immigrants will be repatriated.

(f) *Immigration services*

118. The Government has been concerned at the delays experienced by travellers at some immigration control points. Those handling cross-border movements have been under particular pressure in recent years. In order to speed up clearance procedures, as well as strengthen control capacity, a programme to provide computer systems at all immigration control points will

begin in May next year. It will begin with the Macau Ferry Terminal, and extend to the Hung Hom, Lo Wu, Man Kam To and Sha Tau Kok control points by the end of 1987.

(g) *Fire services*

119. Our fire services, which are also responsible for the ambulance service, are among the most efficient, well equipped and well trained in the world. In recent months a consultant from the United Kingdom has been undertaking a comprehensive review of the ambulance service covering all aspects of staffing, equipment and management of the service. In a measure to try to mitigate the delays caused by heavy traffic seven specially designed motorcycles, which will carry emergency aid equipment, have been ordered. If they prove an effective support to the ambulance service, more will be provided in due course.

(9) **THE PUBLIC SERVICE**

120. The demands on the Government and, in particular, the public service, are increasing. Nevertheless, our efforts to stabilise the size of the service have continued, and the total establishment has increased by only 1.3 per cent since last year. This reflects great credit on the loyalty and dedication of civil servants, and the sensible way in which they have responded to the need to improve work procedures and make the best use of staff resources.

121. The value for money studies, which began three years ago, have helped to improve efficiency in many areas and have led to savings so far of over \$600 million. To maintain the momentum of this programme, value for money steering groups are to be established in all major departments by the end of the next financial year.

New pension scheme

122. Last year the Government announced proposals to modernise the existing pension arrangements for civil servants. Since then wide ranging discussions have been held with staff.

123. In accordance with the provisions in section IV of Annex I to the Joint Declaration, the SAR Government will be responsible for pensions after 1997. In consequence, the new pension scheme has been discussed in the Joint Liaison Group and subsequently in expert talks. I am confident that agreement will be reached on the scheme and that staff will welcome the new proposals. The objective is to bring the new scheme into effect from 1 April next year, subject to the approval of Finance Committee.

124. The retention in the public service of able and experienced officers, up to and beyond 1997, is essential to the long-term stability and efficiency of the Administration. The Government attaches the highest priority to maintaining

continuity and will provide every encouragement to both local and overseas officers to continue their careers in the service of the Hong Kong Special Administrative Region Government.

(10) **THE MACHINERY OF GOVERNMENT**

(a) *Redress of grievances*

125. And now to some items concerning the machinery of Government. Last year, I said the Government intended to publish a consultative document setting out options for building on present systems through which the public can register complaints against the Administration, or seek redress of grievances. This took longer to complete than I anticipated. Time was needed to allow the new Members of this Council to gain experience of existing procedures, and to examine the very wide range of existing channels of redress and their possible development to meet changing circumstances. The document was issued in August for public comment. The advice of the Executive Council will be sought in due course in the light of that comment, and a further report made to this Council.

(b) *Data protection and privacy*

126. Another subject which concerns the interests of the individual is the need to safeguard the confidentiality of personal data stored in computers. In 1983, a Working Group on Data Protection and Privacy was established, with participation from the private sector, to consider whether existing systems are adequate and, if not, to advise on whether there is a need for legislation. To this end the working group has examined the basic principles enshrined in the United Kingdom Data Protection Act of 1984, to see to what extent these principles can be modified to suit the Hong Kong situation. The advice of the Executive Council will be sought on the working group's recommendations which are expected soon.

(c) *Wider use of Chinese*

127. As regards the use of Chinese, the Government is continuing to make provision for the wider use of Chinese in official business and to encourage bilingualism in the workings of Government.

128. Since the early 1970s public notices, official forms and important documents have been drawn up in both English and Chinese. Correspondence in Chinese from the public is answered in Chinese. Papers for discussion by this Council, or its sub-committees, are now prepared in both languages; as are all papers for meetings of the Urban Council, Regional Council, district boards, and for an increasing number of advisory boards and committees. Simultaneous interpretation is provided at meetings whenever required.

129. It is intended that authentic Chinese versions of our laws should be enacted by this Council. This will take time, because there is a need to consult the legal profession, and others, on the issues involved. A consultative document was issued in April and many helpful comments have been received. There remain some difficulties but, if these can be overcome, we hope to see the presentation of the first Bills to have been drafted in both English and Chinese, later in this session. In the meantime, a total of 112 items of legislation, of wide public interest, have been translated and are on sale to the public. This work will continue.

(11) CONCLUSION

130. Hon. Members, my address, this afternoon, has been a record of steady and continuing progress towards improving the life of the people of Hong Kong. It has reflected a wide-ranging investment in the future which will pay substantial dividends, and a resolute determination to continue along the same, well-tried path.

131. 1987 will be a year in which many important decisions will be required: on the further development of the education system, the management of hospitals, the future of broadcasting, on action against triads, organised and commercial crime, on the defence of our trading interests, on social welfare measures and on the development of representative government.

132. This will also be a session in which many important legislative measures will be presented to you for your consideration. Indeed, from what I have said, it will be evident to you that I expect the legislative programme to get progressively heavier as the years pass. The ability of this Council to consider such legislation constructively, and with due despatch, will be an essential element in assuring the future prosperity and stability of Hong Kong.

133. With your support and good counsel, I have no doubt that we can continue to make solid progress towards those objectives to which we are all so strongly committed.

Thank you.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 p.m. on Wednesday, 15 October 1986.

Adjourned accordingly at five minutes past Four o'clock.