

OFFICIAL REPORT OF PROCEEDINGS**The Thursday, 29th November 1973****The Council met at half past Two o'clock**

[Mr PRESIDENT in the Chair]

PRESENT

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)
SIR CRAWFORD MURRAY MACLEHOSE, KCMG, MBE
THE HONOURABLE THE COLONIAL SECRETARY
MR DENYS TUDOR EMIL ROBERTS, CBE, QC, JP
THE HONOURABLE THE FINANCIAL SECRETARY
MR CHARLES PHILIP HADDON-CAVE, CMG, JP
THE HONOURABLE THE ATTORNEY GENERAL
MR JOHN WILLIAM DIXON HOBLEY, QC, JP
THE HONOURABLE THE SECRETARY FOR HOME AFFAIRS
MR DENIS CAMPBELL BRAY, JP
THE HONOURABLE DAVID RICHARD WATSON ALEXANDER, CBE, JP
DIRECTOR OF URBAN SERVICES
THE HONOURABLE JAMES JEAVONS ROBSON, CBE, JP
SECRETARY FOR THE ENVIRONMENT
THE HONOURABLE JOHN CANNING, JP
DIRECTOR OF EDUCATION
DR THE HONOURABLE GERALD HUGH CHOA, CBE, JP
DIRECTOR OF MEDICAL AND HEALTH SERVICES
THE HONOURABLE IAN MACDONALD LIGHTBODY, JP
SECRETARY FOR HOUSING
THE HONOURABLE LI FOOK-KOW, JP
SECRETARY FOR SOCIAL SERVICES
THE HONOURABLE GEORGE PETER LLOYD, CMG, JP
SECRETARY FOR SECURITY
THE HONOURABLE DAVID AKERS-JONES, JP
DISTRICT COMMISSIONER, NEW TERRITORIES
THE HONOURABLE ALEXANDER STUART ROBERTSON, JP
DIRECTOR OF PUBLIC WORKS (*Acting*)
THE HONOURABLE SZETO WAI, OBE, JP
THE HONOURABLE WILFRED WONG SIEN-BING, OBE, JP
THE HONOURABLE WILSON WANG TZE-SAM, OBE, JP
THE HONOURABLE LEE QUO-WEI, OBE, JP
THE HONOURABLE OSWALD VICTOR CHEUNG, OBE, QC, JP
THE HONOURABLE ANN TSE-KAI, OBE, JP
THE HONOURABLE ROGERIO HYNDMAN LOBO, OBE, JP
THE HONOURABLE MRS CATHERINE JOYCE SYMONS, OBE, JP
THE HONOURABLE PETER GORDON WILLIAMS, JP
THE HONOURABLE JAMES WU MAN-HON, JP
THE HONOURABLE HILTON CHEONG-LEEN, OBE, JP
THE HONOURABLE GUY MOWBRAY SAYER, JP
THE HONOURABLE LI FOOK-WO, OBE, JP

ABSENT

THE HONOURABLE DAVID HAROLD JORDAN, MBE, JP

DIRECTOR OF COMMERCE AND INDUSTRY

THE HONOURABLE WOO PAK-CHUEN, CBE, JP

DR THE HONOURABLE CHUNG SZE-YUEN, OBE, JP

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL

MR KENNETH HARRY WHEELER

Motion**Address of thanks to His Excellency the Governor****Resumption of debate on motion (31st October 1973)**

HIS EXCELLENCY THE PRESIDENT: —Council will resume. Government business. Motions. Address of thanks.

MR ROBSON: —Sir, although the tempo of development in Hong Kong over the past three years is probably without precedent in our history, if the targets set for the next ten years are to be met this tempo will have to be greatly accelerated. In my opinion this will require the pooling of the land development resources of the public and private sectors and a united will that, come what may, our targets will be met.

My principal aim in consort with the Secretary for Housing, the District Commissioner, New Territories and the Director of Public Works, will be to see that the work on the new towns is kept in step with the housing programme as the successful completion of the latter is probably the key to all else. The importance of this work has been fully recognized and a special organization set up within the Public Works Department for this purpose which will be described in more detail by the Director of Public Works. But although, in the building of new towns, the emphasis must be on speed, their development must proceed within the framework of the plans drawn up for the

Colony as a whole in order that scarce resources, particularly land, are used to the best advantage. In other words, there must be greater planning of those resources.

To some people planning is associated with prohibition while to others it is associated with a wealth of diagrammatic cakes in which the only recognizable feature is that some department or interest seems to be getting a much larger slice of the cake than one's own. I am not disputing that both prohibition and schematic diagrams do come into the planning exercise which we are undertaking and this must intensify, but it is essentially to the programming of our main resources of land and manpower, within a realistic time scale, that I am now referring.

Honourable Members have seen the Colony Outline Plan which was completed at the end of 1971. This is a land-use plan which endeavoured to set the standards for the distribution of land between competing users. It also provided a land framework in which social and economic programmes could be planned. But it is already outdated and the more formalized programme planning for public services which will be evolving over the next year or so affects not only the land use standards used in the preparation of the present Colony Outline Plan but also makes it necessary to match the plan with a time scale and relate land use both to development of other resources and to economic feasibility. I propose therefore to initiate the updating of the Colony Outline Plan on this basis so that it will relate to departmental programme plans and other identified needs of the Colony. This is no small exercise but I am sure that honourable Members appreciate how necessary it is.

A comprehensive colony plan is one thing but its implementation another and if it is to work effectively then the very limited planning controls outlined in the Town Planning Ordinance must be expanded. As the law now stands, there is no statutory planning control over any part of the Colony not covered by statutory outline zoning plans, while the restrictions created by zoning plans within the planned areas are perhaps too inflexible. A recent seminar convened by the local branch of the Royal Town Planning Institute made comprehensive proposals for new planning legislation much of which appears to be very sensible indeed. This provides a good base from which to conduct a thorough re-appraisal of the legislation which I hope to be able to put in hand shortly.

In this connection my honourable Friend, Mr SZETO Wai, has rightly pointed out that traffic and transport are inevitably and, I may

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say, inextricably linked with town planning, development of new towns and pollution. In fact it is probably true to say that traffic and transport create the greatest problems of modern living. But this is especially true in the case of Hong Kong, which is unique because of its density of population, the pattern of its development and its topography. The effect of motor vehicles in both urban and rural life, and the facilities which have to be provided to meet their insatiable demands, is almost overwhelming. This situation must be brought under control and one of my most pressing tasks will be the drafting and implementation of comprehensive transport policies.

Your Excellency mentioned that a Green Paper is under preparation which will outline Government's thinking on what the overall transport policy should be and I have no wish at this moment to anticipate its contents. I think, however, honourable Members will agree that it will be necessary to ensure that no efforts are spared in seeing that the means are provided for the improvement and expansion of the public transport services as this is the key to the problem. But this expansion will almost certainly have to be associated with restraints on the growth of private transport, with the phasing out of public light buses as a substitute for double-decker buses and allocating to them their more proper role of providing feeder services to the main bus routes, with the proper use of taxis and with the suppression of pak pais. These measures will have to be taken if the improved and expanded bus services envisaged are to be able to travel along the routes allocated to them. From the several pertinent points made by my honourable Friend, Mr LOBO, I am sure he supports this view and will agree that measures at present under consideration for controlling public light bus fares are what are required. It is not intended or for that matter practical, to prescribe routes and fares for each of the public light bus routes but instead the Colony will be divided into a number of zones with a standard public light bus fare for each. The time and circumstances under which higher fares may be charged will also be laid down and enforced by the police—although this enforcement will largely depend upon complaints received from members of the public in much the same way as the present enforcement of the fares charged by taxi operators. If, however, experience indicates that prosecution is no real deterrent to overcharging by public light bus and taxi drivers, it will be necessary to consider more drastic measures such as administrative powers to suspend the vehicle licence after a conviction for overcharging.

Honourable Members are probably aware that the consultants who carried out the traffic studies for the underground railway and long-term road plan are now employed on a further comprehensive transport study to determine what facilities and services should be developed in order to achieve the best overall transport system for Hong Kong. This investigation will take into account the construction of the proposed underground railway system and consider all forms of other transport including buses, ferries and the Kowloon-Canton Railway. All the latter forms of transport will most certainly have to be greatly expanded, and expanded rapidly, for while there is no doubt that the greatest single project which will transform our transport patterns will be the construction of the underground railway, it must be borne in mind that, according to present predictions, even when the underground railway is built there will be a need for far more surface transport than exists at the present moment.

The DPW will describe the present state of play of the underground but I would not wish here to under-estimate the problems which will occur during its construction. A very close watch indeed will have to be kept on its planning and control to ensure that good progress on this front is not achieved at the expense of widespread traffic congestion or disruption of utility companies' services—most of which run under the roads.

It must certainly not be achieved at the expense of the poor pedestrian who has a pretty lean time of it in Hong Kong especially at the hands of, or should I say at the wheels of, the motorist. The present road safety campaign is, I think, persuading both motorist and pedestrian alike to be more careful and more tolerant and I have every hope that the recently established Road Safety Council will have a further impact on their behaviour. Their efforts will, however, need to be backed by legislation on the lines of the existing system of fixed penalties for parking offences to provide fixed penalties for moving traffic offences such as jumping the lights, and failing to give way at a pedestrian crossing. Coupled with this scheme should be a driver demerit system on the lines of similar systems successfully practised elsewhere. Under these schemes, for every moving traffic offence a set number of penalty points is awarded. If a driver clocks up more than a given number of penalty points within a set period, he is liable to have his driving licence suspended. These various measures should be very effective in making motorists at least more law-abiding and the road safer for all.

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I am afraid, however, that Mr LOBO's proposal to make or persuade pedestrians to walk on the right of the pavements is generally impracticable in Hong Kong because of the density and constant crisscross movement of pedestrians wishing to enter shops and offices fronting the pavement. Furthermore, many pavements in Hong Kong are too narrow for this to be effective. We did in fact try this out in the Star Ferry Subway a few years ago but it was a complete failure.

Before leaving the transport problem honourable Members may wish to know that the special problem of disposing of scrapped vehicles has not been brushed under the carpet and several departments have been working on it for some time. It is not, however, simply a matter of crushing vehicles. They have first to be stripped of wood, glass, upholstery, tyres and batteries and then emptied of oil before crushing and disposal of the scrap metal. A pilot scheme is now under consideration whereby a local iron works will take on the task of scrapping the cars in return for the metal scrap produced with a view to determining the best full scale long term arrangements for disposing of such vehicles.

During this debate there have been several references to the special problem of catering for land-intensive industries, and in this connection my honourable Friend, Mr Hilton CHEONG-LEEN, mentioned a case of a valuable industry which was experiencing difficulty in getting the land it needed to establish here. Your Excellency has, however, on several occasions stated Government's intention of selling land on a restricted user basis with the specific intention of encouraging the establishment in Hong Kong of those industries which, although land-intensive, will help our economy, that is industries requiring high technology and capital and which will either inject new technological skills into our industrial society or which will produce, locally, raw materials which other Hong Kong industries require and which may be in short supply over a protracted period. Land on Tsing Yi has already been sold on this basis and a number of other applications are being processed.

But it has to be recognized that this very necessary step involves the production of land beyond that envisaged in the new towns programme because the industries in question, first, cannot usually use land as intensively as our traditional industries and their worker/land ratios are therefore lower than the ratios envisaged when the new town planning layouts were prepared; and second, they are industries

which should not be sited in close proximity to or within heavily populated areas. Thus it is only up to a certain point that the needs of applicants for such land can be met at the present moment and continuity of the new policy will involve the preparation by Government or private enterprise of special industrial areas or industrial parks outside the main new towns areas. As Mr JORDAN has mentioned, a working party is already considering suitable locations for this and has initiated a re-examination of the industrial potential of Junk Bay.

The demand for land especially for industries which includes applications for petroleum refinery and petrochemical projects, has emphasized the need for a comprehensive system for the control of pollution arising from such industries. As was pointed out in the first report of the Advisory Committee on Environmental Pollution on Land and Water, the, legislation and authorities controlling pollution are at the present moment fragmented. In addition the two environmental feasibility studies of specific proposals for petrol—chemical industries which have been prepared by consultants for Government have emphasized that these industries are generally acceptable in Hong Kong at the sites proposed, but only provided that there is full control at the design stage of their plants and that there is comprehensive legislation and an effective authority to control the environmental standards set. The converse of this statement is, of course, that unless such legislation is enacted and such an authority established there can be no assurance of environmental control. By no means all industries which we would wish to see established in Hong Kong are, of course, potential polluters, but the introduction of heavier and more sophisticated industries must be seen to commit Government to a pattern of environmental control which has not hitherto been necessary.

As I have mentioned, it also implies the use of new land areas, and although initially these areas may have to be located in the vicinity of existing and planned towns, the greater use of land for these purposes brings forward the time when we must consider breaking new ground in the more deserted parts of the Colony.

Our largest untapped resource is, of course, Lantau but this is a resource which can only be fully utilized if it can be connected by road to the mainland. As my honourable Friends are aware, consultants have been appointed and are studying how Lantau Island can best be developed to meet the Colony's many needs and also the feasibility and economic sense of a bridge to Lantau combined with the development of the north-eastern part of the island. The south

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coast is a major recreational area and the consultants have this in mind as I am sure that few would suggest it was worth while sacrificing the fresh air and pleasure which it now provides for so many families in Hong Kong in order to use the land for other purposes. An interim report dealing specifically with the bridge has been received from the consultants and is being considered by the Director of Public Work.

This is perhaps one of the most exciting of Government's plans and although it is not likely that its fruition will be seen his decade, it nevertheless adds a new dimension to the Colony's expansion which would meet our needs probably until the end of the century. In the meantime Government intends to develop through both its own and private resources the facilities and amenities necessary to increase the capacity of Lantau for recreation and tourism of all kinds.

But I assure Mr SZETO that these major proposals will not delay the programme for the recreational development of the countryside drawn up on the advice of the two Advisory Committees for Recreational Development and Nature Conservation. Unfortunately these programmes have not gone so quickly as we all should have liked but the Director of Agriculture and Fisheries is aware of this and necessary staff is now becoming available.

Three country parks will be established in the New Territories by 1977 and work is well advanced on the first of these at Shing Mun. On a smaller scale it is hoped that by the end of this year 28 new picnic places will have been established complete with tables, benches and barbecue places of which 5 will be on Hong Kong Island.

Sir, there is a lot to be done but this is not new to Hong Kong and without under-estimating the problems of the next few years I am sure our targets can, and will, be met. I have therefore great pleasure in supporting the motion before Council.

MR AKERS-JONES: —Sir, this is my first speech as District Commissioner in this Chamber: the occasion affords perhaps an opportunity of explaining why there is a District Commissioner at all! Is the District Commissioner not an anachronism in this era of organizational reform? A neat, managerial solution would probably say he should shut up shop and dismantle his administration! However, present day circumstances do not permit this entirely rational and tidy solution any more now than they did in the past. The administration

of the New Territories finds its origin in a system which had been tried and found successful in many other farming and fishing communities: a description which at one time correctly described the New Territories.

It was not, then, an empty land but a land of farms and settled rural life: the arable plains and upland valleys were, and still are, privately owned. The affairs and needs of the people and orderly land administration were the District Commissioner's principal concern. These matters remain. But the last twenty years have seen great changes in this pastoral scene: the future will see many more. Moreover, the pace of change is accelerating: it is widely realized that urban expansion and all that it entails, all the great development projects on which our prosperity depends and the means of serving the wider recreational and leisure needs of Hong Kong must lie in the New Territories. There must be an amicable and satisfactory reconciliation of these developments with the people and property owners of the New Territories. This process requires the repository of knowledge which there is in the New Territories Administration and which has been built up over many decades of involvement, it is political knowledge, using that word in its broadest sense. This is the first reason why it would be most unwise for the brush of managerial reform to sweep away the New Territories Administration.

There is another organizational matter which was referred to by my honourable Friend, Mr Q. W. LEE, and which seems to defy rationalization, not only in the New Territories but to a certain extent in the urban areas, as I am sure my honourable colleague, the Secretary for Home Affairs, would agree. That is, to make sure that the functional departments of Government perform as well on the periphery as they do in the centre. I believe, Sir, there is now a much better awareness of this: that the needs of housing, education, transport and other services are no less important two or twenty miles from this Chamber. But it is a matter which needs the continued scrutiny of an independent and roving eye, because it is regrettably all too easy and common for functional plans and programmes somehow to get out of phase with the numbers and needs of people in particular localities.

A third reason, and this list is by no means exhaustive or detailed, is the number of special problems facing the rural areas. For example to talk of rural slums is a form of descriptive shorthand. It is a term which implies, perhaps, the logical follow-up—slum clearance. In fact, urban slum clearance is a fairly straightforward task compared with the complexity of restoring order and a wholesome appearance to

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a despoiled countryside while, at the same time, safeguarding the rights of the people who own the land. It is my view, however, that if the alternative to a rural slum is in some cases some degree of urban sprawl then better the latter than the former. I propose therefore, in addition to examining what can be done about clearing up some of the mess, to examine our present policies to see whether they are realistic for the vast areas of land in private ownership outside planned areas of Government development.

Having said this much about why I am here, I can see considerable advantage in the District Commissioner, New Territories being involved in the formulation of policy right at the outset. This was mentioned by Your Excellency in your speech to this Council on October 17th, it is a change of state which I know will be widely acclaimed in the New Territories and it is a change which I hope can soon be implemented.

I referred earlier to the reconciliation of the changes which are to take place in the New Territories, with the rights and aspirations of the people. In this connection, I would mention how extremely valuable are the regular meetings, which I and members of my staff have with the Heung Yee Kuk, with rural committees, village representatives and local organizations. However, these contacts need extending and, in addition to the traditional links, I will be examining ways and means of involving the citizens of the new towns more closely in the management of their own affairs and environment.

My honourable Friend, Mr Q. W. LEE, referred to two other specific matters in his speech. The first concerned the payment of compensation for land resumed for public purposes. It has been agreed by you, Sir, in Council, that, subject to the provision of funds by the Finance Committee of this Council, that the rates of Compensation offered in cases of resumption outside the development area will be adjusted to reflect the market value in the areas concerned. This change will remove a long standing grievance. The second point concerned the appointment of a land tribunal and I am glad to say that the departments principally concerned have recently agreed on the form that a permanent land tribunal could take. Such a tribunal would avoid the need to convene separate compensation boards for each resumption; it would also be able to deal with compensation claims arising from the alteration of streets and foreshore reclamations. From an organizational stand-point it has many advantages and when

properly established, it would deal with claims much more expeditiously than at present. I hope this improved system will meet general commendation and support.

My honourable Friend, Mr Li Fook-wo, has again drawn attention to the future use of Hei Ling Chau. A statement on this subject was made to this Council by my predecessor in November 1971. The decision to resite the explosives depot on Hei Ling Chau was taken after careful examination of the amount of land which would be sterilized by the depot, the competing use for land at various locations and the physical requirements for siting an explosives depot. And at this point I must make it absolutely clear that the depot is for the storage of explosives used for quarrying and construction works, and for the storage of other explosive materials; it is not as it has been referred to in the press an ammunition dump. However, my honourable Friend is once more voicing doubts which have been widely expressed about the wisdom and need to use Hei Ling Chau for this purpose. I have, therefore, asked the departments concerned to consider once again if it is essential to make use of this particular rocky promontory for the explosives depot and, if no alternative site can be found, to ensure that everything is done to minimize the effect on the rest of the island. I must point out that any undue delay in moving the depot is unacceptable both from the point of view of public safety, and also because additional explosives storage is urgently required, for, if it is not provided, public works and the underground railway may be delayed. We cannot afford therefore to take too long over this reappraisal. Thereafter it will, I am sure, be helpful if I send the result of our findings to the UMELCO Office and make them public. However, one thing can be said, that with or without an explosives depot, Hei Ling Chau is obviously ideally suited to controlled recreational use, but control there must be, otherwise the amenities of the island, which have been so conserved and extended by the Leprosy Mission will be quickly destroyed. The Hong Kong Auxiliary of the Leprosy Mission will naturally be brought into the discussion as to the future use.

Sir, the increasing tempo of change and development will give rise to many more difficult decisions and matters of judgment involving the New Territories, like that of Hei Ling Chau. This will mean some sacrifice, some places of beauty will disappear, others will be brought for the first time within easy reach of the people. It is a process in which the great issues affecting the happiness and well-being of the people of Hong Kong as a whole must not be lost to sight and be obscured by sectional interests; we must keep our eyes on the main

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objectives. "Change" as Dr JOHNSON said "is not made without inconvenience even from worse to better!"

Sir, I support the motion.

MR ROBERTSON: —Sir, I am grateful indeed for this opportunity to describe the progress and policies of the Public Works Department—or, at any rate, to indicate some of the major activities of this very large department whose branches inter-relate not only one with the other, but also with every other department of Government. If I succeed in my intention I will also be able to comment upon points made by my honourable Unofficial colleagues, and to set their points in perspective.

Without wishing to give undue weight to a subject with which I have had some personal associations, I should like to begin with water. Here indeed we have had a year of achievement and success. The long-term plans for augmenting our water resources have borne fruit in another—the sixth successive—year of continuous supply. It may be of interest that in the past six years we have distributed more water than in the previous 18 years. This year saw the completion of the works to increase the capacity of Plover Cove reservoir to 50,000 million gallons which is by itself 3 times the total storage capacity of all of our reservoirs 10 years ago. And, as a good omen, the summer's heavy rain came to fill our new reservoir to overflowing.

We also had the good fortune to be able to increase our contracted rate of supply from the East River/Shum Chun Water Supply Bureau by 3,500 million gallons a year to a total of 18,500 million gallons a year.

Meanwhile, work continues apace on the Lok On Pai desalter—still the largest in the world—and a valuable source of 40 million gallons per day which will gradually come on stream in 1975. This will be followed closely by the High Island Reservoir Scheme which will add 70 million gallons per day during the period 1976-78.

We have already begun to plan for the period from 1978 onwards, and, as demand for water continues to rise in sympathy with increasing prosperity, our plans must move forward at a proper pace, and we, in the Public Works Department, are well aware of this.

Sir, while I am happy that we are on top of the problem of providing water resources, I am less happy about our ability to provide the standard of service which the 600,000 paying customers of the Waterworks Office should have. This is, in part, due to an inadequate accounting and billing system which creaks and groans while barely achieving its accounting task, but fails completely to yield information essential to deal with customer queries and complaints.

The Public Works Department, as a whole, is the subject of a special study on the uses which it should be making of computers; an important outcome of this study, will, I am sure, be the computerization of the Waterworks accounts, and this will be a great relief to the Waterworks Office and its customers.

But this is not all we need. We suffer, as the service does generally, from a shortage of Accounting staff at all levels. The impact of this shortage is felt most strongly in the Public Works Department where, for example, in the Waterworks Office they are necessary to devise, monitor and review our system for accounting and for providing customers' services. More generally, the shortage of such staff, for example in the Electrical and Mechanical Office, prevents the development of cost-control systems to ensure that we get every last cent of value out of every dollar spent.

This is a problem of long-standing but as our services expand and our expenditure grows, so too do the potential benefits from solving it.

Having opened up the subject of problems, I wish to say something of the problems and prospects of the Buildings Ordinance Office. Whilst still recovering from their exertions during last year's catastrophic rainstorms, the staff returned to their desks to find an avalanche of new building submissions awaiting them. It was apparent that no ordinary measures could reduce the backlog of work that had built up, or even keep pace with the inflow of new work—particularly since the heavy rainstorms had shown that the Buildings Ordinance Office must scrutinize more closely all plans for development in hilly areas and scrutinize also the actual activities on the ground. The solution was a multi-pronged attack; consultants from England were employed to check structural calculations; other consultants assisted by a team of civil engineers seconded to the Buildings Ordinance Office to check site formation proposals and works on site; but the major step taken was to reduce significantly the extent of the detailed checking of general building submissions, thus placing the onus much more heavily on authorized architects. To some extent this was a calculated risk,

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although we should be able to pick up any major divergences from the Ordinance during inspections of buildings under construction. At that stage the cost of remedying a defect will be much greater, but perhaps this will lead to a greater discipline in the building industry.

Again with the aid of consultants, we are examining the areas of the Colony in which development is likely to present the greatest problems. The result of this investigation will certainly be that we will have a greater understanding of the problem and better machinery for ensuring that projects are carried out safely.

As to the future, there is often talk of our failure to take action against illegal building modifications. The intensive programme of action this year referred to by my honourable Friend Hilton CHEONG-LEEN, against the owners of one group of new buildings on King's Road has shown clearly that it is completely impractical to extend such action generally because of the enormous staff effort involved to achieve even a temporary improvement. Some additional posts have been approved recently for the Buildings Ordinance Office and we will do what we can with these, but I hope that we will also be provided with adequate legal and administrative means of tackling this problem and I can assure you Sir, that when we are, the staff of the Buildings Ordinance Office will get down to it with a will.

On the subject of building, the Architectural Office is responsible for all public building other than public housing. The uninitiated might wonder what our architects are going to do once the new Housing Department takes over all public housing.

There is no fear of unemployment in the Architectural Office, because the staff there know that they still have to provide housing for 400,000 at a cost of nearly \$1,000 million, in the transitional period before the Housing Department gathers full momentum; and they also know that their estimates of expenditure on other works show an increase from \$174 million this year to \$446 million in 5 years' time.

These latter figures indicate the insatiable demand for new schools, hospitals, police stations, fire stations and more mundane public buildings of all sorts which the new programmes for education, health, security and welfare and so on demand, and which it is the responsibility of the Architectural Office to provide.

And the Architectural Office is not only concerned with quantity; it is also concerned with obtaining better quality at less cost and in less time. Buildings and contracts are being designed to facilitate greater standardization and mechanization with dramatic results. For example, the contract period for a housing project at Tung Tau Tsuen, which will provide accommodation for 3,400 people, was reduced from an anticipated 21 months to 15 months by the contractor's use of a semi-industrialized method of construction, and it is evident that there are also fringe benefits of improved standards of finish.

Sir, there is great scope for all sorts of economies in the rationalization of design and by grouping of contracts in the massive building programme which we have ahead and I have to inform you that the staff of the Architectural Office, and their colleagues in the New Territories Development Department, with whom they have the closest liaison, intend to take full advantage of these opportunities.

And now, Sir, having mentioned this newest star in the PWD system I would like to say more about the New Territories Development Department. It might be thought unfitting to refer to this new organization as a star, but I believe that it has to be and will be a star of which we will all be proud. It will exemplify the virtues of a multidisciplinary organization and will rise to the challenge and opportunity of developing the New Territories at the speed and in the way necessary to accommodate the aspirations of its present and future population.

The New Territories Development Department was formed as a result of the Government's new, accelerated ten-year housing programme. It was formed because most of the new housing will be built in new towns; three large new towns at Tuen Mun, Tsuen Wan and Sha Tin—and many more small new towns throughout the New Territories. The planners, engineers and architects in the Public Works Department saw immediately that the successful planning and construction of new towns requires multi-disciplinary teams, and the New Territories Development Department has four such teams under the control of project managers; one each for the three major new towns and one for the remainder of the New Territories.

I am happy to report that the impact of this new organization has already been felt. In Sha Tin, for example, may I say to my honourable Friend Mr SZETO Wai that his expectations are much too pessimistic. Already there are about 80 acres of formed land and within the period 1975 to 1978 there will be another 640 acres. Much of this land will clearly be required for public housing, but there should also

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be 150 acres for private housing. Of more immediate interest, however, will be a plan to allow private developers to participate in the formation of land in the Sha Tin area. Here the New Territories Development Department have identified an opportunity to invite private developers to excavate hillside and reclaim a large area of seabed on the southeast side of Sha Tin; the developer will retain about 48 acres of the land so formed which he may develop for private residential purposes; the remainder of the land will be returned to Government to be used to promote the speedier development of Sha Tin New Town. These areas are additional to the 640 acres that I have mentioned before.

Sir, in case I may be accused of favouring our new department, let me say that it has achieved much of its impetus and will draw much of its future strength from the associations which it has with the other branches of the Public Works Department. There is a close working relationship because its staff are interchangeable with those in the Highways and Civil Engineering Offices, because it has staff seconded to it from the Architectural and Planning Offices, because it will rely on Public Works Department Offices to carry out some of the works within its areas of interest, and last, but not least, because its headquarters is located within the Public Works Department where communication problems are minimized.

The liaison between the New Territories Development and the Public Works Department planners is a vital one. Within the Public Works Department we recognized the increasing responsibility of our planners this year by promoting their organization to the status of a PWD Office, headed by a Principal Government Town Planner.

The planning function can be broadly divided into strategy and tactics. In the category of broad strategy falls the Colony Outline Plan, first submitted to Executive Council in 1972. This set of documents records agreed standards—for example in the provision of open space, hospitals, schools *etc.* per head of population. It also paints, with a broad brush, proposed land use patterns for the Colony. It is a reference document for all engaged in detailed planning and as such is only valuable if it is kept up to date, and if we employ our utmost wit to ensure that it contains a condensation of our past experience and our best forecasts.

As a tactical derivation of the Colony Outline Plan—and to provide *inter alia* the comprehensive development plan for the New

Territories called for by the honourable SZETO Wai—we are at present working on a 10-year Development Programme which will seek to set out, in some greater detail, the effect of applying the standards of the Colony Outline Plan to forecast population for the whole Colony. The result of such a programme, (which must also be reviewed periodically) will be that we will see in one document all the land development activities ahead of us, thus enabling us, on the one hand to gird up our loins to the task, and on the other hand, to resist being tempted off the critical path.

The Town Planning Office also works its ways by the production of more detailed plans of various sorts and varied status. Outline Zoning Plans for the urban areas, which seek to classify and bring some order into land use patterns, receive the full treatment of consideration by the Town Planning Board, the hearing of public objections, and the approval of you, Sir, in Council. But there are many layout plans produced for guidance which do not receive such attention or status. In my view this is a weakness, since few would disagree that we need more Town and Country Planning in Hong Kong, or that unless our plans have sufficient status they will be ineffective. I hope, Sir, that it will not be long before the present weakness is eliminated. And may I also say that I am confident that the close working relationships which exist between the various disciplines within the Public Works Department will continue to ensure that the planning done by the PWD will be firmly based on practical realities.

I have not yet touched on the activities of the Director of Engineering Development, and the three offices—the Civil Engineering Office, the Highways Office and the Electrical and Mechanical Office—which he directs. Yet, he is in the forefront of the environmental revolution, the transport battle, and the recreation uprising. Although criticized for generating too much steam from his incinerators, he must none-the-less press on with plans for more, to cope with the ever-increasing flood of waste. The newer generation of incinerators will be more efficient, and there are possibilities too for effectively burning "difficult" waste—such as old car tyres. But, Sir, I am most impressed with the possibilities of controlled tipping. In this method large areas of land can be formed from a series of alternate layers of rubbish and excavated material. By systematic planning and by the use of large earthmoving plant such tips can rapidly grow, without nuisance, into areas which can be used for open recreational purposes. This seems very sensible, in the context of Hong Kong, and when we can demonstrate clearly to all concerned that controlled tipping can be carried out without

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nuisance, we may be able more easily to reach agreement on sites where it may be carried out.

We have also been giving great attention to the problems of control and disposal of liquid wastes. Surveys have been carried out in the streams of the New Territories and in the waters of the harbour to quantify the problem, and, as pointed out by the Secretary for the Environment, we need comprehensive legislation, (especially to cover the discharge of effluents), and we need staff to assist in the preparation and to enforce the provisions of that legislation.

But, we are not standing still in the meantime. A pilot sewage treatment plan will come into operation at Shek Wu Hui next year to provide us with data for the design of large-scale plants to deal with the peculiarities of "rural" sewage; while for the urban areas plans are in hand for treatment of sewage from North West Kowloon and the new town at Sha Tin—both areas in which trouble would be experienced without some greater degree of sewage treatment than we have found necessary elsewhere.

In the Transport Battle some successes have been won at the airport, on the railways, and in the Colony's waters. The extension to Kai Tak runway will be completed early next year, but both the Civil Engineering Office and the Architectural Office have a lot more work to do to provide additional facilities for aircraft, air cargo and passengers.

The new railway terminus at Hung Hom will be completed in mid-1975; its podium deck will provide for the construction of an indoor stadium with seating for 15,000 people—a very large stadium, by world standards—it will also provide for a bus terminus and a multi-storey car park. Double-tracking and station improvements between Kowloon and Tai Po are being planned to come into effect when required by the traffic demands of Sha Tin New Town and beyond. Notwithstanding my honourable Friend Mr CHEUNG'S estimate that such planning could be carried out more quickly I am satisfied that, when proper attention is given to assessing the economics of large-scale capital projects, the task takes and justified much longer than a month.

The Port Works Office continues to provide facilities to improve inter-urban and inter-island travel. This year new public piers were completed at Ma Tau Kok, Cheung Chau and Sha Lo Wan on Lantau,

and planning is in hand for four more passenger ferry piers at North Point, Sham Shui Po, Kwun Tong and Cheung Chau.

But road congestion continues to grow. In some areas it is impracticable to accommodate further traffic increases because the roads which would be necessary could be built only by large-scale demolition of houses. As you know, Sir, there is at present a temporary embargo on development in the mid-levels and Pok Fu Lam while we reconsider what steps can be taken to increase the carrying capacity of the road systems in these areas. A consultant's report on this will be issued shortly, but I cannot hold out any hope that it will be able to propose some dramatic solution. If we continue to permit growth of private cars in Hong Kong at a rate of increase of 14% annually we will more and more often have to face the problem that parts of the road system cannot cope with the resulting inefficient traffic streams; and, Sir, the problem is not simply one of delay to the traveller, but it is the danger that lies in clogging our lines of communication in times of emergency.

I am not, however, offering a counsel of complete despair and I would like to give some assurance to the honourable Mr CHEUNG on the future investment programme for highways. The Highways Office continues to plan and construct new roads and improvements of existing roads at great and increasing costs. Last year 36 major highway schemes were completed and there are at present 35 more in the course of construction. The forecast expenditure on highways in the next 5 years is \$2,700 million, compared with \$350 million in the past 5 years.

Furthermore, we seek to use existing roads more efficiently; opportunities for improved traffic management techniques range from better road markings to systems of sophisticated computerized traffic signal control—the first of which, for the area of West Kowloon, is out to tender at present.

Although the office of Director of Mass Transit Studies does not come under the control of the Engineering Department, it seems appropriate to refer to its activities at this stage. With few staff of his own but with the help of his consultants and staff from other PWD offices, the Director has kept this important project moving to a very tight timetable.

On the ground, there has been survey work, extensive site investigation, including four trial tunnels and the clearance of land required for the project; in the office there has been the drawing together of all detailed designs and specifications; and negotiations

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have been taking place for the acquisition of property, or the incorporation of facilities for the underground railway in newly-developing properties.

The negotiations for the award of a contract to build the underground have been carried out under the guidance of a steering committee chaired by the honourable the Financial Secretary—and if all goes according to plan, work will begin next year on a number of sites between Kowloon Bay and Shek Kip Mei and will spread progressively down Nathan Road.

But colossal as the mass transit project is in financial, economic and engineering terms, it is as well for us to remember that it will carry only one third of the passenger traffic projected for the mid-1980s, so we cannot look to it to solve all of our traffic problems. Consultants are working on a comprehensive transport study which should tell us what more we can do; their report is due at the end of 1974.

Consultants are also being employed by the Director of Engineering Development to advise on the possibilities of development of land in the Kowloon foothills, in the Sai Kung peninsula and on Lantau.

My honourable Friends Mr Wilfred WONG and Mr SZETO are interested in these projects and in the possibilities of a bridge to Lantau and of one to Lei Yue Mun.

None of these investigations is yet completed but I will venture a forecast of their results. First, we will get about 11 acres of land for private development in the Kowloon foothills, and it should be on the market by the middle of next year.

Second, a bridge to Lantau will prove to be feasible and would permit consideration to be given to development of parts of North East Lantau for industrial and residential purposes, without being incompatible with the use of the south and west of the island for recreational development; it remains to be seen whether north east Lantau should be developed in this way.

Third, the overall plan for recreational development of Lantau and the Sai Kung peninsula will reveal specific opportunities for Government to enlist the aid of the private sector to take part in this development, under conditions attractive to both parties.

As to the possibilities of a bridge across Lei Yue Mun, I would point out to my honourable Friend Mr Wilfred WONG that this is not an alternative to a bridge to Lantau. If the Lei Yue Mun bridge is feasible, and the investigations we are undertaking will answer that question by early next year, it will remain to be seen how and when a bridge would fit into the traffic needs of Kowloon and Hong Kong; and our comprehensive transport study will answer that question.

Sir, I have probably talked much too long and yet have touched on only a few of the activities of the PWD. I have not mentioned our hopes that the Crown Lands Ordinance will allow us to clear and keep clear Crown land illegally occupied for all kinds of undesirable purposes; or the intentions of our surveyors and cartographers to employ sophisticated and more efficient equipment to provide us with the maps and plans we need for all of our construction activities.

But, before I close I would like to refer to some comments made by my honourable Friend Mr Oswald CHEUNG on alleged delays of some items of Public Works. Delays apparently do occur; they occur before a project begins because it may not be so evident to all, that the project is necessary or desirable; they may appear to occur during the construction stages of a project because the project is immensely more complicated than is apparent to the superficial observer; and they may actually occur because all the staff of the Public Works Department, its consultants and contractors are human! But, these same people will be "getting on with it" to the tune of \$1,000 million—which is the estimated cost of the Public Works Non-Recurrent Programme this year. And, given just a little encouragement I am sure that they will rise to the increasing demands that the community will have to place on them in future.

Sir, I support the motion.

THE SECRETARY FOR HOME AFFAIRS (MR BRAY): —Sir, in a review of any sort the dominant theme is change and in Hong Kong there is seldom a lack of change to contemplate. The physical environment changes with startling rapidity, and judging from the speeches earlier this afternoon this will continue, but my theme to-day is social change. Social change seems to be emerging as one of the most dramatic developments of the early seventies.

Our older society, prized loose from its stable clan structure, was made up of individuals more concerned with material well being than social awareness. Public services of a makeshift sort were accepted

[THE SECRETARY FOR HOME AFFAIRS] **Motion**

with gratitude for security was what they wanted. As the children of the post-war settlers have grown up we have been reminded that they expect more—that the makeshift services good enough for their parents are not good enough in the more prosperous society their parents have created. Services have been improved and long term plans drawn up.

But it has only recently become clear that the most important change in society is not its increasing wealth nor its increasing expectations of Government performance but its new sense of purpose.

The new society no longer expects everything to be done for it by a paternalistic Government. It is a society on the move, prepared to act on social issues with the same vigour that the old refugee society displayed in the pursuit of private prosperity.

How else can one explain the public response to the two campaigns of social awakening—Clean Hong Kong and Fight Violent Crime? Litter strewn streets are an obvious manifestation of social indifference. Before the "Clean Hong Kong" campaign we were four million lap sap chungs. The publicity and the strengthening of cleansing services were indispensable parts of the campaign but even the cleanest street can become litter strewn in a few hours. The effort required of each person was only a little restraint but it involved restraint by everybody, all the time. This was forthcoming.

Violent crime posed a completely different problem. We were not a society of four million criminals. Indeed only a very small fraction of the population has ever seen a violent crime being committed. Reporting crime, dialling 999, raising a hue and cry all required a more positive effort than refraining from throwing litter about. Nobody knew when they might be expected to make this effort.

I should like to be able to parade a table of reliable statistics about the state of crime illustrating the success of the campaign but I cannot. The trouble about crime statistics is that criminals do not send in accurate statistical returns. Over a short period when there is likely to be a steady proportion of unreported crime we can draw conclusions about trends from figures of reported crime. But if an extensive publicity campaign is mounted to encourage reports of crime, if forty or more new reporting centres are set up, if reporting procedures are simplified, and if the public responds in this as it has

shown itself willing to do in other social causes then the one thing we can be sure of is that the proportion of unreported crime will decline. There was even a drop in reported crime during the intensive part of the campaign when the police did everything they could to put men on the beat. But this drop has not been maintained partly, we suspect, because crimes are reported instead of being shrugged off. The statistics show, for instance, a disproportionate increase in the number of small robberies reported—robberies which would not have been reported had the campaign not taken place. It is also happening that when criminals are caught and found to be responsible for a string of other crimes many of these other crimes have been already reported. In the past all too often crimes were discovered only after the criminal had been caught. Caches of stolen goods used to be found which could not be returned because their theft had not been reported. There is less of this now.

When we get a longer series of monthly figures reflecting the new higher rate of crime reporting we shall be surer of our conclusions on the underlying figures of actual crime. In the meantime I believe we should be encouraged by greater public confidence. Last winter people were beginning to stay off the streets at night, to keep their children at home and walk in fear of attack. This is not the case to-day. Reports from City District Offices, opinion surveys, and police contacts all reflect a strengthening of public confidence in law and order. Just as the cleaner streets we can see for ourselves are a sign of the success of the "Clean Hong Kong" campaign so a strengthening of confidence which we know of ourselves is the true measure of the success of the "Fight Violent Crime" campaign.

Even so we still have far too many robberies and other violent crimes. The police must be given the men to deal with them. The immediate current object of the "Fight Violent Crime" campaign is to recruit more men and women into the regular police. The first two weeks of the current recruitment campaign produced 1,649 young people who wished to join the Police. On past performance we would expect one out of seven applicants to measure up to police standards. Many more are needed and I am most grateful that honourable Members have expressed a desire to help find the people who can do this work which is of such vital importance to our community.

The Government agrees with my honourable Friend, Mr LOBO, that there is too much pornographic literature about. Police efforts have been assisted by the staff of the Home Affairs Department where newspapers and periodicals must be deposited and where they are

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scanned for pornography. We are also trying to find out what people really think about film and TV treatment of sex and violence and are seeing how members of the community can be involved in decisions of the courts on pornography. In these matters of moral rather than material well being we attach particular importance to society's view of what is right.

Your Excellency mentioned the decision to establish a new Council for Recreation and Sport. I am glad to say that the Council will be set up to-day and that we shall meet for the first time early next week. I know Your Excellency has great expectations of this council: we shall not let you down.

The Interdepartmental Committee on Youth Problems was also mentioned by Your Excellency. We held our first meeting a week ago. Top priority should, we believe, be given to doing something about children who leave school at 12. The Green Paper on education shows that it will be some years before all children can stay at school till they are 14 years old. At the same time it is clear that in this matter it is no use going for a long term solution for in the long term there is no problem: the children will be at school. We must therefore move fast and produce an immediate solution. We have already started work on finding out how many of these children there are, where they are and what they do with their time now. My honourable Friend, Mr Wilson WANG, made a number of suggestions. Others have been proposed by the departments concerned. We are open to ideas and I should welcome ideas from the public.

I have strayed from the theme with which I started in order to deal with some points raised by honourable Members but should like to return to it in conclusion.

I said that I believed a fundamental change was taking place in society—that the community was developing a new sense of purpose. If this is so what should our reaction be?

Three main initiatives seem to be required:

first we must let people know what we are thinking;

second we must make it easier for people to formulate and present their views; and

third we must make sure that these expressions of opinion are taken into account.

On the first point my honourable Friend, Mr LOBO, asks that the green paper system be more widely used. Having come recently from the New Territories where all sorts of policy issues are freely discussed with rural leaders I do not find the proposal new or alarming. Green papers, reports of advisory bodies and findings of consultants are frequently published before decisions are taken. More informal methods of arising ideas and proposals could be developed (for instance a good many ideas have been aired this afternoon) and I should like to give further thought to this. There are obviously limits—my honourable Friend, the Financial Secretary would in all probability not really wish to air his budget proposals before presenting them to honourable Members in the Finance Bill. Nevertheless I would like to think that we can air more proposals involving a choice of courses open to us so that there is an opportunity to shape policy more closely to public aspirations.

On the second point we do start with a basic structure which enables people to formulate and present their views. At the centre we have a broad range of advisory bodies which are no doubt capable of further sophistication. I am however more concerned with the very much more widespread network of committees that has been reinforced during the "Clean Hong Kong" and "Fight Violent Crime" campaigns. My honourable Friend, Mr CHEONG-LEEN, proposed District Consultative Committees but these were first set up informally five years ago when the CDO scheme was introduced. As a part of the two campaigns these informal committees have been established as more formal City District Committees. In addition there are the Area Committees and the grass roots organizations of over 1,000 Mutual Aid Committees. In the New Territories the Rural Committees and village organizations have been going a long time. Many of the town organizations are quite new and were set up in support of these major campaigns. But I certainly hope they will provide the means whereby people can put forward their views on anything they like. I hope these institutions will develop further before we look for yet more new types of organization. In addition we do hope to improve our own opinion gathering methods. Proposals to strengthen the system are now being drawn up.

On the third point, the responsibility for taking public opinion into account rests on all officials and unofficials concerned with policy decisions. In addition a special responsibility rests on the holder of my post to ensure that public opinion is presented and considered at all levels.

[THE SECRETARY FOR HOME AFFAIRS] **Motion**

What we are after is more open Government. The Hong Kong community can no longer be described by the couplet

* “各家自掃門前雪
不管他人瓦上霜”

The new society is anxious to deal with social problems itself. We shall respond by involving the community more in decisions affecting its everyday life.

Sir, I support the motion.

THE FINANCIAL SECRETARY (MR HADDON-CAVE): —Sir, in a wide ranging debate such as this it is difficult to strike a balance between developing a Government view on those major issues of current concern and commenting on particular points raised. If, therefore, I am found guilty subsequently of errors of omission I can only ask those honourable Unofficial Members who feel aggrieved to accept my apologies in advance.

In supporting the motion of thanks for Your Excellency's address, I shall concentrate on prices and the cost of living generally and on inflation. Before doing so, I should like to deal with several particular points in other fields.

First, my honourable Friend, Mr LI Fook-wo, suggested that, in future, published banking statistics should disclose separately details of the position of locally incorporated banks, on the one hand, and banks whose head offices are overseas, on the other.

The Banking Ordinance requires all licensed banks to provide to the Commissioner of Banking every month certain information to substantiate that they are operating within the limits laid down in the ordinance, as well as fully complying with the obligation to maintain specified liquid assets amounting to not less than 25 per cent of their total deposit liabilities. This information is confidential between the Commissioner and the banks concerned and I am advised that it would be a breach of this trust for information about any bank or group of banks to become public knowledge. Moreover, there is no statutory

* Each family sweeps the snow from its doorstep but does not care about the frost on the roof of its neighbour.

requirement that banking statistics should be published. Such statistics that the Commissioner, in the exercise of his discretion, may cause to be published are restricted by the Banking Ordinance to consolidated statements aggregating the figures in the statements furnished by the banks.

I think, Sir, I should correct my honourable Friend on one point: the overall ratio of advances to deposits is not itself published. It can be readily worked out, it is true, by taking figures for total advances and total deposits of all banks in the published banking statistics. That the ratio has increased over the year ending September 1973 from 66 per cent to 88 per cent would appear to indicate that the banks are very heavily lent up against their deposit liabilities. It also begs the question of how the banks can find themselves in this situation and yet comply with their obligation under the ordinance to maintain not less than 25 per cent of their total deposit liabilities in readily accessible liquid assets which are specified in section 18 of the ordinance.

Let me take this opportunity of assuring honourable Members that the banking industry is in a sound and healthy condition. While the average level of specified liquid assets maintained by the banks has declined from 52 per cent at the end of September 1972 to 37 per cent at the end of September 1973, the latter figure of 37 per cent is comfortably in excess of the minimum requirement of 25 per cent laid down in the Banking Ordinance.

The figure I have quoted for banks' specified liquid assets is an average figure, as is the ratio of advances to deposits. All banks' operating conditions are different and the ratio of specified liquid assets to total deposit liabilities and the ratio of advances to deposits can vary substantially. While locally incorporated banks conduct their lending operations on the basis of a substantial Hong Kong dollar deposit base, foreign banks, which do not attract deposits on anything like the same scale, must rely for their lending operations to a large extent on the provision of working capital by their overseas head offices or branches.

As I have said, the Commissioner of Banking is obligated not to make specific comparisons between locally incorporated and overseas banks, but I can say that the ratio of advances to deposits for local banks is much lower than the average ratio deduced from the published statistics, while that of the overseas banks, for the reasons mentioned, a moment ago is much in excess. Our local banks' operations are based on prudent banking principles. And, if our overseas banks

[THE FINANCIAL SECRETARY] **Motion**

sustain their lending operations by bringing working capital into the Colony, it is a measure of their confidence in our future.

Secondly, my honourable Friend, Mr Q. W. LEE, suggested that the Secretariat should have a ready-made shopping list of projects to which the public might make donations. Like my honourable Friend the Secretary for Social Services, I welcome this suggestion. A narrowly based tax system with a low standard rate does offer the wealthy the opportunity for public benefaction and perhaps even suggests an obligation; an obligation to which many have responded over the years, most generously. We already have an annual "shopping list" of projects to be financed by the Jockey Club, and this could perhaps be expanded to include suitable projects for donors to support. But we shall always have to ensure that, if the Government is required to meet all or part of the recurrent cost, the project falls within existing policies.

As regards my honourable Friend's suggestion that a greater degree of tax relief should be offered for charitable donations, I am considering this in consultation with the Commissioner of Inland Revenue, but I fear neither of us will be able to be our usual sympathetic selves.

Thirdly, both my honourable Friends Mr Oswald CHEUNG and Mr SZETO Wai complained about the lack of progress in the development of the new towns. By way of supplementing what my honourable Friends the Director of Public Works and the Secretary for the Environment have said I would like to say, as chairman of the Public Works Sub-Committee, that in the last two reviews we have made a start on planning on a regional basis now that the main thrust of development work has to be outside the urban area. And shortly, in a week's time at the Fourth Review, in a comprehensive paper on new towns this regional approach is to be refined and improved, to the extent that policies based on population targets need to be reconciled with regional requirements.

I am sure, Sir, honourable Members will not be surprised to hear that in the 1974 budget speech I shall be at pains to lay out before them in some detail the capital and recurrent implications of our various approved and projected programmes and policies. My honourable Friend the Secretary for the Environment has warned that planning is one thing, implementation is another; so is the cost, even the net cost, if we are not to prejudice our fiscal policies and, in

turn, the growth rate of the economy, which is now facing, moreover, a somewhat uncertain future thanks to exogenous factors quite outside our control.

Fourthly, I should like to commend, if I may, my honourable Friend Mr WILLIAMS' plea, in the context of economic policy and management, for a "sensible approach" for I think this is a quite excellent description of the approach the Hong Kong Government has always adopted.

Finally, a number of honourable Members have put forward suggestions for another advisory committee variously described as an Economic Advisory Committee, an Economic Development Advisory Committee and a Price Stabilization Board and with terms of reference conveying responsibilities far and wide across the spectrum of our economic affairs. Some of these responsibilities simply must remain directly in the hands of the administration as advised by Executive Council (such as the exchange value of the Hong Kong dollar); others must remain directly in the hands of officials nominated by statute (such as the management of Government's cash balances); others are the concern of the private sector (such as the procurement of supplies); and yet others are already referred to a wide range of advisory boards and committees; and, over the years, many *ad hoc* committees of enquiry have been appointed for specific tasks. The Government has had a flexible attitude towards the network of advisory boards and committees; and, of course, values it most highly for it associates the private sector and the community generally with the executive process of Government in Hong Kong in a unique way. To be as successful as it ought to be, it must be manned by the best people and its structure kept up to date with changing needs and circumstances. But I do not see the need for a sort of supremo-board or committee dealing with economic policy generally and of course the position of Executive Council must not be eroded.

Turning now, Sir, to the question to which many honourable Members have addressed themselves in this debate, namely, the unprecedented rate of increase of consumer prices over the last year: as this is a question which directly affects us all and as honourable Members have raised a large number of points, I shall have to speak, Sir, at some length. I shall begin by describing what has happened and why; then analyse what effect this year's price increases have had on real incomes and export competitiveness; go on to discuss what can and cannot be done to slow down price increases and mitigate their effects; and I shall conclude by trying to peer into the future.

[THE FINANCIAL SECRETARY] **Motion**

The General Consumer Price Index is heavily weighted towards foodstuffs (48.3%) and fresh foodstuffs at that (22%). As a result it tends to be influenced significantly by seasonal variations in prices and supplies. Let me take, as an example, fresh vegetables: in general the retail prices of fresh vegetables tend to be at their lowest around March, when supplies are relatively abundant, and at their highest around September when supplies coming on to the market are usually at their lowest. The amount offered for sale in any particular month will, of course, depend to a large extent on such factors as the stage reached in the cultivation process, the level of rainfall and the humidity of the atmosphere—that is to say, on seasonal factors. The variations in supplies can be quite large but the corresponding relative changes in prices can be even greater.

Retail prices then can be highly sensitive to short-term factors and, depending on their relative importance in the General Consumer Price Index, they can result in the index being rather volatile as between one month and another. This means that a straight comparison of the index between two dates can give a very misleading impression of what has happened to retail prices in the intervening period. For example, the index for both January and December 1971 was 131, but no one would seriously argue that, in that period, there was no tendency for prices to change. The underlying trend of prices in the period was definitely upwards, but that fact was obscured.

In order to obtain a better idea of the underlying trend of retail prices, use can be made of the twelve-month moving averages of the General Consumer Price Index published each month in the Digest of Statistics; but a much more satisfactory way is to use seasonally adjusted indexes. I shall not go into the rather laborious method by which these are constructed: suffice it to say that, because these indexes are free of seasonal influences—at least in a generally accepted statistical sense—it is possible to compare directly the index for any one month with that for any other and obtain a reasonable idea of what has happened to prices, fundamentally, in the period between.

Such a seasonally adjusted index has just been prepared by the Census and Statistics Department and I would like to make use of it this afternoon. I can already hear honourable Members saying that I am about to prove, at least to my satisfaction, that consumer prices have not really increased at all! I wish I could, but there can be no doubt unfortunately that prices have risen—and risen rapidly. My

purpose in using an index based on seasonally adjusted data is to enable us all to evaluate the strength of the underlying trend.

In October, the General Consumer Price Index, published on an unadjusted basis, fell by 4 points or by 2.2%. But it cannot necessarily be inferred from this that prices were fundamentally tending to fall—if the purely seasonal factors are eliminated there was an underlying increase of 2 points or 1.1%. But this was masked largely by a seasonal decline in the prices of fresh vegetables.

But what of prices in the year to date, that is, the ten months to October 1973, on a seasonally adjusted basis? In this period, and on this basis, retail prices increased by 31 points or by 21.2%, in the whole of 1972, they increased by 9%. Of this increase of 21 percentage points, on a seasonally adjusted basis, nearly 17 percentage points were on account of fundamental increases in the retail prices of foodstuffs—in other words, seasonal factors excluded, the rise in the consumer prices of foodstuffs accounted for about three quarters of the overall increase in retail prices this year. The underlying trend of retail prices of foodstuffs this year has been 29% compared with 11% in the whole of 1972. Sir, these are very awe-inspiring figures, indeed.

Now on top of the underlying trend of retail prices, there are seasonal fluctuations which can be quite volatile. The way in which consumer prices move in any particular period of time will depend very much on how these seasonal and more fundamental movements interact with each other. Sometimes the seasonal and more fundamental movements operate in the same direction and, on these occasions, the upward movements can be quite severe. At other times, prices may fall due to very sharp seasonal downward movements in the prices of certain commodities, such as fresh vegetables—this was the case last month. And, of course, there can be instances where the fundamental upward movement or underlying trend is so strong that even a substantial downward seasonal movement is not sufficient to offset it. This has been the case for most of this year; the published General Consumer Price Index did not fall at all until October whereas it usually displays several monthly falls in a year.

Now, Sir, let me take this a stage further: seasonal movements in prices are not entirely independent of the underlying trend. This year, as I have already pointed out, retail prices, overall, increased, on a seasonally adjusted basis, more than twice as fast as they did last year whilst, in the case of foodstuffs, retail prices increased nearly three times as fast. In these circumstances, the seasonal component

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can be even more violent than usual—in other words, the factors giving rise to a strong underlying upward trend of prices may also exaggerate an increase in prices stemming initially from seasonal factors. But, further, just as there can be forces at work resulting in the underlying upward trend being sharper than usual, so can purely seasonal factors operate in a more intensive way—as has happened this year as a result of the exceptionally bad weather we have experienced.

This year we have, unfortunately, been faced with: first, a very rapid fundamental increase in retail prices which has, secondly, resulted in exaggerated seasonal price movements which, thirdly, were, in any case, already distorted as a result of the exceptional nature of the seasonal factors themselves. No wonder the retail prices of fresh vegetables, for example, increased by about 70% between the second and third quarters of this year compared with about 25% in the same period last year. No wonder the foodstuffs component of the General Consumer Price Index increased by 11 or more points in a month on four occasions this year; and no wonder the index as a whole increased by six or more points on the same occasions.

So far, I have concentrated on showing by how much retail prices have risen. I have yet to explain in any detail why they have risen. I have, however, indicated that it is in the area of foodstuffs that we must seek this explanation, and I have also drawn attention to the fact that, in their effect on retail prices in the short-term, very poor weather conditions have aggravated, and been aggravated by, other influences on prices which were already of an adverse nature. These bad weather conditions are easily illustrated by mentioning that we have had more rain so far this year than in any full year this century—about 10 feet in fact compared with a norm of 7 feet; and by pointing out that typhoon signals were hoisted on 9 occasions in the 10 months to October this year compared with 4 in the corresponding period of last year. These factors have amplified seasonal price movements, but let me leave seasonal influences on one side for the moment, and look a little more closely at the underlying upward trend of retail prices which has been very much stronger this year than in 1972.

A very large proportion of the food we consume is imported: in volume terms, ignoring frozen items, 99% of our consumption of beef is imported; 98% of our rice; 92% of our fresh water fish; 86% of our eggs; and 85% of our pork. In the case of fresh vegetables and live poultry, where local production is significant, a little more than half of our requirements is imported: 60% in the case of vegetables

and 52 % for poultry. Only in the case of marine fish are imports relatively unimportant, accounting for only 8 % of our consumption. In these circumstances, changes in import prices will obviously influence retail prices very significantly. Taking foodstuffs as a whole, import prices increased in the first nine months of this year, compared with the first nine months of last year, by 23.3 %. In 1972, by contrast, import prices increased by only 5.3 % over 1971. These figures have not been seasonally adjusted and they are not comparable with the seasonally adjusted figures of retail price increases I mentioned earlier (of 29% for this year and 11% for 1972), but I think it will be obvious that the much sharper increase in import prices (from 5 % last year to over 23 % this year) has been quite dramatic, and that this must have played a crucial role in the rapid increase in the retail prices of foodstuffs.

Although import prices have increased for most foodstuffs this year and, except in a few instances, such as dairy products, at a faster rate than last year, the rapid increase overall of 23% is largely attributable to exceptionally rapid increases in the import prices of certain commodities which we tend to import in relatively large quantities. Rice, for example, increased in price, at the import level, by over 90% this year, whereas it did not rise at all last year; of the overall increase of 23 % this year, rice accounted for nearly 8 of the percentage points. The very rapid increase in the price of rice on world markets this year stemmed, of course, from crop failures. Regrettably, these failures were not confined to rice—the world's granaries, too, have been less plentiful this year and import prices for wheat and associated products have increased by over 35% compared with a modest decrease last year. The consequences of these world-wide price increases have been far-reaching. They have not only pushed up the retail price of staple foods, but they have also resulted in increased animal feedstuff costs which, in turn, has led to livestock reductions and increases in the prices of other foodstuffs—the import prices of meat and meat preparations for example increased two-and-a-half times as fast this year as last year. The import prices of vegetables and fish also increased very rapidly this year, by about 25% in both cases. This was much faster than was the case last year and was largely due to unfavourable weather conditions in the surrounding region. In all, the increased import prices of rice, wheat, vegetables, meat and fish accounted for 15 of the 23 percentage points increase in import prices for foodstuffs as a whole, whilst rice and vegetables alone accounted for 10 of the 23 points.

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At the import level, then, a large part of the overall increase in prices was accounted for by a few, very important, commodity groups. Was this the case at the retail level? And, if so, were the same commodity groups involved? The answer, Sir, to both these questions is "yes". I mentioned earlier that, on a seasonally adjusted basis, the General Consumer Price Index has increased so far this year by 21%, and that 17 of these 21 percentage points were in respect of increases in the retail prices of foodstuffs. Of these 17 percentage points, 13 are accounted for by increases in the retail prices of rice, cereals and related items, fish, meat and vegetables. And 10 of these 17 percentage points are on account of retail prices for just four commodity groups namely, rice and locally slaughtered pork, both of which are almost wholly imported; salt water fish, which is almost entirely the product of domestic catches; and fresh vegetables where both imports and local production are of significance. If I say a few words about each of these commodities, I shall, I feel, be providing a fair insight into the factors which have been exceptionally operating against us on the retail prices front this year. Whether these exceptional factors require, let alone lend themselves to, exceptional treatment is quite another matter. And in doing so I shall try to come to a general view—and I repeat, a general view—as regards the allegation of profiteering.

In the case of pork, excluding frozen pork, retail prices have increased by 24%, on a seasonally adjusted basis, so far this year. In the four quarters to the end of September they increased, on an unadjusted basis, by 31% compared with a decrease of about 1% in the previous 12-month period. Neither the import price nor the wholesale price changed very significantly in the year to September 1972, but both have since increased quite sharply. Wholesale prices increased by 36% in the year to September 1973. But, as I have already said, retail prices increased by 31% in the same period, and it will be obvious, therefore, that there has been a relative decline in the margin between retail and wholesale prices; in fact, this has declined steadily from 140% in the fourth quarter of 1972 to 130% in the third quarter of 1973—and this is the lowest relative level since the third quarter of 1970.

As far as fresh vegetables are concerned, retail prices increased over the ten months this year to October by 28%, on a seasonally adjusted basis; and by 57% on an unadjusted basis in the year in the 12 month period ending September, compared with 2% in the year before. In the year to September 1973 we imported about 60% of our fresh vegetables

—much the same percentage as in the previous year—so for about 40% of our consumption there are no import prices. In addition, a large proportion of the vegetables we consume do not pass through the Vegetable Marketing Organization from which our wholesale price figures are collected. The rates of change of import and wholesale prices will not necessarily move together, therefore, nor will they necessarily bear a direct relationship to changes in retail prices. Prices and supplies for this particular commodity group are, of course, highly susceptible to seasonal influences but, taking one year with another, these influences would not normally be particularly noticeable. I have already mentioned, however, that we have had an exceptionally bad time this year, in terms of the weather, and both imports and domestic production of fresh vegetables have declined. In the year to September 1973 supplies were 8½% lower than in the previous year. This in itself would have a significant effect on retail prices but, such effects could be exaggerated when, in any case, prices are fundamentally rising more rapidly than is customary.

The question we need to ask here is this: has the rise in retail prices been reasonable in the circumstances? As most locally grown vegetables pass through the wholesale markets and as the period which elapses between cropping and final sale is generally shorter for locally grown than for imported vegetables, I would expect wholesale prices to be rather sensitive to local supply and demand conditions. In the year to September 1973, wholesale prices for fresh vegetables increased on average by 68% compared with 13% in the previous year and, in the light of this year's exceptional circumstances, I do not feel that the corresponding increase in retail prices for fresh vegetables, of 57%, is evidence of the community being held to ransom by traders. The reason retail prices increased by 50%, whereas wholesale prices increased by 68% is presumably on account of the fact that imported fresh vegetables prices which are probably less sensitive to local conditions, increased by 31% only in the period concerned. It is worth noting that the retail margin for fresh vegetables was 121% this year in the third quarter (when supplies were at their lowest), and this compared with 136% in the same period last year and 162% the year before.

What of marine fish? Here, retail prices, on a seasonally adjusted basis, have increased so far this year by 29%; on an unadjusted basis, they increased, in the year to September 1973, by 38% compared with 10% in the previous 12-month period. As with fresh vegetables, consumption was down in the year to September 1973 compared with the previous year. But, in this case, the decrease was not so dramatic—

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it amounted to 2% only, half of which can be attributed to a decline in imports. To some extent the decrease was on account of this year's very bad weather. I have already mentioned that typhoon signals were hoisted on 9 occasions so far this year, 5 more than in the same period last year. Every time this happens, of course, the fishing fleet tends to remain in port and landings are reduced in consequence; and, of course, conditions at sea have been particularly bad in recent months.

Once again we need to ask the question: was the increase in retail prices reasonable? At 38% in the year to September 1973 it compares quite favourably with the corresponding increase in wholesale prices of 31%; particularly when it is also borne in mind that imported marine fish, which currently meets about 8% of our consumption requirements, increased in price by 59% (compared with a decrease of 3% the year before). And I should point out that, in the case of fresh water fish, which is to some extent a substitute commodity, and which is very largely imported, retail prices increased, over the last twelve months, rather more slowly than import prices. As far as domestic exports of marine fish are concerned, I would readily concede that these have increased over the last year—from 589 metric tons in the year to September 1972 to 2,100 metric tons in the year to September 1973—but they are equivalent, even now, to about 2¼% only of our total consumption of marine fish.

In the case of rice, my honourable Friend the Director of Commerce and Industry has already explained that the very sharp increase in retail prices—81% so far this year, on a seasonally adjusted basis, and 80%, on an unadjusted basis, in the 12 month period ending September—is almost entirely accounted for by increased import prices. He also pointed out that even this rapid increase is by no means the highest for the region; and Hong Kong, in contrast to most other Asian cities, is consuming and continues to consume top quality rice and the price factor does not seem to operate against this preference. Moreover, in spite of the fact that supplies have been deficient on world markets, there is no shortage of rice in Hong Kong—and this owes much to the efforts of the Commerce and Industry Department to secure imports from alternative suppliers and to the management of the Rice Control Reserve Stock.

So much, then, Sir, for what has happened to retail prices, and why it has happened. I would like now to consider what effect this

extraordinary increase in prices has had first on wage rates and our competitive position generally, and secondly on consumers' behaviour and the quality of living in Hong Kong.

In Hong Kong, the rate of growth of money wage rates tends to be determined more by the rate of growth of the economy than by the rate of growth of consumer prices. This, in turn, affects the demand for labour relative to its supply. Largely because of our crucial dependence on external trade and the speed with which the labour market adjusts to changes in aggregate demand, any tendency for inflation to be generated internally will be accompanied by a loss of external competitiveness which will tend to deflate the economy thereby reducing the pressure of demand on labour and slowing down the upward movement of money wage rates. If, then, the rate of growth of demand which, in our circumstances, is tantamount to the rate of growth of demand for domestic exports, grows at much the same rate as between one time period and another, then the rate of growth of money wage rates should remain fairly constant, regardless of what is happening to consumer prices. As it happens, domestic exports have been growing modestly faster this year than last year and, consequently, even though consumer prices have risen at more than twice last year's rate, only a slight increase in the rate of growth of money wage rates is to be expected. And this, in fact, is the case: in the year to September 1973, money wage rates in the manufacturing industry increased by 11.3% compared with 10.6% in the previous year, that is to say, the increase in the rate of growth of money wage rates has been a mere 0.7 percentage points.

Bearing in mind that money wage rates have been growing at a fairly steady rate whereas there has been an acceleration in the rate of increase of consumer prices, it is hardly surprising that real wage rates should recently have been falling, as was expected by my honourable Friend, Dr CHUNG. I shall deal with the implications of this for our living standards in the short-term in a moment; but I would emphasize that an absence of internally generated inflation, which plagues so many of our competitors, suppliers and customers is undoubtedly to Hong Kong's advantage in the longer-term. In spite of international currency upheavals, shortages of raw materials in world markets, a relatively slow rate of growth of world trade and exceptionally rapid increases in world food prices, Hong Kong's domestic exports have increased by 22%, in value terms, in the first nine months of this year. In quantity terms, our domestic exports have been growing at a steadily increasing rate over the last two or more years, and the real increases—the real increases—chalked up by certain sectors of the economy have been quite

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spectacular. I do not think we should ignore the fact that some of our major trading partners—with large agricultural sectors into the bargain—have been experiencing rates of increase of prices of foodstuffs of the same order of magnitude as Hong Kong. Yet, internally generated inflation in these countries has been particularly severe and one can see, not only the effect this must be having on their competitiveness, but also the attendant implications for our exports. I would mention, in addition, that, in certain instances, our principal competitors are experiencing more rapid increases in consumer prices than we are in Hong Kong.

I would concede, however, that inflation could be generated internally if the growth of Government expenditure were allowed to proceed for any length of time at a significantly faster rate than that for the gross domestic product, but I can assure my honourable Friend, Mr WILLIAMS, that this is an area which I keep under constant scrutiny; and Government expenditure has tended to be very stable in relation to the gross domestic product over time (about 14% in recent years but I would not regard that particular figure as particularly sacrosanct). And, incidentally, I cannot agree with my honourable Friend Mr HILTON CHEONG-LEEN regarding stock and property market prices and rents. The high rates of increase earlier in the year were in large part due to the interaction of speculators' rising expectations and the rapid expansion of bank credit. Now that the money supply is again growing more in line with the rate of growth of the economy, the pressures on property prices and rents should be easing.

Bearing in mind that retail prices in Hong Kong have been increasing at an unprecedented rate, and that money wage rates have not been growing significantly faster this year than last year, it will be obvious that there has been an erosion of living standards—in some sense, at any rate. But in what sense? At this point, I should emphasize that the General Consumer Price Index is a measure of retail prices—it does not take account of changes in expenditure patterns. Consequently, the fact that the index goes up by, say, 1% in a particular month need not mean that consumers' expenditure has increased by the same amount. This would only be the case if housewives continued to buy in precisely the same quantities as previously. In practice, they might well avoid buying the commodities which have increased in price and either buy less in total or substitute for those commodities others which have not risen in price or for which price increases have been less rapid. There is obviously a limit to the extent to which we can substitute one commodity for another or cut back our consumption,

but it should not be thought that this type of reaction is of relatively little significance. It must surely be accepted, on intuitive grounds alone, that in a period when money wage rates increased by some 10% whereas prices, overall, increased by some 20% and foodstuffs prices increased by about 30%, that there must have been quite significant change in consumption behaviour.

Household expenditure surveys now being conducted by the Census and Statistics Department suggest that expenditure on foodstuffs, as a proportion of total household expenditure, has not changed significantly over the last year, and this seems to be the case both for relatively low and higher expenditure households. But, as foodstuffs prices have risen more rapidly, in general, than other consumer prices, this implies that the overall volume of foodstuffs consumed relative to the total volume of other consumer goods purchased has declined. This indeed is borne out by provisional estimates of the gross domestic product, prepared on a quarterly basis, for so far this year. These indicate that, in real terms, that is, after allowing for price changes, expenditure on foodstuffs has decreased somewhat whilst real expenditure on other consumer goods (such as recreation and entertainment and personal services) has increased. There is also some evidence to suggest that households have been saving a rather smaller proportion of their income this year than last year.

Many housewives do not set out to buy a given quantity of, say, meat or fish; instead they tend to buy so many dollars' worth. Because prices have been rising rapidly, the quantities they have been receiving have been declining appreciably in some cases, but this has probably been compensated for, as far as it can be compensated for, by their increasing, relatively, the amount of rice bought; and this presumption is supported by both the findings of the household expenditure surveys and the rice "off-take" records of the Commerce and Industry Department.

Sir, what I am suggesting is that the impact of rising consumer prices on the standard of living may not have been as great as movements in the General Consumer Price Index as such might suggest. My honourable Friend Mr James WU, has suggested, particularly as regards foodstuffs that we should be "tightening our belts": I think the evidence I have cited suggests that we have already been doing this and, by rearranging the pattern of our foodstuffs expenditure in the way I have already described, by saving rather less than usual and, perhaps, by buying just marginally more in the way of less essential items, it

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is probable that life has recently been somewhat more tolerable, for most, than is generally imagined.

Against this background, I should make two points of particular relevance: first, the increased relative significance of expenditure on rice in household expenditure on foodstuffs as a whole (and which is now as high as 13%, on average, for households in the lower expenditure category) underscores the point I have already made about there being no shortage of rice in Hong Kong. There has certainly been no constraint, from a supply point of view, on households increasing their rice purchases.

Secondly, we need to be careful how we interpret figures relating to foodstuffs consumption. The fact is that our consumption of most principal categories of fresh foodstuffs has been lower in the last year than in the preceding twelve month period. In the year to September 1973, compared with the previous year, our consumption declined by 6% in the case of fresh pork; by 2% for fresh beef; by 2% for fresh marine fish; by 2% for fresh pond fish; by 8½% for fresh vegetables; and by 3½% for fresh eggs. But, in Hong Kong, there is no shortage of these items in the sense that we are unable to purchase them at the going price. Rather the demand for these commodities has fallen in the face of rapidly rising retail prices on a broad front. Perhaps I should repeat that so far this year, on a seasonally adjusted basis, retail prices have increased by 24% for pork; 29% for marine fish; and 28% for vegetables. For beef, the corresponding price increase was 29%; for pond fish, 25%; and for eggs, 9%.

The question, therefore, of finding "alternative" sources of supply, as suggested by my honourable Friends Mrs SYMONS and Messrs P. C. WOO and Wilfred WONG does not arise. In any case, there are two points to be made here: first, the market place is far more sensitive and better able to respond to supply and demand conditions than any administrative machine. And, secondly, the nature of our market for fresh foodstuffs places constraints on the extent to which supplies can be obtained from other than customary sources. It is a sobering thought that, in the case of pigs, for example, we slaughter about 7,000 daily and enquiries in 1967 indicated that at best we could negotiate a thousand or two a month from elsewhere in South East Asia, and at premium prices at that.

I must now deal with two questions which are, I am sure, on everyone's minds: can anything be done to reduce the rate of increase of prices? And what is the likely future trend of prices.

My honourable Friend, Mrs SYMONS, suggests that the Government is not worried about the phenomenon of rising prices. Well, "worried" is, perhaps, not quite the right word, but I would not like the impression to gain ground that the Government maintains some kind of detached position. Long before rising prices became a matter of public concern, the Economic Branch of the Secretariat and the Consumer Price Index and Trade Research Sections of the Census and Statistics Department were monitoring just what was happening to prices and supplies, household consumption, traders' margins, prices in other countries, and so on. The data which has now been assembled is not only wide-ranging, but also now extends back over several years. Our aim is to ensure that we are constantly aware of what is happening in the prices field, why it is happening and what effect it is having on the community.

The Economic Branch and the Census and Statistics Department, in studying prices and supplies, do not, of course, operate in isolation: they make use of a whole range of information and expert advice provided by, for example, the Agriculture and Fisheries Department, the Commerce and Industry Department and the Urban Services Department.

I realise, of course, that those of my honourable Friends who suggested an Economic Advisory Committee or a Price Stabilization Board are not directly associated with this monitoring machinery. I think it would be very useful if they were because they could then satisfy themselves that Government officers are sensitive to what is happening around them and I think there would be merit in the appropriate UMELCO Group periodically meeting them to be briefed and we would welcome their suggestions as to useful lines of enquiry.

As regards the direct regulation of prices for essential foodstuffs, I would point out that, in so far as retail prices are determined by import prices and local production costs, there is little that Government can do—at any rate effectively—and this seems to be accepted by many honourable Members. Even in the case of rice, which, of course, is not a perishable commodity in the same sense as fresh vegetables, the Government has never attempted to control prices which, as we have seen, have risen due to higher import costs.

[THE FINANCIAL SECRETARY] **Motion**

But it is one thing to have a reserve stock of rice and quite another to have buffer stocks of fresh vegetables and other perishable foodstuffs. And I have already spoken of the difficulties of obtaining foodstuffs of this kind from alternative sources when even the ordinary market mechanism may be unable to achieve this. In any case, I have indicated that, recently, our consumption has been down because demand has been down. This has resulted in our exports of marine fish, increasing this year. To restrict exports of fish, at this time, would have only a marginal effect on supplies, and it could well damage the longer-term interests of the fishing industry. But I can see that there is a potential weakness in the Fish Marketing Ordinance in the sense that the Director of Agriculture and Fisheries has no powers to control exports and, subject to the advice of Your Excellency in Council, I intend to introduce an amendment to the Ordinance at an early date to provide for a licensing system in case it should ever prove necessary to restrict exports.

It has, of course, been argued, that the regulation of supplies could help eliminate "profiteering" at the retail stage. I remain unconvinced that profiteering is taking place on anything like the scale implied in the general statements made by some honourable Members. The figures of retail margins I quoted earlier do not suggest this nor do those for, say, beef and eggs—for these have declined from 84% to 71% over last year in the case of beef and from 6½% to 6% in the case of eggs. Nonetheless, I am prepared to accept that, in spite of the high degree of competition among retailers, there is potential scope for profiteering in certain circumstances such as when panic buying ensues on the basis of some rumour to the effect that a commodity is in short supply. Hence it could be of assistance to consumers to have some authoritative guide as to the supplies situation and the general order of magnitude of prices that are being realized. I have therefore instituted, with immediate effect, a system whereby the Information Services Department will release to the press, daily, reports on supplies and wholesale prices. The first such report in this Consumer Advisory Service will be released this afternoon and will relate to the situation in the wholesale markets this morning. With experience in interpreting changes in this information I am sure the housewife will be able to see clearly for herself whether retail margins are reasonable. But I would suggest that, if she feels they are not reasonable, in the light of the information that will now be published, she makes her views known in no uncertain terms; the economic power of the housewife can be or

should be quite devastating, as my honourable Friend Mr James Wu has pointed out.

Finally, Sir, I must answer the second of the two questions uppermost in people's minds: what of the future? The General Consumer Price Index usually falls over the fourth quarter of the year largely on account of seasonal declines in the prices of certain foodstuffs such as fresh vegetables. Last year, this pattern was broken mainly because of an unusual typhoon in November, but this year it seems to have re-emerged. The index for October was down 4 points on that for September and, in the light of what has been happening this month to the retail prices of fresh foodstuffs, there is reason to believe that the index for November will be lower than that for October.

But I have, and at some length, explained how misleading straight comparisons of the index for one month and another can be and so the real question is: what is likely to happen to the index on a seasonally adjusted basis? There can be few places in the world where the movement of prices is not fundamentally upwards and I would have thought it more likely than not that the index, on a seasonally adjusted basis, will rise over the remainder of this year and in 1974. But I would also have thought that an increase at this year's very rapid rate is highly improbable. Next year's weather, for example, could hardly be worse than this year's; indeed, it is likely to be much better, although this is a purely personal view which I have not checked out with the Director of the Royal Observatory!

But I can be rather more authoritative about supplies of rice: there is no doubt that rice harvests in the region now are well up on what they were this time last year, and the view is widely held that, world-wide, rice yields in 1974 will be an all-time record. The increase in the price of rice alone this year, on a seasonally adjusted basis, accounted for something like a quarter of the overall increase in the General Consumer Price Index. The fact that rice is likely to be more plentiful in the near future is, in itself, therefore, likely to have a profoundly stabilizing effect on the rate at which consumer prices increase. And I would mention, incidentally, that for several years, the underlying trend of rice prices in Hong Kong has been downwards. It is only in the last year that we have witnessed sustained price increases. Over the next year or so, other grain harvests are also likely to be much improved, and this can also be expected to have a significant effect on prices. Increased supplies of rice and other grains should also result in a levelling-off of animal feedstuff costs and to increased livestock production and these effects should help also, indirectly, to stabilize the rate of increase of consumer prices.

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It is very difficult, of course, to speak with any great certainty about the future course of fuel prices. However, household expenditure on kerosene and liquefied petroleum gas currently accounts for only about 1½% of total household expenditure and, even if total expenditure on electricity is included (instead of simply its fuel oil cost component) this figure would rise to only 3%. As regards the effect of higher prices for diesel oil on the cost of public transport which is bound to be asked sooner or later; although oil costs represent about 12% of total operating costs in the case of buses, the companies are at present in a strong net cash flow position and their return on assets employed is currently very satisfactory. I do not consider, therefore, that increased fuel costs will require any fare increases for some time to come.

Admittedly, the prices of other commodities could also increase if fuel prices were to increase significantly in our principal supplying countries, but world-wide increases in fuel prices should not result in any erosion of our external competitiveness; and we have a strong currency which puts us in a very favourable position by comparison with other countries when it comes to meeting pressures towards higher import costs—whether for fuel or anything else. If I mention that the exchange value of the Hong Kong dollar has appreciated by ~~50% in the last~~ 3 year, in terms of a trade-weighted average of major currencies, honourable Members will agree, I am sure, that we do have a strong currency. A strong currency also works to our advantage in the export field; and if this leads to increased money incomes it is easier for us to meet such increases in consumer prices as do occur. All things considered, then, I am hopeful not only that the rate of increase of consumer prices will be slower next year, but also that the rate of growth of our real incomes will be higher; and let us not forget, please let us not forget, that we pursue a non-inflationary tax policy.

In addition, it has to be remembered that consumer preferences and marketing methods and so on are constantly evolving thereby bringing into play, albeit over relatively long periods of time, additional stabilizing influences. The growing number of supermarkets and self-service stores and the increasing preponderance of pre-prepared and frozen foodstuffs in Hong Kong is self-evident. It is not easy to quantify the extent to which these developments will help dampen movements in prices arising from what are sometimes quite powerful

exogenous forces; but they should provide us with some additional room for manoeuvre in avoiding the shock effects of events which are often beyond Hong Kong's control.

As far as frozen foodstuffs are concerned, their increasing popularity can be demonstrated by the fact that in the year to September 1973 alone, a period when, as I have already said, the consumption of principal fresh foodstuffs was declining, the quantity of frozen poultry purchased in Hong Kong increased by as much as 5.8%. Poultry is, of course, one of the few meats that can be frozen and then thawed without its flavour being appreciably impaired. I would not suggest for one moment that pre-prepared and frozen foods are in all cases genuinely substitutable for fresh foodstuffs particularly for the sensitive Hong Kong palate. But it is also a fact that if the housewife in Hong Kong really wants fresh foodstuffs then she can obtain them, and this cannot be said, with such conviction, in the case of many other large cities. Fresh foods—and I mean foods that are really fresh, in the Hong Kong sense of the word—are often regarded elsewhere as a luxury; and they are still cheaper in Hong Kong than in almost any other major Asian city.

Sir, as I threatened I have spoken at length. But prices and inflation are subjects on everyone's minds at the present time and the complex forces influencing the movement of prices cannot I am afraid be explained in a few words. In conclusion I would like to say this: the world economy is now in a more difficult and uncertain position than it has been at any time since the Second World War almost thirty years ago. Inflation is accelerating in most of the advanced industrialized countries, helped by rapid increases in food and new material prices. The emerging energy crisis is a further burden which could have serious effects on the economies of both our customers and our suppliers. The international monetary situation is highly uncertain. As an open economy uniquely dependent on external trade for our livelihood, no effort of economic management, no matter how skilful, can insulate Hong Kong from the effect of these forces. What we can do is to ensure by a "sensible approach" that we are in the best possible position to react to contingencies as they arise and to ride them out.

Sir, I beg to support the motion.

THE COLONIAL SECRETARY (MR ROBERTS): —Sir, the addition of some of the new Secretaries to the official membership of this Council means that there are fewer matters remaining for the Colonial Secretary to deal with than in previous annual debates.

[THE COLONIAL SECRETARY] **Motion**

I can, therefore, confine myself principally to those matters connected with the public service which have been raised by honourable Members or about which I think something should be said.

One of the remarkable features of public life in Hong Kong is the willingness of our citizens to devote their time to serving on the very large number of councils, boards and committees which have been established for a wide range of subjects.

The Government is often criticized for being out of touch with public opinion and for acting in ways which do not take adequate account of the feelings of people. This criticism does not I think take proper account of the comprehensive network of over one hundred advisory bodies on which Government officers and members of the public sit together to formulate advice to the Government on most matters of major importance.

I should like to take this opportunity to express the warm appreciation of the Government for the generous and public spirited service, given by many private citizens, often at great personal inconvenience, and in particular to extend our thanks to Members of the Executive Council, this Council and the Urban Council for their invaluable contribution to our public life.

The honourable Mr. Q. W. LEE has observed that these committees serve as a useful bridge between the Government and the public but that too many of them have common memberships. I agree with him that we tend to make too heavy demands on the time and energy of a limited number of enthusiasts and that we ought, if possible, to widen the field from which we seek advice and assistance. We will do our best to make these committees more representative, and will particularly bear in mind the desirability of enlisting some of the younger members of the community.

The Labour Tribunal, which was mentioned by the honourable Dr S. Y. CHUNG, has been in operation for over 6 months. During the first half year of its operation it dealt with about 560 cases, although it had been estimated that it would only handle about 500 during its first 12 months of work. This total of 560 is about twice the rate at which wage cases were dealt with by the District Court in recent years.

It is therefore apparent, from the figures alone, that the tribunal has succeeded in obtaining the confidence of the public and that those with claims within its jurisdiction are very willing to resort to it.

It is the object of this tribunal, which has been presided over by an able and experienced local officer since its inception, to deal in a speedy simple, inexpensive and informal manner with the cases submitted to it. I believe that it has been remarkably successful in doing so.

It seems likely that the demand for the services of the tribunal is such that a further presiding officer will have to be appointed in the near future, and that additional premises will need to be found for the tribunal in Kowloon.

This tribunal was initially established only for a limited period, until the end of 1975. In view of its success, which I am sure will continue, honourable Members will be asked, in due course, to approve the establishment of this tribunal as a permanent part of our judicial structure.

I am sure that honourable Members would like to know of the progress which we have been able to make in the establishment of a separate Anti-Corruption Commission and in giving effect to the recommendations contained in Sir Alastair BLAIR-KERR'S second report.

As you, Sir, indicated in your speech, the decision has been taken to establish a separate Anti-Corruption Commission under a civilian commissioner.

In order to emphasize the fact that this commission will not be another department of Government, but will be outside the ordinary Government structure, it is intended to establish the Commission as an independent statutory body, though naturally, since it will be financed wholly from Government funds, the Commission's estimates will be subject to the approval of the Governor.

The Commission is likely to be served, in its initial stages at least, both by officers seconded from other Government departments and by persons recruited from outside the public service. The selection of staff will generally be carried out by the Commissioner and such appointments will not be subject to the advice of the Public Services Commission. However, the appointment of the Commissioner himself, and of some of the most senior officers of the Anti-Corruption Commission, will be made by or subject to the approval of the Governor.

The terms of service upon which the officers of the Commission will serve will also be subject to the approval of the Governor. It is intended that these terms should be kept roughly in line with those of the public service.

[THE COLONIAL SECRETARY] **Motion**

Furthermore, in order to preserve the rights to pensions and gratuities of those officers serving with the Commission who are public servants, service in the Commission will, if the Secretary of State so approves, be designated as other public service for the purpose of our pensions laws and steps will have to be taken to ensure that the career prospects of these officers do not suffer.

It is too early to say precisely what form the Commission will take. Generally, it is proposed that it should comprise three main divisions: firstly, an Operations Division, which will be responsible for the investigation and prosecution of offences; secondly, a Prevention and Administration Division which will deal with the prevention of corruption, principally by advice or the adoption of procedures which are likely to reduce the opportunities for corruption; and thirdly, a Community Relations Division, the task of which will be to involve the public in the fight against corruption through education, and publicity and by influencing public opinion.

The Ordinance under which the Commission will be formally constituted will provide that the Commission shall be subject to the control and direction of the Governor. These measures should make it clear that the Commissioner and his staff are intended to be free from the departmental and inter-departmental pressures to which members of the public service may be liable and are in fact independent of the Government, though subject to the control of the Governor. In this way we wish to demonstrate yet again, that the Government intends to tackle corruption relentlessly.

In his second report, Sir Alastair BLAIR-KERR recommended that a number of changes be made to Colonial Regulations, in order to make it less difficult to remove Government servants against whom insufficient evidence to secure a conviction for corruption is available.

Discussions have taken place on this subject between the Secretary for the Civil Service and the three staff associations.

I am pleased to be able to say that the representatives of the staff associations have adopted a most reasonable and responsible attitude towards the proposals which have been put to them. Quite rightly they are concerned, on behalf of their members, to ensure that while corrupt officers are vigorously pursued and swiftly removed from the public service, the honest officer, who is very much in the majority in the public service, will be properly protected against any possible victimization or injustice.

I hope that we shall be able to reach a formula which is both acceptable to the associations and to serving officers and yet will enable the Government to get rid of corrupt officers with a reasonable degree of speed and certainty.

Sir Alastair has also suggested various improvements to the Prevention of Bribery Ordinance. These have been considered by the Attorney General, in consultation with the Secretary of State's legal advisers, and it is hoped that a bill to give effect to most of Sir Alastair's recommendations will be introduced into this Council early next year.

If I may deal only with some of the major recommendations, the bill will propose that the maximum penalty for an offence under section 10 of the Prevention of Bribery Ordinance be increased from 7 to 10 years, and that a court be empowered to make a forfeiture order in favour of the Crown against a person convicted under section 10, in relation to those pecuniary resources or property of which the accused failed to explain his possession satisfactorily to the court.

The bill will provide for a machinery to prevent banks and other institutions from dealing with the assets of a person under investigation and for the inspection and investigation of any bank account operated by a Crown servant. Careful thought is being given to the recommendation that it should be an offence to fail to comply with a notice issued under section 14 requiring a suspect to submit information to the commission.

I believe that these amendments will make the Ordinance a more effective instrument than it is at present. The new commission has a formidable task. It must not lack the proper legal support.

As honourable Members will be aware, we have been engaged this year in an extensive reorganization of the Colonial Secretariat as a result of reports submitted by a firm of management consultants, employed to investigate the machinery of Government.

Hong Kong has changed out of all recognition in the past quarter of a century. From being a relatively under-developed territory, depending mainly upon entrepot trade, it has become one of the great industrial and trading units of the world. This astonishing development has been achieved without any major overhaul of the central Government machinery and it is a remarkable tribute to the flexibility of its structure and to the adaptability of its officers that it has coped so effectively with constantly changing conditions and demands.

[THE COLONIAL SECRETARY] **Motion**

The management consultants, while fully recognising this, recommended that the time had come to strengthen the machinery of the Government, to take fuller account of the increased complexities of administering a modern community and of the necessity for all the implications of any proposed Government action to be carefully and fully considered. In addition, the public service has expanded at such a rate, that we were, and continue to be, critically short of skilled and experienced manpower and it is essential that the best possible use be made of what we have.

As the activities of the Government have spread into new spheres in recent years, and have become more complex, and as demands on the skills and resources of experienced officers have increased, there may have been a slowing down in some aspects of the operation of the Government. This was another factor which pointed to the need for reorganization.

The consultants broadly recommended four categories of change. First, a number of procedural improvements. We have standardized requests for staff and for special expenditure for services and equipment. Some progress has been made in delegating authority within the Government machine, but very much more remains to be done. And we are planning to make substantial extra use of data processing machinery in many departments.

Second, we shall be making better use of planning processes. The most important of these are programme plans, which will help us to formulate policies for up to 10 years ahead and will assist us to remind ourselves at all times of the objectives of our policies. Annual operating plans, to control and monitor Government expenditure and the use of its resources in carrying out these programme plans, will follow later.

When this system is in full operation, it should help us to do two things. Firstly it should enable us to gain a fuller picture of the long-term commitments of the Government and to determine priorities within the bounds of our necessarily limited resources.

Secondly, within the framework of these plans, it should allow a much greater degree of delegation to heads of departments, and so relieve some of the pressure on the Secretariat caused by the present need to refer constantly to it in order that central control can be maintained.

The third category of change is the improvement of personnel management and I will refer briefly to this later when I mention the Civil Service.

Fourthly, we have accepted the need to redefine the functions and responsibilities of the Colonial Secretariat and of the operating departments so that a better co-ordination of departmental activities will be achieved.

We have therefore regrouped responsibilities in the Secretariat so that each branch shall assume greater responsibility for the formation of policy and for its effective enforcement. And we have appointed Secretaries, in charge of these branches, with adequate authority to perform these vital functions. Each Branch Secretary now deals with a group of related subjects, rather than with a group of departments, so that he can now assess, as he could not do before, the total needs and problems and resources of the Government in a particular activity.

The control and implementation of the huge programmes of development upon which we are embarking will make heavy demands on the Secretariat as well as on the departments concerned. I hope and believe that these changes will make us better able to meet them.

More than one honourable Member has referred to the management of the public service. The consultants had a lot to say about this in chapter 3 of their report. It is clear to me that in the future we must conduct our planning for personnel requirements, recruitment, career-structuring and man-management on much more scientific lines than in the past. The Secretary for the Civil Service and myself are both acutely aware of this, as we are of the need to maintain and develop good relations with the members of the service. A disgruntled service is an inefficient one and our aim is to ensure that the views of public servants on matters affecting their interests are dealt with speedily and with sympathy and understanding, even if we cannot always meet their wishes.

It was with a degree of surprise as well as pleasure that I found myself called on to become the Head of the Public Service of Hong Kong. As Attorney General I already knew something of the Civil Service and of the disciplined services. But in the past few months, I have seen them through rather different eyes, and have spent as much time as I could in visiting the different services and departments at work and in trying to evaluate the problems, weaknesses, successes and potential of the services I am called on to direct.

[THE COLONIAL SECRETARY] **Motion**

One of our most intractable problems is corruption. I have decried the measures we propose to tackle it, and tackle it we shall without fear or favour. Another is bureaucratic delay, fathered by inexperience out of rapid expansion. Honourable Members might agree that to some extent the two problems are linked. Certainly both corruption and bureaucratic delay can be due just as much to defective organization and administration as to defective people.

These are some of the many problems which beset us. But we have strengths as well. Our capacity to deal with crises is apparent. And Hong Kong could never have been transformed from what it was 20 years ago to the great city and world centre which it is today, if its public services and police force had been incompetent, idle or unenterprising. On the contrary, all my recent experience confirms my previous belief, and it is a belief which is widely shared in other countries of this area, that our public services and our police force compare very favourably with their counterparts elsewhere. They have defects and these it is our duty to remedy. But I am intensely grateful to my predecessors and to the members of the public service themselves, for the strength, the reliability and the potential of the machine which has been entrusted to me. We have services in Hong Kong which any young man or woman should be proud to join; certainly they are services I am proud to lead.

Question put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: —In accordance with Standing Orders, I now adjourn the Council until 2.30 p.m. on Wednesday the 12th of December.

Adjourned accordingly at four minutes to five o'clock.