



DAILY INFORMATION BULLETIN

THURSDAY, APRIL 12, 1979

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ECONOMIC PROSPECTS FOR THIS YEAR

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FROM THE STATISTICS THAT HAVE BECOME AVAILABLE IN THE PAST TWO MONTHS, THERE IS SOME EVIDENCE THAT THE ECONOMY HAS STARTED TO TAKE A SLIGHTLY MORE REASSURING COURSE, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE SAID TODAY (THURSDAY).

BUT MR. HADDON-CAVE TOLD THE LEGISLATIVE COUNCIL THAT THE EVIDENCE IS +VERY SLIGHT.+

AT THE SAME TIME, HE SAID, THERE WAS NO EVIDENCE OF ANY REALLY ADVERSE CHANGES IN THE RATES AT WHICH ANY OF THE KEY VARIABLES AND AGGREGATES WERE MOVING, COMPARED WITH THE FORECASTS IN THE BUDGET SPEECH.

ON THE EXTERNAL SECTOR, MR. HADDON-CAVE SAID THE GROWTH RATE OF TOTAL EXPORTS FOR THE FIRST QUARTER OF 1979 COMPARED WITH THE FIRST QUARTER OF LAST YEAR HAD PROBABLY OVERTAKEN THAT OF IMPORTS- AND THE GROWTH RATE OF DOMESTIC EXPORTS WAS ROUGHLY THE SAME AS THAT OF RETAINED IMPORTS.

+BUT, AS REGARDS THE DOMESTIC SECTOR, THE GROWTH RATE OF DOMESTIC DEMAND DOES NOT YET SEEM TO BE SLOWING DOWN: THE GROWTH RATE OF BANK LOANS AND ADVANCES ACTUALLY ACCELERATED DURING THE FIRST TWO MONTHS OF THIS YEAR, ALTHOUGH THE GROWTH RATE OF THE MONEY SUPPLY HAS SHOWN CLEAR SIGNS OF ACCELERATING- AND FOR MR. LI FOOK-WO'S BENEFIT, I WOULD HAZARD A GUESS THAT THE ANNUALISED GROWTH RATE OF M2 IS NOW BEGINNING TO APPROACH THE FORECAST RATE OF G.D.P. IN MONEY TERMS.

+HOWEVER, IT IS STILL TOO EARLY TO ASSESS DEFINITELY THE EFFECTS OF THE RECENT INCREASES IN INTEREST RATES,+ MR. HADDON-CAVE SAID.

NOTING THAT THE TRADE DEFICIT IN THE FIRST QUARTER OF THIS YEAR WAS A LITTLE BELOW THAT OF THE CORRESPONDING PERIOD IN 1978, MR. HADDON-CAVE SAID: +AS THE RATE AT WHICH THE TRADE DEFICIT IS WIDENING HAS NOT YET BEGUN TO SLOW DOWN APPRECIABLY, IT IS HARDLY SURPRISING THAT THE EXCHANGE VALUE OF THE HONG KONG DOLLAR HAS DECLINED RECENTLY.+

IN THE MONTH OF MARCH, HE SAID, THE TRADE-WEIGHTED EXCHANGE RATE INDEX OF THE HONG KONG DOLLAR FELL BY 2.3 PER CENT AND UP TO YESTERDAY APRIL 11, IT DECLINED BY A FURTHER 2.2 PER CENT.

+BUT THE SPEED OF THIS DECLINE IS AN ABERRATION OF THE MARKET PLACE, WHAT WE ARE NOW SUFFERING FROM -- AS SO MANY OTHER CURRENCIES HAVE SUFFERED IN THE PAST -- IS THE SELF-FULFILLING EXPECTATION BY THE MARKET PLACE OF A DECLINE IN THE RATE, ACCENTUATED BY COMMERCIAL LENDING AND LAGGING.

+AT SOME STAGE -- AND SOONER RATHER THAN LATER -- THE MARKET WILL RECOGNISE THAT THE HONG KONG DOLLAR HAS BECOME TOO CHEAP, AND WILL TURN AROUND.+

/IN OTHER

IN OTHER WORDS, MR. HADDON-CAVE SAID HE DOES NOT REGARD THE SPEED OF THE DECLINE IN RECENT WEEKS AS BEING JUSTIFIED BY THE UNDERLYING STATE OF OUR ECONOMY.

+FURTHERMORE, GIVEN THE WAY STERLING AND THE U.S. DOLLAR, BOTH OF WHICH ARE HEAVILY WEIGHTED IN THE TRADE-WEIGHTED EXCHANGE RATE INDEX, HAVE BEEN APPRECIATING RATHER UNEXPECTEDLY (AGAINST MOST CURRENCIES), TOO MUCH EMPHASIS MUST NOT BE PLACED ON THE DECLINE IN THE INDEX IN ANY ASSESSMENT OF THE IMPACT OF THE DECLINE IN THE EXCHANGE VALUE OF THE HONG KONG DOLLAR ON OUR ECONOMY.+

MR. HADDON-CAVE EMPHASISED THAT WHAT WAS MORE IMPORTANT FOR SUCH AN ASSESSMENT IS THE RELATIVE MOVEMENTS OF THE IMPORT-WEIGHTED AND EXPORT-WEIGHTED EXCHANGE RATE INDEXES.

BETWEEN THE END OF FEBRUARY AND APRIL 11, THE IMPORT-WEIGHTED INDEX DEPRECIATED MORE SLOWLY AT -3.8 PER CENT THAN THE EXPORT-WEIGHTED INDEX AT -5.3 PER CENT.

+IF THESE TRENDS CONTINUE THE RATES AT WHICH THE PRICES OF IMPORTS INCREASE WILL SLOW DOWN AND HONG KONG'S EXPORT COMPETITIVENESS WILL IMPROVE,+ MR. HADDON-CAVE STRESSED.

THE FINANCIAL SECRETARY SAID THE RATES OF INCREASES ARE CONTINUING TO INCREASE WITH THE COST OF LABOUR AND MATERIALS USED BY THE CONSTRUCTION INDUSTRY INCREASING BY 19 PER CENT IN THE SIX MONTHS ENDING JANUARY 1979 COMPARED WITH 5.7 PER CENT DURING THE SIX MONTHS ENDING JULY 1978.

+THIS IS AN AREA IN WHICH INTERNALLY GENERATED COST INCREASES ARE SIGNIFICANT AND IN WHICH ADJUSTMENTS TO THE GROWTH RATE OF DEMAND BY THE PUBLIC SECTOR CAN EXERT A STRONG INFLUENCE,+ MR. HADDON-CAVE SAID.

ON THE HON. OSWALD CHEUNG'S CLAIM THAT HONG KONG HAD BEEN EXPERIENCING DOUBLE DIGIT INFLATION FOR THE PAST 25 YEARS, MR. HADDON-CAVE SAID SUCH A RATE OF INFLATION +WOULD BE QUITE INCONSISTENT WITH THE IMPRESSIVE PERFORMANCE OF OUR EXTERNALLY ORIENTED ECONOMY, A PERFORMANCE WHICH HAS CLEARLY ILLUSTRATED HOW COMPETITIVE WE HAVE BEEN.+

+ON HIS SPECIFIC POINT ABOUT THE HIGH COST OF LAND AND RENTS, RENTS ARE REFLECTED IN OUR CONSUMER PRICE INDEXES AND IN THE PRICES OF GOODS AND SERVICES PRODUCED IN THE ECONOMY AND HENCE IN THE G.D.P. DEFLATOR,+ MR. HADDON-CAVE STRESSED.

THE FINANCIAL SECRETARY SAID THE OBJECT OF +OUR BUDGETARY STRATEGY IS TO SPEED UP AND SMOOTH OUT THE ADJUSTMENT PROCESS, WHEREBY EXCESS DEMAND FOR, OVER THE SUPPLY OF, DOMESTIC RESOURCES IS ELIMINATED AND INTERNALLY GENERATED INFLATIONARY PRESSURES ARE REMOVED.+

+I MUST STRESS AT THIS POINT THAT OUR STRATEGY IS NO SUBSTITUTE FOR THE ADJUSTMENT PROCESS. IT IS SIMPLY DESIGNED TO LESSEN THE UNACCEPTABLE CONSEQUENCES OF RELYING ENTIRELY UPON IT.

+SO IN SEEKING TO EXERCISE 'CONSTRAINT WITH RESTRAINT', TO QUOTE FROM A NEWSPAPER EDITORIAL, I HAVE TAKEN CARE NOT TO DO TOO MUCH. HOWEVER, I CAN ASSURE HONOURABLE MEMBERS THAT THE GOVERNMENT STANDS READY TO TAKE FURTHER MEASURES IF THESE PROVE NECESSARY,+ MR. HADDON-CAVE STRESSED.

ON OIL PRICE INCREASES, MR. HADDON-CAVE SAID THAT THEY WILL LEAD TO A SHARPER ACCELERATION IN THE RATES OF INCREASE IN THE PRICES OF OIL PRODUCTS IN HONG KONG, OF GOODS WITH A HIGH OIL CONTENT AND OF SERVICES RELYING HEAVILY ON OIL.

+HOWEVER, THE PROPORTION OF HOUSEHOLD EXPENDITURE ACCOUNTED FOR BY 'FUEL AND LIGHT' IN OUR CONSUMER PRICE INDEXES IS ONLY ABOUT THREE PER CENT.

+SO, ALTHOUGH THERE ARE OTHER SERVICES THAT RELY FAIRLY HEAVILY ON OIL, NOTABLY PUBLIC TRANSPORT (WHERE OIL COSTS PRESENTLY REPRESENT BETWEEN SIX AND 17 PER CENT OF TOTAL OPERATING COSTS), THE OVERALL IMPACT OF INCREASES IN OIL PRICES OF THE ORDER OF MAGNITUDE OF THOSE ANNOUNCED RECENTLY IS UNLIKELY TO BE ALL THAT SERIOUS,+ THE FINANCIAL SECRETARY SAID.

HE ALSO SAID THE DIRECT IMPACT ON, FOR EXAMPLE, MANUFACTURING COSTS WILL ALSO NOT BE PARTICULARLY SIGNIFICANT BECAUSE THE COST OF FUEL AND ELECTRICITY AS A PROPORTION OF TOTAL GROSS OUTPUT WILL ONLY BE AROUND ONE PER CENT -- ALTHOUGH SOME OF OUR MANUFACTURERS WILL BE AFFECTED MORE SERIOUSLY THAN THIS PERCENTAGE IMPLIES= AND OUR COMPETITORS WILL BE SIMILARLY AFFECTED.

MR. HADDON-CAVE POINTED OUT THAT IT WOULD BE THE INDIRECT EFFECTS WHICH +ARE MORE WORRYING.+

FIRST, SHARPER INCREASES IN OIL PRICES AND SHORTAGE OF SUPPLY WILL INEVITABLY HAVE AN UNFAVOURABLE EFFECT ON THE GROWTH RATES OF THE ECONOMIES OF SOME OF OUR MAJOR MARKETS, IN THE SENSE THAT THEY MAKE THE ADOPTION OF REFLATIONARY POLICIES MORE UNLIKELY.

HENCE, THE GROWTH RATE OF DEMAND FOR HONG KONG'S EXPORTS MAY BE SLOWER THAN WOULD OTHERWISE BE THE CASE AND COMPETITION FOR BUSINESS WILL BE KEENER.

+GIVEN THE PRESENT STATE OF ORDER BOOKS, THESE INDIRECT EFFECTS WILL TAKE TIME TO WORK THROUGH AND PROBABLY WILL HAVE LITTLE EFFECT ON HONG KONG BEFORE THE END OF 1979= BUT PERHAPS A SHADOW HAS BEEN CAST OVER OUR PROSPECTS IN 1980.+

+SECONDLY,+ MR. HADDON-CAVE SAID, +AS MR. JAMES WU RIGHTLY POINTED OUT, THE PRICES OF SUCH OIL RELATED RAW MATERIALS AS PLASTICS WILL BE AFFECTED AND THE RESULTANT PRESSURE ON THE DOMESTIC COST-PRICE STRUCTURE MAY FURTHER AFFECT THE DEMAND FOR OUR EXPORTS.

+BUT THE LIKELIHOOD IS THAT, IN THE SHORT-TERM AT LEAST, THE EFFECT OF INCREASE IN OIL PRICES ON THE VISIBLE TRADE DEFICIT WILL BE OFFSET BY THE REDUCED CONSUMPTION THE SECRETARY FOR ECONOMIC SERVICES HAS SAID IS LIKELY TO BE NECESSARY AS A RESULT OF SHORTAGES IN SUPPLY,+ MR. HADDON-CAVE SAID.

IN SUMMING UP, THE FINANCIAL SECRETARY SAID: +I HAVE, IN EFFECT, NOW RE-EXAMINED MY BUDGETARY STRATEGY IN THE LIGHT OF HONOURABLE MEMBERS' PROBING QUESTIONS AND THE LATEST INFORMATION ON THE COURSE OF THE ECONOMY.

+MY CONCLUSION IS THAT THE STRATEGY IS STILL WHAT OUR SITUATION REQUIRES IF THE ADJUSTMENT PROCESS IS TO BE ASSISTED AND THE MORE UNPLEASANT CONSEQUENCES OF THE ADJUSTMENT PROCESS BEING DELAYED ARE TO BE AVOIDED. IT IS TOO EARLY TO EXPECT TO SEE SOLID EVIDENCE IN SUPPORT OF THIS CONCLUSION.+

MEANWHILE, HE SAID WE MUST NOT LOSE OUR NERVE AND TRY TO FURTHER SPEED UP THE PROCESS IN ORDER TO PROVIDE THE EVIDENCE EARLIER FOR, AS MR. WONG LAM SAID +HASTY ADJUSTMENTS BY THE GOVERNMENT MIGHT PRODUCE MORE OBVIOUS RESULTS BUT MIGHT LEAD TO VERY UNDESIRABLE CONSEQUENCES.+

+RATHER, I WOULD SUGGEST THAT, WHILST WE SHOULD NOT DISCOUNT OUR PRESENT DIFFICULTIES, WE SHOULD ALSO COUNT OUR BLESSINGS, FOR OUR SITUATION IS AT LEAST ONE OF INFLATION WITH, INDEED PARTLY DUE TO, OVER EMPLOYMENT, RATHER THAN INFLATION WITH A SLUGGISH GROWTH RATE AND RISING UNEMPLOYMENT, WHICH IS THE MORE COMMON EXPERIENCE EVERYWHERE.+

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NEED FOR CURBS EMPHASISED TO REDUCE
INFLATIONARY PRESSURES ON HK ECONOMY

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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, TODAY (THURSDAY) AGAIN EMPHASISED THE NEED TO CURB THE GROWTH RATE OF PUBLIC EXPENDITURE AND OF PRIVATE DOMESTIC DEMAND TO REDUCE INFLATIONARY PRESSURES ON THE ECONOMY OF HONG KONG.

HE WARNED THAT IF INFLATIONARY PRESSURES WERE LEFT UNCHECKED FAR MORE DAMAGE WOULD BE DONE TO OUR ECONOMY AND TO OUR EXPORTS OF GOODS.

MR. HADDON-CAVE SAID NOT ONLY MUST GOVERNMENT EXPENDITURE MAKE A CONTRIBUTION TO THE SLOWING DOWN OF THE GROWTH RATE OF DOMESTIC DEMAND BUT ALSO THERE WAS A SPECIAL NEED NOW TO REDUCE THE PRESSURES SO EVIDENT IN THE BUILDING AND CONSTRUCTION SECTOR.

+THE FACT IS THAT OURS IS NOW AN OVER-EMPLOYED ECONOMY WITH A WIDENING TRADE DEFICIT AND, IF WE ARE TO AVOID PAINFUL ADJUSTMENTS LATER ON, WE MUST TAKE ACTION NOW TO RESTORE INTERNAL AND EXTERNAL EQUILIBRIUM,+ HE REMARKED.

COMMENTING ON VARIOUS PROPOSALS, SOME OF THEM +QUITE EXPENSIVE,+ PUT FORWARD BY UNOFFICIAL MEMBERS, MR. HADDON-CAVE SAID HE WOULD NOT WISH TO CLAIM THAT THE EXPENDITURE ESTIMATES PROVIDED FOR EXACTLY THE RIGHT GROWTH RATE OF EXPENDITURE, OR THAT THEY REPRESENTED A PERFECT RECONCILIATION OF COMPETING CLAIMS FOR RESOURCES WHICH COULD BE LEGITIMATELY MADE AVAILABLE.

/+BUT AS

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+BUT AS 17 UNOFFICIAL MEMBERS (OUT OF 19 WHO SPOKE IN THE DEBATE) HAVE EXPRESSED THEIR INTENTION TO SUPPORT THE MOTION, I CAN ONLY ASSUME THAT THEY AT LEAST HAVE TAKEN A GENERALLY FAVOURABLE VIEW OF THE DRAFT ESTIMATES AS A WHOLE,+ MR. HADDON-CAVE SAID.

+I ALSO ASSUME THAT THEY SUPPORT A SLOWING DOWN OF THE GROWTH RATE OF EXPENDITURE ON GENERAL REVENUE ACCOUNT, IN REAL TERMS FROM 25 PER CENT IN 1978-79 TO FIVE PER CENT IN 1979-80,+ HE ADDED.

THE FINANCIAL SECRETARY ALSO SAID THAT IF PRICES TENDED TO INCREASE FASTER THAN FORECAST DURING THE YEAR, THE GOVERNMENT INTENDS TO APPLY CASH LIMITS STRICTLY AND REDUCE THE GROWTH RATE OF EXPENDITURE, IN REAL TERMS, TO BELOW FIVE PER CENT.

HOWEVER, HIGHER THAN EXPECTED PRICES WOULD BE REFLECTED IN HIGHER REVENUE YIELDS AND +THUS AN 'AUTOMATIC' SURPLUS, OVER AND ABOVE THE SURPLUS I HAVE ACTUALLY BUDGETTED FOR, SHOULD BE THE OUTCOME.+

MR. HADDON-CAVE SAID WHEN THIS HAPPENS THE ENACTMENT OF THE EXCHANGE FUND (AMENDMENT) BILL WOULD ENSURE THAT SUCH A SURPLUS WOULD HAVE A CONSTRAINING EFFECT ON THE PRIVATE SECTOR COMPONENT OF DOMESTIC DEMAND.

WHILE SYMPATHISING WITH UNOFFICIAL MEMBERS' CONCERN OF THE COST TO THE MANUFACTURING SECTOR OF BANK FINANCE AT CURRENT INTEREST RATES, MR. HADDON-CAVE STRESSED THAT THE INTEREST RATE MECHANISM WAS AN ESSENTIAL INSTRUMENT TO BRING THE GROWTH RATE OF TOTAL FINAL DEMAND INTO LINE WITH THE GROWTH RATE OF THE ECONOMY'S OUTPUT TO CHECK THE TENDENCY FOR THE VISIBLE TRADE DEFICIT TO WIDEN AND SO TO REDUCE INFLATIONARY PRESSURES.

BUT THE FINANCIAL SECRETARY WAS NOT IN FAVOUR OF INTRODUCING +ADDITIONAL STATUTORY POWERS+ FOR THE EXCHANGE FUND TO INFLUENCE DIRECTLY THE FIXING OF INTEREST RATES AS SUGGESTED BY THE HON. LI FOOK-WO.

THIS WOULD CREATE THE GOVERNMENT DEBT AND WOULD NOT BE IN THE PUBLIC INTEREST, MR. HADDON-CAVE POINTED OUT.

THE DEBT COULD BE CREATED BY, FOR EXAMPLE, THE EXCHANGE FUND ACQUIRING ALL THE FOREIGN CURRENCY ASSETS OF THE BANKING SYSTEM, AND ACCEPTING THE EXCHANGE RISK. MR. HADDON-CAVE REMINDED THE COUNCIL THIS WOULD NECESSITATE THE INTRODUCTION OF A SYSTEM OF EXCHANGE CONTROL.

ON THE SUGGESTION BY THE HON. HILTON CHEONG-LEEN THE RESOURCES OF THE EXCHANGE FUND SHOULD BE DIRECTLY INVESTED IN SELECTED INDUSTRIES, MR. HADDON-CAVE SAID THAT THE PURPOSE OF THE FUND WAS TO REGULATE THE EXCHANGE VALUE OF THE HONG KONG DOLLAR.

THE FINANCIAL

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THE FINANCIAL SECRETARY ALSO QUESTIONED WHETHER IT WOULD BE PROPER, OR GENERALLY ACCEPTABLE TO THE PUBLIC, FOR THE EXCHANGE FUND TO HOLD PRIVATE SECTOR ASSETS, WHICH COULD NOT BE EASILY REALISED, IF AN INSTITUTION SIMILAR TO THE HONG KONG BUILDING AND LOAN AGENCY LIMITED WERE TO BE SET UP TO PROVIDE LOANS TO INDUSTRY.

HE ADDED THAT THE IDEA OF AN INDUSTRIAL DEVELOPMENT BANK HAD BEEN MOOTED ON VARIOUS OCCASIONS SINCE 1959 WHEN SIR ROBERT BLACK APPOINTED A COMMITTEE TO EXAMINE THE NEED FOR SUCH A BANK.

THE COMMITTEE ADVISED THAT NO SUCH NEED EXISTED AND +I AM NOT AWARE THAT THE MANUFACTURING SECTOR OF OUR ECONOMY IS PRESENTLY EXPERIENCING ANY DIFFICULTY IN OBTAINING FUNDS FOR COMMERCIALY VIABLE PROJECTS,+ HE SAID.

THE FINANCIAL SECRETARY, HOWEVER, REVEALED THAT SOURCES OF FINANCE FOR INDUSTRY WERE BEING EXAMINED BY THE ADVISORY COMMITTEE ON DIVERSIFICATION AND, IN PARTICULAR, BY A SUBSIDIARY WORKING GROUP ON FINANCIAL FACILITIES.

HE SAID HE WOULD PREFER TO WITHHOLD A DEFINITIVE REPLY FOR A FEW MONTHS.

MR. HADDON-CAVE ALSO COMMENTED ON THE IDEA OF PREMIUM SAVINGS BOND SCHEME AND THE CONTROL OF DEPOSIT-TAKING COMPANIES.

HE SAID HE WAS NOT CONVINCED THAT SUCH A SAVINGS BOND SCHEME WOULD ASSIST IN CURBING INFLATION. IT WOULD ENCOURAGE WITHDRAWALS FROM SAVINGS ACCOUNTS WITH BANKS WHICH CURRENTLY PAY SOME 1-3/4 PER CENT BELOW THE RATE WHICH MR. CHEONG-LEEN SUGGESTED SHOULD BE PAID UNDER THE PREMIUM SAVINGS BOND SCHEME.

THIS MIGHT WELL HAVE AN INFLATIONARY IMPACT BY FORCING BANKS TO WIDEN THE MARGINS BETWEEN THEIR BORROWING AND LENDING RATES.

IT COULD ALSO, IF IT WERE WIDELY SUPPORTED, HAVE A SERIOUS AND UNDESIRABLE IMPACT ON THE LIQUIDITY OF THE BANKING SYSTEM.

TOUCHING ON THE NEED FOR DEPOSIT-TAKING COMPANIES TO BE SUBJECT TO MINIMUM LIQUIDITY REQUIREMENTS, THE FINANCIAL SECRETARY ASSURED THAT LATER THIS YEAR LEGISLATION WILL BE IMPLEMENTED TO ENABLE HIM TO SET MINIMUM LIQUIDITY RATIOS TO BE OBSERVED BY EVERY REGISTERED DEPOSIT-TAKING COMPANY.

HE ADDED THAT HE EXPECTED TO PUT FORWARD, AT THE SAME TIME, COMPLEMENTARY PROPOSALS TO REVISE THE LIQUIDITY PROVISIONS OF THE BANKING ORDINANCE, TO ENSURE THE SMOOTH AND EFFICIENT WORKING OF THE MONEY MARKETS.

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GOVT STUDYING WAYS TO SAVE FUEL

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THE SECRETARY FOR ECONOMIC SERVICES, THE HON. D.G. JEAFFRESON, CONFIRMED AT THE LEGISLATIVE COUNCIL TODAY (THURSDAY) THAT THE GOVERNMENT IS CONSIDERING A NUMBER OF MEASURES TOWARDS ACHIEVING A FIVE PER CENT REDUCTION IN CONSUMPTION OF FUEL OIL BY MEANS OF REDUCED CONSUMPTION OF ELECTRICITY.

THE MEASURES INCLUDED A BAN ON THE USE OF ELECTRIC LIGHT FOR ADVERTISING, DISPLAY OR FLOODLIGHTING EXCEPT BETWEEN 7 P.M. AND 11.30 P.M.= SAVINGS IN THE GOVERNMENT'S USE OF ELECTRICITY= DAYLIGHT SAVING= REDUCED SPINNING RESERVE BY THE POWER COMPANIES= NO AIR CONDITIONING AT BELOW 26 DEGREES CELSIUS= AND A GENERAL EXHORTATION TO ALL TO SAVE ELECTRICITY, HE SAID.

MR. JEAFFRESON ADDED THAT SUCH MEASURES WOULD BE SIMILAR TO THOSE ALREADY ADOPTED BY SINGAPORE AND JAPAN, AND GAVE AN ASSURANCE THAT THOSE INTRODUCED WILL BE LIFTED AS SOON AS THE SUPPLY SITUATION BEGINS TO IMPROVE.

EARLIER, MR. JEAFFRESON POINTED OUT THAT IT NOW LOOKS FAIRLY CERTAIN THAT HONG KONG WILL HAVE TO AIM TO REDUCE ITS CONSUMPTION OF FUEL OIL BY AT LEAST FIVE PER CENT, WHICH HAPPENS TO BE CONSISTENT WITH THE FIGURE THE INTERNATIONAL ENERGY AGENCY HAS ADOPTED AS THE SAVING FOR ALL PRODUCTS.

+BUT THIS MUST BE DONE AS PAINLESSLY AS POSSIBLE,+ HE STRESSED. +AND, TO PROTECT OUR EXPORTS AND OUR EMPLOYMENT, OUR PRIMARY OBJECT MUST BE THAT INDUSTRY SHOULD NOT HAVE TO CURTAIL PRODUCTION THROUGH LACK OF ELECTRICITY OR OF FUEL OIL.

+ANY SHORTFALL IN SUPPLY THAT WILL STILL REMAIN EVEN IF SUCH SAVINGS CAN BE ACHIEVED, WILL BE MET BY DRAWING DOWN, BUT NOT ELIMINATING, RESERVES IN HONG KONG.+

MR. JEAFFRESON POINTED OUT THAT NOT ALL PRODUCTS ARE EQUALLY AFFECTED AS FAR AS HONG KONG IS CONCERNED.

+ALTHOUGH WE ARE UNLIKELY TO EXPERIENCE A SIGNIFICANT REDUCTION IN RESPECT OF MOST PRODUCTS, WE SHALL BE AFFECTED IN RESPECT OF FUEL OIL WHICH IS USED BOTH FOR THE PRODUCTION OF ELECTRICITY AND DIRECTLY BY INDUSTRY,+ HE ADDED.

REPLACEMENT AIRPORT

MR. JEAFFRESON POINTED OUT THAT THE GOVERNMENT HAS ADOPTED A +STAGE BY STAGE APPROACH+ TO THE STUDY OF A REPLACEMENT AIRPORT.

HE EXPLAINED: +THIS MEANS THAT BEFORE WE EMBARK ON A NEW STAGE OF THE PLANNING OR THE PREPARATORY PROCESS, WE SHALL SEEK THE ADVICE OF THE EXECUTIVE COUNCIL ON WHETHER, IN THE LIGHT OF UP-DATED AIR TRAFFIC FORECASTS, WE SHOULD PROCEED TO THE NEXT STAGE, OR WAIT FOR A WHILE, OR ABANDON THE IDEA OF A REPLACEMENT AIRPORT AT LEAST FOR THE TIME BEING.

+IN THIS DISCIPLINED WAY, WE SHOULD NOT DRIFT EITHER INTO HAVING A REPLACEMENT AIRPORT OR INTO NOT HAVING ONE, BUT COME TO CONCLUSIONS ON THE BEST POSSIBLE DATA AND ARGUMENTS AVAILABLE AT THE TIME.+

/HE POINTED

HE POINTED OUT THAT THE STAGE THE GOVERNMENT IS AT PRESENT EMBARKED ON INVOLVES:

- * A CIVIL ENGINEERING STUDY OF THE FEASIBILITY OF FORMING LAND ON CHEK LAP KOK FOR A REPLACEMENT AIRPORT-
- * THE PREPARATION OF A LAYOUT PLAN TO SHOW THE CONFIGURATION OF THE RUNWAYS, THE AIRPORT APPROACH ZONES AND THE BOUNDARIES OF THE AIRPORT WITHIN WHICH THE REQUIRED AREAS FOR ALL THE NECESSARY AIRPORT FACILITIES AND FUNCTIONS CAN BE DETERMINED-
- * THE COLLECTION OF METEOROLOGICAL DATA-
- * A COMPREHENSIVE ASSESSMENT OF THE IMPLICATIONS OF CLOSING KAI TAK- AND OF COURSE UPDATED TRAFFIC FORECASTS.

INDUSTRIAL DEVELOPMENT AND PROMOTION

IN REPLY TO A QUESTION RAISED BY THE HON. ALLEN LEE AT AN EARLIER BUDGET DEBATE, MR. JEAFFRESON POINTED OUT THAT THE ADVISORY COMMITTEE ON DIVERSIFICATION IS NEAR TO COMPLETING ITS STUDY OF THE ECONOMIC POLICIES OF A NUMBER OF ASIAN COUNTRIES.

THE COMMITTEE WAS APPOINTED +TO ADVISE WHETHER THE PROCESS OF DIVERSIFICATION OF THE ECONOMY, WITH PARTICULAR REFERENCE TO THE MANUFACTURING SECTOR, CAN BE FACILITATED BY THE MODIFICATION OF EXISTING POLICIES OR THE INTRODUCTION OF NEW POLICIES.+

THE PRESENT POLICIES, MR. JEAFFRESON EXPLAINED, INCLUDE PROVIDING THE INFRASTRUCTURE IN WHICH INDUSTRY CAN DEVELOP (LAND, ROADS, AND A LOW TAX STRUCTURE FOR EXAMPLE), MAINTAINING ACCESS TO OVERSEAS MARKETS AND REMOVING BARRIERS, AS FAR AS POSSIBLE, TO DEVELOPMENT (INADEQUATE TECHNICAL EDUCATION FOR EXAMPLE).

OF MORE IMMEDIATE DIRECT ASSISTANCE, PERHAPS, ARE THE INDUSTRIAL ESTATES AND PROMOTION OF INDUSTRIAL INVESTMENT, HE NOTED.

IN CONCLUSION, MR. JEAFFRESON SAID THE GOVERNMENT IS +PONDERING+, AS MR. LEE HAD PUT IT, WHETHER IT +SHOULD CHANGE ITS CURRENT POLICY AND ASSIST INDUSTRY IN ORDER TO SUSTAIN GROWTH IN EXPORTS.+

INVISIBLES

MR. JEAFFRESON AGREED WITH THE HON. D.K. NEWBIGGING THAT THERE IS A NEED TO QUANTIFY +THE CONTRIBUTION OF LESS WELL-DOCUMENTED ELEMENTS OF OUR INVISIBLE TRADE+, AND THAT SUCH INFORMATION +MIGHT EVEN PUT THE WIDENING GAP IN OUR VISIBLE TRADE IN A DIFFERENT LIGHT.+

HE ASSURED MR. NEWBIGGING THAT THE GOVERNMENT IS NOT IGNORING THE GROWING IMPORTANCE OF THIS ASPECT OF THE ECONOMY, EVEN IN A STATISTICAL CONTEXT.

HE RECALLED THAT THE FINANCIAL SECRETARY, ON NOVEMBER 16, 1978, IN THE DEBATE ON THE GOVERNOR'S ANNUAL ADDRESS, SAID THAT +SURVEYS OF INDUSTRIES (ENGAGED IN INVISIBLE TRADE) ARE NOW IN HAND.+

THEN ON DECEMBER 20, 1978, THE CENSUS AND STATISTICS (SURVEY OF IMPORTS AND EXPORTS OF SERVICES FOR 1978) ORDER 1978 WAS TABLED IN THE COUNCIL.

THE SURVEY IS NOW IN PROGRESS, AND ABOUT THREE WEEKS AGO, THE COMMISSIONER FOR CENSUS AND STATISTICS SENT OUT NEARLY 3,000 QUESTIONNAIRES, CONSISTING OF 10 DIFFERENT DESIGNS TO SUIT THE DIFFERING ACTIVITIES IN WHICH THE SERVICE INDUSTRIES ARE ENGAGED.

THE COMMISSIONER HOPES THAT, WITH THE CO-OPERATION OF THE BUSINESS COMMUNITY, RESULTS FROM THE SURVEY WILL BE AVAILABLE FOR ANALYSIS TOWARDS THE END OF THIS YEAR, SAID MR. JEAFFRESON.

HONG KONG PRODUCTIVITY CENTRE

REFERRING TO WHAT THE HON. S.L. CHEN HAD TERMED +SHOE-STRING BUDGET+ FOR THE PRODUCTIVITY COUNCIL, MR. JEAFFRESON SAID THE SUBVENTION OF \$7.7 MILLION PROPOSED FOR THE COUNCIL AND CENTRE IN 1979-80 REPRESENTS AN INCREASE OF NEARLY \$1.5 MILLION OVER THAT APPROVED FOR 1978-79.

AND THE AMOUNT IS WHAT THE COUNCIL AND CENTRE HAD INDICATED THEY WOULD REQUIRE WHEN THE GOVERNMENT WAS PREPARING ITS OWN FIVE-YEAR FORECAST OF INCOME AND EXPENDITURE IN THE MIDDLE OF LAST YEAR.

+I RECOGNISE THAT THE AMOUNT OF \$7.7 MILLION FALLS SOMEWHAT SHORT OF THE SUM WHICH THE PRODUCTIVITY COUNCIL SUBSEQUENTLY SOUGHT TO MEET THE PROGRAMME WHICH IT FINALLY SET INSELF FOR 1979-80.

+BUT THE COUNCIL IS SUBVENTED ON A DISCRETIONARY BASIS, AND IN ARRIVING AT THE AMOUNT OF SUBVENTION, THE GOVERNMENT MUST HAVE REGARD NOT ONLY TO THE COUNCIL'S PROGRAMME IN RESPECT OF THOSE ACTIVITIES THE GOVERNMENT HAS AGREED TO ASSIST, BUT TO OVERALL BUDGETARY CONSIDERATIONS. THE LATTER DICTATE THAT THIS YEAR THE PRODUCTIVITY COUNCIL SHOULD SEEK TO GENERATE MORE OF ITS OWN REVENUE FROM ITS ACTIVITIES,+ SAID MR. JEAFFRESON.

CONSUMER COUNCIL

MR. JEAFFRESON SAID SIMILAR BUDGETARY CONSIDERATIONS APPLY IN THE CASE OF THE CONSUMER COUNCIL.

BUT WHILE IT IS TRUE TO SAY THAT, AS THE HON. ALLEN LEE POINTED OUT, \$770,000 HAVE BEEN INCLUDED IN THE COUNCIL'S SUBVENTION FOR 1979-80 AS PAYMENT OF STAFF TERMINAL GRATUITIES, THE PICTURE FOR THE COUNCIL IS NOT QUITE AS BLACK AS MR. LEE HAD PAINTED.

IN ARRIVING AT THE COUNCIL'S SUBVENTION FOR OTHER RECURRENT ITEMS OF EXPENDITURES, ABOUT A 10 PER CENT INCREASE HAS BEEN ALLOWED FOR STAFF SALARIES OTHER THAN TERMINAL GRATUITIES, AND ABOUT A 21 PER CENT INCREASE HAS BEEN ALLOWED UNDER OTHER CHARGES TO CATER FOR AN EXPANSION OF THE COUNCIL'S ACTIVITIES, SAID MR. JEAFFRESON.

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ONLY REAL SOLUTION TO REFUGEE PROBLEM
IS CONTROLLED OUTFLOW FROM VIETNAM

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THE ONLY REAL SOLUTION TO THE PROBLEM OF THOSE WHO WISH TO LEAVE VIETNAM IS A SCHEME WHICH WILL ENSURE A CONTROLLED OUTFLOW FROM THAT COUNTRY, THE SECRETARY FOR SECURITY, THE HON. LEWIS DAVIES SAID TODAY (THURSDAY).

SPEAKING IN THE LEGISLATIVE COUNCIL, HE SAID THAT IF THE ARRANGEMENTS FOR A PROGRAMME OF ORDERLY DEPARTURES FORMULATED DURING THE DEPUTY HIGH COMMISSIONER FOR REFUGEES' RECENT VISIT TO HANOI CAN BE MADE TO WORK, AND THERE IS THE WILL TO WORK THEM IN VIETNAM AND RESETTLEMENT COUNTRIES, WE SHOULD SEE MUCH NEEDED ORDER COMING INTO THE OUTFLOW OF PEOPLE.

+THE OTHER SOLUTION,+ HE ADDED, +IS TO GET THESE REFUGEES MOVED ON TO COUNTRIES WHERE THEY CAN SETTLE — AS QUICKLY AS POSSIBLE.+

MR. DAVIES EMPHASISED THAT VIETNAMESE REFUGEES IN HONG KONG WERE LANDED HERE ONLY TEMPORARILY, PENDING RESETTLEMENT BY UNHCR IN OTHER COUNTRIES.

HE NOTED THAT ON APRIL 11, THE NUMBER OF VIETNAMESE BOAT PEOPLE IN HONG KONG STOOD AT 17,650. OF THESE, 5,600 HAD BEEN HANDED OVER TO THE UNHCR, 9,400 WERE IN GOVERNMENT CAMPS AND WOULD BE HANDED OVER TO UNHCR AS SOON AS IT COULD PROVIDE ACCOMMODATION, AND 2,642 ON BOARD THE SKYLARK.

RESETTLEMENT FIGURES SO FAR THIS YEAR AND ESTIMATES FOR THE FUTURE WERE NOT PARTICULARLY ENCOURAGING HOWEVER. +WE ARE PRESSING UNHCR AND OTHER GOVERNMENTS TO INCREASE THE RATE OF RESETTLEMENT AND ARE SEEKING TO OBTAIN FURTHER OFFERS.+

MR. DAVIES SAID THE GOVERNMENT WAS VIGOROUSLY PURSUING ITS EFFORTS TO PREVENT THE ARRIVAL OF LARGE SHIPS LOADED WITH PEOPLE FROM VIETNAM.

THESE INCLUDED A SYSTEM OF IDENTIFYING AND DISCOURAGING BIG SHIPS WHICH MAY BE ABOUT TO ENGAGE IN THE TRADE, KEEPING IN TOUCH WITH OTHER ADMINISTRATIONS AND WHEN NECESSARY TAKING CONCERTED ACTION AGAINST SUCH SHIPS, SEA AND AIR RECONNAISSANCES TO PROVIDE AN EARLY WARNING SYSTEM AND SOME DETERRENT, AND NEWLY AMENDED LEGISLATION.

MR. DAVIES REJECTED THE CONTENTION THAT THE GOVERNMENT HAD BEEN PASSIVE AND WAVERING IN ITS ATTITUDE. +THE RECORD OF THE ADMINISTRATION IN COMING TO GRIPS WITH THIS INTRACTABLE PROBLEM IS BY NO MEANS NEGATIVE,+ HE SAID.

IN FACT, ACTION TAKEN HAD DISCOURAGED OTHER SHIPS GETTING INTO THE BUSINESS OF CARRYING LARGE NUMBERS OF PEOPLE, AND AT LEAST ONE SHIP WAS BELIEVED TO HAVE BEEN DISCOURAGED FROM LOADING.

/MR. DAVIES

MR. DAVIES SAID THERE WAS NO DOUBT TOO THAT THE ACTION IN HOLDING THE HUEY FONG AT OUR BOUNDARY SERIOUSLY BOTHERED THOSE ON THE SKYLUCK.

CRIMINAL PROCEEDINGS HAD BEEN INSTITUTED AGAINST A NUMBER OF PEOPLE INVOLVED IN THE ARRIVAL OF THE HUEY FONG, AND ALSO IN A CASE WHERE PEOPLE FROM VIETNAM WERE ALLEGEDLY TRANSHIPPED FROM A LARGE SHIP TO A SMALLER ONE FOR THE ACTUAL LANDING IN HONG KONG.

THE ARRIVAL OF SMALL BOATS IN HONG KONG POSED A DIFFERENT PROBLEM, MR. DAVIES SAID. THESE DID NOT ATTEMPT TO EVADE IMMIGRATION CONTROL AND THERE WAS NO WAY IN WHICH ENTRY COULD EFFECTIVELY BE REFUSED.

DESPITE THE UNDOUBTED NEED TO LOOK AFTER OUR OWN PEOPLE, AND DESPITE THE ACTIONS OF OTHER ADMINISTRATIONS, + HE SAID, + I DO NOT BELIEVE IT WOULD BE RIGHT OR TO HONG KONG'S CREDIT TO SEND TO SEA A HEAVILY OVERLOADED SHIP -- WHICH WOULD NOT NORMALLY BE PERMITTED TO SAIL WITH MORE THAN 12 PASSENGERS -- THUS COMMITTING PEOPLE TO THE DEEP ON THE BASIS THAT THEY CAN TAKE THEIR CHANCE SOMEWHERE ELSE AND IN BREACH OF OUR CONVENTION OBLIGATIONS. +

ON IMMIGRATION FROM CHINA, MR. DAVIES ESTIMATED THAT THERE HAD BEEN AN INCREASE IN POPULATION OVERALL FROM LEGAL AND ILLEGALS WHO ARE PERMITTED TO STAY OF 160,000 IN THE 15 MONTHS FROM JANUARY 1978.

+IT IS FOR THIS REASON THAT WE ATTACH SO MUCH URGENCY TO RESTRICTING IMMIGRATION AND TO DO SO AS QUICKLY AS POSSIBLE.

+THESE STARK FIGURES EMPHASISE, TOO, OUR CONCERN THAT THE INTERNATIONAL COMMUNITY SHOULD ASSIST IN THE RESETTLEMENT OF VIETNAMESE REFUGEES AT A SUBSTANTIALLY HIGHER RATE THAN THE CURRENT LEVEL OF OFFERS, + MR. DAVIES SAID.

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MTR NOT +IGNORED+ IN BUDGETTING
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID AT THE LEGISLATIVE COUNCIL TODAY (THURSDAY) HE HAD NOT IGNORED THE DEMANDS OF THE MASS TRANSIT RAILWAY CORPORATION WHEN EVALUATING THE VALIDITY OF THE GOVERNMENT'S ANNUAL BUDGETARY POLICIES.

HE SAID THIS WHILE REFERRING TO AN ARGUMENT BY THE HON. LYDIA DUNN AND THE HON. T.S. LO THAT HIS ASSESSMENT OF THE ROLE OF PUBLIC EXPENDITURE IN THE COURSE OF THE ECONOMY IN RECENT YEARS WAS AT LEAST PARTLY INVALIDATED BY THE EXCLUSION OF EXPENDITURE ON THE MTR PROJECT FROM HIS DEFINITION OF THE PUBLIC SECTOR.

MR. HADDON-CAVE POINTED OUT HE HAD SPECIFICALLY REFERRED TO THE MTR PROJECT RIGHT AT THE BEGINNING OF HIS BUDGET SPEECH, AND ASKED HONOURABLE MEMBERS TO STUDY THE STATISTICS IN ANNEX (2) TO THE PRINTED VERSION OF THE SPEECH.

+THESE SHOW THE GROWTH RATES OF EXPENDITURE IN REAL TERMS ON CONSOLIDATED ACCOUNT, AND ON CONSOLIDATED ACCOUNT PLUS THE MTR PROJECT TAKEN TOGETHER.

+I DO NOT THINK IT CAN BE FAIRLY CONCLUDED FROM THESE STATISTICS THAT EXPENDITURE ON THE MTR PROJECT SINCE 1975-76 HAS BEEN SUCH THAT BUDGETARY POLICY HAS BEEN, OR IS BEING, FRUSTRATED,+ HE SAID.

THE GROWTH RATE OF EXPENDITURE ON CONSOLIDATED ACCOUNT AND THE MTR PROJECT TAKEN TOGETHER IN 1978-79 AT 25 PER CENT WAS ROUGHLY THE SAME AS THE GROWTH RATE OF EXPENDITURE ON CONSOLIDATED ACCOUNT ALONE; AND, IN 1979-80, THE RATE WILL BE ACTUALLY LOWER -- SIX PER CENT WITH THE MTR PROJECT INCLUDED COMPARED WITH 7-1/2 PER CENT WITH THE MTR PROJECT EXCLUDED.

+IT IS TRUE THAT, IN THE THREE PREVIOUS YEARS, 1975-76 TO 1977-78, THE EFFECT OF INCLUDING EXPENDITURE ON THE MTR PROJECT IS TO INCREASE THE GROWTH RATE QUITE SUBSTANTIALLY BUT, IN THESE YEARS, THE ECONOMY WAS NOT OPERATING AS CLOSE TO FULL CAPACITY AS IT WAS IN 1978-79 AND IS FORECAST TO BE IN 1979-80.

+CONSEQUENTLY, INFLATIONARY PRESSURES AS REFLECTED IN, FOR EXAMPLE, THE RATES OF INCREASE OF PRICES WERE MUCH LESS,+ HE EXPLAINED.

+SO I THINK I CAN FAIRLY CLAIM THAT, MY DEFINITION OF THE PUBLIC SECTOR NOTWITHSTANDING, BUDGETARY POLICY HAS HAD REGARD TO THE LIKELY DEMANDS OF THE PRIVATE SECTOR, INCLUDING THE MTR PROJECT, ON THE RESOURCES AVAILABLE TO THE ECONOMY,+ MR. HADDON-CAVE STRESSED.

ON THE DEFINITION OF PUBLIC SECTOR, MR. HADDON-CAVE SAID EARLIER HE CONFINED IT THIS YEAR, AS HERETOFORE, TO EXPENDITURE SHOWN IN THE CONSOLIDATED ACCOUNT.

OBVIOUSLY, HE EXPLAINED, THE RELATIVE SIZE OF THE PUBLIC SECTOR WILL BE DIFFERENT ACCORDING TO THE PARTICULAR DEFINITION OF PUBLIC SECTOR EXPENDITURE SELECTED.

+FOR THE PURPOSE OF FORMULATING ANNUAL BUDGETARY POLICIES, WE NEED TO ADOPT A PRACTICAL DEFINITION OF PUBLIC SECTOR EXPENDITURE (AND TO APPLY THAT DEFINITION CONSISTENTLY OVER TIME). THUS I HAVE DEFINED THE PUBLIC SECTOR FOR THIS PURPOSE IN TERMS OF THE DEPLOYMENT OF FUNDS UNDER THE GOVERNMENT'S CONTROL,+ HE ADDED.

THE FINANCIAL SECRETARY ALSO SAID BOTH MISS DUNN AND MR. LO, LIKE MANY OTHER COMMENTATORS, MIGHT HAVE OVER-EMPHASISED THE INFLUENCE OF THE CONSTRUCTION PHASE OF THE MTR ON THE COURSE OF THE ECONOMY IN RECENT YEARS.

IN 1978 FOR EXAMPLE, HE SAID, THE MTR EMPLOYED UNDER 11 PER CENT OF THE NUMBER OF MANUAL WORKERS ON BUILDING AND CONSTRUCTION SITES AND LESS THAN 0.5 PER CENT OF THE ECONOMY'S LABOUR FORCE.

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+IT CANNOT BE DENIED THAT, IF EXPENDITURE ON THE MTR PROJECT IS INCLUDED, THE RELATIVE SIZE OF THE PUBLIC SECTOR, SO DEFINED, IS LIFTED: BY 1-1/2 PERCENTAGE POINTS IN 1975-76, BY ABOUT TWO PERCENTAGE POINTS IN 1976-77, BY ABOUT 3-1/2 PERCENTAGE POINTS IN 1977-78 AND BY ABOUT 4-1/2 PERCENTAGE POINTS IN 1978-79 AND 1979-80.

+BUT, QUITE APART FROM THE FACT THAT THE RAPID GROWTH PHASE OF THE MTR PROJECT IS OVER AND SO THE RELATIVE IMPORTANCE OF THE PROJECT WILL TEND TO DECLINE OVER THE NEXT COUPLE OF YEARS, WHY DO MISS DUNN AND MR. LO PICK ON THE MTR PROJECT SIMPLY BECAUSE, AS IT HAPPENS, IT IS A PUBLICLY OWNED UNDERTAKING?+ HE ASKED.

REFERRING TO ANOTHER REMARK BY MR. LO THAT +(ALL) NON-EXPORT ORIENTATED EXPENDITURE ... IS INFLATIONARY,+ THE FINANCIAL SECRETARY SAID:

+BUT, ON A MORE SERIOUS NOTE, IT SIMPLY CANNOT BE DENIED THAT INVESTMENT IN TRANSPORT FACILITIES IS AS ESSENTIAL A FORM OF SUPPORT TO OUR EXPORT-ORIENTED ECONOMY AS IS INVESTMENT IN OFFICE BUILDINGS, IN POWER SUPPLIES, IN HARBOUR FACILITIES, OR IN GODOWNS.

+FURTHERMORE, IF THE MTR PROJECT HAD NOT BEEN DECIDED UPON OTHER FORMS OF INVESTMENT IN TRANSPORT FACILITIES (E.G. ROADS) WOULD HAVE BEEN NECESSARY, ON PUBLIC OR PRIVATE ACCOUNT, INVOLVING A CALL UPON THE ECONOMY'S RESOURCES.+

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TAX PAID BY +SANDWICHED SOCIETY+ VERY LOW -- FS
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID TODAY (WEDNESDAY) THE TAX PAID BY THE +SANDWICHED SOCIETY+ IS VERY LOW BY WORLD STANDARDS.

WINDING UP THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL, MR. HADDON-CAVE SAID HE WAS PERPLEXED BY THE HON. ROGER LOBO'S CLAIM THAT THOSE BELONGING TO THE +SANDWICHED SOCIETY HAVE A VERY REAL RIGHT TO LOOK FORWARD TO A TIME WHEN THEIR TAXES AND THEIR SACRIFICES WILL HAVE EARNED THEM A LESS STRENUOUS AND A BRIGHTER FUTURE.+

+I ASSUME THAT, IN DESCRIBING THE SANDWICHED SOCIETY, MR. LOBO HAS IN MIND THOSE TAXPAYERS WHO EARN FROM ABOUT \$3,000 A MONTH TO ABOUT \$7,000 A MONTH,+ HE SAID.

+THE QUESTION IS: DOES THE TAX SYSTEM OPERATE UNFAIRLY, IN SOME SENSE OR OTHER, IN RESPECT OF THESE TAXPAYERS?+

/MR. HADDON-CAVE

MR. HADDON-CAVE EMPHASISED THAT AS AN INDICATION OF THE AMOUNT OF TAX THEY PAY, THE AVERAGE TAX PAID IN RESPECT OF THE YEAR OF ASSESSMENT 1976-77 BY TAXPAYERS AT THE LOWER END OF THIS RANGE WAS ABOUT \$900 A YEAR, OR JUST BELOW 2-1/2 PER CENT OF THEIR ANNUAL INCOMES- AND THE AVERAGE TAX PAID BY TAXPAYERS AT THE UPPER END OF THE RANGE IS \$7,500, OR ABOUT 10 PER CENT OF THEIR ANNUAL INCOMES.

+IT CANNOT BE DENIED THAT THESE PERCENTAGES ARE VERY LOW INDEED BY WORLD STANDARDS,+ HE STRESSED.

+IN ADDITION, THE PROPOSED REDUCTION IN THE 'CLAW-BACK' FACTOR FROM 15 PER CENT TO 10 PER CENT AND THE ABOLITION OF THE 30 PER CENT MARGINAL RATE, TAKEN TOGETHER, NOT ONLY WILL REDUCE THE EFFECTIVE RATE OF TAX FOR THE GENERALITY OF TAXPAYERS, BUT ALSO WILL LIFT THE POINT AT WHICH THE STANDARD RATE APPLIES, THEREBY STRETCHING AND EVENING OUT THE PROGRESSION OF EFFECTIVE RATES TO THE BENEFIT OF THE 'CLASS IN THE MIDDLE',+ MR. HADDON-CAVE POINTED OUT.

THE FINANCIAL SECRETARY SAID THAT GIVEN THE PRESENT RATE OF SALARIES TAX OF 15 PER CENT, TO SINGLE OUT THE +SANDWICHED SOCIETY+ FOR PREFERENTIAL TAX TREATMENT WOULD UPSET THE INTERNAL RELATIVITY BETWEEN THIS CLASS OF TAXPAYERS AND OTHER CLASSES, THEREBY DISTORTING THE EVEN PROGRESSION OF EFFECTIVE RATES.

REGARDING THE HON. HILTON CHEONG-LEEN'S BELIEF THAT MANY MORE PEOPLE ARE CAPABLE AND WILLING TO PAY INCOME TAX, MR. HADDON-CAVE REPLIED: +ALL AVAILABLE EVIDENCE INDICATES, REGRETABLELY, THAT THOSE WHO ARE 'CAPABLE' MAY NOT BE ALL THAT WILLING.+

FOR EXAMPLE, HE SAID, IN 1977-78 THERE WERE ABOUT 143,000 CASES WHERE THE COMMISSIONER OF INLAND REVENUE HAD TO IMPOSE PENALTIES FOR LATE PAYMENTS AND FOR SUCH NON-COMPLIANCE WITH THE LAW AS FAILURE TO FILE RETURNS AND FILING INCORRECT RETURNS.

+IN ADDITION, THERE WERE SOME 1,807 SUCCESSFUL PROSECUTIONS THROUGH THE COURTS FOR VARIOUS OFFENCES. I AM HAPPY TO REPORT THAT THE TOTAL YIELD FROM THESE PROSECUTIONS WAS ALMOST \$25 MILLION, WHICH WAS ROUGHLY THE COST OF RADIO TELEVISION HONG KONG IN THAT YEAR OR NEARER HOME, HALF OF THE INLAND REVENUE DEPARTMENT,+ MR. HADDON-CAVE SAID.

ABOLISHING DUTY ON LOCAL CHINESE SPIRITS

ON THE HON. LEUNG TAT-SHING'S SUGGESTION THAT CONSIDERATION BE GIVEN TO ABOLISHING DUTY ON LOCALLY PRODUCED CHINESE SPIRITS, MR. HADDON-CAVE SAID THERE WAS ALREADY A PREFERENTIAL RATE OF DUTY ON ALL NON-EUROPEAN TYPE SPIRITS.

+THERE IS A FURTHER PREFERENTIAL RATE ON THOSE OF HONG KONG ORIGIN,+ MR. HADDON-CAVE ADDED.

+THUS THE RATE OF DUTY (AT \$8.75 PER GALLON) ON CHINESE-TYPE SPIRITS OF HONG KONG ORIGIN IS ALREADY VERY LOW COMPARED WITH THAT ON IMPORTED EUROPEAN-TYPE SPIRITS OF SIMILAR STRENGTH (AT \$95.50 A GALLON).+

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IN POINTING OUT THAT UNDER THE G.A.T.T. THIS PREFERENCE MARGIN COULD NOT BE INCREASED, MR. HADDON-CAVE ADDED, +I DO NOT THINK, IN ANY CASE, THAT THE ABOLITION OF THE DUTY AT A COST TO THE REVENUE OF \$11.5 MILLION WOULD BE JUSTIFIED.+

ON THE HON. JOHN BREMRIDGE'S SUGGESTION TO CONSIDER SOME FURTHER DEGREE OF SUMPTUARY TAXATION IN THE YEARS AHEAD, MR. HADDON-CAVE SAID: +HIS SUGGESTIONS IN THIS RESPECT CONCENTRATED ON NEW OR INCREASED RATES OF DUTY OR TAX ON A VARIETY OF LUXURY ITEMS RANGING FROM PRIVATE SWIMMING POOLS TO PERFUMES (THE ALCOHOL CONTENT OF WHICH IS ALREADY DUTIABLE, INCIDENTALLY).

+WHILST, AS ALWAYS HE HAS GIVEN ME FOOD FOR THOUGHT, I AM SURE HE WOULD AGREE THAT WE SHOULD BE CAREFUL NOT TO STEER OURSELVES IN THE DIRECTION OF SELF-RIGHTEOUSLY PENALISING THE AFFLUENT WHEN, AS HE ADMITS, 'THE TOTAL RETURN MAY BE RELATIVELY LOW' AND, I WOULD ADD, THE ADMINISTRATIVE COSTS ARE BOUND TO BE RELATIVELY HIGH.+

MOTOR VEHICLE TAXATION

MR. BREMRIDGE ALSO SUGGESTED THAT POSSIBLE ALTERNATIVE TAXES ON USAGE, AND NOT POSSESSION OF VEHICLES BE CONSIDERED.

TO THIS, THE FINANCIAL SECRETARY SAID, +I HAVE NOTED WHAT HE HAD TO SAY BUT WOULD REMIND HIM THAT MY PROPOSALS ON MOTOR VEHICLE TAXATION HAD NOTHING TO DO WITH FUTURE TRANSPORT POLICY- I PUT THEM FORWARD ON FISCAL GROUNDS ONLY.+

AS TO MR. LOBO'S FAILURE TO UNDERSTAND WHY PRIVATE BUSES OR COACHES HAVE BEEN SPARED, MR. HADDON-CAVE SAID REGARDING FIRST REGISTRATION TAX, THERE ARE AT PRESENT 1,466 VEHICLES REGISTERED AS NON-ENFRANCHISED PUBLIC BUSES GENERALLY AVAILABLE FOR HIRE AND 234 VEHICLES REGISTERED AS PRIVATE BUSES USED GENERALLY TO SERVE SCHOOLS, FACTORIES, TOURISTS AND SOME RESIDENTIAL PREMISES.

+HOWEVER, FOR MY PART, I FAIL TO UNDERSTAND MR. LOBO'S QUESTION: +ARE WE CREATING ANOTHER CLASS OF BUSINESS AND PRIVATE VEHICLES' ?+

THESE BUSES, MR. HADDON-CAVE EXPLAINED, UNLIKE ENFRANCHISED PUBLIC BUSES WHICH ARE NOT SUBJECT TO FIRST REGISTRATION TAX, WERE FIRST BROUGHT WITHIN THE SCOPE OF THE MOTOR VEHICLES (FIRST REGISTRATION TAX) ORDINANCE, TOGETHER WITH GOODS VEHICLES AND TAXIS, AT AN AD VALOREM RATE OR 15 PER CENT WHEN COMMONWEALTH PREFERENCE ON MOTOR VEHICLES WAS ABOLISHED IN 1975.

+AS I IMPLIED IN THE BUDGET SPEECH, I SEE NO NEED AT THIS TIME TO PICK OUT NON-ENFRANCHISED BUSES FOR SPECIAL TREATMENT.+

/MR. HADDON-CAVE

MR. HADDON-CAVE SAID THE LICENCE FEE FOR NON-ENFRANCHISED PUBLIC BUSES IS CALCULATED ON THE BASIS OF \$10 FOR THE DRIVER AND \$30 PER PASSENGER SEAT (THE SAME AS FOR ENFRANCHISED PUBLIC BUSES) AND FOR PRIVATE BUSES IT IS CALCULATED ON THE BASIS OF \$10 FOR THE DRIVER AND \$25 PER PASSENGER SEAT.

THE EFFECTIVE FEE IS, THEREFORE, SOMEWHERE BETWEEN \$1,000 TO \$1,200 PER VEHICLE.

+BEARING IN MIND THAT BUSES ARE A DESIRABLE FORM OF TRANSPORT, AND, AS I DID NOT WISH TO BECOME TANGLED UP WITH THE TOUCHY SUBJECT OF PUBLIC SERVICE VEHICLES GENERALLY, I LEFT THE FEES AT THEIR PRESENT LEVELS FOR THE TIME BEING,+ MR. HADDON-CAVE SAID.

ROAD TOLLS

ON ROAD TOLLS, MR. HADDON-CAVE SAID HE HAD EVERY SYMPATHY WITH MR. BREMRIDGE'S FAILURE TO UNDERSTAND THE GOVERNMENT'S REFUSAL TO CONSIDER TOLLS FOR THE TUEN MUN FREEWAY.

HE EXPLAINED: + THE GOVERNMENT'S POLICY IS TO IMPOSE TOLLS WHOLLY OR PARTIALLY TO MEET THE COST OF PROVIDING SUCH A FACILITY IF ITS ADEQUATE UTILISATION WOULD NOT THEREBY BE JEOPARDISED.

+BUT WE MUST BE PRACTICAL: TO COLLECT TOLLS ON THE USE OF TUNNELS IS EASY -- AND PARTICULARLY JUSTIFIED WHERE ALTERNATIVE ROUTES ARE AVAILABLE -- BUT IT WOULD BE COMPLICATED AND EXPENSIVE TO CHARGE VEHICLES USING, FOR EXAMPLE, THE TUEN MUN HIGHWAY GIVEN THE NUMBER OF ENTRY AND EXIT POINTS.+

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LEGCO TAKEN INTO THE ADMINISTRATION'S TRUST

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FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID TODAY (THURSDAY) THE BUDGET SPEECH EXPOSED THE GOVERNMENT'S UNDERLYING THINKING AND BY DOING SO DID TAKE THE LEGISLATIVE COUNCIL INTO THE ADMINISTRATION'S TRUST.

+HOWEVER, IF I WAS TOO ELLIPTICAL THIS YEAR, AND IF IT IS HONOURABLE MEMBERS' WISH, I WOULD BE HAPPY TO SPELL OUT OUR THINKING EVEN MORE CAREFULLY NEXT YEAR,+ MR. HADDON-CAVE SAID WHEN WINDING UP THE BUDGET DEBATE IN THE LEGISLATIVE COUNCIL.

HE SAID THIS IN REPLY TO CRITICISMS FROM UNOFFICIAL LEGISLATIVE COUNCILLOR, THE HON. T.S. LO TWO WEEKS AGO WHEN HE CALLED ON THE ADMINISTRATION +TO TRUST THIS COUNCIL AND INFORM MEMBERS FULLY AND WITHOUT RESERVATION+ HOW POLICIES ARE DETERMINED, AND THEREBY TO EXPLAIN HOW CONFLICTING VIEWS HAVE BEEN RECONCILED.

EXPLAINING THE DECISION-MAKING PROCESS FOR BUDGETARY POLICY, MR. HADDON-CAVE SAID THERE WAS THE REALITY OF ALL THE CROSS-PRESSURES TO WHICH CIVIL SERVANTS ARE SUBJECT, AND THERE WAS THE VIRTUAL ABSENCE OF THAT MECHANISTIC INSTRUMENT OF DISCIPLINE -- THE PROFIT AND LOSS ACCOUNT -- WHICH MADE THE DECISION-MAKING PROCESS IN THE PRIVATE SECTOR MUCH SIMPLER.

+THUS OUR THINKING HAS TO BE SUBJECTED TO THE DISCIPLINE OF CERTAIN GUIDELINES. BUT THE APPLICATION OF THESE GUIDELINES HAS TO BE PRAGMATIC WHICH IS NOT THE SAME THING AS MR. LO'S 'LIP SERVICE'. SO THE DECISION-MAKING PROCESS, BEING AN ARGUMENTATIVE PROCESS, OFTEN LEADS TO RESULTS WHICH DO NOT CONFORM EXACTLY WITH OUR GUIDELINES,+ MR. HADDON-CAVE POINTED OUT.

HE ADDED THAT THE RECORD DOCUMENTED IN HIS RECENT BUDGET SPEECH INDICATED THAT THE DEGREE OF NON-CONFORMITY HAD BEEN, USUALLY, ONLY MARGINAL.

THE FINANCIAL SECRETARY ALSO REPLIED TO CRITICISMS OF HIS BUDGETARY POLICY BY THE SENIOR UNOFFICIAL MEMBER, THE HON. OSWALD CHEUNG.

MR. HADDON-CAVE SAID MR. CHEUNG HAD IGNORED THE DISTINCTION BETWEEN PROGRAMME PLANS AND POLICY TARGETS, ON THE ONE HAND, AND ANNUAL RATES OF IMPLEMENTATION WHICH MUST HAVE REGARD TO PREVAILING FINANCIAL AND/OR ECONOMIC CIRCUMSTANCES, ON THE OTHER.

MR. CHEUNG HAD REFUSED TO SUPPORT THE BUDGET BECAUSE OF ITS INCONSISTENCY WITH THE GOVERNMENT'S POLICY OF COMMITMENT TO PUBLIC PROJECTS.

MR. HADDON-CAVE POINTED OUT THAT +THE FACT IS, OURS IS AN OVER-EMPLOYED ECONOMY AND, IF WE ARE TO AVOID REALLY PAINFUL ADJUSTMENTS LATER ON TO RESTORE INTERNAL AND EXTERNAL EQUILIBRIUM, WE MUST CHANGE DOWN INTO A LOWER GEAR, THAT IS TO SAY, SLOW DOWN THE GROWTH RATE OF TOTAL FINAL DEMAND.+

HE EMPHASISED: +THE GROWTH RATE OF PUBLIC EXPENDITURE MUST BE ADJUSTED DOWNWARDS AS A CONTRIBUTION TO THIS END.+

+MR. CHEUNG REFERS TO 'SAVAGE CUTS' AND MY 'ARID' APPROACH IN 'KNIFING THE PUBLIC WORKS PROGRAMME' WITH THE OBJECT, I PRESUME, OF DISCREDITING THE EMPHASIS OF BUDGETARY POLICY THIS YEAR. WERE THE GOVERNMENT TO SIT BACK AND DISREGARD CHANGING ECONOMIC CIRCUMSTANCES, DESPITE THE VIEWS OF HIS COLLEAGUES, THE PAINFUL ADJUSTMENTS TO BE SUBSEQUENTLY ENDURED WOULD GIVE HIM EVEN GREATER SCOPE FOR DISPLAYING HIS CONSIDERABLE POWERS OF DESTRUCTIVE RHETORIC,+ MR. HADDON-CAVE SAID.

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WORKING PARTY REVIEWING SUBVENTION POLICY
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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE, SAID IN THE LEGISLATIVE COUNCIL TODAY (THURSDAY) THAT A WORKING PARTY HAS, IN RECENT MONTHS, BEEN REVIEWING THE PROBLEMS OF GOVERNMENT'S SUBVENTION POLICY FOR SOCIAL WELFARE SERVICES.

AND HE HOPED THAT THE PARTY'S RECOMMENDATIONS WOULD LEAD TO A STRENGTHENING AND IMPROVEMENT OF THE +CURRENTLY SOMEWHAT HAPHAZARD AND, I SUSPECT, WASTEFUL ARRANGEMENTS FOR THE DISBURSEMENT OF PUBLIC FUNDS.+

MR. HADDON-CAVE WAS REPLYING TO A COMMENT MADE BY DR. THE HON. HO KAM-FAI ON GOVERNMENT SUBVENTION FOR SOCIAL WELFARE SERVICES.

HE SAID DR. HO HAD ABLY IDENTIFIED THE PROBLEMS WHICH BESET THE GOVERNMENT IN TRYING TO RATIONALISE THE PROCEDURES BY WHICH DISCRETIONARY SUBVENTIONS WERE ALLOCATED TO VOLUNTARY AGENCIES IN THE FIELD OF SOCIAL WELFARE.

MR. HADDON-CAVE SAID THE APPLICATION OF UNIT RATE SUBVENTION TO DAY NURSERIES HAD BROUGHT TO LIGHT PROBLEMS WHICH MUST BE RESOLVED BEFORE THE GOVERNMENT COULD CONSIDER ITS EXTENSION, ON ANY SCALE, TO OTHER AREAS.

+CLEARLY, IT IS NOT POSSIBLE TO DEVISE A SINGLE TYPE OF FINANCING ARRANGEMENT WHICH WILL BE SATISFACTORY IN RESPECT OF ALL THE VERY WIDE RANGE OF SERVICES PRESENTLY PROVIDED BY VOLUNTARY AGENCIES,+ HE SAID.

MR. HADDON-CAVE ALSO AGREED WITH DR. HO THAT A DEFINITION OF PRIORITY AREAS SHOULD GO HAND IN HAND WITH ANY REVISION OF GOVERNMENT'S SUBVENTION POLICY.

+THIS WILL MEAN DEVISING FINANCIAL AND ADMINISTRATIVE ARRANGEMENTS WHICH ARE FLEXIBLE BOTH IN TERMS OF THE TYPE AND EXTENT OF GOVERNMENT SUBSIDY AND OF THE ROLE TO BE PLAYED BY FUNDS RAISED PRIVATELY BY VOLUNTARY AGENCIES OR ALLOCATED TO THEM BY THE COMMUNITY CHEST,+ HE SAID.

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NO MAJOR SAVINGS IN HIVING-OFF TRADING DEPARTMENTS

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THE HIVING-OFF OF CERTAIN GOVERNMENT TRADING DEPARTMENTS WOULD NOT RESULT IN MAJOR SAVINGS AND A TIGHTER AND MORE COMPETENT CIVIL SERVICE, THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE TOLD THE LEGISLATIVE COUNCIL TODAY (THURSDAY).

HE WAS REPLYING TO A SUGGESTION FROM THE HON. JOHN BREMRIDGE IN THE BUDGET DEBATE THAT CERTAIN TRADING DEPARTMENTS SHOULD BE SOLD OFF TO COMMERCIAL INTERESTS OR CONVERTED INTO QUASI-GOVERNMENT CORPORATIONS.

MR. HADDON-CAVE SAID THERE WOULD BE DISADVANTAGES, ESPECIALLY WHERE THERE MUST REMAIN A DEGREE OF FINANCING FROM GENERAL REVENUE.

+THE GOVERNMENT EITHER WOULD NOT HAVE THE NECESSARY CONTROL, OR WOULD NEED TO BE INVOLVED IN THEIR MANAGERIAL DECISIONS TO SUCH AN EXTENT THAT ANY ADVANTAGE IN HIVING THEM OFF WOULD BE DIMINISHED,+ HE SAID.

+AND I SEE NO POINT IN CREATING AUTONOMOUS CORPORATIONS WITH THE GOVERNMENT RETAINING POWER SUBSEQUENTLY TO CLAW BACK CONTROL OVER, SAY, THE USE OF ANY SURPLUS FUNDS GENERATED,+ MR. HADDON-CAVE POINTED OUT.

+YET WITHOUT THIS POWER, THE GOVERNMENT WOULD LOSE A SOURCE OF REVENUE WHICH COULD OTHERWISE BE APPLIED TO OTHER SERVICES AS PRIORITIES DICTATE,+ HE ADDED.

THE FINANCIAL SECRETARY ALSO SAID THERE ARE DEVELOPMENT PLANS FOR THE LARGER GOVERNMENT-OWNED PUBLIC UTILITIES, SUCH AS THE WATERWORKS AND THE AIRPORT.

HE WAS REPLYING TO A QUESTION FROM THE HON. LYDIA DUNN ABOUT THE GOVERNMENT'S APPROACH TO LONG-TERM PLANNING TO MEET DEMAND AND TO KEEP ITS SIX PUBLIC UTILITY UNDERTAKINGS UP TO DATE TECHNICALLY.

ON ANOTHER QUESTION FROM MISS DUNN ABOUT THE RETURNS ON AVERAGE NET FIXED ASSETS EMPLOYED, MR. HADDON-CAVE SAID THE GOVERNMENT HAS NOT YET FINALLY DECIDED ON THE APPROPRIATE RATES OF RETURN FOR ALL THE UNDERTAKINGS INVOLVED.

+FOR EXAMPLE,+ HE SAID, +WE HAVE NOT YET DONE SO IN RESPECT OF WATER AND WHEN I INTRODUCED, RECENTLY, INCREASES IN WATER CHARGES, I MERELY SOUGHT TO BRING THE WATERWORKS ACCOUNTS INTO BALANCE.+

WITH REGARD TO MISS DUNN'S OTHER QUESTION ABOUT MANAGEMENT OF THESE UNDERTAKINGS, MR. HADDON-CAVE ACCEPTED THAT THERE WAS ROOM OF IMPROVEMENT AND THAT HE WAS SURE THE HEADS OF DEPARTMENTS CONCERNED WOULD AGREE WITH HIM.

HOWEVER, MR. HADDON-CAVE SAID: +THE OPERATING ACCOUNTS NOW AVAILABLE TO US WILL ENABLE US TO DEVELOP RATIONAL PRICING AND CAPITAL INVESTMENT POLICIES AND THEY CAN ALSO BE USED TO APPRAISE HOW EFFICIENTLY RESOURCES ARE BEING USED.+

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PLAN TO SET UP CIVIL SERVICE STAFF MANAGEMENT AND
LIAISON SERVICE

THE SECRETARY FOR THE CIVIL SERVICE, THE HON. MARTIN ROWLANDS, TODAY (THURSDAY) UNVEILED A PLAN TO SET UP A CIVIL SERVICE STAFF MANAGEMENT ADVISORY AND LIAISON SERVICE.

SPEAKING IN THE LEGISLATIVE COUNCIL, MR. ROWLANDS SAID THE IMPLEMENTATION OF THE PLAN IN APRIL NEXT YEAR WILL BE SUBJECT TO RECOMMENDATIONS BY CURRENT STUDIES AND THE APPROVAL OF FUNDS BY THE FINANCE COMMITTEE OF THE LEGISLATIVE COUNCIL.

HE SAID THE AIM OF THE SERVICE, WHICH WILL INITIALLY OPERATE ON A TRIAL BASIS FOR THREE YEARS, IS TO ADVISE DEPARTMENTS AND PROVIDE LIAISON LINKS BETWEEN DEPARTMENTS, AS WELL AS BETWEEN THEM AND THE SECRETARIAT.

HE ENVISAGED THAT THE SERVICE MIGHT START WITH A NUCLEUS OF ABOUT SIX STAFF, RISING TO 25 IN THE SECOND YEAR AND HEADED BY ONE WHO HAS SERVED AS A DEPARTMENT CHIEF.

+I DO NOT ENVISAGE THE SERVICE HAVING ANY PERMANENT STAFF OF ITS OWN, APART FROM CLERICAL SUPPORT, BUT RATHER BEING STAFFED BY OFFICERS SECONDED TO IT FROM DEPARTMENTS FOR TOURS OF THREE YEARS OR SO,+ MR. ROWLANDS EXPLAINED.

A KEY POINT IS, MR. ROWLANDS SAID, THAT THE SERVICE SHOULD BE ADVISORY TO HEADS OF DEPARTMENT.

+IT IS A HEAD OF DEPARTMENT'S RESPONSIBILITY TO MANAGE, AND I FORESEE CONFUSION AND CONFLICT IF THE STAFF MANAGEMENT SERVICE IS GIVEN EXECUTIVE AUTHORITY.

+FOR SIMILAR REASONS, ALTHOUGH THE HEAD OF THE STAFF MANAGEMENT SERVICE MIGHT BE RESPONSIBLE TO THE SECRETARY FOR THE CIVIL SERVICE, HE AND HIS STAFF OUGHT ALMOST CERTAINLY TO BE OUTSIDE THE HIERARCHY OF CIVIL SERVICE BRANCH,+ MR. ROWLANDS POINTED OUT.

MR. ROWLANDS SAID HE SEES THE STAFF MANAGEMENT SERVICE GIVING A POWERFUL IMPETUS TO SUCH SUBJECTS AS MANAGEMENT TRAINING, STAFF RELATIONS AND STAFF WELFARE, THOUGH CONTROL OF RESOURCES FOR THESE PURPOSES WOULD REMAIN WITH DEPARTMENTS.

AS A GENERAL RULE, HE ADDED, THE STAFF MANAGEMENT SERVICE WOULD WORK THROUGH OTHERS, THUS IT WOULD ASK THE CIVIL SERVICE TRAINING DIVISION TO ORGANISE SEMINARS FOR IT, OR THE MANAGEMENT SERVICES DIVISION TO UNDERTAKE ANY MANAGEMENT STUDIES.

THE NEW SERVICE WOULD ALSO BE DRAWING ON THE WEALTH OF EXPERIENCE AVAILABLE IN DEPARTMENTS.

/MR. ROWLANDS

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FROM THIS SEPTEMBER, IT WILL COVER CHILDREN AGED 14 AND BELOW AND EXTENDED TO 15 IN SEPTEMBER, 1980.

UNDER THE EXISTING ORDINANCE, THE DIRECTOR'S DISCRETIONARY POWER OF SERVING ATTENDANCE ORDERS ON PARENTS COVER THE AGE GROUP OF SIX TO 12 ONLY.

+WITH THE INTRODUCTION OF FREE AND COMPULSORY JUNIOR SECONDARY EDUCATION, IT IS NOW NECESSARY TO AMEND THE ORDINANCE,+ A GOVERNMENT SPOKESMAN SAID.

+HOWEVER, THE POWER OF THE DIRECTOR OF EDUCATION TO SERVE ATTENDANCE ORDERS WILL NOT APPLY TO A CHILD WHO HAS COMPLETED FORM/MIDDLE III BEFORE REACHING THE AGE OF 15 OR IS A REGISTERED APPRENTICE UNDER THE APPRENTICESHIP ORDINANCE OR IS REGULARLY ATTENDING OR IS AN INMATE OF AN INSTITUTION APPROVED BY THE DIRECTOR,+ A SPOKESMAN ADDED.

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FS PRAISES FINANCE BRANCH OFFICER IN VALEDICTORY SPEECH

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THE FINANCIAL SECRETARY, THE HON. PHILIP HADDON-CAVE AT TODAY'S LEGISLATIVE COUNCIL EXPRESSED HIS APPRECIATION OF THE WORK OF A RETIRING OFFICER WHO HAS SERVED THE FINANCE BRANCH FOR 32 YEARS.

IN HIS VALEDICTORY SPEECH, MR. HADDON-CAVE SAID MR. TANG HING-IP, NOW OFFICER IN CHARGE OF THE COMMON ESTIMATES SECTION, HAS SERVED UNDER EACH OF THE FOUR FINANCIAL SECRETARIES WHO HELD OFFICE AFTER THE WAR SINCE HE JOINED THE GOVERNMENT AND WAS POSTED TO THE FINANCE BRANCH IN 1947.

FROM 1957-58, MR. TANG HAS BEEN DIRECTLY INVOLVED IN THE PREPARATION OF THE ANNUAL ESTIMATES.

+IT IS A RATHER NICE COINCIDENCE THAT, IN THESE 23 YEARS, TOTAL GOVERNMENT EXPENDITURE HAS ALSO INCREASED BY 23 TIMES,+ MR. HADDON-CAVE SAID.

+MR. TANG IS KNOWN TO MANY HONOURABLE MEMBERS AND I AM SURE THEY WOULD WISH TO JOIN ME IN WISHING HIM A HAPPY AND VERY WELL EARNED RETIREMENT,+ MR. HADDON-CAVE SAID.

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AIRPORT TUNNEL CONTRACT
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THE PUBLIC WORKS DEPARTMENT TODAY (THURSDAY) AWARDED A \$47 MILLION CONTRACT TO MITSUBISHI ELECTRIC CORPORATION FOR THE PROVISION OF ELECTRICAL AND MECHANICAL SERVICES FOR THE AIRPORT TUNNEL AND ITS WESTERN APPROACHES.

THE CONTRACT WAS FORMALLY SIGNED THIS AFTERNOON BY DR. Y.L. CHOI, CHIEF ENGINEER OF PWD'S HIGHWAYS OFFICE, AND MR. G. FUKUDA, DEPUTY GENERAL MANAGER OF THE COMPANY.

DR. CHOI SAID THE CONTRACT WOULD INVOLVE THE INSTALLATION OF TUNNEL LIGHTING AND VENTILATION FANS.

+THE TUNNEL LIGHTING HAS BEEN DESIGNED TO CATER FOR DIFFERENT TYPES OF CONDITION OUTSIDE THE TUNNEL WHILE THE VENTILATION FANS WILL BE CAPABLE OF PROVIDING 15,500 CUBIC METRES OF FRESH AIR PER MINUTE IN EACH OF THE TWO TUNNEL TUBES,+ HE SAID.

+IN ADDITION, THERE WILL BE A STANDBY DIESEL GENERATOR WHICH WILL PROVIDE ELECTRICITY IN THE EVENT OF A POWER FAILURE.+

WORK WILL BEGIN LATER THIS MONTH AND WILL TAKE ABOUT 18 MONTHS TO COMPLETE.

MEANWHILE, WORK ON THE EAST KOWLOON WAY -- AN ELEVATED ROADWAY ALONG CHATHAM ROAD AND KOWLOON CITY ROAD, THE WUHU INTERCHANGE AND THE SAN SHAN INTERCHANGE, WHICH TOGETHER FORM THE WESTERN APPROACHES TO THE AIRPORT TUNNEL -- HAS PASSED THE HALF-WAY MARK.

WORK ON THE EASTERN APPROACHES, INCLUDING A 260-METRE DUAL TWO-LANE CARRIAGEWAY CONNECTING THE EAST PORTAL OF THE AIRPORT TUNNEL WITH AN ALREADY CONSTRUCTED SECTION OF ROAD ON THE KOWLOON BAY RECLAMATION, IS 30 PER CENT COMPLETE.

DR. CHOI SAID THE 200-METRE AIRPORT TUNNEL FORMED PART OF ROUTE 3 -- A SIX-KILOMETRE HIGH CAPACITY ROUTE BETWEEN KWUN TONG AND HUNG HOM.

THE \$300 MILLION ROAD SCHEME WOULD, ON COMPLETION, SPEED UP TRAFFIC BETWEEN KWUN TONG AND URBAN KOWLOON.

THIS CONTRACT HAS BEEN DESIGNED AND WORK WILL BE SUPERVISED BY MAUNSELL CONSULTANTS ASIA ON BEHALF OF THE HIGHWAYS OFFICE OF PWD.

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TENDERS INVITED FOR CONSTRUCTION OF
SHA TIN TEACHING HOSPITAL
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PREQUALIFIED GENERAL BUILDING AND SPECIALIST BUILDING SERVICES CONTRACTORS WILL BE INVITED TO SUBMIT TENDERS FOR THE CONSTRUCTION OF THE SHA TIN TEACHING HOSPITAL IN JUNE.

HONG KONG CONTRACTORS OR CONTRACTORS OF INTERNATIONAL STANDING IN THESE CATEGORIES WISHING TO TENDER SHOULD FIRST APPLY FOR INCLUSION ON THE LIST OF PREQUALIFIED CONTRACTORS.

APPLICATIONS, ADDRESSED TO THE PRINCIPAL GOVERNMENT ARCHITECT, ARCHITECTURAL OFFICE, PUBLIC WORKS DEPARTMENT, MURRAY BUILDING, 12TH FLOOR, GARDEN ROAD, HONG KONG, MUST BE RECEIVED BEFORE NOON ON JUNE 1.

THE COMPILATION OF A LIST OF PREQUALIFIED CONTRACTORS IS ONE OF THE REQUIREMENTS OF THE ASIAN DEVELOPMENT BANK FROM WHOM A LOAN IS BEING OBTAINED BY THE HONG KONG GOVERNMENT TO FINANCE THE PROJECT.

THE HOSPITAL WILL HAVE 1,400 BEDS AND ALL NECESSARY ANCILLARY SERVICES, INCLUDING TEACHING FACILITIES.

IT WILL SERVE 700,000 PEOPLE IN THE EASTERN AREA OF THE NEW TERRITORIES.

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CHARGES AT GOVT OUTPATIENT CLINICS TO INCREASE FROM JUNE 1
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CHARGES AT GOVERNMENT OUTPATIENT CLINICS, WHICH HAVE REMAINED AT \$1 PER VISIT FOR THE PAST 29 YEARS, WILL BE INCREASED TO \$2 FROM JUNE 1.

ANNOUNCING THIS TODAY (THURSDAY, A SPOKESMAN FOR THE MEDICAL AND HEALTH DEPARTMENT POINTED OUT THAT THE NOMINAL CHARGE OF \$1 PER VISIT WAS INTRODUCED IN 1950 IN ORDER TO HELP MEET THE COST OF EXPANDING GOVERNMENT MEDICAL SERVICES.

AT THAT TIME THE COST OF OUTPATIENT SERVICES WAS ESTIMATED TO BE \$3 PER ATTENDANCE.

A RECENT COSTING EXERCISE UNDERTAKEN BY THE TREASURY HAS FOUND THAT, AT APRIL 1977 PRICES, THE COST OF A GENERAL OUTPATIENT ATTENDANCE RANGES FROM \$24.95 AT TANG SHIU KIN HOSPITAL TO \$45.07 AT QUEEN MARY HOSPITAL.

THE CHARGE PER VISIT WILL BE INCREASED TO \$3 IN 12 MONTHS' TIME IN ORDER TO REDUCE FURTHER THE DIFFERENCE BETWEEN THE COST OF SERVICE AND THE FEES CHARGED.

HOWEVER, THESE FEES WILL BE REDUCED OR WAIVED IN CASES OF REAL HARDSHIP AS HAS ALWAYS BEEN THE PRACTICE AT ALL GOVERNMENT HOSPITALS AND CLINICS.

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AT THE SAME TIME CHARGES FOR CERTAIN TYPES OF OUTPATIENT SERVICES AT BOTH GOVERNMENT AND GOVERNMENT-SUBVENTED MEDICAL INSTITUTIONS ARE TO BE STANDARDISED AS FAR AS POSSIBLE IN KEEPING WITH THE REGIONALISATION SCHEME OF MEDICAL AND HEALTH SERVICES.

THIS WILL MEAN, IN EFFECT, THAT OUTPATIENT CHARGES AT GOVERNMENT INSTITUTIONS WILL BE BROUGHT UP AND THOSE AT GOVERNMENT-SUBVENTED INSTITUTIONS WILL BE INVITED TO SCALE DOWN TO ABOUT THE SAME LEVEL.

AT PRESENT, OUTPATIENT CHARGES RANGE FROM \$1 AT GOVERNMENT CLINICS TO \$5 PER VISIT AT CERTAIN SUBVENTED HOSPITALS.

FREE SERVICES WILL CONTINUE TO BE PROVIDED AT GOVERNMENT CHILD HEALTH CENTRES, MATERNITY AND CHILD WELFARE CLINICS, TUBERCULOSIS AND CHEST CLINICS, SOCIAL HYGIENE CLINICS, CASUALTY DEPARTMENTS AND THE FLOATING CLINICS INCLUDING THE FLYING DOCTOR SERVICE.

ALSO, THE PRESENT CHARGE OF \$1 PER VISIT FOR INJECTIONS AND DRESSINGS AT A GENERAL CLINIC, ATTENDANCES AT FAMILY PLANNING CLINICS AND ATTENDANCES AT METHADONE CENTRES WILL REMAIN UNCHANGED.

THE SPOKESMAN SAID THE REVISED CHARGES HAVE BEEN CAREFULLY CONSIDERED AND ENDORSED BY THE MEDICAL ADVISORY DEVELOPMENT COMMITTEE.

THE COMMITTEE CONSIDERED A REVIEW OF THESE CHARGES TO BE REASONABLE IN VIEW OF THE RISING COSTS AND THE LAPSE OF TIME SINCE THE PRESENT CHARGE WAS FIXED, HE ADDED.

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METHADONE CENTRES TO REMAIN OPEN DURING EASTER HOLIDAYS
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THE MEDICAL AND HEALTH DEPARTMENT TODAY (THURSDAY) ANNOUNCED THAT ALL METHADONE TREATMENT CENTRES WILL REMAIN OPEN DURING THE FOUR-DAY EASTER HOLIDAYS.

THE VIOLET PEEL DETOXIFICATION CENTRE WILL BE OPEN FROM 7.30 A.M. TO 10 P.M. AND THE CHEUNG CHAU ISLAND CENTRE FROM 2 P.M. TO 8 P.M. DAILY.

ALL THE OTHER EVENING DETOXIFICATION CENTRES WILL BE OPERATING FROM 6 P.M. TO 10 P.M. WHILE THE HO MAN TIN DAY DETOXIFICATION CENTRE WILL BE OPEN ONLY IN THE MORNING FROM 9 A.M. TO 1 P.M. DURING THE HOLIDAYS.

THE FOUR MAINTENANCE CENTRES WILL BE OPERATING AS USUAL FROM 7 A.M. TO 9.30 P.M.

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ALL MAIL SERVICE TO IRISH REPUBLIC SUBJECT TO DELAY

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THE POST OFFICE ANNOUNCED TODAY (THURSDAY) THAT ALL MAIL TO THE IRISH REPUBLIC IS SUBJECT TO DELAY DUE TO THE CONTINUANCE OF THE POSTAL STRIKE WHICH STARTED IN MARCH.

MAIL SERVICES TO AND FROM THE UNITED KINGDOM ARE STILL AFFECTED BY INDUSTRIAL ACTION BUT DELAYS ARE NOT SIGNIFICANT.

THE BRITISH POST OFFICE ADVISED THAT THE SITUATION IS IMPROVING.

MEANWHILE, REGULAR AIR MAIL SERVICES TO IRAN HAVE NOW BEEN RESTORED.

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ADVICE FOR TEACHERS IN PHYSICS

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TWO SEMINARS HAVE BEEN ORGANISED FOR PHYSICS TEACHERS THIS MONTH AND IN MAY BY THE SCIENCE SUBJECTS SECTION OF THE EDUCATION DEPARTMENT'S ADVISORY INSPECTORATE.

+ALL PHYSICS TEACHERS ARE WELCOME TO ATTEND. BUT THOSE TEACHING THE CURRICULUM DEVELOPMENT COMMITTEE'S PHYSICS SYLLABUS FOR FORMS 4 AND 5 WILL FIND THE SEMINARS PARTICULARLY INTERESTING,+ A SPOKESMAN FOR THE DEPARTMENT SAID.

THE FIRST SEMINAR WILL BE HELD ON APRIL 20 FROM 9.30 A.M. TO 12.30 P.M. THE SUBJECT IS +THE TEACHING OF WAVES AND OPTICS.+

LECTURES WILL BE GIVEN BY MRS. W.N. MAK FROM THE GRANTHAM COLLEGE OF EDUCATION= AND DR. S.Y. MAK AND MR. Y.W. LEUNG, BOTH PRACTISING TEACHERS.

IT WILL BE HELD AT THE HONG KONG SZE YAP COMMERCIAL AND INDUSTRIAL ASSOCIATION WONG TAI SHAN MEMORIAL COLLEGE. THE ADDRESS IS 250 NAM CHEONG STREET, KOWLOON.

A SECOND SEMINAR ON +THE TEACHING OF ELECTRONICS+ WILL BE HELD ON MAY 5 BETWEEN 9.30 A.M. AND 12.30 P.M. IN THE BISHOP HALL JUBILEE SCHOOL, AT 2C OXFORD ROAD, KOWLOON.

THE LECTURERS, WHO ARE ALSO PRACTISING TEACHERS, ARE MR. T.L. CHANG, MR. Y.Y. DONG AND MR. T. CHAN.

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RECEPTION FOR OUR T-T PLAYERS IN EDINBURGH
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HONG KONG'S NINE-MEMBER TEAM PARTICIPATING IN THE FIFTH COMMONWEALTH TABLE TENNIS CHAMPIONSHIPS WERE WELCOMED AT A RECEPTION HOSTED BY THE ACTING HONG KONG COMMISSIONER IN LONDON, MR. S.A. WEBB-JOHNSON IN EDINBURGH RECENTLY.

AMONG THOSE WHO ATTENDED THE RECEPTION WERE THE LORD PROVOST OF THE CITY OF EDINBURGH, THE RT. HON. KENNETH BORTHWICK, CIVIC DIGNITARIES, OFFICIALS AND PLAYERS FROM THE SCOTTISH TABLE TENNIS ASSOCIATION, AND LEADING MEMBERS OF THE CHINESE COMMUNITY IN SCOTLAND.

DURING THE RECEPTION, MR. DEREK TANG, CHAIRMAN OF THE EDINBURGH-HONG KONG CHINESE ASSOCIATION, PRESENTED A CHEQUE FOR 500 POUNDS STERLING TO THE ORGANISERS OF THE COMPETITION AS A CONTRIBUTION TOWARDS THE CHAMPIONSHIP FUNDS FROM THE LOCAL CHINESE COMMUNITY.

REPORTING THE ARRIVAL OF THE HONG KONG TEAM, THE +SCOTSMAN+ NEWSPAPER YESTERDAY (WEDNESDAY) TIPPED THE +FORMIDABLE+ HONG KONG CONTINGENT TO BE FAVOURITES IN THE COMPETITION, WITH THE MAIN CHALLENGE COMING FROM ENGLAND AND AUSTRALIA.

THE CHAMPIONSHIPS, WHICH BEGINS TODAY (THURSDAY), IS BEING WATCHED WITH KEEN INTEREST IN THE UNITED KINGDOM, AS MANY PLAYERS TAKING PART WILL BE GOING ON TO COMPETE IN THE WORLD CHAMPIONSHIPS IN NORTH KOREA.

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MOBILE REGISTRATION TEAM TO VISIT LAMMA ISLAND
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A TEAM FROM THE REGISTRATION OF PERSONS OFFICE WILL CONDUCT REGISTRATIONS FROM 9.30 A.M. TO 4.30 P.M. FOR TWO DAYS FROM APRIL 18 ON THE SOUTH LAMMA ISLAND RURAL COMMITTEE PREMISES.

THIS IS TO ENABLE PARENTS OR GUARDIANS TO REGISTER CHILDREN BETWEEN 11 AND 17 YEARS OF AGE FOR JUVENILE IDENTITY CARDS, AND HOLDERS OF JUVENILE IDENTITY CARDS TO REGISTER FOR ADULT IDENTITY CARDS ON REACHING 18.

PEOPLE LIVING IN THE AREA SHOULD REGISTER THEMSELVES AND THEIR CHILDREN FOR IDENTITY CARDS AND REPORT CHANGES OF EMPLOYMENT OR RESIDENTIAL ADDRESSES, MARITAL STATUS, OR ANY OTHER PARTICULARS WHICH HAVE CHANGED SINCE REGISTERING FOR THEIR IDENTITY CARDS.

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