

**THE LEGISLATIVE COUNCIL DEBATES
OFFICIAL REPORT**

**IN THE SESSION OF THE LEGISLATIVE COUNCIL OF
HONG KONG
WHICH OPENED ON 7 OCTOBER 1987
IN THE
THIRTY-SIXTH YEAR OF THE REIGN OF HER MAJESTY
QUEEN ELIZABETH II**

LEGISLATIVE COUNCIL CHAMBER

Wednesday, 7 October 1987

The Council met at half-past Two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR DAVID CLIVE WILSON, K.C.M.G.

THE HONOURABLE THE CHIEF SECRETARY

MR. DAVID ROBERT FORD, L.V.O., O.B.E., 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 PETER C. WONG, C.B.E., J.P.

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, C.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, C.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 JOHN WALTER CHAMBERS, O.B.E., J.P.

SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE JACKIE CHAN CHAI-KEUNG
THE HONOURABLE CHENG HON-KWAN, J.P.
THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.
DR. THE HONOURABLE CHIU HIN-KWONG, J.P.
THE HONOURABLE CHUNG PUI-LAM
THE HONOURABLE THOMAS CLYDESDALE, J.P.
THE HONOURABLE HO SAI-CHU, M.B.E., J.P.
THE HONOURABLE HUI YIN-FAT
THE HONOURABLE RICHARD LAI SUNG-LUNG
DR. THE HONOURABLE CONRAD LAM KUI-SHING
THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.
THE HONOURABLE DESMOND 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 LAU WONG-FAT, M.B.E., J.P.
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
THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.
SECRETARY FOR TRANSPORT
THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, J.P.
SECRETARY FOR TRADE AND INDUSTRY
THE HONOURABLE EDWARD HO SING-TIN, J.P.
THE HONOURABLE ALISTAIR PETER ASPREY, A.E., J.P.
SECRETARY FOR LANDS AND WORKS (*Acting*)

ABSENT

THE HONOURABLE KIM CHAM YAU-SUM, J.P.
THE HONOURABLE ANDREW WONG WANG-FAT

IN ATTENDANCE

THE CLERK OF COUNCILS
MR. ALISTAIR LAURIE LANG, M.B.E.

Oaths

MR. ALISTAIR PETER ASPREY took the Oath of Allegiance.

MR. EDWARD HO SING-TIN took the Legislative Council Oath.

Papers

The following papers were laid on the table pursuant to Standing Order 14(2):

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Hon. Members of the Legislative Council,

(1) **INTRODUCTION**

(a) *General*

It is now just a year since my predecessor, Sir Edward YOUDE, presented his last address to this Council. I should like to start this, my first address to the Council, by again paying tribute to his achievements in guiding Hong Kong through an anxious period in its history. The best tribute—and what he himself would have wished—is to press on with the task of making Hong Kong a better and more prosperous home for all our people. This will be my firm resolve and that of the Government throughout the coming year. To achieve this we shall be seeking the support and assistance of this Council and of all those concerned with public affairs throughout the Territory. I hope that what I have to say will demonstrate that we have practical and forward looking plans and that, with your help, they are within our powers to accomplish.

2. It is more than a quarter of a century since I first came to Hong Kong. It is a great privilege to return now as Governor to work on behalf of the Territory—a place for which, ever since I first came here, I have felt great admiration and affection. During the past 25 years Hong Kong has developed enormously, both materially and in the cohesiveness and stability of its society. The sense of belonging to Hong Kong is much stronger than when I first came here. There are few other places in the world which have made such rapid and comprehensive progress in such a short time. That this has happened is a tribute to the flexibility and adaptability of our economy and to the energy and resourcefulness of our people.

3. Nevertheless, much remains to be done. We need to consolidate the gains of the past and to build on them to achieve the improvements in our community that we would all like to see. The best way to achieve this goal is constantly to look ahead, and face up to, the economic and social needs and challenges of the future and to make sensible plans to deal with them. This we intend to do.

(b) *Legislative Council business*

4. For this Council, the past year was the busiest session ever. The coming year promises, if anything, to be even busier. One of the most impressive things about Hong Kong is the amount of time and energy that people, in this Council and elsewhere, devote to public affairs. So, despite a heavy work load, I am confident that all the measures brought before the Council will be examined carefully, critically and fairly. No doubt we will have vigorous debates on many issues; this is as it should be if we are to get things right.

(2) RELATIONS WITH CHINA*(a) Introduction*

5. Before reviewing local developments and the plans for the future which intimately concern us all, I should like to reflect on our relations with China. Over the past decade, our links with the Mainland have continued to grow and develop in every field. They have become an increasingly significant factor in our day-to-day lives. These links are important both for the present and for the future. In addition to the many personal contacts between people in Hong Kong and people in the Mainland, we have a wide range of official and institutional channels for exchanges of ideas on matters of common interest. These channels have functioned well. They have helped in developing the sort of mutual understanding which is so important in solving practical problems as they arise.

6. I have myself recently returned from Peking. I found that visit useful as an opportunity to explain some of our concerns to senior Chinese officials dealing with Hong Kong affairs and to learn about theirs. I am sure that this sort of dialogue helps to promote a relationship of co-operation and mutual understanding which will benefit both sides. I look forward to continuing this dialogue, and hope to make a further visit to Peking before the end of the year.

(b) Political relationship with China

7. The single most important aspect of our relationship with China is of course the implementation of the Joint Declaration. This continues to make good progress. There should be no doubt about the determination of both sides to implement fully the terms of the agreement.

(i) Joint Liaison Group

8. The Joint Liaison Group has, over the past year, recorded further solid achievements. I will cite only a few examples. Following consultation in the group, the Government were able to start, in July, issuing permanent Hong Kong identity cards and a new type of Certificate of Identity. A start was also made on issuing British National (Overseas) passports. The first of Hong Kong's Air Service Agreements, that is an agreement separate from one also involving the United Kingdom, came into force on 26 June. And also in June, Hong Kong was admitted as a member of the Customs Co-operation Council. And full agreement has been reached on the New Pension Scheme for the Civil Service, which came into effect on 1 July.

(ii) JLG Sub-group on IRO

9. The standing sub-group on International Rights and Obligations, set up by the Joint Liaison Group, also continues to make steady progress. Its work gets less of the limelight but it is none the less of great importance. As a result of the work in the group, agreement has been reached in principle on Hong Kong's

future participation in the International Telecommunications Union; the International Maritime Organisation; the United Nations Conference on Trade and Development; and the Economic and Social Commission for Asia and the Pacific.

(iii) *Land Commission*

10. The Land Commission is another body which gets little publicity but which continues to do important work, producing practical solutions to a number of practical problems. Earlier this year it reached agreement in principle on legislative means to extend the vast majority of land leases in the New Territories to the year 2047 without requiring payment of an additional premium. To give effect to this, the New Territories Lease (Extension) Bill was introduced into this Council in May and will, I hope, pass through its remaining stages and become law early in this session.

(iv) *Looking ahead*

11. As provided for in Annex II to the Joint Declaration, the Joint Liaison Group will have its principal base in Hong Kong from 1 July next year. This will provide an opportunity to strengthen contacts between members of the British and Chinese teams, and to give further impetus to the work of the group.

12. I am confident that both the Joint Liaison Group and the Land Commission will continue to play an effective and positive role in implementing the terms of the Joint Declaration.

(v) *Basic Law*

13. Over the past year, the Basic Law Drafting Committee and its various sub-groups have made substantial progress in drafting the Basic Law which will put into effect the Chinese policies towards the Special Administrative Region set out in the Joint Declaration and its Annexes. Naturally, the people of Hong Kong have been watching with great interest the drafting process of the document which will form the framework for the Special Administrative Region and which will also influence the evolution of our own systems before then. Many Hong Kong people have been directly involved in the process. The first draft of the Basic Law, due to be published early next year, will be another key building block in the creation of a clear structure for our future.

(c) *Economic relationship with China*

14. Hong Kong's economic links with China continue to grow. During the past year China has remained our largest trading partner. In turn, we are now the biggest single market for Chinese exports, quite apart from the large amount of Chinese goods which are transhipped to other markets through Hong Kong. Total visible trade between China and Hong Kong in the first half of 1987

showed an increase of 52 per cent over the first half of 1986. This is remarkable by any standards. Hong Kong is also responsible for a very high proportion of external investment in China. Between 1979 and 1985, some two thirds of all pledged external investment in China came from Hong Kong. The process is two way. Chinese investment in Hong Kong continues to grow, as do the financial links between us.

15. An important development is the increasing amount of manufacturing processing now being sub-contracted by Hong Kong businesses to China, particularly to the Pearl River Delta region. It has been estimated that up to 1 million Chinese workers are now employed in this way. All these trends work to the benefit of both our economies.

16. Travel between Hong Kong and China also continues to grow. In 1986, Hong Kong people made almost 12 million visits to China, and 280 000 Chinese visitors came to Hong Kong for business, pleasure and family reasons.

17. In addition, Hong Kong plays a vital role as a gateway between China and the rest of the world. Last year 670 000 overseas visitors to China travelled through Hong Kong. Travel between Hong Kong and the Mainland has recently been made easier by better facilities at the border and simplified immigration procedures. Further improvements are being planned.

(3) ECONOMIC AND FINANCIAL SITUATION

(a) State of the economy and prospects

18. Within this Territory, a sound, healthy, economy is the essential foundation on which all our other endeavours and achievements must be based. We must continue to develop an environment within which business will flourish. From this, and only from this, will flow the creation of wealth which brings higher standards of living to our people and which gives Government the ability to fund social programmes to meet the growing expectations of our community. We are fortunate that these fundamental truths are well understood in Hong Kong: it is one of our greatest strengths. This approach to economic and social reality forms the backbone of all our policy making.

19. So far this year the Hong Kong economy has done better than we expected. In the first half of the year domestic exports rose by 27 per cent and re-exports by 49 per cent, compared with the same period in 1986. Domestic demand was strong in terms both of consumption and investment, and the property market has been active. Particularly welcome has been the continuing growth of investment in plant and machinery—an essential prerequisite for expanding our industry and increasing its efficiency. Overall, we expect the growth rate of our gross domestic product in 1987 to reach 12 per cent in real terms. This would be even better than the high figure of 11 per cent achieved last year and would be a very encouraging result.

20. Internally, the buoyancy of the economy has led to a sharp tightening of the labour market. Unemployment has fallen to a record low of 1.8 per cent and underemployment to 1 per cent. In the 12 months ending March 1987, the earnings of workers in manufacturing and service employment rose by an average of 12 per cent in money terms (or 7 per cent in real terms). There are indications that the rate of increase has accelerated over the last six months. Our workers are thus sharing in the general prosperity.

21. There are, however, some danger signs to which we must be alert. The first is inflation. The depreciation of the Hong Kong dollar is now being felt in higher import prices, although relatively weak world commodity prices, and the high proportion of our imports which come from countries whose currencies have also been depreciating, have so far cushioned this effect. In addition, rapid economic growth, and the relative shortage of labour which naturally follows from it, will tend to push up prices and dampen our currently strong export competitiveness. As of now the situation is not serious; but it will need to be watched.

22. Looking ahead, I remain confident that the longer-term outlook for Hong Kong's economy is good. Nevertheless, we have to realise that its performance will continue to be heavily influenced by external forces outside our control. We remain vulnerable, not only to threats of protection in our major markets, but also to swings in demand and in economic activity in those markets. Admittedly, our economy is very flexible. We can ride the storms better than most. But if the storms do come we must be prepared to react to them quickly.

23. All this means that we must not only follow carefully developments in our overseas markets. We must also maintain and improve the long-term competitiveness of our major export industries. Both these concerns lie behind the Government's current thinking on trade issues and our strategy for industrial development.

(b) *Trade*

24. So far as trade is concerned, the Government's main role is to do all we can to foster a free and open trading system, and to ensure maximum access for our manufacturers to overseas markets. These objectives the Government pursue, both through bilateral relations with governments in our major markets and multilaterally by taking part in international trade organisations, particularly the GATT. Much valuable assistance in selling Hong Kong products is given by the Trade Development Council: I should like to pay tribute to their efforts.

25. In looking at our recent excellent trading results we must also be aware of the danger posed by protectionist sentiment in the United States. Both Houses of Congress have produced versions of a Trade Bill which contain a number of protectionist provisions. An even more direct threat comes from pending textiles legislation. Protectionist legislation in the United States would not only

damage Hong Kong's trading interests directly. It would also produce retaliation and counter-retaliation. The result could only be severe damage to the world trading system. Both the Government and the private sector are taking every opportunity to impress on the United States Administration, and on congressional leaders, the dangers inherent in protectionist legislation. I shall be going to Washington myself in two weeks' time: these important matters will be high on my agenda.

26. Hong Kong is the prime example of a free-trade economy. We believe in working for a freer and more open world trading system. As a full member of the GATT, Hong Kong has been playing an active role in the Uruguay round of multilateral trade negotiations now taking place in Geneva. Some progress has already been achieved. There is a growing identity of views in the negotiations on the need for improved procedures to settle trade disputes. It is important that these negotiations should make steady progress. All could be put at risk if protectionist actions were to get out of hand. We must do everything we can to prevent this happening.

(c) *Industry*

27. At the same time as seeking to secure our access to overseas markets and working towards a more open world trading system, we need to consider how we can best encourage and assist our manufacturing industries to become increasingly competitive. The Productivity Council, the Industry Department, the Industrial Estates Corporation and the Vocational Training Council all have an important role in this effort.

28. The Government have, for many years, given a high priority to providing an adequate infrastructure for industry, in particular to ensuring that sufficient supplies of energy, water and industrial land are made available. More recently, we have begun to place increasing emphasis on providing support services specifically to assist industry to improve productivity and quality. Recent examples are the establishment of the Standards and Calibration Laboratory, the Laboratory Accreditation Scheme, and the Design Innovation Company.

29. In addition, a number of new initiatives are being taken to assist industry through the valuable work of the Industry Development Board. These result from careful and detailed studies of the needs of particular industries which cannot be filled by the industry itself. Proposals are now being worked out for a plastics technology centre based in the Hong Kong Polytechnic; and a scheme has been launched to help engineers obtain training overseas in new electronic technologies. The universities, and the Hong Kong Polytechnic, have been given funds to research possible industrial applications for the latest electronic and computer aided design and manufacturing technologies. A pilot industrial extension service has also been set up to encourage small manufacturers to use the industrial support facilities and services provided by the Productivity Council, the Industry Department and the Vocational Training Council. In

addition, the Industry Development Board will consider in the coming months the need and timing for a third industrial estate, as well as the need for a technology centre to house companies engaged in the commercial application of high technology, and to encourage a closer partnership between industry and the academic community.

30. A key role in enhancing the productivity of industry has been played by the Productivity Council. Plans are now at an advanced stage to centralise the council's services in a new building in Kowloon Tong in 1990, and to expand substantially its services for the metal working and electronics industries. The council will also be active in promoting new production management techniques, and is currently assessing what more needs to be done for the textiles industry.

31. All this will, I hope, serve to demonstrate that a great deal is now being done to help our industry meet the growing challenge of competition in overseas markets.

(d) Co-ordination of science and technology

32. As our industry, economy and society become more complex and sophisticated, we need to pay more attention to the part that modern science and technology can play in furthering development. To ensure that we get the best advice in this area, the Government have decided to appoint a Committee on Science and Technology. Its task will be to seek out and develop new scientific ideas of relevance to Hong Kong and to advise government departments on how they might best be applied. Where necessary, special groups will be set up under the main committee to look into particular issues which require the application of scientific or technological knowledge.

(e) Management of public finances

33. In managing the public finances the Government tries essentially to act like a prudent housekeeper. It is quite rightly an article of faith that we should seek to raise revenues in ways that are efficient and which do not act as a brake on the growth of the economy by blunting the incentives to effort, enterprise, investment and innovation on which our economic growth essentially depends. Hong Kong has learned by experience that relatively modest levels of taxation, which are capable of being collected, produce more revenue in the long run than higher and more onerous rates since they give encouragement to economic expansion. This low tax philosophy will continue to be our guide.

34. On the expenditure side, the Government aims to ensure that public spending does not exceed a reasonable and prudent share of the Gross Domestic Product and that its growth should, as far as possible, not exceed the growth rate of the GDP. This means that, in order to maintain and develop our programmes and services in difficult years, it is necessary in the good years of

rapid economic growth to run surpluses and to put money aside. This lesson was brought home sharply during the deficit years, from 1982 to 1985, when we had to call on our reserves to maintain the existing level of services.

(i) *Current state of public finances*

35. It is important to remember this lesson now when, because of our excellent economic performance, the public finances are in good shape and revenue has been boosted, particularly in such areas as profits tax, stamp duty and land sales. Despite this welcome situation we must remain prudent. If we allow public spending to grow too fast now when the economy is doing well, it will be hard to rein it back in less buoyant times. It therefore remains the Government's policy to manage the public finances with care and with close attention to longer-term trends in the economy.

36. Nevertheless, our present economic situation does provide some scope for expanding public services and responding to new needs. I will be indicating later in this speech some of the areas in which expansion can be expected. These will be within the constraint that we shall try to limit the growth of the Civil Service to not more than 2.5 per cent in any one year.

(ii) *Resource allocation system*

37. I should now like to refer to the new arrangements which are being introduced to improve the Government's long-term financial planning: they are known as the resource allocation system. Our present arrangements suffer from not being able to provide us with a means of monitoring performance against demand and, more importantly, not enabling us to respond more flexibly to changing economic and social developments. The new system will improve forecasting methods so that we can predict more accurately the size of our financial cake in future years and then have the ability to plan rationally how it should be shared out between competing government services.

38. When it is operating fully, this new system should enable us to plan and monitor more efficiently the use of resources across the whole spectrum of government activities; to allocate resources in a more flexible way; to assess how effectively they are being used; and then to make better decisions on the difficult choices between different priorities.

(f) *Regulation of financial and commercial sectors*

39. Hong Kong has continued to develop as a major financial centre. Private enterprise is, and will remain, the main driving force in this process. The Government's role lies in strengthening the legal and institutional framework in which the financial services industries operate. It must be our task to ensure, particularly when the marketplace is flourishing, that it warrants the trust and confidence of those who participate in it.

40. With this in mind the Government published for public consultation in early June a draft paper on disclosure of shareholdings. Its main purpose is to require disclosure of any substantial shareholdings in listed companies. It will then be clear exactly who controls these companies, and it will be more difficult for the control of companies to be obtained by stealth. We are also seeking to strengthen the present legislation against insider dealing. The objective in all these matters is to ensure that Hong Kong has the benefits of both a free market and a fair market.

(4) DEVELOPMENT OF INFRASTRUCTURE

41. In developing the economy and the social infrastructure we are crucially dependent on adequate and well directed capital investment, both public and private. This is particularly true for our basic programmes of public works. They provide the framework for all other activities and need continually to be expanded and modernised.

42. A key element of our development strategy has been the New Towns Programme. Over the past 15 years this has provided land for almost 200 000 public housing flats (including Home Ownership); more than 130 000 units in the private sector; and a very considerable land bank for other purposes, including industry. A significant milestone was passed this year when the total population of all the new towns reached 2 million. As a direct consequence of the New Towns Programme the population of the New Territories has trebled since the programme started in 1972.

43. This is a very impressive achievement, as I have seen for myself on a series of district visits over the past few months. It is not yet finished. It will continue into the '90s, with the completion of the existing new towns and with further developments at Ma On Shan, Junk Bay and Tin Shui Wai.

44. From now on, however, redevelopment in the older urban areas will become an increasing priority. The new land required for this will have to come from harbour reclamations. It is already clear that a greater proportion of the resources available for capital investment will have to go towards expanding the essential economic infrastructure of the Territory, especially our port facilities. The rapid growth of cargo traffic, particularly container traffic, makes this essential.

45. Last year, the port handled a record 14 000 ocean-going vessels and 82 000 river trade vessels; and the numbers of both have been steadily growing in recent years. The number of containers handled has also increased by as much as 50 per cent in three years. Expansion is expected to continue in the next few years by an average of at least 9 per cent a year. It has been boosted by the rapid growth, over almost a decade now, of Hong Kong's role as an entrepot and transshipment centre for China, in line with the expansion of China's own world trade. We now possess the second largest container port in the world in terms of

throughput and may soon become the largest. Port expansion must therefore be our first priority in maintaining the growth of our trade and economy. When terminals 6 and 7 at Kwai Chung have been completed, we shall have to decide where in the general harbour area further development should take place.

46. At the same time it is critically important for Hong Kong to have a first class international airport. Kai Tak has served us well over the years. But it has limited potential for expansion and must eventually reach its ultimate capacity. Even before that point is reached we must take account of the environmental impact on Kowloon of an airport at Kai Tak developed to full capacity. In looking at possible alternative sites, it is clear that the best sites for a new airport are in the west of the Territory, where new roads and other infrastructure can be built to serve both port and airport developments, as well as, possibly, to provide a new western harbour crossing. We are now commissioning a joint Port and Airport Development Study to advise on the best and most economic solution to these two critical problems. The study will draw on, and put together, all the work which has already been done on harbour, airport and road development. It will be completed by the late summer of 1989. We shall then be in a position to take some fundamental decisions about the future development of the Territory.

47. Clearly the resources required for these developments will be very large. At the same time we shall have to meet continuing demands on public funds for housing and urban renewal and for other substantial projects, such as new hospitals. It may be necessary to seek more private involvement than previously in developing suitable parts of our economic infrastructure. All of this means that the control and co-ordination of our massive development programme will become even more important. We are looking urgently at the form of governmental organisation required to carry out this task.

(a) *Transport*

48. In the meantime, the planning and execution of the various parts of our capital development programme continue apace. In recent decades a great deal of thought, planning and investment has been put into the development of Hong Kong's transport network. We now have a public transport system which, in terms of variety and flexibility, might well be the envy of many other large cities.

49. But this is an area where one has to run in order to stand still: growth in the demand for transport never ceases. For instance, between 1982 and 1986, the total daily distance travelled by all vehicles in the Territory increased by 12 per cent from just over 14.5 million km to just under 16.5 million km. This happened despite the fact that the number of registered vehicles was constant over the period and the number of private cars declined significantly. The reason was that the number of goods vehicles increased by over 30 per cent and

the distance they travelled by almost 60 per cent. This is a very sharp increase. Between 1982 and 1986, also, the average daily number of passengers travelling by public transport rose by 16 per cent to 9.5 million.

50. We are an increasingly mobile society, partly from choice, and partly from necessity. Continued long-term planning for new transport facilities, and the provision of the necessary resources to build them, is therefore essential. For this reason, the Government commissioned a second Comprehensive Transport Study at the end of last year. It will be completed by the middle of next year and will make recommendations for the period up to 2001. We shall seek public views on its recommendations before major decisions are taken.

51. Transport development is not standing still while this study takes place. A large number of major transport projects are in hand or being planned. These include the final stages of the New Territories Circular Road, the tunnel to Junk Bay and the new Route 5 from Sha Tin to Tsuen Wan, much of which is also by tunnel. The Eastern Harbour Crossing is now under construction. When it is linked with the future Kwun Tong Bypass and the proposed Tate's Cairn Tunnel between Sha Tin and Diamond Hill, it will provide a new trunk route between the north-east New Territories and Hong Kong Island. Plans are also being drawn up for Route X, which will link the north-west New Territories with the urban area. Without counting Route X we are planning to spend \$5 billion on highway construction over the next five years.

52. The first phase of the new Light Rail Transit system between Tuen Mun and Yuen Long is due to open in August next year. It will then be followed by further extensions to provide the north-west New Territories with a modern public transport system sufficient to meet demand until well into the next century. The Second Comprehensive Transport Study team is now looking at the viability of providing a fixed rail link between the main urban area and the north-west New Territories. The decisions to be taken include whether to start it in Yuen Long or Tuen Mun and where its destination should be in the urban area. The Government hope to make a decision on this before the end of 1988.

(b) *Transport links with China*

53. Particularly important at the present time are the improvements being made to ease the movement of people and goods to and from China. Road crossing facilities will soon be substantially improved by the Lok Ma Chau crossing at the western end of the border: this will link directly into the New Territories Circular Road. Stage I of the crossing will be finished at the end of 1988 and the second span of the bridge in late 1989. There will then be a total capacity at all border road crossings of about 50 000 vehicles per day. This compares with some 9 000 crossings per day at present.

54. For sea passengers, the new China Ferry Terminal in Canton Road will open in mid-1988 and will have sufficient capacity to meet demand into the next century.

55. Conditions for cross border rail passengers were improved significantly when the new terminal building at Lo Wu was opened early this year. A further extension is now being planned to cope with anticipated future growth in traffic. It should be completed in about four years' time. Our ability to handle the increasing volume of freight coming from China by rail will also be much improved by the planned expansion of the KCRC Freight Yard at Hung Hom Bay.

(c) *Housing*

56. Housing is another key part of our social infrastructure. I am pleased to record that the target, set in 1972, of housing 1.8 million people has now been exceeded. I have seen a good deal of this new housing on district visits, and very impressive it is. But we still have some way to go before we achieve our aim of providing adequate housing for the whole community at affordable prices. We must also take into account the fact that the pattern of demand for housing is changing. More and more people want to own their own homes or look for better quality housing. These aspirations are recognised in the Long-Term Housing Strategy which was tabled in this Council in April.

57. The strategy aims to provide increased opportunities for home purchase, as well as additional rental accommodation and a comprehensive redevelopment programme for the older rental estates. It sets the target of providing homes for an additional 1 million families from the public and private sectors combined by the year 2001. On present estimates that would enable the whole of our population to be adequately housed by that date. In the public sector the amount of housing available for purchase rather than rental will increase from 18 per cent this year to 27 per cent in two years' time.

58. The Government have also been taking a detailed look at the organisation of the housing programme to meet new and future needs. The Housing Authority's terms of reference are to be expanded to enable it to monitor and direct an overall housing programme in partnership with the private sector. Financial arrangements for the authority will also be revised to give it more flexibility and a new chairman will be appointed who will not be an official. The necessary legislation will be put to this Council in time for the new arrangements to be introduced at the beginning of the 1988-89 financial year.

(d) *Urban development and renewal*

59. Since the mid-70s, more than half of the Government's capital expenditure has been devoted to building the new towns. Inevitably, what has been done there has tended to show up the relatively poor environment of some of the older parts of the urban area. We now need to put more emphasis on improving the heavily populated areas around the harbour, where some 3.5 million people live and which also provide many of the centres of employment. As we all know parts of them are heavily congested, with dilapidated living conditions and a

lack of essential amenities. The reclamations now being planned at Hung Hom, western Kowloon, Central District and Kennedy Town will provide a real opportunity to plan a restructuring of the harbour area so as to reduce some of the present excessive building density. With this aim in mind, a special team is being set up under the Lands and Works Branch to produce a comprehensive master plan for the whole metropolitan area. This metroplan will provide the basis for more detailed district planning and for individual urban renewal and redevelopment schemes.

60. A key role in urban redevelopment will be played by the proposed Land Development Corporation. The Bill to set up the corporation has been published; it will be put before this Council soon. The role of the corporation will be to undertake, promote and facilitate redevelopment, especially in the older parts of the urban area. It will be given powers to acquire and develop property, either as single developments or as joint ventures with other developers. The Government hope that, within the next five years the corporation will make a real and positive impact on the urban environment.

(e) *Environment*

61. As we become a society which can offer an increasing proportion of our people something more than the basic necessities of life, it is natural that more emphasis should be placed on improving the quality of life. This means, among other things, giving people a chance to live in a healthy environment free, as far as possible, from pollution. But the harsh reality is that, despite all the efforts made up to now, many of our pollution problems are becoming worse, not better. Indeed, after decades of economic and population growth, we are now faced in some areas with serious pollution. I have seen many examples over the past months. We need to do more to tackle this problem.

62. Our aim is to work out a sensible and co-ordinated programme to deal with pollution in all its various manifestations. Panic measures are not needed. But we need to take some clear decisions even if, at first sight, some of them appear to be relatively costly. It is worth remembering that pollution itself brings its own costs, both human and economic.

63. It is an indication of the greater effort we are now devoting to this task that the staffing of the Environmental Protection Department (which co-ordinates all the Government's programmes for environmental protection) has been increased by more than four times in the past two years. Expenditure by the department has grown similarly, from just over \$20 million in 1985-86 to almost \$83 million this year. During this time it has concentrated particularly on dealing with water and air pollution and with the disposal of solid waste.

64. Particular attention is now being given to controlling the discharge of untreated, sometimes toxic, wastes from factories and to checking the uncontrolled disposal of livestock waste. For many years livestock waste has been a

cause of serious water pollution. This Council is now considering a Bill to give effect to a 10-year livestock waste control programme which includes provisions to prohibit the keeping of livestock in the urban area and the new towns. Even though we cannot expect instant results, the measures in that Bill will have a significant effect on many of our water pollution problems.

65. The Government's plans for dealing with solid waste involve the development of large capacity landfill sites in remote areas of the New Territories, linked to transfer stations in the urban areas and the new towns. Once they are fully operating, we will be in a position to close down the municipal incinerators, which cause a great deal of air pollution and which have provoked much public complaint.

66. Another problem which needs to be tackled with greater urgency is sewage disposal. Schemes are now being prepared for areas where sewage problems are most acute. These include east Kowloon, the north-west New Territories and the Tolo Harbour catchment area. This programme will call for substantial investment of as much as \$10 billion over the next decade. This investment is essential if we are to have the facilities we need for the efficient dispersal and treatment of sewage, both to safeguard the quality of our coastal waters and to provide industry with means for the proper disposal of liquid waste.

(5) EDUCATION

(a) General

67. A vital element in the economic and social progress of any society is the education of the future generation. Even in purely economic terms a good educational system is an investment which produces high returns. But it is much more than that. Properly developed, education is also one of the main foundations of a civilised and a tolerant community.

68. For several years the aim of Hong Kong's educational policy has been to provide every child with the best education from which he or she is capable of benefiting, at a cost that parents and the community can afford.

69. This has meant that our school system has had to grow extremely fast. Thirty years ago education was a privilege available only to a small minority. Less than 20 years ago the Government's immediate policy objective was to provide a subsidised primary school place for every child. Less than 10 years ago Hong Kong achieved the provision of nine years basic education for all. Today, with education taking up 18 per cent of the annual Budget, we have 100 per cent provision of free places up to Form III (that is to the age of 15) and plan to provide enough places in senior secondary forms and technical institutes to meet the expected demand. We also have ambitious plans for growth in the tertiary sector. None of this can be provided cheaply. The cost of education to the public purse will continue to grow.

70. Such rapid growth has meant that in recent years the emphasis has been on providing as many places as possible. Even so, the standards achieved in public examinations have been maintained. Increasingly in the future we should place the emphasis on further improving the quality of our education.

(b) *Schools*

71. One problem we have had to face in planning our school system, including the school building programme, is the changing distribution and demographic composition of the population, especially with the development of the new towns. This has, at times, created imbalances between the numbers of pupils and secondary school places in different areas; it has led to many children having to travel considerable distances to school. This problem is being tackled. Some 10 new secondary and prevocational schools will be completed in time for the start of the September 1988 term and an additional 70 by 1993. Most of them will be in the New Territories, particularly in Tuen Mun and Sha Tin. In addition, some existing schools will be moved from substandard premises in the urban areas to new buildings in the New Territories.

72. A major challenge facing our schools in the next few years is the language issue. On the recommendation of the Education Commission, the Government are introducing a number of measures to encourage the greater use of Chinese in the classroom. But Hong Kong's continuing prosperity depends on its remaining an international centre. This means having a high standard of English. For this reason we have started a pilot scheme to provide secondary schools with native English speaking teachers from overseas and have organised language courses in the United Kingdom for local secondary school teachers of English.

(c) *Technical Education and Industrial Training*

73. Adequately trained and retrained manpower is vital to the continued success of our commerce and industry. Hong Kong's newest and largest technical institute was opened in Chai Wan last month. This has increased the number of full-time places for craft and technician courses from under 4 000 in 1982 to over 10 500 now. Part-time places have also increased over the same period by about 50 per cent to a total of over 46 500. By 1989 the annual number graduating from the technical institutes will reach 22 000. This is impressive by any standards.

(d) *Higher education*

74. Our tertiary institutions have also been growing at great speed. They now provide more than 34 000 full-time equivalent places, with over 18 000 students on degree courses. This number will increase further when the third university opens. By the mid 1990s, we should be providing a total of about 55 000 full-time equivalent places in higher education. This will mean that over 10 per cent of the 17 to 20 age group will be starting on first degree courses in Hong

Kong compared with only 5 per cent now. And we must not forget that more than 25 000 Hong Kong students are now estimated to be studying at tertiary institutions overseas.

75. In addition to a wide range of degree courses at the universities, we are building on the successful introduction of vocationally-oriented degree courses at the polytechnics and the Baptist College to help meet Hong Kong's needs for specialist manpower. Over the next three years, a Law Department will be established at the City Polytechnic and speech therapists will be trained at Hong Kong University. Proposals are also under discussion for setting up an Engineering Department at the Chinese University.

(i) *Hong Kong University of Science and Technology*

76. Last year a committee was appointed, under the chairmanship of Sir Sze-yuen CHUNG, to plan our third university: 'The Hong Kong University of Science and Technology'. A superb site not far from Clearwater Bay has been chosen and the legislation necessary for the incorporation of this new selfgoverning academic institution was enacted by the Council in July. The project has been given a major boost by a generous donation of HK\$1.5 billion from the Royal Hong Kong Jockey Club. This sum will meet most of the capital cost of building the university campus. Following a successful plenary session of the planning committee last month, it is now hoped to appoint the vice chancellor by the end of this year; to establish the new university's council in April next year; and to accept the first students in 1991, well ahead of the original planned date of 1994.

(ii) *Length of university courses*

77. The length of degree courses at our tertiary institutions has been the subject of a good deal of recent debate. The problem is not new. It arises from the different course lengths and systems of matriculation adopted by the two existing universities, which place differing demands on schools preparing pupils for university entry. It has been looked at a number of times in the past but has still to be resolved.

78. In March this year, the Education Commission began a comprehensive study of the structure of tertiary education. The results will be published in its third report. I hope this report will provide an opportunity to resolve this historical problem in a constructive way. The commission is considering a wide range of options. It will consult widely before it makes its recommendations. There will be a further period of public consultation after the publication of the report before a final decision is taken on what changes, if any, are needed.

79. This is field where sincerely held views differ widely. All concerned have a responsibility to work in co-operation for a solution which will be in the best interests of the whole community of Hong Kong.

(iii) *Research*

80. Research is an important element of the work done in the field of higher education. Good research contributes to the intellectual liveliness of the institutions themselves. It also provides the skills for the industrial innovation on which our economy will increasingly depend. The Government recognise these important points. We shall be increasing the funds made available to our tertiary institutions for research over the next three years by almost three times to a total of \$120 million.

(iv) *Academic accreditation*

81. Another important aspect of our educational needs is to be able to assess locally the standards of the degree courses at our non-university tertiary institutions. The Government have therefore accepted the recommendations of the Planning Committee on Academic Awards for the establishment of a Hong Kong Council for Academic Accreditation. The new council will assess and validate degree course proposals from the two polytechnics and the Baptist College, replacing the overseas body which previously performed this task. The necessary enabling legislation will be introduced during 1988. The council's membership and procedures will be designed to ensure that degrees awarded by the two polytechnics and the Baptist College will continue to maintain their present high standard and to enjoy international recognition.

(v) *Open learning institute*

82. In our plans for higher education, it is important that we should provide opportunities for those who have not previously benefited from higher education, and to those who have done so, but who need to update and renew their skills. This was a point made in the second report of the Education Commission. To meet these needs, the Government have now decided to set up a planning committee for the establishment of an open learning institute.

83. The provision of an open learning institute, which will be Hong Kong's sixth degree-awarding institution, will considerably increase the opportunities for tertiary education. The institute will offer degree and sub-degree courses. It should admit its first students in 1989.

(vi) *Conclusion*

84. Taken together, our plans for the expansion of tertiary education over the period of the next decade are impressive. They amount to a doubling of degree opportunities for those who wish to take advantage of them. Even so, the proportion of our youngsters who will be able to receive the benefit of tertiary education will still remain comparatively small by world standards. If Hong Kong is to continue to produce highly qualified people for all sectors of our economy, we should look ahead now to further expansion in this area.

(6) HEALTH AND SOCIAL PROGRAMMES

85. We have also made great strides over the years in the development of our health services and social programmes.

(a) Medical and health services

86. Improvement in our health service can be measured by the fact that Hong Kong now has an average life expectancy of 74 for men and 79 for women. These figures are high by world standards.

87. The Government's policy has always been to use the resources available to promote most effectively the health of the community as a whole, and particularly that large section which relies on subsidised medical care.

88. In doing so, great emphasis has been placed on preventive medical care. This is provided free, or at nominal cost, through a comprehensive network of outpatient clinics, maternal and child health centres and school dental clinics.

89. Much has been achieved, too, in the provision of curative medical treatment. This is based on the five regional hospitals and four other large hospitals. In addition, there has been a steady growth in new specialist clinics and other supporting facilities as well as in the numbers of hospital beds and professional staff. In Tuen Mun we are currently building one of the largest hospitals in the world with 1 600 beds. And before that is completed we will start work on an even larger hospital in Eastern District, the Pamela Youde Hospital, which will have 2 000 beds.

90. Nevertheless, much still remains to be done. As I have seen for myself, some of our hospitals suffer from serious overcrowding. The undoubted dedication of our medical staff is no substitute for lack of bed-spaces. Plans are in hand to deal with this problem. The number of hospital beds will increase by no less than 50 per cent in the coming decade. We need also to realise that the public is demanding higher standards in this as in other areas of their lives. We must do what we can to meet these demands. In doing so, however, we are inevitably constrained by the long lead time necessary to build and equip hospitals and to provide the trained staff to operate them. In addition, in Hong Kong as elsewhere, the cost of providing medical services is increasing very rapidly: this may lead to difficult decisions on priorities in future years.

91. The problems we face in our hospitals were highlighted in the consultants' report on the Delivery of Medical Services in Hospitals. So too were longerterm concerns about the effective use of resources and the problems associated with the management of large hospitals. Having carefully considered the consultants' report and public reactions to it, the Government have now decided in principle to set up a statutory Hospital Authority, with regional committees, to oversee the delivery of medical services in all government and subvented hospitals. This means a completely new organisational structure for

our hospitals. It will provide a clearer line of responsibility and accountability; enhanced flexibility to meet special needs; and more public participation in decision making and evaluation. A provisional Hospital Authority will be formed in April 1988 to oversee the legislative and administrative steps necessary for its formal establishment. The new authority will be supported by a Hospital Services Department as its executive arm. In addition, a Department of Health will be created within the Government to focus on the promotion of public health and preventive medical care. An early task for the authority will be to look into ways in which a set of common terms and conditions of service can be established for all staff working under the Hospital Authority. In the course of the next few months, further consultations on these matters will be held with staff and with the subvented organisations affected.

92. This important new initiative demonstrates the Government's firm determination and commitment to improve medical and health services. We intend to continue to provide subsidised medical services to one and all. To do this we need to have an organisational structure which will be more efficient, effective and responsive. When the new proposals are presented to this Council, I hope that they will commend themselves to Members.

(b) *Social services*

93. Another area where the Administration has been reviewing existing policies and considering new initiatives is the field of social welfare and social security. Well-designed social security and social welfare programmes contribute to a stable and prosperous society. Our safety net, though relatively modest by the standards of most advanced countries, is better than in most comparable countries in this region. But it needs to be kept constantly under review.

(i) *Social security*

94. Hong Kong's non-contributory social security arrangements are designed to bring the income of a single person, or of a family, up to a level where essential needs such as food, clothing and accommodation can be met. The special needs of the elderly and the disabled are covered by additional allowances.

95. Since 1984, there has been no increase in the basic rates of Public Assistance and Special Needs Allowance. This is because the rate of inflation in the last few years has been low. Recent movements in the Public Assistance Index, however, mean that an improvement in these rates will soon be necessary. Subject to the approval of the Finance Committee of this Council, it is proposed that there should be an increase of about 10 per cent on the basic rates of Public Assistance and Special Needs Allowance starting on 1 April 1988.

96. In addition, the Administration has carried out an overall review of the Public Assistance Scheme. As a result the Government have decided that, as from 1 January 1988, a number of improvements should be made to present

arrangements. These will include increasing the level of public assistance to larger families; the provision of a higher level of annual supplement for such families; and the introduction of a meal allowance for children attending full day school. A further improvement will benefit able-bodied recipients of public assistance who are in regular employment but whose wages are low. As from January next year only a part of their wages will be offset against their public assistance allowance, rather than all their wages as at present. This is to encourage them to remain in work.

(ii) Financial needs of the elderly

97. The financial security of retired persons and the welfare of the elderly generally is a matter on which members of this Council have expressed concern, particularly in the adjournment debate on 13 May on the desirability of setting up a Central Provident Fund.

98. As time goes by, the proportion of old people in our population will increase. Many people also fear that traditional family ties, on which the elderly have until now largely depended for support, are being eroded.

99. It has been argued that compulsory provident funds would go some way towards meeting these concerns. The Government have considered these arguments carefully. We have also considered the contrary argument: that compulsory funds, particularly a Central Provident Fund, would benefit least those whose need is greatest, that is those who have not held steady jobs or whose pay has been low. There is a further argument that compulsory funds could also have an adverse effect, possibly a seriously adverse effect, on our economy.

100. We have therefore decided that it would not be right to set up a Central Provident Fund or to make private funds compulsory. We have instead given careful thought to other ways in which retired people, and elderly people generally, can be helped. In particular, we have looked at ways of introducing supervision of private provident funds; improving social security; and extending and changing the character of the Long Service Payment Scheme.

101. There are now a considerable number of provident funds and other retirement schemes in Hong Kong, all without official supervision or regulation. The recent insolvency of several of these funds has prompted the Government to examine the framework within which they operate in relation to practice elsewhere. It is clear that our present arrangements suffer from some potentially serious shortcomings. We have therefore decided that a proper regulatory framework for such funds should be established. This will ensure that assets which are held for the future benefit of employees, including their own savings, are given an adequate measure of protection. Because regulation will affect a large number of employers and employees, it would be right to consult the

public on the adequacy or otherwise of the rules before they are put into effect. We therefore intend to publish in the near future a consultative document setting out a proposed regulatory framework.

102. Next, social security provision for the elderly. Firstly, the Government propose to extend the Old Age Allowance in stages so that, instead of only applying to those over 70, it will, by 1991, apply to all those over 65. In addition, we intend, as from 1 April 1988, to introduce a higher rate of allowance for those over 70: it is people in that age bracket who tend to be more frail and to have a greater need of assistance. The new higher rate of allowance will be paid to all those who now get the Old Age Allowance, that is those now over the age of 70. New applicants will however be required to make a simple declaration that their income and assets do not exceed certain levels before qualifying for the allowance. Second, we also propose to double the normal rate of disability allowance for severely disabled persons who do not live in a government or subvented institution, but nevertheless require constant attendance from another person. This increased allowance will not be subject to any form of means test or income declaration. The Social Welfare Advisory Committee and the Rehabilitation Development Co-ordinating Committee will be consulted soon on these proposals.

103. Taking into account the likely increase of about 10 per cent in the rates of payment of social security in April 1988, the new rates of Old Age Allowance will amount to about \$280 per month for those aged 65-69, \$320 for those over 70, and \$1,120 for the severely disabled who require constant attendance. These proposals are of course additional to normal public assistance payments to those old people who are eligible to receive them. They are designed to help improve the quality of life of our senior citizens.

104. Lastly, we plan to extend and change the character of the Long Service Payment Scheme. Originally this provided only for employees being dismissed. It will now be extended to include workers retiring because of old age or ill health. We shall also be considering how we can introduce further improvements in the future. From the employee's point of view the Long Service Payment Scheme has three major advantages over a Central Provident Fund. He does not have to contribute to it; elderly workers do not have to wait so long to benefit from it; and, most important, it is based upon the employee's final salary and is not therefore so vulnerable to erosion by inflation.

(iii) *Social welfare services*

105. Within our social welfare services, there are several issues which call for more attention.

106. There has been increasing public concern recently about the problems associated with ageing. Quite apart from financial needs, there are the physical needs of the frail and infirm who can no longer live with their families or on

their own. The shortage of places in care-and-attention homes run by Government and subvented welfare agencies has led to the mushrooming of private nursing homes in the last few years. The standards of service provided in these private homes can vary greatly. The Social Welfare Department is now assessing the extent to which they comply with the code of practice issued last year, and will then decide whether legislation is required to bring these homes under closer control. Meanwhile, we are continuing with our programme to increase the provision of subvented care-and-attention homes. There are now 12 such homes providing just under 1 500 places. By 1991-92 we expect these figures to rise to 28 homes with nearly 5 000 places.

107. There is also a need to improve services to other vulnerable groups in our community. The plight of street-sleepers, bed-space dwellers, children suffering from domestic violence, the mentally disturbed, the destitute and other less fortunate persons, have put a considerable strain on our welfare services. Most of our social workers carry a very heavy workload. There is a great need to increase their numbers and to provide more trained personnel. We must also re-emphasise and support the role of the family as the cornerstone of society.

108. Finally, we need to continue, and to strengthen, co-operation between the Government and the subvented social welfare services. The subvented sector provides helpers, expertise and enthusiasm. They have kept alive a worthy tradition of community support for welfare services. The Government will encourage them to continue their contribution to the creation of a caring and stable society.

(iv) *Rehabilitation*

109. One of the areas to which the Government is paying particular attention is services for the rehabilitation of the disabled and the mentally handicapped. Over the next five years, we plan to increase and improve the facilities for child assessment and for the education and training of disabled and mentally handicapped children. More will also be done to provide additional residential places and vocational rehabilitation programmes for the mentally handicapped and the disabled. I am pleased to announce that, with the approval of Her Majesty The Queen, we propose to set up a Queen Elizabeth Foundation for the Mentally Handicapped. This will be funded jointly from the proceeds of the sale of Royal Visit Gold Coins, from general revenue and from contributions by other donors. The foundation will complement the Government's programme in this area. It will also provide additional resources to improve the care, education and training of the mentally handicapped.

(c) *Employment*

110. The problems associated with labour shortages in boom conditions have recently been the subject of wide public discussion. We have long followed the policy of allowing wages and other incomes to be decided generally by the

forces of the marketplace. This has, over the years, enabled us to ensure the competitiveness of the export industries on which our economy, as well as the standard of living of our workforce, depends so heavily. It has also given us the low levels of unemployment which must be widely envied in other parts of the world. The other side of this coin is that, when our economy is booming and exports are doing well, there is a tight labour market, with demand for labour exceeding supply. In these conditions the logic of our system means that competition for labour bids up wages. In this way, in times of prosperity, our workers get their fair and deserved share of the bigger overall cake. Another consequence is that industrialists invest in new labour saving machinery. This tends to increase productivity and helps to upgrade the quality of our products. It is for these reasons, among others, that the Government have resisted calls for a relaxation of our immigration rules to permit the large scale importation of labour.

111. In dealing with conditions of employment, our target for a number of years has been to achieve conditions broadly equivalent to the best prevailing in neighbouring countries whose stage of economic development and social and cultural background is similar to our own. In pursuit of this objective the Government have enacted 142 items of labour legislation over the last 10 years. But we are not complacent. Rapid economic growth quite rightly gives rise to increasing social expectations. So we must continue to improve our standards.

112. A high level of economic activity has unfortunately also brought with it an increase in industrial accidents, in spite of all the efforts that have been made by employers, workers and the Government to improve industrial safety. The Government will introduce legislation this session to impose on both employers and employees a general responsibility for safety and health at work; to introduce custodial sentences for serious offences; and to control dangerous substances used in industry.

(7) CULTURE AND RECREATION

113. Ours is a society which works hard. It also has increasing demands for recreation and culture. How people spend their leisure time in a crowded, yet increasingly affluent, territory is an important aspect of the quality of life.

(a) Broadcasting

114. Broadcasting, whether by television or radio, has a significant role to play in the leisure activities of most people. Last year the Government announced decisions on a number of the major recommendations arising from the Report of the Broadcasting Review Board. Since then, considerable progress has been made in implementing these decisions.

(i) *Future of RTHK*

115. Towards the end of last year the Government announced that Radio Television Hong Kong would be made responsible to an independent Board of Governors. This will be a further step in bringing about more community participation in the operation of the public broadcasting service. One of the tasks of the Board of Governors will be to decide the direction in which future developments in RTHK should take place.

116. We intend to bring legislation before this Council next year to provide for the establishment of the Board of Governors. In the meantime the new financial and administrative arrangements required by the changed status of RTHK are being examined and developed.

(ii) *Broadcasting Authority*

117. This Council enacted the Broadcasting Authority Ordinance in July. Under its provision, a Broadcasting Authority, with responsibility for wireless television, was established on 1 September. The authority consists of 12 members, of whom nine, including the chairman, are not government officials. The members have been drawn from diverse sections of the community and should be genuinely representative of its interests. By drawing up codes of practice the authority will help to ensure that television programmes provided in future will reflect more accurately the tastes and standards of their audience.

118. The authority's regulatory functions will later be extended to cover radio broadcasting and cable television.

(iii) *Cable television*

119. In July 1986 the Executive Council accepted in principle the Broadcasting Review Board's recommendation that cable television should be introduced in Hong Kong. Following a public invitation, eight developers expressed an interest in establishing a local cable television system and submitted outline proposals.

120. A cable television network can be used for a wide range of telecommunication services in addition to the transmission of television programmes. The possibility of its introduction has therefore raised the more fundamental question of whether Hong Kong's communication requirements can adequately be met in the next decades by the existing single telecommunications network, or whether a second network should be allowed. This is a highly complex and technical issue. For the sake of Hong Kong's future as a centre of international communications we must get the answer right. The Government have therefore decided to commission outside consultants to study and report on the technical and economic implications of introducing a second domestic telecommunications network. The consultants are due to report by the end of this year. Thereafter, we expect to be in a position to invite tenders for a cable television service in the second half of 1988.

(b) *Culture*

123. Over the last decade there has been a significant expansion in such facilities. New concert 121. In cultural activities Hong Kong is now taking its rightful place as an important centre in the region.

122. The Government's policy is to promote appreciation of, and participation in, cultural and artistic achievements and activities. This policy emphasises the development of local talent and local professional performing companies as well as the provision of suitable facilities in which they can perform.

halls and theatres have been provided throughout the Territory by the Government and the two Municipal Councils. These include new Town Halls in Tsuen Wan, Sha Tin and Tuen Mun. In addition phase II of the Cultural Centre at Tsim Sha Tsui will be opened in mid-1989. By then we shall have as many as 21 000 theatre and concert hall seats available throughout the Territory. This is not counting the Hong Kong Coliseum and the Queen Elizabeth Stadium which are also sometimes used for such performances.

124. We are fortunate that we already have a great deal of local talent and many local companies performing at a high standard: examples include the Hong Kong Philharmonic Orchestra, the Chung Ying Theatre and the Hong Kong Ballet. We must continue to develop such talent to make the best use of our facilities and to attract wider audiences. Earlier this year I presided over the first graduation ceremony of the Academy for Performing Arts. The academy will soon be producing more professional performers and teachers to make their own contribution to the future development of the arts.

125. While developing our own talent we must not forget the need to attract to Hong Kong the highest quality performers from overseas. This has already been happening on an increasing scale in recent years. The programmes and activities organised by the Municipal Councils play a major role, both in this respect and in providing opportunities for local performers. In addition, the Hong Kong Arts Festival, which has taken place every year since 1972, and which the Government are continuing to help fund, has become firmly established as a significant event in the international cultural calendar.

(c) *Sports and recreation*

126. Another area of particular importance, to our young people especially, is sports and outdoor recreation. The Government, the Municipal Councils and numerous voluntary sports bodies and associations all play active and important roles in promoting and developing sports and recreational activities, both for mass participation and for the pursuit of excellence.

127. During this financial year, increasing support and technical advice will be given to sports bodies to help people in Hong Kong take part in sports and recreational events, both here and overseas. Between them, the Council for Recreation and Sport and the Municipal Councils plan to provide over S\$37 million this year to fund a variety of events.

128. We can be proud of the fact that Hong Kong now has a remarkable range of sports facilities. We have 19 full size public swimming pool complexes—and four more are under construction. We have 27 multi-purpose games halls, with facilities for basketball, volley ball, badminton, squash and fitness rooms. As many as 26 more are under construction. And we have the Coliseum and Queen Elizabeth Stadium which are used for large scale indoor sporting and recreational events.

129. We are also fortunate, for such a small territory, to possess 21 country parks. They cover as much as 40 per cent of Hong Kong's land mass and provide superb opportunities for people to enjoy the open countryside away from the hustle and bustle of the urban environment. In 1986-87 they received nearly 10 million visitors—clear evidence of their continuing and widespread popularity. I have made great use of them myself over the past few months.

(8) TRAVEL AND TOURISM

130. Both because we live in a densely populated environment, and because we are a business orientated community, the right to travel freely and without hindrance outside the confines of Hong Kong is a matter of great concern to most people in the Territory. They wish to be sure that, when they travel to other countries, they can do so with as little inconvenience and with as few formalities as possible.

(a) Passports and travel documents

131. In this connection considerable concern has been expressed recently about whether there will be problems in using the new British National (Overseas)(BN(O)) passport.

132. British National (Overseas) status, and the passport that goes with it, were introduced on 1 July. Those who are entitled to use this form of passport will continue to be able to use it after 1997, whereas the Hong Kong British Dependent Territory Citizen (BDTC) passport will not be valid after the establishment of the Hong Kong SAR. Provision was made for the new passport in the exchange of memoranda associated with the Joint Declaration. Its introduction followed some nine months of intensive diplomatic activity by the British and Hong Kong Governments to explain the new status to other governments. Despite all that has been said on the subject to the contrary, the response has been encouraging. The great majority of the countries to which Hong Kong people travel most often have publicly stated that they will treat the BN(O) passport in the same way as they do BDTC passports; and this includes the continuation of visa free arrangements where these exist. No government has said that it will not accept for entry to its territory travellers holding the BN(O) passport.

133. I am aware that there has been public concern about the validity of the BN(O) passport. The fact that not every country in the world has issued a statement on their acceptance of the passport is not significant. One would not expect them to do so. The BN(O) passport is a British passport issued under the authority of the Secretary of State. As with any passport it is assumed that other countries will accept it as a valid travel document. In the rare event that they do not do so, it is for them to make this clear. I see every reason to believe that people using the new BN(O) passport will be able to travel as widely and easily as they do now on BDTC passports.

(b) *Computerised immigration control*

134. It is also important to travellers that they should be able to move in and out of Hong Kong quickly and conveniently. In May this year computer systems were introduced at the immigration control points at the Macau Ferry Terminal and the Sham Shui Po Pier. The system has now been extended to cover the Lo Wu and Hung Hom control points; and it will soon be introduced also at the Man Kam To and Sha Tau Kok crossings. Kai Tak Airport and the China Ferry Terminal in Canton Road will be covered in mid-1988; and, finally, Lok Ma Chau in mid-1989. At that stage all travellers with Hong Kong identity cards will be able to pass through all of our immigration control points without having to complete arrival and departure cards.

(c) *Travel agents*

135. Some holiday-makers and other travellers have suffered from travel agents suddenly ceasing business or otherwise defaulting on their obligations. We can all sympathise with those whose plans for a holiday turn into a nightmare of travel forgone and money lost. The problem is not unique to Hong Kong. Although we do have legislation covering travel agents it is becoming clear that, without the deployment of disproportionate resources, this alone cannot provide an adequate safeguard against inefficient and fraudulent operators. There now seems to be a general consensus that the best way forward is for the travel industry to regulate itself; that it should adopt sound and prudent practices in order to protect its own integrity as well as the interests of its customers. The Government are liaising closely with the industry in order to achieve this objective as soon as possible.

(d) *Tourism*

136. People do not only travel out of Hong Kong. Travel into Hong Kong by tourists remains a major feature of the Territory's life. Over the years, our tourist industry has made a very significant contribution to the economy, relying mostly on its own resources and without government assistance. Even the Tourist Association is largely financed from the hotel accommodation tax. In the mid-1970s we reached, for the first time, the figure of 1 million visitors a

year. The number will soon reach 4 million a year. Some of our hotels are ranked among the best in the world and we have the best shopping facilities and the most varied range of cuisine, much of it of the highest quality. Add to this our position as a gateway to China, and it is easy to see why Hong Kong is a very attractive tourist destination.

(9) LAW, ORDER AND SECURITY

(a) Crime

137. From pleasure to problems. I turn now to another area of great concern to the people of Hong Kong: issues of law and order. Coping with crime is a never-ending task in any large and crowded metropolis. In Hong Kong we have made very considerable efforts over the years to combat crime. We have had a significant degree of success, and I would like to pay tribute to the efficiency and dedication of our police force which does so much to ensure that ordinary citizens can go about their affairs in safety. Crime is being contained and there is heartening evidence that it is even declining. In this respect, Hong Kong appears to be doing much better than many other large cities, although there is always room for improvement.

(i) Triads

138. One area of particular concern is triads. Over the past year the Fight Crime Committee has continued to give the triad problem a high priority and a number of measures have been adopted to counter it. One important move has been to provide better protection for trial witnesses through the use of one-way viewers. In addition, stricter penalties have also been introduced for those found guilty of belonging to illegal societies, and legislation is being prepared to tighten the laws governing illegal gambling, drug abuse and the nuisances associated with prostitution. A scheme is also being worked out to make it possible to renounce triad membership. Next year a new computerised criminal information system will be in operation to improve our ability to combat triad activities and other serious crimes.

139. Particular attention needs to be paid to the rising trend of crimes committed by young offenders. Steps are being taken to improve and refine sentencing policy for such offenders in order to improve their chances of rehabilitation. Methods are being worked out to involve schools more closely in this problem, for instance through the use of specially compiled teaching materials. District boards and district fight crime committees are also paying greater attention to juvenile crime on a local basis.

(ii) Commercial crime

140. The recent conclusion of the longest and most complex court case in our history has focussed renewed public attention on the problem of commercial crime. As hon. Members are aware, the Government have been working on

this problem for some time. A draft Bill has now been prepared which will implement, as far as practicable, the recommendations of the Select Committee on Complex Commercial Crime which aim to improve the preparatory stage and the subsequent conduct of complex commercial trials. The advice of Executive Council will soon be sought on these proposals.

(iii) *Corruption*

141. The fight against corruption continues with, I am pleased to note, some significant successes. Reports of corruption received by the ICAC now appear to be declining, particularly in respect of the public service. On the other hand, there has been some increase in prosecutions for corruption and related offences and in the number of convictions recorded.

(iv) *Drug abuse*

142. One problem which has caused us much trouble over the years is the abuse of drugs. The linked menaces of drug addiction and of drug trafficking have now reached global proportions. So far as Hong Kong is concerned, they are being tackled vigorously and our methods and success have received international recognition. Hong Kong is playing a leading role within the region in helping to co-ordinate international action against drug trafficking. It is particularly pleasing to note that our close liaison with the Chinese authorities in this field has significantly reduced the illegal import of mandrax.

143. This is not to say that we do not have a local problem of drug abuse. We do. But we are containing it. Particularly as regards heroin. We are also dealing firmly with the rising problem of the abuse of psychothropic substances.

144. The enforcement of the law against illegal drug trafficking is also being pursued vigorously, both in relation to prosecutions and to the seizure of drugs. We need to be able to strike more effectively at the financial roots of the illicit drug trade. So new legislation is now being drafted to give power to the courts to confiscate the proceeds of drug trafficking. The Government intend to introduce it into this Council during the current session.

(b) *Illegal immigrants*

145. Another problem which requires constant attention is illegal immigration. In June, a sudden increase was sparked by baseless rumours of an amnesty. Our security forces once again ensured that nearly all of the arrivals were caught on entry and returned forthwith. They deserve our congratulations and thanks for their professionalism and unremitting efforts. We benefitted too from good co-operation with the Guangdong and Shenzhen authorities who also played a large part in stopping the flow. I should like to make it clear once again: there will be no amnesty for illegal immigrants.

146. To the familiar problem of illegal immigration has, in recent months, been added that of former Vietnamese refugees resettled in China who have tried to enter Hong Kong illegally. While they are with us these people are a strain on our resources in the same way as refugees. But they are illegal immigrants, not refugees, and must be treated as such. With the effective and welcome co-operation of the Chinese authorities, steps have been taken to contain the flow and to return those who have arrived to China as speedily as possible. I am glad to say that this exercise is proceeding smoothly.

(c) *Vietnamese refugees*

147. We also have a continuing, indeed a growing, problem in coping with refugees from Vietnam. It is understandably a matter of great concern in our community that this problem, which reached dramatic proportions in 1979, is still with us. The number of refugees arriving from Vietnam so far this year has increased by 38 per cent over the same period in 1986. The number leaving for resettlement has declined by 47 per cent. Those statistics tell their own stories. It is a most unsatisfactory situation.

148. With the continuing help of the British Government and of the United Nations High Commissioner for Refugees, who have been vigorously seeking more places on our behalf, we will go on pressing the resettlement countries to take more refugees from Hong Kong. But resettlement countries have become very selective in choosing whom they will accept. Most now insist that those they take should have close family connections with Vietnamese already settled in their countries. This makes it very difficult to resettle many of our refugees. We have a particular problem in that an increasing number of the arrivals are ethnic Vietnamese from North Vietnam who have no connections in countries of resettlement. Many people in our camps have waited years in the hope of being resettled. Three and a half thousand refugees from Vietnam have been here for more than five years.

149. The Government of Vietnam bear a heavy responsibility for this continuing exodus of despair which affects not just us but all the countries of South East Asia. We need a long-term solution which deals with the problem at its source. But this can only be achieved by a co-operative effort by a number of countries. It certainly cannot be solved by Hong Kong alone. It also requires the co-operation of the authorities in Vietnam itself. So far the Government of Vietnam have said no more than that they are prepared to consider repatriation on a case by case basis. Experience has shown that this is a very restrictive definition. I can assure hon. Members that we, and the British Government, will continue to seek a solution to this problem which has been with us for far too long. But I am afraid that it will require a great deal of time and patient diplomacy before we can expect to achieve results.

(10) THE STRUCTURE AND MACHINERY OF GOVERNMENT

150. It goes without saying that, in pursuing its many and varied tasks, the Government's constant concern is to act in the overall best interests of Hong Kong. This means, amongst other things, maintaining a framework of sound administration which is stable and reliable and yet remains responsive to the changing needs of society. Only in this way can we hope to ensure that our policies and actions continue to receive the approval and support of the community as a whole.

(a) Review of developments in representative government

151. It is in line with this philosophy that the structure of Government, and the roles and composition of its various components, have changed and developed over the years. This process has been evolutionary, not revolutionary. We have taken care at each step to reflect and consult before deciding on the next one. As part of this process, we have just completed another round of public consultation on developing various elements of our system of representative government. The Green Paper on the Review of Developments in Representative Government has produced a great deal of discussion within our community. This Council held a debate on the Green Paper in July in which all Members present in Hong Kong, apart from officials, spoke. A number of different points of view were put forward and were carefully and vigorously argued.

152. The Survey Office will produce its report at the end of this month. During the four month consultation period it received a total of over 130 000 submissions. This is far more than in any previous public consultation exercise. It is evidence of the interest which the issues in the Green Paper, and in particular the possibility of introducing some element of direct elections to this Council, have aroused amongst many in our community. Besides being the passive recipient of submissions, the Survey Office has also commissioned its own public opinion poll in order to obtain an objective assessment of the views of the whole community on the options listed in the Green Paper. I will not attempt now to prejudge the contents of the Survey Office report. It will be laid before this Council early next month and Members will subsequently have an opportunity to debate its contents.

153. Important decisions will need to be taken over the next three or four months on what changes it would be right to make in 1988. In reaching those decisions, the Government are committed to taking full account of all the views recorded in the Survey Office report. We will, naturally, also give full regard to other relevant factors, including the need to ensure that any changes which might be introduced do not disrupt the steady progress we have been making, nor the stability which is so important to our community.

(b) *The public service*

154. Whichever way we structure and organise the institutions of government, the continuance of sound administration will depend greatly on the maintenance of a dedicated and efficient Civil Service. In my inaugural speech I said that I had great confidence in the experience and efficiency of the Administration. Since then, I have seen for myself the very high qualities of our public service. I am convinced that it is fully capable of meeting whatever challenges may lie ahead.

155. The present top management structure of the Civil Service was introduced in 1973. Since then Hong Kong has developed socially, economically and politically; and the demands made on that structure have increased considerably. The time has now come to take another look at our top management organisation to ensure that it is fully equipped to respond effectively, not only to the demands of Hong Kong today, but also to the further changes that will inevitably take place in the future. To this end, we are engaging an international firm of management consultants to help review the distribution of responsibilities between branch secretaries, and to examine the working relationships and relative roles of secretaries and heads of departments. The consultants' report is to be completed within six months.

156. We are now also paying increased attention to making sure that a sufficient number of trained and experienced officers will be available in future years to fill senior managerial and directorate positions throughout the service. Officers with potential to fill posts in the higher ranks are being identified and their talents are being developed through extensive training programmes and attachments, both here and overseas.

157. One pleasing development has been a significant increase in the number and quality of applications for vacancies in the public service. This year there were more than 3 000 high quality applications for 35 posts in the Administrative Services. This is an encouraging sign of a high level of interest amongst young people in pursuing a career of service to the community.

158. In the area of recruitment, the Government's basic policy on the localisation of the Civil Service remains unchanged; overseas recruitment occurs only when suitable local candidates are not available. The fact that local officers now fill 70 per cent of senior professional posts, and 53 per cent of directorate posts, is a result of the consistent implementation of that policy over the last few decades. Even so, it is interesting to note that, owing to the increase in the size of the Civil Service, the total number of overseas officers holding senior professional and directorate positions has remained more or less constant over the past five years at around the thousand mark. Also worth noting is the statistic that some 90 per cent of applications from overseas officers for renewal of contracts are approved. All this is evidence of the fact that overseas officers

continue to make a substantial contribution to our society. In a modern and cosmopolitan society such as Hong Kong, there will always be room in the public service for suitable talent from overseas.

159. There is one other matter relating to the public service which I wish to mention briefly. On retirement, some civil servants seek permission, under the Pension Benefits Ordinance, to take up employment in the private sector. It has become apparent that the present arrangements for considering such applications in the case of senior officers have not been sufficient to allay public concern that conflicts of interest may arise. I have therefore decided that an advisory committee should be established to vet applications from directorate level officers who wish to take up employment in the private sector after retirement. I am pleased to announce that Sir Roger LOBO has agreed to chair this committee. It will also include a member of the Public Service Commission, a High Court Judge and the Secretary for the Civil Service.

(c) *Redress of grievances*

160. There are many decisions taken within government which directly affect individuals or, indeed, entire sectors of the community. However good and dedicated the Civil Service—and ours is both good and dedicated—there are bound to be occasions when maladministration occurs, or is alleged to have occurred. It is important, therefore, that suitable means should exist to investigate complaints alleging maladministration by government authorities and to ensure that genuine grievances are effectively redressed.

161. Following public consultation during the past year, the Government have accepted the case for an independent authority to investigate complaints of maladministration. Detailed proposals are now being drawn up for setting it up. Briefly, it is proposed that the authority should be called the Commissioner for Administrative Complaints; he should be independent; and that he should have powers to investigate complaints alleging maladministration on the part of government departments and statutory powers to call for government documents. There will be some necessary exclusions from the commissioner's jurisdiction, for example in the fields of defence and of international relations and obligations, as well as matters of a judicial nature.

162. The details of the commissioner's terms of appointment, his jurisdiction, access to him by complainants and his investigatory powers will be published as a white Bill for public consultation before its introduction into this Council. This will permit public comment on the details, which were only outlined in the consultative document issued in 1986.

(d) *Administrative appeals*

163. To improve yet further the system for the redress of grievances, the Government are also studying existing procedures for dealing with statutory appeals to the Governor in Council. The aim is to try to streamline and

rationalise these procedures, so that appeals can be handled more thoroughly and swiftly. This may require legislation, in which case we shall seek to bring proposals to this Council during the coming session.

(11) CONCLUSION

164. Hon. Members, I hope that what I have said this afternoon will commend itself to you as a programme which is both ambitious and capable of achievement. The aim is to be forward looking; to build on the very substantial achievements of the past and to be responsive to the needs and demands of the future.

165. Many of the issues I have touched on will require the attention of this Council. New legislation, some of it highly complicated, will be put to you for consideration. I anticipate lively debate on many topics. The demands placed on your time and stamina will be considerable. But I know that you will apply yourselves to the task with the same thoughtfulness and dedication which has characterised the work of this Council in the past. I am confident too that, where there are differences of view, they will be argued with care and in the realisation that we all have a common objective: to further the well being of the whole community of Hong Kong.

166. What we are seeking is the development of Hong Kong as a society which combines a strong, expanding and competitive economy with concern for the quality of life of all its inhabitants. This is the objective to which I commit myself and the Government. With your help I am sure that we can, and will, make steady progress towards the achievement of this goal.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 14 October 1987.

Adjourned accordingly at thirty-five minutes past Four o'clock.