

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 28 October 1987****The Council met at half-past Two o'clock****PRESENT**HIS HONOUR THE DEPUTY TO THE GOVERNOR (*PRESIDENT*)

(THE HONOURABLE THE CHIEF SECRETARY)

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

THE HONOURABLE THE FINANCIAL SECRETARY

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

THE HONOURABLE THE ATTORNEY GENERAL

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

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

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

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

THE HONOURABLE HU FA-KUANG, O.B.E., J.P.

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

SECRETARY FOR DISTRICT ADMINISTRATION

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

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

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

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

THE HONOURABLE CHAN YING-LUN, J.P.

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

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

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

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

THE HONOURABLE JOHN WALTER CHAMBERS, O.B.E., J.P.

SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE JACKIE CHAN CHAI-KEUNG

THE HONOURABLE CHENG HON-KWAN, J.P.

THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.

DR. THE HONOURABLE CHIU HIN-KWONG, J.P.

THE HONOURABLE CHUNG PUI-LAM

THE HONOURABLE THOMAS CLYDESDALE, J.P.

THE HONOURABLE HO SAI-CHU, M.B.E., J.P.

THE HONOURABLE HUI YIN-FAT

THE HONOURABLE RICHARD LAI SUNG-LUNG

DR. THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.
THE HONOURABLE DESMOND LEE YU-TAI
THE HONOURABLE DAVID LI KWOK-PO, J.P.
THE HONOURABLE LIU LIT-FOR, J.P.
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.
THE HONOURABLE PANG CHUN-HOI, M.B.E.
THE HONOURABLE POON CHI-FAI
PROF. THE HONOURABLE POON CHUNG-KWONG
THE HONOURABLE HELMUT SOHMEN
THE HONOURABLE SZETO WAH
THE HONOURABLE TAI CHIN-WAH
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING
DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.
THE HONOURABLE ANDREW WONG WANG-FAT
THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER
THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR SECURITY
THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.
SECRETARY FOR TRANSPORT
THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, J.P.
SECRETARY FOR TRADE AND INDUSTRY
THE HONOURABLE EDWARD HO SING-TIN, J.P.
THE HONOURABLE ALISTAIR PETER ASPREY, A.E., J.P.
SECRETARY FOR LANDS AND WORKS (*Acting*)

ABSENT

THE HONOURABLE LYDIA DUNN, C.B.E., J.P.
THE HONOURABLE WONG PO-YAN, C.B.E., J.P.
THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., Q.C., J.P.
THE HONOURABLE MRS. SELINA CHOW LIANG SHUK-YEE, O.B.E., J.P.
THE HONOURABLE MARIA TAM WAI-CHU, O.B.E., J.P.
THE HONOURABLE KIM CHAM YAU-SUM, J.P.
THE HONOURABLE TAM YIU-CHUNG
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.

IN ATTENDANCE

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

Papers

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

Subject *L.N.No.*

Subsidiary Legislation:

Inland Revenue Ordinance	
Inland Revenue (Interest Tax) (Exemption) (Amendment) (No. 7)	
Notice 1987.....	356/87
Tax Reserve Certificates (Fourth Series) Rules	
Tax Reserve Certificates (Rate of Interest) (No. 7) Notice 1987	357/87
Inland Revenue Ordinance	
Inland Revenue (Interest Tax) (Exemption) (Amendment) (No. 8)	
Notice 1987.....	358/87
Tax Reserve Certificates (Fourth Series) Rules	
Tax Reserve Certificates (Rate of Interest)(No. 8) Notice 1987	359/87

Sessional Papers 1987-88:

- No. 12—Hong Kong Export Credit Insurance Corporation—Annual Report 1986/87
- No. 13—Agricultural Products Scholarship Fund Report for the period 1 April 1986 to 31 March 1987
- No. 14—Marine Fish Scholarship Fund Report for the period 1 April 1986 to 31 March 1987
- No. 15—Report of changes to the approved estimates of expenditure approved during the first quarter of 1987-88—Public Finance Ordinance: Section 8

Others

Codicil to Agreement on the Scope of Government Audit in Hong Kong— ‘Value for Money’ Studies—Submission of Reports to the Legislative Council.

Addresses by Members presenting papers**Report of changes to the approved estimates of expenditure approved during the first quarter of 1987-88—Public Finance Ordinance: Section 8**

FINANCIAL SECRETARY: Sir, in accordance with section 8(8)(b) of the Public Finance Ordinance, I now table for Members' information a summary of the supplementary provision for the first quarter of the financial year 1987-88.

Supplementary provision of \$78.6 million was approved. It was fully offset either by savings under the same head or other heads of expenditure or by the deletion of funds under the additional commitments votes.

Approved non-recurrent commitments were increased by \$828.2 million during the period, and new non-recurrent commitments of \$191.5 million were also approved.

Items in the summary have been approved either by Finance Committee or under delegated authority. The latter have been reported to the Finance Committee in accordance with section 8(8)(a) of the Public Finance Ordinance.

Codicil to Agreement on the Scope of Government Audit in Hong Kong—'Value for Money' Studies—Submission of reports to the Legislative Council

MR. ALLEN LEE: Sir, the Director of Audit shall report his findings on 'value for money' studies in the Legislative Council twice each year. One report shall be combined with his annual report on the accounts of the Hong Kong Government which he submits to the Governor as President of the Legislative Council within seven months of the end of the financial year, or such longer period as the Governor may determine. The combined report shall be handled in accordance with section 12 of the Audit Ordinance. The second report shall be submitted to the Governor as President of the Legislative Council by 7 April each year, or such date as the Governor may determine. By 30 April or such date as the Governor may determine, copies shall be laid before the Legislative Council.

On submission of the director's second report to the Governor, the Clerk of the Council shall supply copies to Members of the Public Accounts Committee, the Financial Secretary, the Deputy Financial Secretary and the Director of Accounting Services.

Relevant extracts shall also be supplied to controlling officers and third parties to whom there is reference in this report. The contents of this report will not be made public before the report is tabled in the Legislative Council.

The procedure to be followed by the Public Accounts Committee in considering the director's reports, are specified in Standing Order 60A of the Legislative Council.

A Government minute commenting on the action Government proposes to take in respect to the Public Accounts Committee's report shall be laid on the table of the Legislative Council within three months of the laying of the report of the committee to which it relates.

Oral answers to questions

Use of Exchange Fund to back up Guarantee Corporation of Futures Exchange

1. DR. LAM asked (in Cantonese): *Will Government inform this Council of the justification for providing from the Exchange Fund a support facility to back up the Guarantee Corporation of the Futures Exchange?*

FINANCIAL SECRETARY: Sir, section 3(1) of the Exchange Fund Ordinance specifies that the fund shall be used for such purposes as the Financial Secretary thinks fit affecting, either directly or indirectly the exchange value of the currency of Hong Kong and for other purposes incidental thereto.

Sir, as Financial Secretary and controller of the Exchange Fund, I formed the opinion, having considered all relevant factors, that the circumstances that we faced over the last week in relation to our securities markets, were such that any prolonged disorder in these markets would have had an unacceptable adverse effect on the exchange value of the currency of Hong Kong. On this basis, and with the full support of the Executive Council, I decided to use the Exchange Fund to extend the support facilities to the Hong Kong Futures Guarantee Corporation, with a view to ensuring the continued and normal operations of both the Futures Exchange and the Stock Exchange.

DR. LAM (in Cantonese): *Sir, could the Administration inform this Council what benefit has the Hong Kong Futures Exchange brought to the 2 million people living in the public housing estates since its establishment? Why should we continue to support the existence of the Futures Exchange?*

FINANCIAL SECRETARY: Sir, the Futures Exchange has added considerable and valuable facilities to the overall securities market in Hong Kong. Futures exchanges are well-known in other major financial centres and when the Futures Exchange was first established, it was recognised that it would be an improvement to our overall structure of institutions in the financial sector. Over the years, Sir, the financial sector, including the stock market and the ancillary organisations, such as the Futures Exchange, have provided very significantly to our gross domestic product. The wealth of Hong Kong has increased. It has not just increased in a few hands, it has increased generally and the overall benefits certainly have filtered down through our whole community.

MR. DESMOND LEE: *Sir, does the Financial Secretary not believe that the need of the international banks to maintain their financial reputations and credibility would have ensured their support for the Hong Kong Futures Guarantee Corporation without Government intervention?*

FINANCIAL SECRETARY: Sir, as I said in my principal answer, I looked at the circumstances that faced us over the last week, certainly the beginning of the period, and I decided that immediate action was needed. I perceived a possible threat to the exchange value of our currency. I took the facts and recommendations to the Executive Council and I was supported in my view that the use of the Exchange Fund was appropriate.

MR. LI: *Sir, was any indication given to our Financial Secretary that those international banks, namely, the Hongkong and Shanghai Banking Corporation, Standard and Chartered Bank PLC, Chase Manhattan Bank NA, Barclays Bank PLC, Credit Lyonnais and other international banks in the ICCH who are major shareholders of the Hong Kong Futures Exchange Guarantee Corporation, could not or would not maintain the solvency of the Credit Corporation?*

FINANCIAL SECRETARY: Sir, as I have said in this Chamber and certainly in public on a number of occasions, this package was put together in a very short space of time. Those whom Mr. LI has mentioned, some of them have certainly joined in the overall package. I believe, as I have said time and time again, including this afternoon, that support from the Exchange Fund was also necessary.

MR. CHEONG-LEEN: *Sir, bearing in mind the speed at which all this has happened last week which has affected not only Hong Kong but virtually the whole financial world, does the Financial Secretary feel that he was fully justified that he was taking the action in the best economic interest of Hong Kong, and to maintain confidence locally and internationally in Hong Kong as a financial centre?*

FINANCIAL SECRETARY: I have just said, Sir, that I formed the view that use of the Exchange Fund was appropriate. I was supported in that view by the Members of the Executive Council. I would ask, Sir, Members of this Council and other members of the community to perhaps use a little imagination to think of what would have happened had we stood idly by and done absolutely nothing. I think the disorder that I have described would have spilt out into other sectors of the community and may well have spilt out on to the streets. This is the sort of consideration that a public servant has to take into account when making very swift decisions.

MR. JACKIE CHAN (in Cantonese): *Sir, as you know, Hong Kong's economy is very sound, and the exchange rate is still strong. Investors still have much confidence in us as you can see from the prices of recent land sales. Could I therefore ask the Financial Secretary a question; if we did not use the Exchange*

Fund to support a market that is very speculative in nature, would Hong Kong have come to an end? As far as I know, other countries do not use their reserves for these purposes.

HIS HONOUR THE PRESIDENT: We are getting a number of repetitious questions, and I would ask the remaining Members who have supplementaries, please if they would note what the Financial Secretary has said. However—Financial Secretary.

FINANCIAL SECRETARY: Thank you very much, Sir. I am grateful to Mr. CHAN for his confirmation that he regards the economy as still very sound. I entirely share his view. It is a strong economy. He has asked whether we should use money to support an institution which is engaged—I think he said—in ‘speculative’ activities. As I have tried to explain, the Futures Exchange is one of a number of institutions involved in the dealing in securities. We felt that if one part were seen to have failed, there might well have been a knock-on effect onto the other parts. This would have been extremely damaging. I think, Sir, it is untrue for Mr. CHAN to say that Governments elsewhere do not intervene; of course, Governments in many places intervene when they see the structure of their financial sector under any threat.

MR. LAI: *Sir, will the Government inform this Council what percentage of the total rescue package has been provided by each of the shareholders in the Guarantee Corporation, as compared to the contribution of taxpayers’ money?*

FINANCIAL SECRETARY: Sir, I have given details in public on a number of occasions. By and large, we are looking at \$4 billion; \$2 billion of that sum has been provided by the Exchange Fund.

MR. LI: *Sir, I would like to know what percentage or what amount the foreign banks have contributed towards the Guarantee Corporation as they are also shareholders of this corporation. Are they getting away scotfree?*

FINANCIAL SECRETARY: Sir, the details of the package have been announced. As Mr. LI knows, involved in the package are a number of brokers in the market and also the Bank of China, the Hong Kong and Shanghai Banking Corporation, and the Standard Chartered Bank. No one is getting away scotfree.

Question 2 was withdrawn.

Effect of labour shortage in public works projects

3. MR. CHENG asked: *Will Government inform this Council if any public works project and public housing project under construction have been affected by shortages in the supply of construction workers, and if so, what measures will be taken by Government to minimise delay in completion?*

SECRETARY FOR LANDS AND WORKS: Sir, the effect on public works and public housing projects of a shortage of labour in the construction industry would be likely to be delays or increased tender price or both.

So far as delay is concerned, of the over 400 building and civil engineering contracts being carried out for government works departments and the Housing Authority, 62 per cent are on or ahead of time, 17 per cent are delayed by less than a month, 15 per cent are delayed from one to three months, and 6 per cent are delayed for more than three months. For civil engineering contracts, the delays are no worse than would normally be expected. For building contracts for the Housing Authority and the Architectural Services Department, the delays are slightly worse than would normally be expected; the extra delays may be due, at least in part, to labour shortages.

Delays in contracts may be caused by many factors, including poor organisation, unrealistic programming, inclement weather, unforeseen ground conditions, shortage of materials, industrial action and cash flow problems, as well as by a shortage of labour. And even at times when there is no general shortage of labour, it is not uncommon that contractors, for other reasons, employ insufficient labour to keep up to programmes on individual projects. It is, therefore, not possible to quantify accurately the effect of a general shortage of labour in the construction industry on contract delays. All that I can say, on the basis of current public works and public housing projects as a whole, is that at present the delay to contracts resulting from shortages in the supply of construction workers is minimal.

Nor is there any indication in recent tenders for government works department contracts of any steep rise in prices. However, the Housing Authority have experienced an average increase of 22 per cent in tender prices over the past year, compared with an increase in the general Tender Price Index of 8 per cent over the same period. Labour shortages and resulting higher wages will have contributed to this increase.

In regard to the second part of the question, the responsibility for completing contracts on time lies with the construction companies who have contracted to carry out the work to specified standards within set periods. If labour shortages were having a significant effect on the progress of contracts, for which as I have said there is little or no evidence at present, it would clearly not be in the public interest for Government to make concessions on either quality of work or completion times. There is scope for contractors to make more efficient use of labour. Indeed, given the current tight labour situation and the minor effect on contract delays, they are almost certainly doing this already.

The Government will, however, do all it can to assist the construction industry to improve productivity. The Housing Authority is exploring, in conjunction with the Building Contractors Association, possible modifications to design which may reduce the labour content during construction of public housing projects. The Architectural Services Department is looking into the feasibility of similar measures for government building projects.

MR. CHENG: *Sir, does Government have any plans of strengthening the training of more skilled labour and technicians for the construction industry as part of the improvement of productivity?*

SECRETARY FOR LANDS AND WORKS: Sir, I regret I do not have the information to answer that question at present. Possibly the Secretary for Education and Manpower may be able to help or perhaps I could, alternatively, give a written reply.

HIS HONOUR THE PRESIDENT: *Would the Secretary for Education and Manpower like to help?*

SECRETARY FOR EDUCATION AND MANPOWER: Sir, I think the Construction Industry Training Authority which does run two training centres for the construction industry and is constructing a third, keeps its training programmes continually under review. I am sure that if there are any ways in which they can improve the training, they will do so.

MR. SOHMEN: *Sir, would the Secretary for Lands and Works confirm that the figures quoted by the construction industry of a present shortfall of about 10 000 workers in the industry is correct? That would be about 15 per cent of the workforce of, I believe, 72 000 employed in that sector.*

SECRETARY FOR LANDS AND WORKS: Sir, there are at present no confirmed figures as to the total shortage. A widely quoted estimate is approximately 9 000. The Commissioner of Census and Statistics is currently carrying out a survey for both private sector and public sector contracts to establish with more certainty the labour shortage on construction sites. But the results will not be available for several weeks. Preliminary indications, however, are that the total will be less, substantially less, than 9 000. Contractors report that the greatest shortages are concrete steel fixers, carpenters and joiners and finishing trades such as plasterers and tilers. This is borne out by the large recent increases in wages paid to those trades.

MR. TAI: *Sir, may I ask whether contractors of public works are required to enter into some kind of bond or surety to guarantee the performance of their contracts? If not, why not?*

SECRETARY FOR LANDS AND WORKS: Sir, I regret that I do not have the information to answer that question at present. I will give a written reply. (See Annex I)

Desiccant in prepackaged food

4. MR. ANDREW WONG asked (in Cantonese): *Sachets of desiccant are found in some prepackaged snack food which is popular among children. The desiccant,*

especially the potent types, may be detrimental to health if swallowed. Will Government inform this Council what measures are being taken to prevent children from mistaking the desiccant to be edible and taking it?

SECRETARY FOR HEALTH AND WELFARE: Sir, the desiccants normally found in prepackaged snack foods are packed inside strong, water-resistant fibrous paper which cannot easily be broken or torn apart by children. In addition, manufacturers are asked to print a warning on the sachets, in both English and Chinese, to the effect that the sachets are not edible. The Secretary for Municipal Services informs me that this requirement is complied with to the best of his knowledge.

MR. ANDREW WONG (in Cantonese): *Sir, I have several supplementary questions; may I ask one question at a time? First of all, what is the chemical content of desiccants? Perhaps Prof. POON can help us here? Usually which type of desiccant is being taken? If it is swallowed, you will of course agree there would be health hazards, but I would like an explanation as to why it might be detrimental to health. I have tried to tear open some of these sachets and found that it is quite easy to tear them open. I do not know whether the Secretary for Health and Welfare can answer that.*

SECRETARY FOR HEALTH AND WELFARE: Sir, I am told that the main ingredients of this desiccant are calcium oxide, calcium hydroxide and calcium carbonate. Calcium oxide, when exposed to moist air, forms calcium hydroxide and calcium carbonate; calcium hydroxide, according to my information, is a dehydrating agent and a strong alkaline which can cause irritation to the skin and mucous membranes. There are, I am informed, no known cases where people, or children in particular, have locally or overseas accidentally or otherwise consumed this desiccant from these sorts of pre-packaged foods and have suffered illness as a result of it.

PROF. POON: *Sir, will the Secretary inform this Council of the number and type of accidents, if any, involving the use of these desiccants, that have occurred in the last three years?*

SECRETARY FOR HEALTH AND WELFARE: Sir, there is no record of any accident of this kind having occurred in Hong Kong.

MR. ANDREW WONG (in Cantonese): *Sir, according to the present arrangement, we are now appealing to importers and manufacturers to print a warning in Chinese and in English on the sachets. This morning I picked up four packets of snack food in a supermarket and found out that there were written warnings in two of the packages, but in the other two packages I found out that the sachets contained only warnings in Japanese and English but not in Chinese.*

So the problem is this: the English version merely contains a warning that the children should not eat the sachet or that children should be kept out, but the warning in Japanese version seems to be more detailed. I will read out the English version of the warning. The translations were done in haste by the staff of the Government Secretariat. The Japanese version says: 'Because this is a dehydrant, please do not eat. In case this dehydrant finds its ways into the mouth please wash with water. In case this dehydrant gets in the eyes, please immediately wash with water and then consult your doctor. Please keep the dehydrant in places out of reach of children. Please do not smell in case water drops appear on the dehydrant. The dehydrant may give out heat.'

Well, the Chinese version of the warning reads something like this; 'The main ingredient is lime. Because this is a dehydrant, therefore, it should not be swallowed and if it should be swallowed by accident, then the person involved should gargle with water and if the desiccant gets in the eyes then you should wash the eyes immediately and see a doctor afterwards. The desiccant should be kept in a place which is not accessible to children. If the desiccant were to become moisturised, you should not smell it with your nose. The desiccant might generate some heat.'

Now, there is much detailed information. Obviously this is a very serious matter. The desiccant might not be poisonous but obviously it would create a lot of discomfort and it might even damage the eyes. If we do not have any legislation requiring the manufacturer and the importer to state very clearly the danger of using such desiccants and what steps should be taken if taken accidentally by children and if you only wait until accidents involving children occur, this might be too late. I wonder whether Government can inform us whether it is considering legislation to require importers and manufacturers to state very clearly the warning as well as the remedial measures to be taken after such a substance has been taken by accident.

SECRETARY FOR HEALTH AND WELFARE: Sir, at present the Government is not considering this but I will convey to the Secretary for Municipal Services the information which Mr. Andrew WONG has provided this afternoon and ask him to consider whether this would be appropriate.

Training of lawyers in the use of Chinese

5. MR. YEUNG asked: *Will Government inform this Council what measures are being taken to train a new breed of legally qualified persons proficient in both English and Chinese, in order to meet Hong Kong's future requirements?*

ATTORNEY GENERAL: Sir, steps have recently been taken by two educational institutions to provide courses which are designed to assist law students to become proficient in the use of Chinese. First, the Hong Kong University, through its Faculty of Law, has introduced this academic year a new course on

'The Use of Chinese in Law' in its LLB curriculum, with a view to enabling future law graduates to comprehend the Chinese versions of legislation and to give advice to clients and draft simple legal documents in Chinese. Secondly, the City Polytechnic of Hong Kong, in offering an undergraduate law degree programme in 1988, have plans to teach some law subjects in Chinese by introducing modules in the programme which they call 'Chinese for lawyers'.

My chambers are responsible for the bilingual laws project which is aimed at providing texts in Chinese for all printed laws. This project involves setting Chinese equivalents for legal terms and expressions used in legislation. The Law Drafting Division is responsible for training counsel in the necessary skills to draft laws in Chinese and for the preparation of authentic Chinese texts.

The division is also assisting the tertiary institutions where it can to train future law graduates both by providing lecturers and by advising on planning the curricula.

MR. PETER C. WONG: *Sir, does the Government have any plan to compile a glossary of legal terms and expressions to facilitate the enacting of laws in both English and Chinese?*

ATTORNEY GENERAL: Sir, yes. In the course of drafting Chinese texts of new laws and translating the existing laws suitable Chinese equivalents have to be settled for many of the difficult English legal terms and expressions; these Chinese equivalents are often the result of extensive research and comparative study, and they are collected and compiled so as to attain consistency and standardisation. My chambers do plan to publish a glossary of legal terms and expressions as a regular annual exercise. And we will do that when we formally start with the bilingual legislation work, hopefully sometime next year.

MR. DESMOND LEE: *May I refer to the second paragraph of the answer and ask if the Law Drafting Division itself has experienced any difficulty in the recruitment of bilingual staff?*

ATTORNEY GENERAL: Sir, in the recruitment of bilingual lawyers as draftsmen we have taken steps to make the task more attractive, and in recent time a number of measures have been introduced; increased rewards for articulated clerks, improved rewards to local counsel in their early years of service and so on. We have also been studying localisation too, but, of course, there are difficulties in securing trained personnel. It is difficult to attract Chinese speaking lawyers well trained in the Chinese language to join the Law Drafting Division as draftsmen, and we have done our best to encourage them to come in. At the moment we have altogether seven bilingual draftsmen in the Law Drafting Division, although of course in addition we have a number of law translators whom we have trained to acquire drafting skills.

MR. PETER C. WONG: *Sir, in the Attorney General's most optimistic estimate how soon can we expect to have bilingual legislation?*

ATTORNEY GENERAL: Well, Sir, we hope that we shall be able to begin our programme of bilingual legislation sometime in the middle of 1988. That is, I think, as early as it can be introduced. We have to ensure that there are no practical obstacles in the way of the bilingual laws programme. We have to make sure that all the supporting arrangements are fully in place and an important part of those consists of additional equipment for the Government Printer. We also wish to complete the present phase of dummy runs so that this Council can secure as much experience of the tasks of scrutinising bilingual texts as possible. But with all those matters accomplished I would hope that by the middle of 1988 we shall introduce the first laws for enactment in both texts.

Supply of land in 1990s

6. MR. EDWARD HO asked: *According to Government's Assessment of Future Land Requirements 1986-87-1995-96 (dated May 1987), Government forecast shows that by early 1990s there will be a shortfall of land supply for public rental housing, Home Ownership Scheme and Private Sector Participation Scheme. Will Government inform this Council whether it has any firm time table to implement and increase land production so as to meet the shortfall?*

SECRETARY FOR LANDS AND WORKS: Sir, I should like to preface my answer with the caveat that any forecast of land supply, and more so any forecast of land requirements, as far ahead as 10 years has to be based on assumptions about matters which are inevitably somewhat uncertain. The only certainty is that in the final analysis the forecasts are bound to be wrong, to a greater or lesser extent.

I am, however, confident that for the next five years the supply of land for public sector housing will be adequate. Although there is at present a small projected shortfall in land for Home Ownership Scheme housing, an overall surplus of land for all uses, including for private residential housing, is forecast. There is, therefore, scope to rezone land for HOS to redress the shortage. Thereafter, between 1992 and 1996 a shortfall of about 50 hectares of land is at present forecast for public sector housing generally. This is quite small relative to total projected requirements of 280 hectares for public rental housing, HOS and PSPS projects in the 10 years up to 1996, and given that the projected requirements include a safety margin of 15 per cent. I am confident that we shall be able to adjust existing plans and programmes to meet this projected shortfall if necessary, both by rezoning and by bringing forward site formation projects in the Public Works Programme.

For example, our forecasts show a likely surplus of land available for industrial use in the next 10 years. Some of this land can if necessary be rezoned for housing. Indeed the timing of the future development of Junk Bay New Town has recently been reviewed, and it is now intended to bring forward a start on further reclamation work to next year. This will increase the overall supply of land, including the supply of land for housing, in the early 1990s. Looking slightly further ahead, proposed major harbour reclamations at Green Island and West Kowloon, for which detailed feasibility studies are now being conducted, should make substantial additional areas of land available in the mid to late 1990s.

MR. EDWARD HO: *Sir, will Government inform this Council to what extent is the deficit in the land supply for public housing to be met by the harbour reclamations after 1992, and when would such work be required to commence?*

SECRETARY FOR LANDS AND WORKS: Sir, I think that for the period from 1992 to 1996 it is unlikely that the harbour reclamations will make a very significant contribution. We do not foresee work on the major reclamations at Green Island and West Kowloon starting much before the end of this decade and new land being produced for building much before the mid-1990s. As I have said I think that the deficit in the years from 1992 to 1996 is more likely to be met by rezoning within the existing urban area and new towns and by bringing forward certain other land formation projects, in particular the second phase of Junk Bay New Town.

Criminal activities of new immigrants from China

7. DR. HO asked: *Will Government inform this Council in the last three years how many immigrants (both legal and illegal) from China were found to have been involved in criminal activities within their first year of arrival?*

SECRETARY FOR SECURITY: Sir, the numbers of legal immigrants from China who were found to have committed crimes within their first year of arrival in Hong Kong were only 39 in 1984, 87 in 1985, 61 in 1986 and 48 in the first nine months of 1987. Sir, they were a thus very small minority of the total 102 000 legal immigrants from China during that period.

The numbers of illegal immigrants from China found to have committed crimes (crimes other than immigration offences) within their first year of arrival were 281 in 1984, 415 in 1985, 440 in 1986 and 333 in the first nine months of 1987. Sir, these figures are difficult to interpret because we cannot know the number of illegal immigrants who manage to evade arrest at the border. But they are high when compared with the number of evaders from China who were eventually discovered in Hong Kong and repatriated: that is to say, 3 090 in 1984, 3 394 in 1985, 3 707 in 1986, 3 003 in the first nine months of 1987.

To sum up, in 1984 a total of 320 immigrants from China were found to have committed a crime within their first year of arrival, in 1985 502, in 1986 501 and, in the first nine months of this year 381.

DR. HO: *I understand that local criminal syndicates are recruiting illegal immigrants either through private arrangement or through syndicates operating in China to carry out criminal activities in Hong Kong. Will Government inform this Council (1) what types of crimes have been committed by these illegal immigrants as referred to in your paragraph 2; (2) how many of these crimes were committed with violence or with firearms, and lastly, whether Government has plans to stop the flow of these illegal immigrants?*

SECRETARY FOR SECURITY: Sir, if I might deal with the part of my hon. Friend's question before he actually got to the three questions. There are, indeed, stories going around that syndicates in Hong Kong are recruiting criminals from China to come over to Hong Kong and commit crimes. The Commissioner of Police has no evidence to suggest that this is what is actually happening. My friend asked what type of crimes had been committed by the illegal immigrants referred to in the second paragraph of my answer. Sir, of the 1 469 illegal immigrants who committed offences, other than immigration offences, between 1984 and September 1987, 674 were prosecuted for burglary and theft, 198 were prosecuted for what is termed unlawful possession, that is to say possessing something for which they could not give a satisfactory explanation of how they had got it to a magistrate, 153 were prosecuted for assault, 83 for possession of an offensive weapon, 53 for robbery, 29 for loitering and 10 for drug offences.

I do not know, I am afraid, the answer to the second part of my hon. Friend's question, that was how many were using firearms, but we certainly do know of some cases in which they definitely used firearms. And, thirdly, my hon. Friend asked what plans we had got to stop the movement of criminals, as it were, from China to Hong Kong. The answer to that is, simply, that we have sophisticated means whereby we are, I think, successfully stopping illegal immigrants generally from China coming to Hong Kong and, of course, these methods that we are now adopting are no doubt proving fruitful in stopping criminals coming illegally from China to Hong Kong.

MR. POON CHI-FAL (in Cantonese): *Sir, could the Government inform this Council whether the Government has studied why illegal immigrants commit crimes in the first year of their arrival in Hong Kong in the past three years? If they commit serious crimes, have you repatriated any of them back to China?*

SECRETARY FOR SECURITY: Sir, my hon. Friend asked if we had studied why illegal immigrants were committing crimes on this scale in Hong Kong. Yes, indeed, we have. The Research Sub-committee of the Fight Crime Committee has put in a lot of work on this issue. Basically, illegal immigrants here are not issued with identity cards and this means that they cannot legally get any

employment in Hong Kong. Thus, they tend to turn to crime. As regards the second part of the question, all illegal immigrants from China are repatriated to China. If they have committed a crime here they will no doubt first of all have to serve a sentence of imprisonment in many cases. After that they are repatriated to China.

MR. YEUNG: *With regard to the number of immigrants who have been found to have committed crime within the first year of arrival in 1984 and 1985, will the Secretary state how many of these immigrants have repeated convictions?*

SECRETARY FOR SECURITY: We are talking about convictions in the first year, and the answer must be very, very few. But I could certainly check out the facts and let my hon. Friend have an answer in writing. (See Annex II)

MR. TAI: *Sir, why is the Government keeping separate crime statistics on the newly arrived legal immigrants separate from the rest of the community of Hong Kong as it would be extremely prejudicial to this group of people?*

SECRETARY FOR SECURITY: Yes, the answer is very simple, Sir. As I said, the Research Subcommittee of the Fight Crime Committee decided to do research into the tendency for migrants from China to commit crimes. We wanted to know what sort of commitment we were picking up by accepting these migrants from China. That is why we are now keeping statistics separately for both groups.

Written answers to questions

Resources in hospitals

8. DR. LAM asked: *Will Government inform this Council whether there are any problems of ineffective use of resources in government and subvented hospitals, and if so, what exactly are the problems?*

SECRETARY FOR HEALTH AND WELFARE: Sir, as the Governor explained in his address to the Council on 7 October, there are a number of concerns about the effective use of resources and the problems associated with the management of large hospitals. It is for this reason that a new organisational structure under a statutory Hospital Authority is being proposed. Features of the present system which are not conducive to the most effective use of resources include the existence of two hospital sectors (government and subvented) with different terms of service for staff; the imbalance in the usage of beds and the uneven distribution of resources between the two sectors. In addition in the Government hospitals, there is a lack of flexibility in deploying manpower and other resources because of Civil Service wide implications. The Government believes that the establishment of a Hospital Authority will help to resolve these problems.

Establishment of off-course betting centres

9. MR. DESMOND LEE asked: *Will the Government inform this Council whether there are any established criteria for granting permits to the Royal Hong Kong Jockey Club for the setting up of off-course betting centres and whether there are any procedures for consultation with district boards, area committees and local residents concerned?*

CHIEF SECRETARY: Sir, there are established criteria for granting permission to the Royal Hong Kong Jockey Club to set up an off-course betting centre. Before I explain the criteria, I would like to emphasise that the Government's policy on off-course betting centres is basically one of restricting opportunities for illegal betting by allowing controlled outlets for permitted betting activities. The objective is to divert unlawful betting into lawful channels by ensuring that there are sufficient controlled opportunities to meet the needs of those who will bet.

The criteria for approving an off-course betting centre permit are as follows:

- (a) that there is no police objection on operational grounds, such as security, accessibility, obstruction, nuisance, and so on;
- (b) an assessment by the appropriate district office of the views of members of the public living in the vicinity, especially on whether there is going to be strong objection from them;
- (c) that such centres should preferably be located in purpose-built buildings, commercial premises, MTR station complexes or, in the case of public housing estates, at the estate commercial centres; wherever practicable, the centres should not be located in the immediate vicinity of any existing schools or youth and children's centre; and
- (d) an assessment by the police which indicates the existence of illegal betting activities or a potential for illegal betting activities within the vicinity, thereby illustrating a need for a lawful outlet in the area concerned.

Under the criteria, the district office is required to assess the views of members of the public living in the vicinity. There are no formal procedures as to how such assessments should be undertaken because obviously each case will have to take into consideration the particular circumstances of the locality concerned. The general practice, however, is for the district office staff to canvass views from a cross-section of the local leaders and residents.

Government Business

First Reading of Bills

FINANCIAL SECRETARY: Sir, you have directed that the Exchanges (Special Levy) Bill 1987 shall not be published in the Gazette before it is read a First time.

EXCHANGES (SPECIAL LEVY) BILL 1987**FISHERIES PROTECTION (AMENDMENT) BILL 1987****CONVEYANCING AND PROPERTY (AMENDMENT) BILL 1987****LAND DEVELOPMENT CORPORATION BILL 1987**

Bills read the First time and ordered to be set down for Second Reading pursuant to Standing Order 41(3).

Second Reading of Bills**EXCHANGES (SPECIAL LEVY) BILL 1987**

THE FINANCIAL SECRETARY move the Second Reading of: 'A Bill to impose special levies on transactions on the Commodity Exchange and Unified Exchange'.

He said: Sir, I move that the Exchanges (Special Levy) Bill 1987 be read the Second time.

The essential element in the current rescue of the Hong Kong Futures Exchange is to ensure that the Hong Kong Futures Guarantee Corporation remain solvent so that it can continue to underwrite guarantees in respect of contracts in the Hang Seng Index Futures Market.

For this purpose, two facilities were extended to the Guarantee Corporation on 26 October 1987. The first facility, totalling \$1 billion was provided by the full members and market members of the Futures Exchange and some broking firms (HK\$500 million) and the shareholders of the Guarantee Corporation (HK\$500 million). The second facility, also of \$1 billion, was provided by the Government through the Exchange Fund. These two facilities carry interest at a rate equal to the prime lending rate.

Because of widespread defaults of members of the Futures Exchange on 26 October when the stock market was reopened, with the Hang Seng Index plunging by over 1 000 points, two further, similar facilities were extended to the Guarantee Corporation. An additional \$1 billion from the Government through the Exchange Fund and a total of \$1 billion from the Hongkong Bank, the Standard Chartered Bank and the Bank of China. These two facilities carry interest at an annual rate of 7.5 per cent.

The interest and principal of the facilities are repayable only out of the following three sources: First, a levy of \$30 per transaction buying or selling in respect of trading done in the stock index market of the Futures Exchange; second, an additional levy of 0.03 per cent payable on transactions buying or

selling in the Stock Exchange and thirdly, net amounts received in recovery from members of the Futures Exchange who have defaulted in respect of obligations to the Guarantee Corporation.

The legislation regulating the Futures Exchange and the Stock Exchange makes provision for various fees and charges to be imposed but these must relate to implementation of the legislation. The exchanges also have rule-making powers, under which they already charge levies. But there is some doubt whether these provisions provide clear authority for the imposition of the new levies. Having regard to the very large amounts of the facilities, it is essential that the legality of these additional levies be free from doubt. To meet this objective it is proposed that legislation should be enacted to provide clear and unambiguous authority for the imposition of the levies.

With regard to the third source of repayment, that is, recoveries from defaulting members, no legislation is required, the recoveries being dealt with under contract.

The Bill, seeks to impose on the Futures Exchange and the Stock Exchange a duty to pay the levies. It is intended that the exchanges would, in turn, impose these levies on individual members by rules to be made by them and approved by the Securities Commission and Commodities Trading Commission later today. The Bill provides for the exchanges to pay the levy to the Director of Accounting Services, who will, as trustee of these monies, pass them on to the lenders in accordance with the terms of the facility letters. The Bill empowers the Governor to make rules for various administrative matters. Sir, we intend that the additional levies should be payable in respect of contracts and transactions entered into from tomorrow, Thursday, the 29 October 1987, to enable early repayment of the facilities as soon as possible.

Sir, I move that the debate on this motion be taken now.

MR. PETER C. WONG: Sir, this Bill forms a part of the urgent arrangements that have been made by Government and major banks to ensure the continued and stable operation of the Hong Kong Futures Exchange.

It will enable the facilities made available to the Hong Kong Futures Guarantee Corporation to be repaid from a special levy on futures contracts and on Stock Exchange transactions.

The Bill provides authority for the imposition of the levy and imposes on the Hong Kong Futures Exchange and the Hong Kong Stock Exchange a duty to pay the levies.

Setting up the duties and obligations clearly in legislation will, I believe, ensure that funds made available through the facilities are paid back in full and in good time to the lenders.

Sir, I support the motion.

MR. CHAN KAM-CHUEN: Sir, although I support the Bill generally and shall not hinder its passage for the purpose of solving the problems in connection with a mammoth financial crisis, unprecedented in the history of Hong Kong, I have to place on record that whilst section 6 of this Bill says that 'the cost of administration of the Special Levy Fund shall be charged on the general revenue', the administration fee in respect of the Protection of Wages Insolvency Fund is charged in full on the fund and not on general revenue. This is an inconsistent financial policy and the appropriate Chinese saying for these cases is: (厚此薄彼) that is better treatment for the haves and inferior treatment for the have-nots.

With these observations, Sir, I support the motion.

DR. LAM (in Cantonese): Sir, anything that will help to promote Hong Kong's prosperity and stability must be supported.

However, I think the Administration should go one step further and should look at the operating and functioning of the financial market, its structure and its management. Should there be any weaknesses, they should be investigated and reviewed.

According to section 80 of the Securities Ordinance selling short is not allowed. Short selling in the stock market may lead to undesirable consequences which should not be overlooked. If the authority in question did not strictly enforce the law, this Council would be doing a futile job.

Sir, I support the motion.

MR. MARTIN LEE: Sir, I rise to support this Bill but I have the following observations to make. Firstly, Sir, there is no power in the committee of the Unified Exchange to suspend trading at all in Hong Kong, not to say for four days. Because under their own rules, their power to suspend any trading in the stock market cannot, in law, arise unless there is a physical impediment which severely and adversely affects the functioning of the trading hall.

HIS HONOUR THE PRESIDENT: Before you go on, I would be grateful if you would explain how the subject you have now raised relates to the Bill which is before Members.

MR. MARTIN LEE: Sir, I am concerned about the use of \$2 billion of the Exchange Fund. It is a lot of public money and before we can justify to take this stance, we have to be satisfied that the reputation of Hong Kong, which is at stake, can and will be protected. We cannot do it half-measuredly and we cannot, Sir, with respect, use the money without making sure that we take sufficient remedial steps to make sure that something similar will not happen in future. So in those respects, I would respectfully submit that this particular topic and indeed the following topics would all be relevant. We are here to spend money from the Exchange Fund. This can only be justified if it supports

the exchange rate of the Hong Kong currency and the argument, as I understood from the Financial Secretary through television appearances while I was in Canton until this morning, was that it would have such benefit to the Hong Kong dollar, so he has to support the Futures Index Market. At the same time he wants to support the stock market, thereby supporting the Hong Kong dollar.

HIS HONOUR THE PRESIDENT: Mr. LEE, with respect, the Bill which is before us is the Exchange (Special Levy) Bill 1987 which seeks to raise a levy upon transactions in the Futures Exchange Market and in the stock market. The question that appeared earlier this afternoon, the question of the use of the Exchange Fund, was dealt with extensively. I am sorry you were not here for that through no fault of your own but I rule that this subject is not relevant to the raising of the levy which we are now discussing. I would be grateful if you would address that subject.

MR. MARTIN LEE: Sir, the levy, of course, arises only after the use of the Exchange Fund.

HIS HONOUR THE PRESIDENT: Correct.

MR. MARTIN LEE: Sir, there is enough prima facie evidence of mis-management of the Executive Committee of the Stock Exchange.

HIS HONOUR THE PRESIDENT: Mr. LEE, I must call you to order. We are here to discuss the raising of the levy under the Exchanges (Special Levy) Bill. I cannot see that the statement that you are making is relevant to that subject.

MR. MARTIN LEE: May I be heard? May I be heard to justify it? This is a separate ground. The levy, no doubt, will still be administered by the management committee. If it is, then I would with respect submit that we must have confidence in the integrity of the committee which is going to exercise control over the levy. We cannot have a management which some members of the public, including I, do not have confidence in. Therefore, I would urge you to allow me to address the Council on this point.

HIS HONOUR THE PRESIDENT: You may address the Council, Mr. LEE, on the question of how the levy is to be collected, since that is relevant to the Bill which we are presently considering.

MR. MARTIN LEE: Sir, all the levies have to be managed, no doubt, by somebody and in this case it has to be by or under the auspices of the executive committee. The public has to be assured that even with the appointment of Mr. Robert FELL as the Executive Director it will continue to have confidence in the Committee.

Sir, I would urge the Chairman to resign because he has already put his own credibility on the line when he told everybody in Hong Kong that his decision to suspend will be justified by history to be correct and history has proved him wrong.

HIS HONOUR THE PRESIDENT: I must rule that you now address the subject of the collection of the levy and limit remarks to the question of the collection of the levy and not to comment on the performance of members of the Stock Exchange Committee.

MR. MARTIN LEE: In that case, I would recommend that the Government should seriously consider setting up a body overlooking the committee in the discharge of its duties, including the collection of levy.

HIS HONOUR THE PRESIDENT: Thank you, Mr. LEE.

MR. CHUNG: Sir, I rise to support the Bill in principle because it is part of the fire rescue package to save the Futures Exchange, and the image of Hong Kong as a financial centre, which may have a profound impact upon the economy of Hong Kong in the long term.

However, I wish to refer to section 6 of the Bill which says that the cost of administration of the Special Levy Fund shall be charged on the general revenue.

I submit that the cost of administration should fall on the special levy itself rather than upon the general revenue. In my opinion, it is more equitable for those who take part in transactions in or make use of the services of the Stock Exchange and the Futures Exchange to bear the cost of administration rather than for taxpayers to meet the cost in the form of general revenue.

With these remarks, I support the motion.

MR. CHEONG: Sir, I rise to declare my full support for the Exchange (Special Levy) Bill 1987. Hong Kong, reputed to be the third financial centre in the world, has not been immuned to adverse effects caused by the sudden unprecedented collapse of the US stock market a few days ago.

We are faced with not just serious concerns of our citizens but in fact a near panic situation. If Government were not to take the initiative to address and review the issues involved, and had not taken any decisions we would no doubt be practically finished as one of the major financial centres in the world.

Sir, the historical and short-term underlying economic indicators might have been healthy, as indicated by the Financial Secretary, but only for the moment. Any responsible government and, in fact, any responsible legislature must address the macro-economic issues with foresight and bearing in mind the medium- to longer-term considerations. There is no doubt in my mind that if

the objective of maintaining Hong Kong's stability and prosperity were to be achieved at all, the maintenance of the stability of the financial services sector will be of the utmost importance.

Furthermore, looking at percentage contributions to GDP in the past 10 years, the financial services sector has been on a definite uptrend and has indeed surpassed the manufacturing sector.

If we were to sit back and do nothing in such a crisis situation, we might run the risk of knocking off by a big percentage the economic activities of one important sector that underpins our whole economy. If that were to happen, I would have no doubt that everyone in Hong Kong will be worse off in a long way.

Looking into the future, Sir, Hong Kong's prosperity and stability will be dependent on the ability of all components of our economy to function smoothly and to grow from there. The financial services sector is already a very important component, hence the Government is right in my view in doing everything that is reasonable and possible to facilitate further development of this sector.

HIS HONOUR THE PRESIDENT: Mr. CHEONG, I must also ask you please to address the subject which we have before us, which is the Exchange (Special Levy) Bill 1987.

MR. CHEONG: I bow to your decision, Sir, but may I respectfully submit that in the Financial Secretary's address, he did touch upon the economic implications. I am simply responding to the components of his speech. If you rule that is out of order, then I would take it back.

HIS HONOUR THE PRESIDENT: You don't need to take it back, Mr. CHEONG, but I think you should limit your comments to the Bill which we have before us.

MR. CHEONG: In relation to this Bill, Sir, it arises out of the fact that we have to charge a levy. The background to the charge of the levy is perhaps very clear to all of us. May I ask, Sir, that in supporting this Bill and not just in the technicalities of how to collect the levy, the underlying reasons for the imposing of this levy have got to be reviewed and addressed by the Government and if there were any reviews that throws out any faults in our systems, may I urge the Government to correct this as soon as possible and that if there were any people in Hong Kong that were found to be breaching any rules at all, the Attorney General's Department should consider seriously taking any possible further actions.

I support the motion.

MR. CHEONG-LEEN: Sir, following on the near-collapse of the New York Stock Exchange, I do not think there were many people in Hong Kong who would

have anticipated the speed at which this devastating financial typhoon descended upon us in Hong Kong in the last few days.

And I, for one, was quite surprised at the rapidity with which our financial sector responded in meeting the situation, and the speed too at which a financial package was put together. This rescue operation, of course, was to ensure that the Hong Kong Futures Guarantee Corporation remained solvent to continue to underwrite guarantees in respect of contracts in the Hang Seng Index Futures Market. To that extent, the Exchange Fund came into operation. In the Financial Secretary's judgment it was necessary to do so. He explained to us and I, for one, fully accept his explanation. We, of course, do want to see the Exchange Fund properly replenished against whatever loans facility, and the levy is part of the process of doing so. I think all this has helped to re-establish confidence in our local community. I think it has also helped reduce to some extent the damage which has been caused in the international financial community arising from the four-day closure of our Stock Exchange last week and therefore this Bill deserves the full support of this Council.

I also think the community is heartened to see that the Bank of China with the support of the People's Republic of China has come in to participate in this rescue operation and I, for one, would like to take this opportunity of congratulating the Financial Secretary on what he has accomplished. It has helped to allay a lot of the worries on the part of the little men in Hong Kong and to strengthen their faith in Hong Kong's underlying economic strength and Hong Kong's future role as an important financial centre.

Sir, I support the Bill.

MR. SZETO (in Cantonese): Sir, I support the Bill, but I do so on condition only. That is, when the crisis is over, the Administration must investigate very carefully the causes of such a crisis to see whether there are flaws in our system and to see whether there are human factors affecting it. If we do find such flaws, we must try to remedy the situation immediately. If there is a human factor, we must try to pinpoint responsibility.

MR. LAI: Sir, I want to place on record I shall abstain from voting on the Bill because I do not believe that the use of the Exchange Fund is the best way to solve the present crisis.

FINANCIAL SECRETARY: I am grateful to all Members who have spoken for their general support for this Bill.

I would like to start, Sir, with a general remark about the necessity of preserving stability. I have said, Sir, here and elsewhere that we had to make, as Mr. Hilton CHEONG-LEEN has said, very swift decisions. I have no doubt whatsoever in my own mind that what has been done has indeed restored stability.

Our task after the markets had closed was to get them open and get them functioning again in a normal and orderly manner and that is what the package was all about.

Sir, I am happy to have this opportunity of assuring Dr. LAM, Mr. LEE and Mr. SZETO that it is the intention of the Government to examine critically the existing structure of the Stock Exchange and to procure all changes that may be necessary to assure the international financial community, as well as the people of Hong Kong, that the institutions are properly managed and are properly administered.

Sir, this afternoon I cannot, of course, make any detailed proposals as to how this examination will be carried out but I hope that it will be possible to announce in the near future how the review will be carried out and what sort of structures we have in mind for the future.

Sir, I am grateful, as I have said, to everyone who has supported the Bill generally; some have commented on the cost of administration—Mr. K. C. CHAN in particular has quoted an apposite Chinese saying. The Bill was put together very rapidly. I think it is correct as it stands. The public purse will not be out of pocket, even though the cost of administration falls on general revenue, because we will be enjoying some interest on the support facilities that have been given.

Sir, Mr. Martin LEE, of course, has commented on the management of the executive committee. Certainly, in the administration of this scheme, we shall be watching carefully how matters are handled and I take note of his remarks, although I do not share his suspicions as they were expressed.

Mr. Stephen CHEONG has spoken at some length about the importance of financial services to the economy. I agree with this view. That was one of the reasons why many of us have been working overnight and virtually every hour of the day, and I would like to take this opportunity again to pay tribute to those of my colleagues who were involved and to our advisers, Hambros Bank Ltd. for all the assistance that they have given to us.

Sir, lastly, may I thank Mr. CHEONG-LEEN for his congratulations. I am sure he would agree that congratulations are due not only to me but to all members of this Administration who have assisted, not least of all, Sir, to you yourself.

Question put and agreed to.

Bill read the Second time.

Bill committed to a Committee of the whole Council pursuant to Standing Order 43(1).

FISHERIES PROTECTION (AMENDMENT) BILL 1987

THE FINANCIAL SECRETARY moved the Second Reading of 'A Bill to amend the Fisheries Protection Ordinance'.

He said: Sir, I move that the Fisheries Protection (Amendment) Bill 1987 be read a Second time.

This afternoon, Sir, I seem to be in deep water.

The purpose of this Bill is to amend the Fisheries Protection Ordinance to increase the maximum fine that may be prescribed for contravention of regulations made under the Ordinance and to improve the operation of the Ordinance.

The Fisheries Protection Ordinance is intended to promote the conservation of fish, to regulate fishing practices and to prevent activities detrimental to the fishing industry. The Ordinance specifies the maximum penalty that can be prescribed for offences. Its regulations prohibit the use or possession of any explosive or toxic substance for the purpose of fishing and specify penalties for contravention. The regulations further provide that any person in charge of a vessel involved in such an offence is also liable to specified penalties.

The penalties prescribed in the Ordinance and regulations have remained unchanged for the past 25 years. Until 1983 there were very few prosecutions under the Ordinance. Since then, however, there have been 18 such prosecutions and it has become clear that the maximum penalties no longer serve as an effective deterrent. The Bill proposes to increase the maximum penalties in line with penalties for other comparable offences. The Bill thus provides that the maximum fine that can be prescribed under the Ordinance should be increased from \$5,000 to \$10,000 and the maximum penalties specified under the regulations for the use of any explosive or toxic substance in fishing or for being in charge of a vessel involved in such an offence should be \$10,000 and six months imprisonment. The term of imprisonment is double the maximum presently provided for but within the limit prescribed in the Ordinance.

In addition, the Bill also seeks to improve the operation of the Fisheries Protection Ordinance by providing that certain powers in relation to the proof of contravention of the provisions of the regulations be vested in authorised officers of the Agriculture and Fisheries Department.

The proposed amendments mentioned above have been drawn up in close consultation with the major fisherman's organisations.

Sir, I move that the debate on this motion be adjourned.

Motion made. That the debate on the Second Reading of the Bill be adjourned.

Question put and agreed to.

CONVEYANCING AND PROPERTY (AMENDMENT) BILL 1987

THE ATTORNEY GENERAL moved the Second Reading of 'A Bill to amend the Conveyancing and Property Ordinance'.

He said: Sir, I rise to move the Second Reading of the Conveyancing and Property (Amendment) Bill 1987.

After a prolonged period of inertia in this important area of the law, the Conveyancing and Property Ordinance was enacted in 1984. That major piece of law reform has proved to be a useful measure in practice. Its provisions and implied covenants are relied upon, and its conveyancing forms are used extensively.

However, as was expected at the time of its enactment, experience has shown that there is scope for expansion, improvement and refinement of the provisions of the principal Ordinance.

Since 1984, lawyers in the private sector and within the Administration have put forward a number of proposals which will further improve the law relating to conveyancing and property in Hong Kong.

These proposals have been considered by a reconstituted Conveyancing and Property Law Working Group, the body whose recommendations led to the enactment of the 1984 Ordinance. That group was chaired by the Registrar General and consisted of three members of the Conveyancing Committee of the Law Society and one other practising solicitor, two professors from the Department of Professional Legal Education of the University of Hong Kong, the draftsman of the principal Ordinance and a senior solicitor of the Land Office of the Registrar General's Department. The group consulted widely and took into account the comments of associations and individual lawyers.

Sir, the Bill is highly technical in nature. For that reason, Members will find the Explanatory Memorandum is fuller than usual describing its provisions. I will, however, mention the more important changes.

First, in order to prove his title to the land being sold, a vendor is usually required to produce the Crown lease and all other relevant documents for a period of 25 years before the contract for sale. Clause 5(a) reduces this period to 15 years because the longer period causes practical problems and it is thought that purchasers will be no worse off as a result of the change.

In practice, it has been found difficult to produce an original power of attorney where the power was given some considerable time before the conveyancing transaction. Sir, clause 5 amends the law so that, unless the contrary intention is expressed, the vendor is only obliged to produce the original power of attorney where it was executed less than 15 years before the contract of sale.

Clause 12 deals with the enforcement of covenants. In practice, this problem arises mostly in respect of covenants between flat-owners in multistorey dwellings. This is a complex area of the law. The existing provisions do not seem to have caused any practical difficulties, but doubts have been expressed as to their efficacy in some situations. Sir, the provision has been recast to clarify the law. At the same time, the opportunity has been taken to deal with the enforcement of covenants between the owners of pieces of land within a development scheme. These residential development schemes are a comparatively recent means of providing home ownership in Hong Kong.

Sir, I am fortified in my belief that the Bill is a useful measure by the satisfaction and support that has been given to it by the Law Society. Their members are particularly familiar with the variety of interests affected by conveyancing transactions. I therefore commend it to this Council.

Sir, I move that the debate on the Second Reading of this Bill be now adjourned.

Motion made. That the debate on the Second Reading of the Bill be adjourned.

Question put and agreed to.

LAND DEVELOPMENT CORPORATION BILL 1987

THE SECRETARY FOR LANDS AND WORKS moved the Second Reading of 'A Bill to establish a corporation for the purpose of urban renewal, and to provide for the designation of urban renewal areas, and for development within such areas and matters incidental thereto'.

He said: Sir, I rise to move the Second Reading of the Land Development Corporation Bill 1987.

The main objective of the Land Development Corporation will be to improve the standard of housing and of the environment in urban Hong Kong by undertaking and encouraging redevelopment in areas most in need of renewal.

Redevelopment has been a continuous process in Hong Kong's growth, and in recent years has accounted for more than 50 per cent of our new private residential and commercial accommodation. The private sector has played a major role in this process of redevelopment, as have organisations such as the Housing Society and the Mass Transit Railway Corporation, in addition to the Housing Authority and the Government itself.

Yet there remain many areas of our city which are badly in need of renewal,—areas of old, poorly maintained buildings and high population densities inadequately provided with open space and other community facilities.

The present Bill aims to give a much greater impetus to redevelopment and to the establishment of a statutory body dedicated to urban renewal, and with the powers to prepare and implement urban redevelopment schemes, including, under clause 5 of the Bill, the powers to acquire, plan, develop and manage property either on its own or in association with others.

Clause 3 of the Bill provides that the Land Development Corporation will be a body corporate, consisting of a chairman, a chief executive, not less than five other members not being public officers, and not more than three members being public officers. Part III of the Bill will regulate the financial affairs of the corporation, requiring it to act in accordance with prudent commercial principles, enabling it to borrow and to charge its property as security with the approval of the Financial Secretary, and enabling this Council by resolution to authorise the Government to guarantee the corporation's borrowings.

Parts IV, V and VI of the Bill deal with the process of planning, acquisition and development. One of the major obstacles to redevelopment by the private sector is problem of site assembly, which may arise where buildings are in multi-ownership, where ownership is disputed, or where owners cannot be traced or are unwilling to sell. The procedures in the Bill are designed to ensure that the process of site assembly can be completed within a reasonable time; and that at the same time owners and residents of property within a proposed development scheme are accorded fair and equitable treatment.

It is proposed that the Government should designate urban renewal areas. These would not be statutory zonings under the Town Planning Ordinance, and would not affect the ability of owners to buy, sell and develop property in areas so designated. The purpose is simply to define the areas most in need of renewal, within which the corporation must in general operate.

Within urban renewal areas, the corporation will draw up schemes for the redevelopment of specific sites. Where redevelopment can be achieved without recourse to resumption of private land, the corporation may do so in the same way as any other private developer. Where the corporation considers that resumption may be necessary, it must, under clause 15, prepare a plan of the scheme, and set out how it proposes to implement the scheme, including its plans for acquiring on the open market the private property and for compensating and rehousing the tenants and residents whom redevelopment may displace.

The Secretary for Lands and Works, under clause 16, may submit the corporation's plan for approval of the Town Planning Board. Following the approval of the Town Planning Board, it will be published as a draft plan under the Town Planning Ordinance, and persons affected will have the right to object to it; any objections will be considered by the Governor in Council prior to the approval of a plan, with or without amendment.

Once a plan has been approved by the Governor in Council, the corporation, under clause 17, will be required to make offers to acquire all remaining

property in the area not already in its ownership. Having done so, the corporation shall, within 12 months after the approval of the plan, request the Secretary for Lands and Works to recommend the resumption of any land which it has not been able to acquire. The Secretary shall so recommend only if satisfied that the corporation has taken all reasonable steps to acquire the property, and that it has offered a fair and reasonable price. He may, for this purpose, appoint an independent assessor to assist him in determining whether the offers made by the corporation were fair and reasonable. Where property is resumed, the owners will have recourse to the Land Tribunal to determine the open market value of their property if they are not satisfied with the offer made by Government.

Once a development scheme is approved as a draft plan under the Town Planning Ordinance, any other development within the area of the scheme will, in order not to frustrate the corporation's plans, require the specific approval of the Town Planning Board. But, at the same time, in order to ensure that property and owners' rights in property are not frozen for an excessive period, the time limit of 12 months within which the corporation must request resumption has been imposed.

The procedures in the Bill have been designed to ensure that, before a scheme which may require the resumption of private property is authorised, a correct balance is struck between the need for urban renewal and environmental improvement on the one hand, and on the other the legitimate interests of owners and residents. The Bill has been the subject of wide public consultation, and its objects have been generally supported.

Sir, I move that the debate on this motion be now adjourned.

Motion made. That the debate on the Second Reading of the Bill be adjourned.

Question put and agreed to.

BANKING (AMENDMENT) BILL 1987

Resumption of debate on Second Reading (1 July 1987)

Question proposed.

MR. LI: Sir, I rise to support the Banking (Amendment) Bill 1987.

I declare my interest as Chief Executive of the Bank of East Asia, Limited.

As I have said before in this Council, in the dynamic environment of Hong Kong, it is vital that the Hong Kong Government should act quickly to amend anomalies in our laws, and consult fully and openly with professional in the relevant field in considering any amendments.

The Banking (Amendment) Bill was gazetted on 26 June this year, and comments were requested from interested parties. Among others, the Hong Kong Association of Banks made a number of points. Some points have been adopted, other questions have been answered, and the result is an amendment Bill speedily in place, and satisfactory to all those whom the Bill will affect the most.

I would like to comment on the main points of this Bill.

The amended definition of 'deposit' in clause 2 is a welcome relief to deposit-taking companies which have found the present definition impedes their access to the international capital markets. In addition, easing restriction on transfer of deposit-taking licences should be viewed as a measure to assist corporate restructures, and not to open the door to many new transfer requests.

I am pleased to note that section 69 of the existing Ordinance is amended by clause 14 of this Bill. This amendment will lead to a more realistic reporting requirement. In future, only reductions of capital will need prior approval from the supervisory authorities.

As a chief executive of a local bank, I note with relief that the requirement of the commissioner's prior approval applies only to those chief executives appointed after enactment of this Bill.

Finally, it should be noted that in clause 28, exemptions from the Gambling Ordinance should not in any way be seen as an incursion by the financial sector into the domain of the Jockey Club or of that of the Futures Exchange.

Sir, I believe this is an uncontroversial Bill which enjoys the support of the financial community, and I have pleasure in supporting the motion.

FINANCIAL SECRETARY: Sir, I am grateful to Mr. LI for his support of the Bill.

Like him, I believe that the amendment Bill, if passed, would improve the working of the principal Ordinance.

Arising from the comments of the Hong Kong Association of Banks, I shall be moving an amendment to clause 20 of the Bill during the Committee stage.

Sir, I beg to move.

Question put and agreed to.

Bill read the Second time.

Bill committed to a Committee of the whole Council pursuant to Standing Order 43(1).

PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) BILL 1987**Resumption of debate on Second Reading (21 October 1987)**

Question proposed.

DR. CHIU: Sir, speaking in support of the Pneumoconiosis (Compensation) (Amendment) Bill 1986 on 23 April 1986, I suggested that Government extend the scope of activities of the Pneumoconiosis Compensation Fund Board, which administered the Pneumoconiosis Compensation Fund, to include preventive measures such as educational, publicity, research and other programmes to prevent pneumoconiosis in this territory.

I am delighted that the Government has accepted such a proposal and as a result is now introducing the present Bill into this Council. I am also glad that a sum of up to \$1 million each year will initially be used for this purpose. If these preventive measures are found to be fruitful, the board should exercise its discretion to allocate a larger amount for these activities so as to bring about better results.

I have good reasons to believe that the Bill will be heartily welcomed by my medical colleagues as well as the community.

It is hoped that with the joint efforts of all parties concerned, the incidence of this irreversible but preventable disease will be further reduced.

With these remarks, Sir, I support the motion.

MR. HO SAI-CHU (in Cantonese): Sir, I rise to speak in support of the present Bill before Council, which among other issues seeks to extend the scope of the Pneumoconiosis Compensation Fund Board to cover work relating to the prevention of pneumoconiosis. I fully appreciate the need for this as I have been Chairman of the Pneumoconiosis Compensation Fund Board. I often feel that more work should have been done on the education, publicity and research in the field of prevention of the disease. Merely paying out compensation to those who have already fallen victim to the disease will not, in the long run, help to keep the disease under control, and I share the belief that pneumoconiosis must be prevented before it is too late. As a matter of fact, a similar proposal for extending the scope of work of the fund board to include the prevention of the disease was made towards the end of 1984, but regrettably, the proposal was not accepted as the Government then took the view that such work should best be handled by the departments concerned.

I am glad that Government has now decided to introduce legislation to provide what has been advocated previously, and I would like to pay tribute to all who have helped to bring this about.

Sir, I understand the board has proposed to limit the annual expenditure on prevention work to HK\$1 million. I entirely agree that some form of control on the expenditure is needed as the industry may feel concerned that the higher

expenditure will eventually lead to an increase in the levy rate. However, it should be pointed out that expenditure which is necessary to facilitate important preventive work should not be affected because of any constraints in the availability of funds. I do hope that the board will make periodic reviews of the ceiling on annual expenditure in the light of the actual requirements.

With these remarks, Sir, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER: Sir, I do not think I need to say anything in response to Dr. CHIU and Mr. HO except to thank them for their very warm support for this very worthwhile Bill and also to assure them that their views about the limitation on expenditure on research will be passed on to the board.

Question put and agreed to.

Bill read the Second time.

Bill committed to a Committee of the whole Council pursuant to Standing Order 43(1).

ROAD TRAFFIC (AMENDMENT) (NO. 2) BILL 1987

Resumption of debate on Second Reading (14 October 1987)

Question proposed.

Question put and agreed to.

Bill read the Second time.

Bill committed to a Committee of the whole Council pursuant to Standing Order 43(1).

Committee Stage of Bills

Council went into Committee.

EXCHANGES (SPECIAL LEVY) BILL 1987

Clauses 1 to 3 and 5 to 8 were agreed.

Clause 4

FINANCIAL SECRETARY: Sir, may I have leave to move an amendment to clause 4 without notice. The amendment has been tabled in front of Members.

HIS HONOUR THE PRESIDENT: Yes, you have my permission.

FINANCIAL SECRETARY: Sir, I move that clause 4 be amended as set out in the paper circulated to Members.

The reason for the amendment is purely technical. The computer system of the Hong Kong Stock Exchange has been programmed to round figures to the nearest cent. Therefore it will be necessary to delete the phrase relating to rounding up to the nearest cent.

Sir, I beg to move.

Proposed amendment

Clause 4

That Clause 4 be amended, by deleting 'up'.

The amendment was agreed to.

Clause 4, as amended, was agreed to.

BANKING (AMENDMENT) BILL 1987

Clauses 1 to 19 and 21 to 31 were agreed.

Clause 20

FINANCIAL SECRETARY: Sir, I move that clause 20 be amended as set out in the paper circulated to Members.

The reason for the amendment is purely one of drafting. The object of the original clause 20(b)(i) is to make clear that section 81 of the principal Ordinance does not apply to transactions between authorised institutions, or between branches of authorised institutions, whether they are local or overseas branches. The proposed amendment is a better way in terms of drafting to achieve the same object.

Sir, I beg to move.

Proposed amendment

Clause 20

That clause 20 be amended, by deleting from paragraph (b)(i) '(whether incorporated in or outside Hong Kong), or between the branches (whether local or overseas) of such authorized institutions' and substituting the following—

‘, for which purpose section 79(4) shall not apply to any such authorized institution that is incorporated outside Hong Kong’.

The amendment was agreed to.

Clause 20, as amended, was agreed to.

PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) BILL 1987

Clauses 1 to 5 were agreed to.

ROAD TRAFFIC (AMENDMENT) (NO. 2) BILL 1987

Clauses 1 to 3 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) BILL 1987 and the

ROAD TRAFFIC (AMENDMENT) (NO. 2) BILL 1987

had passed through Committee without amendment and the

EXCHANGES (SPECIAL LEVY) BILL 1987 and the

BANKING (AMENDMENT) BILL 1987

had passed through Committee with amendments. He moved the Third Reading of the Bills.

Question put on the Bills and agreed to.

Bills read the Third time and passed.

Motion

Statement by Mr. Peter C. WONG

MR. PETER C. WONG moved the following motion: That Standing Order 20(1) be suspended to enable Peter C. WONG to make a statement.

Question put and agreed to.

Measures to stabilise the futures and stock markets

MR. PETER C. WONG: Sir, Hong Kong has just been through an extremely difficult and anxious 10 days.

On behalf of the great majority of Members of this Council, I would like to express whole-hearted support for the measures announced by Government on Sunday and yesterday.

These measures were designed to enable the futures market to continue to operate. The evidence of yesterday and this morning suggests that the steps taken are contributing towards stabilising both the futures market and the stock market. We are confident that calm will be restored to the market place and Hong Kong will come out of this crisis in good health and a good heart.

Sir, the difficulties of the past 10 days indicate that there may be problems with the operation and regulation of our financial markets. Only a full and systematic investigation into the causes of the difficulties will reveal what these problems are. We urge the Government to initiate such an investigation as soon as possible and to take whatever measures are necessary to improve the regulation of the markets.

Finally, Sir, I personally would like to put on record my deep appreciation for all those who had to put together these extremely complex packages in such a short time.

Adjournment and next sitting

HIS HONOUR THE PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 4 November 1987.

Adjourned accordingly at twenty-three minutes passed Four o'clock.

Note: The short titles of the motion/bill listed in the Hansard Report have been translated into Chinese for information and guidance only, they do not have authoritative effect in Chinese.

WRITTEN ANSWERS**Annex I****Written answer by the Secretary for Lands and Works to Mr. TAI'S supplementary question to Question 3**

In every Government contract, a 'Bond' or cash security is required from the contractor at the beginning of the contract. The amount ranges from 1 to 5 per cent of the estimated contract value, depending on the size of the contract. This is forfeited to Government in the event that the contractor fails to complete the contract. This usually happens only if the contractor becomes insolvent.

If through his own fault the contractor fails to complete the works on time he has to pay 'Liquidated Damages' to Government at a fixed amount per day until the works are completed. To further protect the Government's interests, a fixed sum is held back from contract payments until after the maintenance period, and until the contractor has satisfactorily completed all outstanding work and made good defects.

Annex II**Written answer by the Secretary for Security to Mr. YEUNG'S supplementary question to Question 7**

The statistics maintained by the police are complicated by the fact that they include some offenders who were convicted of crimes in Hong Kong and repatriated to China many years ago and who have then returned to Hong Kong illegally in the last year. The date of arrival recorded refers to the latest arrival only so that the figures are distorted. I have asked the Criminal Records Office to discount these cases for 1987 and it is that which has taken so long.

During 1987 there were 60 legal immigrants who were convicted of crimes in Hong Kong within a year of arrival and one was convicted of a second offence. In the same year, 342 illegal immigrants were convicted (excluding those charged with offences related to immigration) and 22 of these were convicted of more than one offence.