

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 11 November 1987****The Council met at half-past Two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (PRESIDENT)

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

THE HONOURABLE THE CHIEF SECRETARY

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

THE HONOURABLE THE FINANCIAL SECRETARY

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

THE HONOURABLE THE ATTORNEY GENERAL

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

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

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

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

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

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

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.

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

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

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

THE HONOURABLE CHAN YING-LUN, J.P.

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

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

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

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

THE HONOURABLE KIM CHAM YAU-SUM, J.P.

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

SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE JACKIE CHAN CHAI-KEUNG

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

THE HONOURABLE HUI YIN-FAT

DR. THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.  
THE HONOURABLE DESMOND LEE YU-TAI  
THE HONOURABLE DAVID LI KWOK-PO, J.P.  
THE HONOURABLE LIU LIT-FOR, J.P.  
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.  
THE HONOURABLE PANG CHUN-HOI, M.B.E.  
THE HONOURABLE POON CHI-FAI  
PROF. THE HONOURABLE POON CHUNG-KWONG  
THE HONOURABLE HELMUT SOHMEN  
THE HONOURABLE SZETO WAH  
THE HONOURABLE TAI CHIN-WAH  
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING  
THE HONOURABLE TAM YIU-CHUNG  
THE HONOURABLE ANDREW WONG WANG-FAT  
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.  
THE HONOURABLE GRAHAM, BARNES, J.P.  
SECRETARY FOR LANDS AND WORKS  
THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, O.B.E., J.P.  
SECRETARY FOR EDUCATION AND MANPOWER  
THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.  
SECRETARY FOR SECURITY  
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 CHAU TAK-HAY, J.P.  
SECRETARY FOR DISTRICT ADMINISTRATION (Acting)

**ABSENT**

THE HONOURABLE HU FA-KUANG, O.B.E., J.P.  
THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., Q.C., J.P.  
THE HONOURABLE CHENG HON-KWAN, J.P.  
THE HONOURABLE THOMAS CLYDESDALE, J.P.  
THE HONOURABLE RICHARD LAI SUNG-LUNG  
DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCILS  
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:

Telecommunication Ordinance	
Telecommunication (Amendment) Regulations 1987 .....	365/87
Merchant Shipping Act 1979 (Hong Kong) Order 1980	
Merchant Shipping (Liability of Shipowners and Others) (Rate of Interest) (Hong Kong) (No. 3) Order 1987 .....	368/87
Port Control (Cargo Working Areas) Ordinance	
Port Control (Public Cargo Working Area) (No. 2) Order 1987 .....	369/87

Sessional Papers 1987-88:

- No. 17—Correctional Services Department Welfare Fund— Income and expenditure account with balance sheet and certificate of the Director of Audit for the year ended 31 March 1987

**Government Business****Motion****MOTION OF THANKS****Resumption of debate on motion (5 November 1987)**

FINANCIAL SECRETARY: Sir, you announced last week that the Government intended to draw lessons from recent events in the stock and futures markets, and, as far as possible, ensure that those events do not happen again.

*Securities Review Committee*

The Government has decided that the task should be carried out by a committee of review, to be known as the Securities Review Committee, whose terms of reference will be:

‘In the light of recent events in the Stock and Futures Markets and in recognition of the need to maintain Hong Kong as a major international financial centre, to review the constitution, powers, management and operation of:

- (a) the Hong Kong Stock and Futures Exchanges;
- (b) the Securities and Commodities Trading Commissions; and
- (c) the Office of the Commissioner for Securities and Commodities Trading,

and to recommend what changes are desirable to ensure the integrity of the markets and to protect investors.’

I am very pleased to be able to say that Mr. Ian Hay DAVISON, who has great relevant knowledge and experience, has accepted your invitation, Sir, to serve as Chairman of the Securities Review Committee and that Mr. S. L. CHEN, Mr. LAU Wah-sum, the hon. Peter POON, Mr. Charles Soo and Mr. Philip TOSE have agreed to serve as members of the committee.

The secretary of the committee will be a senior administrator from the Civil Service. He will be given all the support that the committee may require.

The committee will be asked to act in accordance with the following directions:

- First, it should invite submissions from all interested parties and from the public;
- Second, its object is to examine critically the relevant structures and systems rather than to allocate blame or find fault with named individuals or institutions for past events;
- Third, it should consider comparable arrangements in other major financial centres; and
- Lastly, it should use its best endeavours to submit its report within six months; the committee shall have the power to make such interim recommendations as it considers necessary in the interests of the urgent protection of investors.

The Government intends to publish the committee’s report.

The first meeting of the committee should take place within the next 10 days. I know, Sir, that the whole community in Hong Kong will recognise the importance of the committee’s task and will, I hope, give it every support. I am glad to say that the Chairmen of the Stock Exchange and of the Futures Exchange, on behalf of themselves and of the members of their respective committees, have promised their full co-operation, as has the Chairman of the Securities and Commodities Trading Commissions. I am grateful to them for this.

#### *Stock and Futures Markets*

Sir, I have described the way forward. The work to be carried out by the Securities Review Committee is of the utmost importance to the community of Hong Kong. With the establishment of this committee, I believe that we have the opportunity to build a financial centre of which we can all be justly proud.

I would now like to reply to some of the points that have been made by Members of this Council in relation to recent events concerning the stock market and futures market in Hong Kong.

First, I wish to thank those Members, in particular Miss DUNN, Mr. Stephen CHEONG, Mr. Peter POON, Mr. NGAI Shiu-kit and Mr. CHUNG Pui-lam who have supported the Administration on the action that we had to take. The decisions were not easy and a great deal of work had to be done in a very short time, and it was good to have encouragement in this difficult task.

Many Members have commented on various aspects of the closure and the subsequent rescue package that was put together. Some of what has been said has been helpful and I shall ensure that the points made are conveyed to the Securities Review Committee for its consideration. In particular, Miss DUNN has raised a number of entirely valid questions.

The first point that I would like to make in relation to what has happened on the markets in the past three weeks is that Hong Kong is not alone. All financial centres have been hit to a greater or lesser degree by the recent worldwide collapse in equity markets. Hong Kong could not have escaped the effects of the dramatic falls that have taken place in other markets.

As to the action taken in Hong Kong, let me add that I do not welcome suspension of trading in any market. Markets are supposed to remain open. But there are circumstances in which suspension of trading is unavoidable.

Mr. Martin LEE has questioned the power of the General Committee of the Unified Exchange to suspend trading. As a matter of principle, it is not for the Government to comment on the legality of actions by a private individual, or company, particularly when those actions might be the subject of dispute. I understand, however, that the exchange had taken legal advice on the legality of its action.

Mr. David LI suggested that urgent legislation should have been passed to enable the Government to order the stock market to reopen. This is an astonishing suggestion. As Mr. David LI must know, even had we put together emergency legislation, the rescue package would have had to form part of it. And even had we adopted Mr. LI's suggested course of action, it is most unlikely that the markets would have opened before the Monday in any event.

Our main objective after the markets closed was to ensure that they reopened as quickly as possible and in as normal a manner as possible. This is in accordance with our prime policy objective, which is to maintain the integrity of our securities markets. Some of the solutions proposed, in particular by Mr. David LI, would have done little either to enhance the reputation of Hong Kong or to safeguard the interests of investors as a whole. I shall return to his comments in a moment because so much of what he has said illustrates the difficulties that we faced.

But first I would like to comment on Mr. Peter POON's remarks. He rightly said that the collapse of the futures market—and indeed it would have collapsed had the market not closed and had we not put the rescue package together—would have had enormous and far reaching repercussions on our stock market, the financial sector, the strength of the Hong Kong dollar and the credibility of Hong Kong as a financial centre. His words sum up exactly the problems we faced. In his speech Mr. POON went on to say that the consequences could have been horrific and I cannot disagree with him in this assessment.

Mr. POON and Mr. Desmond LEE have referred to the moral dimension and to the greed and fear that surface in times such as these. I entirely agree. Both have spoken of market integrity. Clearly the most important ingredient of market integrity is the survival of the market itself, so that participants can continue to trade normally. It would have been disastrous, in my view, if we had merely allowed the futures market to collapse. That would have done nothing to safeguard the interests of investors in futures and would have done immense harm to the reputation of Hong Kong as a financial centre.

Of course, Sir, we considered the possible consequences of allowing the Futures Exchange, the Hong Kong Futures Guarantee Corporation, and market participants in the Hang Seng Index Futures Market to find a solution by themselves. But it was quite clear to me, although Mr. David LI seems to take a different view, that no acceptable solution which would safeguard the integrity of our securities markets would be forthcoming in this way. The likely 'solution', in the absence of Government's involvement, and I take it the one that Mr. LI seems to have been advocating, was one that required a closing out of contracts at an arbitrary price. In discussing this solution, we are straying into the realms of unpredictability but almost certainly there would have been a serious knock-on effect in the stock market itself, the likely permanent closure of the futures market, and serious damage to Hong Kong's continuance as an international financial centre.

I also considered the possible consequences had the Guarantee Corporation not been able to meet its obligations when trading on the Futures Exchange resumed. It was clear to me that this would have led to a complete collapse of the Guarantee Corporation and the Futures Exchange. As I have said, this would have been very damaging to Hong Kong's reputation as an international financial centre. Further, with the close links between the Futures Exchange and the Stock Exchange through the hedging on Hang Seng Index Futures of physical holding of shares, there was also a serious risk that the Stock Exchange would be similarly affected. Had this happened, there would doubtless have been a massive outflow of capital, which would in turn have created unacceptable pressure on the exchange value of the Hong Kong dollar.

Sir, it was against this background that I formed the view that I should exercise my powers under section 3(1) of the Exchange Fund Ordinance to use the Exchange Fund to put together an arrangement so that the Hong Kong

Futures Guarantee Corporation could meet its obligations. Mr. David LI may not consider these as 'cogent economic ... reasons', but I do. Mr. POON Chi-fai has questioned the use of the fund, but let me say that it is my responsibility as Financial Secretary to use the Exchange Fund 'for such purposes as the Financial Secretary thinks fit' to stabilise the exchange value of our currency. Members may wish to note in this connection that prior to the formal involvement of Government in talks leading to the rescue package, there had been adverse pressure on the exchange rate requiring substantial intervention from the Exchange Fund. It is significant that on the emergence of the rescue package that pressure eased.

Mr. Martin LEE said that he had it on good authority that I had come to the decision to use the Exchange Fund without any consultation with the Exchange Fund Advisory Committee. The fact of the matter is simply that I am not required by section 3(1) of the Exchange Fund Ordinance to consult whenever I *use* the Exchange Fund. Indeed, it would be impractical to do so. I agree that section 3(1) of the Exchange Fund Ordinance requires that the Financial Secretary's *control* of the Exchange Fund shall be exercised in consultation with the Exchange Fund Advisory Committee. But I am advised that this requirement to consult cannot derogate from the express words of the section which make the Financial Secretary the sole arbiter over the *use* of the Exchange Fund for purposes affecting the exchange value of Hong Kong's currency.

Mr. David LI raised a number of questions relating to whether the Government could have pressed the shareholders of the Guarantee Corporation to contribute more to the package. He even suggested that the Government could have used the withdrawal of all its financial business from those institutions as a threat. I am surprised by such a suggestion. Making such a threat would have been wholly irresponsible. My job was to find a swift solution, not to engage in bluster and discord. I am satisfied with and grateful for the support given by the shareholders of the Guarantee Corporation, a number of brokers and members of the Futures Exchange, and last but not least, the Bank of China. All have played a responsible role in this difficult period.

Sir, in looking at the rescue package as a whole, one must not forget that the first two credit facilities of HK\$1 billion: that is, the HK\$1 billion provided by the shareholders of the Guarantee Corporation, a number of brokers and members of the Futures Exchange and the HK\$1 billion provided by the Exchange Fund, are structured in such a way that any funds loaned from the Exchange Fund are the last to be used and the first to be repaid. As to the additional credit facility of HK\$2 billion provided by the Hongkong and Shanghai Banking Corporation, the Standard Chartered Bank and the Bank of China, and by the Exchange Fund, these funds will not be called upon unless and until the initial HK\$2 billion has been fully drawn. If used, they will be repaid last so as not to affect the terms of the first two facilities. But I am glad to say that the Guarantee Corporation is unlikely to need to call upon the additional credit facilities in the second package. At this juncture, because there

still seems to be a good deal of public misunderstanding on this point, let me re-emphasise that any moneys used from the Exchange Fund are a loan to be repaid, with interest. It follows that the assets of the Exchange Fund are not depleted by the action that has been taken.

Sir, Mr. David LI in referring to the rescue package said that 'the Government was running round sticking on Band-Aids'. I thought he was being critical, but looking at the package of this particular product, I see that it is designed to promote faster natural healing and that it will not reopen wounds when removed. In other words, that is just what is needed.

In view of recent events, Miss Lydia DUNN and Mr. Thomas CLYDESDALE doubted the need for a stock index futures market in Hong Kong. It has been referred to as a licensed casino. There are always speculators or risk-takers in any futures market, or for that matter, in almost any financial market; the Hong Kong futures market is not unique. The initiative for creating the market came from potential users. The Government did not positively encourage the establishment of this market, but on the other hand we did not wish to frustrate its properly regulated development. When the decision to establish this market was made, it was accepted that Hong Kong needed to keep abreast of developments in other financial centres and that an index futures contract would have positive impact on investors' interest in the Hong Kong stock market, particularly through hedging the value of shares against unpredictable market movements. The disadvantages were also recognised, including the possibility of the investing public taking unwise risks and the possibility of manipulating the index. It was, however, the consensus view of all parties at that time that the advantages outweighed the disadvantages.

Sir, it may be that, after recent events both here and overseas, people's perception of this type of market will change in a way or to an extent that the demand for a futures market will diminish. Only time will tell. It is not for the Government artificially to create or suppress the demand for it. The impetus for a market must come from the potential users.

#### *Other financial matters*

Sir, before turning to Members' comments on the economy and other matters raised in this debate, I would like to respond to two points made by Mr. David LI relating to financial matters. On taxation of Hong Kong dollar capital market instruments, the Commissioner of Inland Revenue has recently received a formal submission from the Capital Markets Association. This arose from the continuous dialogue established recently between the association and the Monetary Affairs Branch. The submission will be examined carefully. There will need to be further consultation with the financial community before we reach any conclusions.

The second point concerns the allegation that there is a conflict of interest when the Secretary for Monetary Affairs acts 'both as industry regulator and at



the same time as chairman of ... commercial banks (under Government ownership)' and that this could be resolved by Government making greater efforts in returning the banks to profitable operation and disposing of them in the market. Of course, we would like to return these banks to profitable operation and disengage the Government from ownership. That is what our efforts are all about. In the meantime, there is no conflict or certainly none that cannot be easily resolved. I might add, Sir, that the banks in question must comply with the Banking Ordinance just like any other banks.

### *Economy*

Sir, I now turn with relief to the economy in general. Some members including Mr. WONG Po-yan, Mr. HO Sai-chu, Mr. Stephen CHEONG, Mr. Peter POON, Mr. Kim CHAM, Mr. Helmut SOHMEN and Mr. CHUNG Pui-lam have touched upon Hong Kong's future economic development. There is no doubt that the crises in the world's financial markets have made more likely some slowdown in the growth rates of a number of major economies. Hong Kong, with its high exposure to external forces, will almost certainly be affected, and in such an externally-oriented economy there is naturally limited scope for action. Nevertheless, our economy is basically in good shape. Trade has been growing rapidly and unemployment is low. As I indicated in my mid-year review at the end of September—which seems a long time ago—some of our current problems, notably inflation and shortage of labour, are arising from the fact that our productive capacity is having some difficulty in keeping up with demand. These bottleneck problems will probably make some slowing down inevitable. Recent events could well accelerate the process.

But provided the slowdown in our economic growth is not too dramatic, we should not be alarmed. If we maintain our confidence, and if we are lucky enough to see governments worldwide pursuing policies aimed at fostering economic growth, while eliminating the imbalances in the world economy, then Hong Kong should continue to prosper.

Mr. CLYDESDALE referred to a private sector initiative to produce a forward looking report on the economy. I had heard this proposal before, but in the light of what he has said, I shall be happy to give it further consideration.

### *Hong Kong/China economic relations*

Mr. CHUNG Pui-lam and Mr. HO Sai-chu both mentioned the benefits to the economy that have come from its increasingly close ties with China. These closer ties, which are evidenced by the increased trade flows between Hong Kong and China, and by the large number of Chinese workers engaged on processing work for Hong Kong manufacturers, should be welcomed for having added a new and beneficial dimension to our economy. An even greater degree of economic integration can be expected in the future as China continues to pursue its policy of economic reforms. Although it is not always easy to

predict the precise ways in which this economic integration will develop, the Government takes this trend into account in its planning of Hong Kong's infrastructure.

*Daya Bay nuclear power station*

Sir, in their speeches both Mr. CHAN Kam-chuen and Mr. Martin LEE referred to the recent problems at the Daya Bay nuclear power station. Members will recollect that on 21 October, I answered questions in this Council regarding the matter of the 'missing bars'. The first comment I would make this afternoon is that in a construction project as large and complex as this, it would be unrealistic to assume that problems and mistakes will not occur from time to time. What is important is that when such problems do arise, they are dealt with in a rational way and satisfactory remedial solutions are developed.

As Members will know, the report on the recent incident, prepared by the Guangdong Nuclear Power Joint Venture Company, has been received and has been carefully considered by the Ad Hoc Group on the Daya Bay Nuclear Power Station. The ad hoc group were additionally given an extensive briefing on the subject by engineers from the joint venture company, at which the media were also present. The group also met with the Secretary for Economic Services. The joint venture company has made it clear that while the recent incident revealed shortcomings in the quality control arrangements at the Daya Bay site, all the parties involved in the project remain committed to ensuring that both during the construction and subsequent operation of the power station safety considerations will not be compromised.

Sir, I should like to pay tribute to the work and response of the ad hoc group to this incident. Not only have they sought information on the incident but have ensured that this has also been made available to the public.

*Resource Allocation*

I turn now to various matters concerning the Government's finances. A number of Members including Mr. Peter POON, Mr. WONG Po-yan and Mr. Helmut SOHMEN spoke in support of Government's efforts to improve financial planning and financial management in the public sector. We aim to make the best use we can of the medium-term forecast. In essence, the forecast has extended our planning horizon and now enables us to make more informed decisions on the extent to which we have room to embark on new services and to improve existing ones in future years. It is about priorities. Equally important is our continuing programme of value for money studies. Taken together, these measures comprise a complex and ambitious programme of reform, and I welcome the interest and support that have been given by Members to our efforts in this area.

*Taxation*

On the subject of taxation, Mr. Peter POON has gallantly allied himself with Mrs. Pauline NG and Mrs. Rita FAN in calling for separate taxation for married

women, and Mr. SZETO Wah has been kind enough to inform me that he will again vote against the Budget unless I accede to his demand in this respect. I welcome the comments that have been made, but I am sure that Members would not wish me to disclose my hand at this stage. Let us wait for a few more months.

*Tourism and travel agents*

Mrs. Selina CHOW and Mr. Hilton CHEONG-LEEN have spoken of the importance of tourism to Hong Kong and the need to maintain our reputation for high standards of service to the millions of visitors who come to our city every year. Much is being done in this regard. Visitors need somewhere to stay and there is at present a shortage of quality hotel rooms. But by 1990, we should see an increase of nearly 45 per cent, with the number of rooms growing from 20 850 to 29 800.

And to improve the airport facilities, we expect to see the Stage V Extension to the terminal building coming on stream in the summer of 1988, thereby increasing passenger through-capacity by 50 per cent.

Sir, many complaints have been made by arriving passengers as to the time it takes to clear the airport after arrival. The present situation is wholly unsatisfactory, so we are urgently reviewing existing immigration clearance procedures in an effort to improve the service. Also, as Members will know, a new computerised system will be introduced in mid-1988 to replace the existing manual immigration 'watch-list' check.

Mrs. Selina CHOW has expressed concern about the level of protection for members of our own community who use the services of travel agents. For some months, the Administration, together with concerned parties have been examining proposals to improve consumer protection and to promote greater discipline within the travel trade. The subject is not easy but we hope to be able to formulate our proposals in the very near future. Our ultimate objective is to encourage the travel industry to introduce a viable system of self-regulation, and discussions are proceeding with representatives of the travel industry on how best this may be achieved.

*Airport and port*

Finally, Sir, I turn to the development of the port and the possibility of constructing a replacement for Kai Tak. These are two of the most exciting projects for the years ahead. They involve major investment decisions for Hong Kong and to enable us to examine the full implications, we are proceeding urgently with a series of consultancy studies.

As far as the port is concerned, Members will be aware that we have already called tenders for Terminal 7. When completed in 1993, Terminals 6 and 7 between them will almost double Kwai Chung's container handling capacity. By the end of next year, we will have the information necessary to decide on the

locations of Terminals 8 and 9. The container port is under great pressure and I have no doubt that we shall need these additional facilities. Kwai Chung, in terms of throughput, is now the second busiest container port in the world, and if the trend continues, it will not be long before we hold the No. 1 place. The ability to move our imports and exports efficiently is of vital importance to our economic well-being.

As far as the airport is concerned, there are two important studies in progress. The first relates to the life span of Kai Tak and what can be done to improve the present facilities. This consultancy should be completed by the third quarter of next year. The second study is the Port and Airport Development Strategy Study, which will not be completed before 1989. It is the latter study that will examine the feasibility of establishing a combined port and airport facility with shared infrastructure, transport networks and urban development. But initial decisions on the construction of a replacement airport could be taken towards the end of 1988 because by that time, we will have a better knowledge about Kai Tak and the maximum length of time during which it will continue to serve our needs adequately.

Mr. WONG Po-yan, Mr. Hilton CHEONG-LEEN, Mr. Allen LEE, Mr. CHENG Hon-kwan, Mr. Helmut SOHMEN and Mr. Edward Ho have urged the necessity for an early decision, and I share their views. But a project of this magnitude must be approached in an orderly manner if it is to serve the economic interests of the community. Nevertheless, we will do all we can to speed up the process.

Sir, with these remarks, I support the motion.

SECRETARY FOR TRADE AND INDUSTRY: Sir, whilst a considerable number of Members spoke on industry, science and technology, and trade, I am in the fortunate position that our basic approach on these vital subjects is widely accepted. What has emerged are useful suggestions, and differences of emphasis, not fundamental disagreements. This consensus bodes well for the future. By contrast, views are more varied on the other topic which I shall address, namely the current labour shortage.

### *Industry*

In relation to industry, we shall continue to take what I would describe as a modest and pragmatic approach—modestly aware of our own fallibility, and the undesirability of civil servants getting over-involved in industry, in grandiose five-year plans and the like—but at the same time pragmatic enough to research systematically to identify gaps and weak spots, and to take action where some intervention or assistance by Government is required.

I was encouraged by the recognition by most of those who spoke on this subject of what we are now doing in terms of industrial support services, although perhaps inevitably there were also calls for even more to be done. Estimates of how much we spend in this field depend on how broadly one

defines assistance for industry, but I cannot agree with Mr. SOHMEN that over the years we have done very little. Last year for example we spent well over a billion dollars, if expenditure by the Industry Department, the Technical Education and Industrial Training Department, overseas investment offices, and relevant subventions are taken into account.

I would also argue that looking at the amount of Government money spent in this way only gives part of the picture. Some of what is done is 'pump-priming': the Government investment enables a new service to get off the ground, with a good prospect through charging fees of becoming self-sufficient after a number of years. Even organisations like the Hong Kong Productivity Council, which receive considerable subventions—for example about \$55 million in 1986-87—also cover a substantial proportion of their expenditure from fees (about a quarter in the case of the Productivity Council).

That said, I do agree that we have to continue with our programme of identifying areas where new initiatives are needed. Mr. Kim CHAM, Mr. Jackie CHAN, Mr. CHENG Hon-kwan, Mr. Allen LEE, Mr. David LI, Mr. NGAI Shiu-kit, Prof. POON and Mr. WONG Po-yan all gave particular emphasis to the related issues of encouraging technology transfer, information technology and technology centres. There was also general welcome for the creation of the Committee on Science and Technology to improve co-ordination in that field.

Sir, as mentioned in your address, much has in fact already been done to assist in raising our technology level, particularly through the Hong Kong Productivity Council, the Vocational Training Council, and our inward investment programme. Indeed, the results of the latest survey of overseas investment in our manufacturing industry have just become available, and I am pleased to be able to announce that the net increase in fixed assets by companies in which there are overseas interests grew in 1986 by 55 per cent as compared with the net increase in 1985. This is a most encouraging result.

However, I agree that the time has come to look at the more ambitious possibility of establishing a technology centre or science park in close relationship with a university or polytechnic. Accordingly the Industry Development Board will later this month be having initial discussions on both this possibility and the conceivably related question of a third industrial estate. I would also like to assure Mr. NGAI Shiu-kit that in such deliberations we do not lose sight of the needs and interests of small companies; they are a vital part of our industrial sector, and the pilot industrial extension service being run by the Industry Department has potential significance for them.

#### *Trade*

On the trade front, I entirely agree with Mr. Peter POON, Mr. Kim CHAM and Mr. CHAN Kam-chuen that we must continue to do all we can to counter the threat of protectionism and to safeguard our trading interests. I will just mention two encouraging trends.

The first is that recently there are signs that our uncomfortable over-dependence on the United States market is reducing somewhat. It remains to be seen whether this will be a long-term trend, but the proportion of our domestic exports going to the USA has declined from 44 per cent in 1985 to 38 per cent in the first half of 1987. And domestic exports to Japan increased by 39 per cent in 1986, and by 71 per cent in the first half of 1987, although this still represented only 5 per cent of our total domestic exports.

The second development illustrates that fortunately every misfortune has a silver lining; I believe commentators to be correct who have said that recent events in world stock markets have brought home to US legislators and others the interdependence of the major trading and financial markets, and the danger which protectionist legislation would pose to all trading economies. This hopefully will modify somewhat protectionist tendencies in the United States.

To turn the metaphor on its head, it is also unfortunately true that every silver lining has a cloud: recent events appear to have resulted in the US reviewing the eligibility of Hong Kong (among others) for tariff preference. Whilst we have made representations on this, and our arguments are good ones, nevertheless a risk clearly exists that as part of some new package we shall lose tariff preference. This would not only have undeserved adverse effects on some of our exports to the USA, it would also not be in the wider interests of the USA itself. The removal of tariff preferences from an open market economy like Hong Kong would I believe send quite the wrong message to others whom the US is seeking to encourage to open up their markets.

More generally, we believe that attempts to resolve these general and persistent trade problems unilaterally or even bilaterally are misguided. Hong Kong will continue to devote energy and ingenuity to addressing these problems multilaterally, through the GATT. There is a reasonable chance that the new round of multilateral trade negotiations can achieve real and much needed improvements to the world trading system. While clearly the final results depend on a wide range of participants compromising on their differences, we intend to see that this chance is not missed through lack of effort.

#### *Labour shortage*

Finally, the labour shortage issue. There seems to be general agreement that we should do what we can in terms of practical measures to encourage more people to join the labour force. But there is considerable disagreement when it comes to the idea that we should relax our policy on importation of labour, and Members' speeches reflect that fundamental disagreement.

This issue was well aired in this Council only a month ago, so I will be brief. We continue to see serious problems in relaxing our immigration rules to permit the large-scale importation of labour. These problems relate particularly to labour relations, to the labour sector getting its full share of the economic boom, as Mr. TAM Yiu-chung put it, to the effect on housing and social services,

and to immigration control difficulties. However, we understand and take seriously the concern which various sectors have expressed over the shortage, though it is difficult to forecast how long this problem is likely to persist.

I would like to assure Members that the examination of labour participation, as well as the legislative amendments to enable greater flexibility in employment of women workers, are being taken forward with a sense of urgency. Furthermore the possibility of industry establishing day care facilities for children, mentioned by some Members as a means of attracting housewives back to work, is being examined further with the Federation of Hong Kong Industries. And for the construction industry, the Housing Authority, the Building Contractors Association and the relevant government departments are I understand looking at ways in which labour saving design and construction methods can be increased. And as I have said in my earlier comments on industry, we shall continue our efforts to improve productivity generally. Clearly these measures will not solve the problem overnight—I fear there are no quick or complete solutions—but hopefully they will ease it somewhat. It is a complex problem which needs to be tackled by both the Government and employers.

Sir, I hope that what I have said today illustrates that much is being done in the vital fields of trade and industry, and that we fully intend to continue to do whatever is necessary to maintain their present healthy state, and indeed to further improve industry's productivity and the quality and technological level of its products.

Sir, I support the motion before this Council.

SECRETARY FOR TRANSPORT: Sir, I welcome the comments and suggestions made by many Members on transport. They cover a wide range of issues but generally fall under the headings of planning, development and co-ordination of the transport system. It is on this central theme, Sir, that I would like to respond.

It is now over 10 years since the last Comprehensive Transport Study Report was published, and eight years since the issue of the White Paper on Internal Transport.

Over the last decade, substantial and significant improvement and developments in transport have been made, developments which have in fact transformed Hong Kong's transport system entirely. Ten years ago there was no MTR, KCR was still a single track, diesel hauled service mainly serving villagers and recreational traffic, carrying one eighth of the number of passengers it carries today, there was no Island Eastern Corridor, no Tolo Highway or New Territories Circular Road, and the Tuen Mun Highway was only one three-lane carriageway. All these major projects and many others have been completed during the past 10 years. Government investment in the rail system alone is \$28 billion, and \$7.5 billion has been spent on roads and highways during the same period. Further major projects now in hand include the Light Rail Transit

system between Tuen Mun and Yuen Long due to open next year, the Eastern Harbour Crossing due to open in 1989, Route 5 linking Sha Tin with Tsuen Wan due to open in 1990 and the Tate's Cairn Tunnel, for which bids for a franchise for its construction and operation are now being processed. The date of completion expected for this tunnel was mid-1992, but we are now hopeful that it might be advanced to late 1991.

Sir, against this background of dramatic changes in the transport scene, and to allow sufficient lead time for large projects, it is now necessary to update the first study, and to map out development options and plans to take us past the turn of the century as a basis for yet further improvements.

Thus the Second Comprehensive Transport Study was launched in November last year for completion by June next year. This study, CTS-II, will set out options for the further development of the transport infrastructure and policy options for dealing with the various problems that confront us over the period up to the year 2001.

So I welcome the keen interest in and support for this important study shown by Miss Maria TAM and others, and wish to assure them that the study will fully take into account all possible factors, social, economic, financial and environmental, so that the policy options being developed will be wide-ranging and comprehensive. I can also confirm that the Government will seek views from the public after the report has been completed and that a paper will be drafted on the policy options. This will, I hope, take the form of a Green Paper on Transport and will be given the widest possible public consultation. It is intended that the Green Paper should be ready well before the end of next year.

Sir, I note that several Members are highly supportive of, and keenly interested in, a rail service between the north west New Territories and the urban centre. As you have said, Sir, a decision will be made as to whether it should be built and, if it should, on the exact route, before the end of next year. This will take fully into account the financial, social, economic and transport benefits the rail link will bring, and the needs of residents in both western New Territories and the urban area. Miss Maria TAM, Mr. LAU Wong-fat and Mr. Richard LAI may therefore rest assured that the merits of the various possible routes will be very carefully considered, and all the relevant factors taken into account before any final decision is made.

Within the north west Transit Service Area, it is Government's intention that the KCRC should fully develop the LRT system between Tuen Mun and Yuen Long, with eventual extensions to Tin Shui Wai and possibly Long Ping in north Yuen Long. It remains the KCRC's objective that Stage I of the system should open in August next year, and that the subsequent regional extensions should open over the succeeding three to four years.

The development of the LRT, the planning of external rail and road links and the massive programme of highway projects costing over \$5 billion over the next



five years are clear indications of the Government's determination to provide adequate transport infrastructure to meet the requirements of the territory over the coming years. I have already referred to the major road projects coming on stream over the next five years. Further projects under study or investigation include Route X linking Yuen Long with Tsuen Wan, Tsing Yi and Kowloon and, in due course, its extension via a future West Kowloon Expressway and Western Harbour Crossing.

Despite all this very massive effort and expenditure we still have problems, as I am constantly reminded. There is serious congestion at the Lion Rock Tunnel in peak hours, and at the Cross Harbour Tunnel for much of the working day. A solution to the latter is not far away, with the Eastern Harbour Crossing due to open in under two years' time. Tate's Cairn Tunnel will take longer. A study is, however, underway to see what can be done in the meantime, and it seems there are ways of increasing the capacity of the road network between Sha Tin and Kowloon before Tate's Cairn Tunnel opens. I hope to be able to announce this sometime in early January.

But congestion must be looked at in perspective. In general, transport planning must be based upon certain assumptions regarding the growth of the economy, of traffic, in the number of vehicles of different types, and the travelling needs of people in the new towns and between the new towns and the urban areas. All forecasts, no matter how well based, are no more than predictions. In normal circumstances there is a tendency to make investment decisions on a cautious basis due to the scale of expenditure involved. The fact that tunnels and roads become crowded earlier than expected does not, however, reflect a lack of planning or a lack of determination to improve.

With the best will in the world, traffic does sometimes increase faster than expected due to faster than expected economic growth. Sometimes also, as was the case as recently as four or five years ago, less buoyant times take their toll in the form of financial stringency, and the need to delay expenditure until better times return. To proceed otherwise would involve basic changes to the prudent financial policy which has served us so well over the years, and which is the foundation of much of our economic strength.

In addition to the provision of an adequate transport network within Hong Kong, it is also Government's objective to ensure a smooth flow of cross border traffic and an adequate road network to cope with transport to and from China. Thus, as you have said, Sir, the Lok Ma Chau Bridge, to be opened in two stages in 1989 and 1990, will increase cross border capacity from the present 12 000 vehicles per day to over 50 000. On present projections this should be sufficient until the end of the century. Our road network in the New Territories also has ample capacity to cope with transport to and from China, with a capacity of up to 150 000 vehicles per day on the New Territories Circular Road, and Route X still to come. There is therefore no reason for Mr. TAI Chin-wah to be concerned that we shall not be able to cope.

Apart from development of the infrastructure, we must also ensure that public transport is maintained and improved all the time. Today some 9 million passengers use public transport every day, compared with 6 million passengers 10 years ago. The wide range of choice of modes and their relatively low fares are unique to Hong Kong, and the envy of many other cities, where public transport is often both less reliable and much more expensive.

A key to the success of our system lies in the well established policy of Government providing the regulatory framework, whilst letting private companies provide the services on commercial lines. In recent years too, the public through the district boards have been given ample chance to air their views on the route development programmes, with adjustments being made as far as possible to suit local needs and demands. The Government also maintains an inter-modal co-ordination policy which aims at maximising the use of the mass carriers and ensuring a wide geographical spread of services, whilst maintaining the lowest possible fares. It is within these policy guidelines that competition is controlled so that priority can be given to off-street modes and to mass carriers, without forgetting at the same time the essential nature of the ferry services and the need to maintain their viability. This policy remains valid today and, given the increasing demand for our limited road space, there is no reason why it should be changed.

Government's policy regarding the two railway corporations is to require these bodies to run their own affairs according to prudent commercial principles within the terms of their Ordinances. They are both governed by a Board of Directors comprising a broad range of members of the community, with government official participation to ensure the necessary control and guidance. These corporations both have the authority to make decisions on fares having regard to their capital investment programmes, operating costs and passenger demand. These factors guarantee that fares will not be so high as to be socially unacceptable or so low that they lead to losses. The Boards of Directors also provide an effective check, while the Governor in Council may if necessary give directions to the corporations in the public interest. It therefore remains the Government's view that, as long as these remain government corporations, sufficient controls already exist over them and there is no need to subject them to further controls as suggested by Mr. CHAN Ying-lun.

Finally, Sir, a few words on sites for parking container trucks, a point on which some Members have expressed concern. Government is fully aware of this need. A recent survey suggests that 20 hectares of land is dedicated to container parking at present, and that seen simply in terms of area, this should be adequate. However, the sites are scattered throughout the territory and are clearly not ideal from the point of view of the operators. Short-term tenancy sites will therefore continue to be put out to tender as a means to ease the situation. A more detailed look at longer term requirements will be undertaken as part of the Port and Airport Development Strategy Study due to start at the beginning of next year and report before the end of 1989.

As regards the more general question of parking facilities for goods vehicles, working groups comprising representatives of Transport Department and the police have been formed at district level to identify areas where, because of the availability of multi-storey car parks, the re-allocation of on-street parking spaces from private cars to goods vehicles is possible. These groups also identify streets where low traffic flows at night make it possible to allow on-street overnight lorry parking.

Sir, you rightly underlined the importance of the basic infrastructure to the economic and social well being of our community. Transport plays a key role in this and it is our intention that the transport facilities and services that Hong Kong needs should continue to be provided. In this task we will continue to seek and take account of the views and advice of the Transport Advisory Committee, the district boards and the general public.

But in the final analysis, choices are not unlimited because resources are limited. There will, therefore, be occasions when we cannot do all that we might like to do within the time desired. The Green Paper will, I hope, be a step in the right direction, and will provide a basis on which we can seek public understanding, acceptance and co-operation in developing the best transport policy and infrastructure for Hong Kong over the coming years.

With these remarks, Sir, I support the motion.

SECRETARY FOR LANDS AND WORKS: Sir, a considerable part of your speech was directed to the goals of our future physical development, and its utmost importance was also reflected in the Members' speeches to the motion given last week which covered some long-term, medium-term and immediate issues related to its planning and implementation. I am very grateful for both comments and criticisms. Much of what has been said relates to important nitty-gritty, and if I do not specifically cover it today, I hope the Members concerned will not construe that it will be ignored. It certainly will not.

Members' replies show how clearly they appreciate the very real problems of planning development in a place which is at the same time so small and so dynamic. Planning is a very hard-worked word, because it has to cover major policies and detailed implementation, and it also has to cover both place and time. Up to the '70s our plans were largely small scale, concerned mainly with incremental development of the urban areas. With the adoption in the early '70s of the housing targets and territorial planning standards both the scale and the science of town planning was massively increased.

No one would suggest that the planned new towns are perfect. There have certainly been instances of inflexibility and insufficient co-ordination. We must continue to endeavour to improve on these, not least because they have given rise to considerable criticism, both in respect of the planning, which was specifically touched on by Mr. LAI last week in relation to effects on the environment, and to implementation, on one aspect of which, resumptions, Mr. CHEUNG Yan-lung and Mr. TAI Chin-wah also commented.

Nevertheless as you, Sir, pointed out in your speech, what we have achieved in the new towns has shown up the deficiencies of the urban areas, and as previously emphasised in certain other debates in the last session, in the rural hinterlands—that is, as Miss DUNN then described them, the land between the new towns and the country parks. In both cases this is partly because of a lack of investment, but it is equally because there has been no definition of the policy for the development of these areas, which would provide a basis for systematic investment on any significant scale. For the urban areas, this is what the metroplan to which you referred in your speech, Sir, is about, and with which the Land Development Corporation about which I will be saying a few words later, will be concerned. For the rural hinterland disordered development and use of land, combined with the lack of investment, also require a similarly systematic policy for land planning, use and infrastructural investment, if these areas are to be made and remain decently habitable, and Hong Kong is to gain the benefit from them which it should. My branch and the departments most concerned with these matters have started the difficult task of putting together such a plan. It is clear that the components of this plan must be a programme of phased investment, facilitation of appropriate private development, and some degree of planning control and public land acquisition, but it is not yet sufficiently clear what that mix should be.

Sir, in both the rural hinterlands and the older urban areas, it has become clear that the present Town Planning Ordinance is no longer an adequate instrument for existing conditions in Hong Kong, both in respect of its procedures and also its scope. The preamble to the Ordinance reads ‘To promote the health safety convenience and general welfare of the community by making provision for the systematic preparation and approval of plans for the future layout of existing and potential urban areas as well as for the types of building suitable for erection therein’. The bulk of the Ordinance is thus about preparing layout plans for future urban development, and on the whole is reasonably well adopted to a green field situation and a relatively steady pace of development. But our urban areas are not fields, our New Territories hinterland is seldom green these days, and the development situation is entirely dynamic. Sir, the Executive Council has recently agreed a complete review of the Ordinance, and first discussions on how to conduct a review have started. It is an exercise which will require a very systematic programme of consultation, for it must cover much more fully than at present, the consultation processes in planning, the rights of those affected by planning proposals, the kinds of planning required in support of rural renewal, and the relationships between the planning and public and private development sectors. Most of these points were covered directly or indirectly in the advice given by Members last week and I shall certainly need their further advice in due course on this fairly massive legislation undertaking.

Sir, I have no doubt that I will receive further suggestions on urban renewal and on the Land Development Corporation when the debate on the Second

Reading of the LDC Bill resumes shortly. The Bill, as was explained by Mr. ASPREY in his speech moving the Second Reading, is necessarily a balance between the grant of adequate powers to the corporation to do its job and protection of those who will be affected by it. We believe, and we have had considerable support in our belief, that we have got it more or less right, but we will not hesitate to adjust the balance if experience shows that this is necessary.

The corporation will be required to act in accordance with prudent commercial principles, and to stand on its own feet financially. The Government has provided the corporation with a \$100 million loan facility, which it may draw down as required to meet its initial start-up costs. Thereafter, there is provision in the legislation for the Government, with the authorisation of this Council, to guarantee loans made to the corporation, but we expect that the corporation will be able to fund itself without the need for any Government guarantee.

It will of course be for the corporation itself, when it is established, to determine how it should operate. But it is the firm intention that the activities of the corporation should complement, not compete with, the activities of private developers. The activities of the corporation will be restricted generally to redevelopment within specific areas most in need of urban renewal, where the difficulties of site assembly have so far proved a deterrent to redevelopment by the private sector. However, it is likely that the corporation will undertake most projects in conjunction with the private sector; in this way, the corporation will be able to have access to the funds and project experience of private developers, which will complement the powers of acquisition available to the corporation.

It is of course essential that the interests of existing owners and residents in the areas to be redeveloped by the corporation should be safeguarded, and not subordinated to commercial development interests. The procedures in the Bill have been designed with this aim in mind. Before resumption of any private land is authorised, the Government will need to be satisfied that the development is in accordance with an approved town plan which has been published for possible public objection, and that the corporation has made adequate and fair arrangements for the compensation of owners and the rehousing of residents.

Sir, I would finally like to touch on the professional people who will be heading our development and constructional efforts and to echo Mr. H. K. CHENG's views on the necessity of achieving professional registration soon both in the immediate interests of standards and also as an assurance of their continuity. Discussions between Government and the professional institutions making up Mr. CHENG's functional constituency are under way. There is general agreement on the need for registration; that it should not be restricted to institution members, and that registration should be administered by the institutions, with Government representation on the controlling board. However, much detailed work and consultation remains to be done to draft the necessary legislation. This will be pursued actively during the coming year.

With these comments, Sir, I support the motion.

SECRETARY FOR DISTRICT ADMINISTRATION: Sir, Members have made a number of useful observations and suggestions on housing matters, building management and the promotion of culture, recreation and sports. I shall respond to the main points raised.

### *Housing*

On housing, I am pleased to note the general endorsement of the change towards a demand-led approach in providing housing for our population and of the proposed reorganisation of the Housing Authority. The new approach will mean that we will be more responsive to changes in demand. At the same time, a reorganised Housing Authority will be in a better position to monitor those changes and introduce suitable measures to meet them.

I am, however, somewhat surprised that there is still a feeling that by giving the Housing Authority greater flexibility, the Government is reducing its commitment towards the provision of adequate housing and it will result in higher rents for our public housing tenants. Members will recall that the Review of the Long-Term Housing Strategy envisages an increased commitment on the part of Government in this area and that the authority's Report of the Domestic Rent Policy Review Committee published last year re-affirmed the principle that rent for public housing will continue to be based on affordability by the authority's tenants. I will reiterate that the changes that are being implemented will only result in a more flexible approach to meet the housing needs and aspirations of our population and that they will provide for a Housing Authority which will be in a better position to determine what has to be done to ensure that those needs and aspirations are met.

Turning now to the suggestion that the authority's surpluses should be put into a special fund for the development of, and improvements to, public housing and welfare matters, I will only say that the future financing of the Housing Authority, including the treatment of any surpluses, is currently being considered and that this is an interesting suggestion which will be taken into account.

### *Building management*

Mr. CHUNG Pui-lam has made a number of suggestions regarding ways to improve the management of private multi-storey buildings. This is a subject to which the Government has devoted considerable attention in recent years and I am happy to inform Members that, following consultations with the district boards and professional bodies, a set of guidelines has been agreed with the Law Society for the drafting of new Deeds of Mutual Covenant. These guidelines will become effective on 1 December 1987. All new residential and commercial buildings, unless exempted by the Government, will come under their ambit.

These guidelines are designed to ensure a better balance between the interests of owners and those of the developer and to provide a better basis for the

management of the common parts of a development. They will, among other things, limit the period of management by the developer to two years, after which the owners will be free to appoint their own manager. The powers and obligations of managers will be clearly defined and a scale of remuneration for managers will be specified. The guidelines will also require a clear definition of the common areas in a building.

As regards enforcement, the Government has earlier stipulated that all Deeds of Mutual Covenant relating to new non-industrial leases granted since February 1986 will have to be vetted by the Registrar General. Approval will be given only where the Registrar General is satisfied that the guidelines have been followed. Furthermore, the Law Society has incorporated the guidelines in a 'practice direction' which solicitors are obliged to follow in preparing Deeds of Mutual Covenant. This means that new residential and commercial developments built under old leases will also be covered by the guidelines.

As regards existing Deeds of Mutual Covenant, it has been suggested by some people that where they are found to be oppressive and unfair, owners should be allowed to propose amendments. This suggestion will have the effect of altering existing contractual rights and obligations. Its implications must therefore be carefully considered and an inter-departmental working group has been set up to study it in detail.

As regards the Multi-Storey Buildings (Owners Incorporation) Ordinance, following consultations with district boards, action is being taken to amend its provisions to facilitate the formation and functioning of owners' corporations. The underlying spirit of the Ordinance is to encourage self-help among owners and to provide them with a legal framework within which they can manage their own buildings effectively. The suggestion of designating a government department to enforce the requirements of the Ordinance is therefore, in my view, not quite appropriate. It is up to the individual owners themselves to participate in, and to supervise the work of, their own corporations. However, the City and New Territories Administration has always assisted in the formation of new owners' corporations and maintains regular liaison with them. Furthermore, since 1985, we have set up building management coordination teams in a number of district offices to advise and assist residents and management bodies in dealing with building management problems. Such teams have already been set up in four districts and another three will be set up later this year. Subject to the availability of resources, we intend to extend this scheme in the coming years to other districts.

I share the concern that building management companies should have acceptable professional standards. In this connection, a joint committee formed by the representatives of three professional bodies is contemplating the formation of an association of property management companies. Such an association, if formed, will exercise regulation over its own member companies and should ensure a higher standard of building management.

We are prepared to study the suggestion that an arbitration tribunal should be set up on building management matters. But for such a tribunal to serve its purpose, careful consideration must be given to its scope as well as its procedures in order to ensure that it has adequate powers to discharge its functions without at the same time entailing cumbersome and expensive legal proceedings.

The suggestion that we should set up an advisory committee on multi-storey building management matters is something which is already under consideration. There is in existence a standing inter-departmental committee which regularly reviews and examines building management problems. Its transformation into an advisory committee through the injection of non-government members will give it a new impetus as well as access to new ideas and to the experience and expertise of professionals in this field.

### *Culture*

Turning now to cultural activities, I share the views of Mr. CHEONG-LEEN, Mr. SOHMEN, Mr. WONG Po-yan and Mr. YEUNG Po-kwan that with the increasing numbers of theatres and concert halls coming on stream, we should now turn our attention to providing greater support for the development of local talent and performing companies. The Academy for the Performing Arts is playing an important role in the training of professional artists and the Government's emphasis is to provide the necessary environment for the artistic potential of our community to be fully realised.

A proposal is being discussed which envisages the establishment of a liaison committee among the Council for the Performing Arts, the Urban Council and the Regional Council. Subject to the agreement of these councils, this proposal will reinforce the existing co-operation between the Government and the two municipal councils and, through the interchange of information and ideas, allow the development of a more co-ordinated approach to the provision of support for the performing arts.

As regards the development of the visual arts, much has already been done by the Government through the education system and by the municipal councils through the provision of venues and the organisation of exhibitions and promotional activities. The establishment of a secondary school in Sha Tin for students showing talents in sports or visual arts further underlines the Government's commitment in this area. Mr. CHEONG-LEEN has rightly noted that a working group has been set up to examine ways for further development. The working group's recommendations are expected before the end of this financial year.

I am particularly grateful to Mrs. Selina CHOW for pointing out the importance of preserving the cultural heritage of our community. Over the years, the Antiquities Advisory Board has worked quietly but effectively to preserve our links with the past. There are now 32 declared monuments which



are protected under the Antiquities and Monuments Ordinance. In addition, 24 historical buildings are being preserved administratively by the Government. Funds are also provided for the restoration and maintenance of these buildings. On the whole, a pragmatic balance is maintained between the concerns for preservation and the requirement for old buildings to be re-developed to meet current and future needs.

### *Recreation and Sports*

I turn now to recreation and sports. Based on the advice of the Council for Recreation and Sport, of which Mr. F. K. HU is Chairman, the Government has increased its subvention to sports bodies from \$5.7 million in 1983-84 to \$9.9 million in 1987-88, representing an increase of 73 per cent over a five-year period. In addition to providing financial assistance towards the organisation of and participation in local and overseas sports events and the employment of sports development officers and administrative staff, the Government continues to offer technical assistance to sports bodies in the drawing up of long-term development plans for greater participation and for improved standards of performance. The Council for Recreation and Sport has recently established a Sports Aid Foundation with a working capital of \$10 million to provide financial assistance to recognised sports bodies and deserving athletes. The council also recognises the importance of physical recreation to health and will be looking into the matter in detail.

Under the chairmanship of Dr. Henrietta IP, the report of the Working Party on Sports in Education has now been completed and submitted to the Council for Recreation and Sport. The report will be forwarded to interested organisations for their views after it has been considered by the council.

The sports consultant referred to by Mr. CHEONG-LEEN has completed his study on the future development of sports in Hong Kong. His report, which we await with interest, will be submitted to the Government for consideration.

With these remarks, Sir, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER:

### *INTRODUCTION*

Sir, I am not usually long-winded, but I am afraid that Members' enthusiasm for education and labour matters gives me no choice on this occasion. Even so I have not been able to cover all the points Members have raised. A colleague calculated that my speech, as originally drafted, would have taken an hour to deliver. Sir, even my keenest fans, and I seem to have a good many this afternoon, would fall asleep if they heard me droning on for an hour. I have therefore had to prune my speech drastically and cut out my response to many of Members' points. I hope they will accept my apology and my assurance that my colleagues in the branch and the departments concerned have noted all their points which have been made and we will do our best to follow them up.

*EDUCATION**General*

Dr. Daniel TSE in his speech summarised the changes in education in Hong Kong over the last 20 years. He rightly emphasised the importance of good planning and the setting of objectives. I believe that we have gone a long way to achieving this. The setting-up of the Education Commission in 1984 has provided the Government with a permanent think-tank on education which can take the long-term view and look at the issues of strategic importance which might otherwise not receive proper attention, because of the pressure of day-to-day administration.

Dr. TSE has called for an assessment to see whether the defects pointed out in the Llewellyn Report have been remedied and he suggests that we need to establish 'clearly defined societal goals on a system-wide basis'. I believe that this process—of correcting defects in our education system and identifying long-term goals—is a continuous one, which has been in progress ever since the Llewellyn Report was published. But in the fast-changing world of Hong Kong we should not always think in terms of one-off 'overall reviews' which attempt to encompass all of education between two covers. Such exercises can be useful, but they are lessened in value if they are held too frequently. As I said in the second adjournment debate on Education Commission Report No. 2 on 18 February this year, the reforms arising from the Llewellyn Report and from the first two reports of the Education Commission are inevitably being achieved at the price of some disruption and adjustment. After the recent period of reports and discussion, we could only hold yet another 'overall review' at the price of more serious and continued disruption to our education system.

Dr. TSE in his speech referred to the commission's present study of the structure of tertiary education and indicated his willingness to respond to the Governor's call for co-operation in solving the problem of degree course length. Mr. LIU Lit-for also made some apposite remarks on this head. He pointed out that any change to the existing degree course structure will have implications for all other educational sectors. He spoke of the need to consider carefully the financial implications, not only of the proposed change of the University of Hong Kong to four-year degrees, but also parallel changes in the other UPGC-funded institutions. As you said, Sir, in your speech, the commission is considering a wide range of options and will consult concerned parties before making its final recommendations. These are likely to be published early in 1988, when there will be a period of public consultation. It is, of course, too early to say what the commission's conclusions will be.

*Quality of Education*

Both Mrs. Pauline NG and Mr. SZETO Wah have spoken specifically of the need for quality in education and many other speakers have done so by implication. For example Dr. Henrietta IP spoke eloquently on the need for more provision

for sports and Mr. YEUNG Po-kwan on the need for more provision for teaching the visual arts and computer studies. Mrs. Rita FAN emphasised the importance of good parent teacher relations and Mr. LIU Lit-for spoke of the need for better accommodation and less examination pressure. These are all important elements in a good quality education. We have made some progress on some of them and I hope that, as conditions permit, we will make progress on all of them. I had originally intended to speak individually about each of these topics, but have had to cut my remarks for lack of time.

I agree with all these speakers that education planning must not be a simple numbers game of maximising enrolments. The experience of many countries in the 1960s and '70s has shown the perils of neglecting quality and the higher purposes of education. That is why the Education Commission has been at such pains in both of its published reports to look at long-term objectives and the philosophy behind our educational policies. It is in that spirit that the commission has spoken, for example, of the need to strengthen the two-year integrated sixth form and to broaden its curriculum. However, as Members know, our search for quality should not mean that we dismiss quantity as irrelevant. On the contrary, the expansion of tertiary opportunities and the successful implementation of nine years free and compulsory education are real achievements. As a young friend said to me when giving me her views on the debate: 'For someone who does not get a place it is not much comfort to know that the quality of education has improved for the lucky few.' Quantity and quality in education must go hand in hand.

#### *Open Learning Institute*

I was encouraged by the remarks made by Mrs. Rosanna TAM, Mr. Desmond LEE, Mr. CHUNG Pui-lam and Dr. Daniel TSE concerning the establishment of an open learning institute of Hong Kong. I agree with Mr. CHUNG Pui-lam that the status of the new institute should be comparable to that of existing tertiary institutions and that our aim should be for its qualifications to be accorded the same degree of recognition as those of established universities and polytechnics. Of course, whether the new institution achieves this will depend on the success of the Planning Committee which is shortly to be appointed. As Mr. Desmond LEE has said, we will need to move quickly and efficiently on this if we are to achieve our target date of 1989 for the first student entry.

In response to Mr. CHUNG Pui-lam, I should have explained that it is no reflection on the OLI's status that it is not to be called an open university. The name for the new institution was chosen to reflect the fact that it will offer both degree and sub-degree level courses. Moreover, the OLI will not develop large academic faculties along the lines of, for example, the Open University in the United Kingdom. By remaining a stream-lined organisation, with a small, expert core of senior academics, the OLI will be able to react quickly to changes in the demands of society and will be able to keep the cost of courses within the means of the average student.

*LABOUR POLICY*

I would like to turn now to labour policy. Mr. TAM Yiu-chung called for a comprehensive long-term policy and he spoke of four areas which he felt needed to be covered in such a policy. These were the status of trade unions and the right to engage in collective bargaining; a review of the Employment Ordinance; industrial safety; and provision for retirement.

These are all important subjects, but they are not closely related, except in that they all affect workers and, in Hong Kong, but not necessarily elsewhere, are dealt with by a single government department. To try and link them up in one comprehensive plan would in my view delay progress, not enhance it. Progress on labour legislation has to take into account the conflicting interests of employers and employees and requires sometimes difficult negotiations with both sides. One must negotiate item by item and this we have been doing very successfully now for many years. We have enacted no less than 274 items of labour legislation in the last 20 years. This is not just a figure. Anyone who has lived here during this period will have seen working conditions completely transformed. We now comply in whole or in part with 48 ILO Conventions, a figure which compares favourably with many of the more advanced countries. For example, it is higher than the figure for Japan and more than double the figure for Singapore. Although international comparisons are tricky, we have, I believe, largely achieved our aim of having labour and safety legislation of an equivalent standard to those neighbouring countries at a comparable stage of economic and social development.

*Occupational Health and Safety Council*

We must however continue to improve conditions for our workers as fast as our economic growth permits. We have a substantial programme of labour legislation planned for this coming session, some items of which have already been mentioned by you, Sir, in your speech. In this context I am particularly encouraged by the recent Executive Council decision to set up an Occupational Health and Safety Council. The council will take over from the Labour Department responsibility for safety education and publicity and will provide advisory and consultancy services to employers and employees in all sectors of the economy. Its aim will be to enhance safety awareness and reduce the tragically high number of accidents at work. Funding for the council will come from a levy on employees compensation insurance premia. I am optimistic that the legislation establishing the council will be enacted during the current session.

*Central Provident Fund*

I must turn now to the ever popular subject of the CPF, which, like Alan TAM, never seems to lose its appeal.

I must confess that I could not always follow the logic of the arguments put forward last week in support of it. Mr. HUI urged us to think of the average worker, who could not afford to save for a rainy day and who therefore needed

the CPF. But why should anyone who cannot afford to save welcome a compulsory deduction from his wage-packet? Mr. HUI was also confident, despite recent events, that a CPF would not cause any problems in the financial markets and would be sure to provide a positive real rate of return. He seems to me to be over optimistic. Unless the fund were very conservatively managed, a reduction in its capital value seems unavoidable whenever there is a general downturn in the financial sector.

Mr. HU thought—and I agree with him—that the majority of workers want to be self-reliant. However, I cannot see how forced savings lead to self-reliance. Mrs. TAM quite rightly pointed out that a CPF would not provide a free lunch; but in fact Mr. TAM Yiu-chung and other supporters of the CPF have suggested that the scheme should be subsidised; and I suspect that, behind many of the calls for a CPF, there lurks a hope that somehow it would provide everyone with a real increase in his lifetime's savings. In fact a CPF would simply defer his use of part of his earnings for up to 40 years.

Sir, the subject of a Central Provident Fund has been debated extensively over the past couple of years, both inside and outside this Chamber. The arguments for and against compulsory savings were discussed in great detail and at great length, until we reached a decision that the balance of the arguments was quite heavily against compulsion. The arguments were thoroughly aired during the adjournment debate last May, but I hope Members will bear with me if I once again go over some of the main points.

A compulsory savings scheme would provide a reasonably adequate rate of return for those who have been in steady employment earning good wages; in other words, those who are best able to save voluntarily in any case. A male worker earning the average industrial wage, with a contribution of 5 per cent of pay from each side over 40 years, might be reasonably certain of an income during his retirement slightly above the level to qualify for public assistance (now \$1,020), provided that inflation did not erode the value of his annuity too rapidly. Those earning less than the average wage, or contributing for less than 40 years, could expect from their compulsory lifetime savings a retirement income below the public assistance threshold.

And let us be clear what we mean by compulsory savings. We mean that employers would be forced to set up retirement schemes. Employees would be forced to join, and to contribute for their entire working lives. Contributions would have to remain intact until retirement. Retiring workers would be forced to invest their lifetime savings in approved ways. I do not believe that such extensive government interference in the financial affairs of so many individuals would in practice be popular.

Those who argue that we should aim for a lesser goal, for example simply to ensure for everyone some sort of nest-egg which will provide psychological rather than true practical benefit, merely destroy the case for compulsion; does it really make sense to incur so many disadvantages for such a tenuous

advantage? Alternatively, Mr. TAM Yiu-chung and other supporters of the CPF have argued that the scheme could be improved by a government subsidy to the contributions of the lower-paid. In fact they are proposing that CPF should be used as a rather complicated device for channelling welfare payment to the lower-paid. It is difficult to see what advantage this would have over our present system of allowance geared to people's actual needs.

Our assessment, supported in general by professional economists, is that the introduction of a compulsory savings scheme would increase our production costs and weaken our external competitiveness. Our economy depends on our exports. It therefore seems particularly unwise to do anything that could put our competitiveness at risk.

We have therefore rejected compulsory saving schemes; because they would be an inadequate solution to the problem of providing for the needy elderly; they would I believe be unpopular with a considerable proportion of those affected; and they would put our economy at risk.

We have not, Sir, disregarded the problems for which the CPF was proposed as a solution: the problems of improving the financial situation of the elderly. The package of measures announced in your address is, I believe, a much more appropriate solution. I agree with Mr. CHEONG-LEEN that these measures must be seen to improve substantially on the existing situation if they are to meet public concern on this problem, and I should like saying more in particular about our proposals for the long service payment scheme.

The LSP was introduced in January 1986 as a measure to provide some protection for elderly employees who are dismissed. After only a year of operation, employers indicated their willingness to extend the scheme to cover retirement through old age or ill health, and to extend payment to the families of deceased workers. Legislation to extend the scheme in this way will be put to this Council shortly.

The advantages of the LSP to the beneficiaries are not sufficiently appreciated. First, it is non-contributory, thus avoiding any initial reduction in take-home pay. Secondly, and I think most important, it is based on final salary, so its value is not eroded by inflation during the period of reckonable service. Thirdly, it is retroactive, so that service before the law came into effect count towards the scheme.

The LSP scheme at present does have two limitations, which Members have not been slow to mention. Firstly, the conditions under which it is payable are rather restricted; second, there is no requirement at present for an employer to fund his liabilities under the scheme. On the first point, the coverage of the scheme will be extended considerably by the forthcoming amendments, and it is our intention that further improvements will be made, as fast and as far as our economic circumstances permit. The kind of improvements which we are now looking at are to reduce the qualifying periods, adjust the cut off dates, increase

the amounts payable and possibly, if a practicable way can be found, to make the benefits transferable. On the second point, many employers are in fact taking steps to cover their LSP liabilities by setting up private retirement schemes, one effect of which is to provide some form of retirement or resignation benefit to all employees irrespective of whether they qualify for the LSP. Some 70 new private schemes are now being approved every month.

This rapid increase in the number of private retirement schemes is encouraging, and we intend to encourage it further with a publicity and information campaign in parallel with the measures to improve the regulation of private schemes. Mrs. TAM fears that more regulation will deter employers from setting up schemes. I would hope that the regulations eventually passed into law by this Council would be a sensible package unlikely to deter employers. Indeed prudent regulations could, in fact, help to promote the healthy development of private retirement schemes.

Sir, the CPF was rejected only after being examined exhaustively and, I am tempted to say, exhaustingly, for several years. As I have already said, our economy depends on our exports and it is therefore particularly unwise to do anything that could reduce our competitiveness. I really do not think we should put our economy at risk in this way.

Sir, I support the motion.

4.12pm

HIS EXCELLENCY THE PRESIDENT: Members may like a break at this point even though it seems it will be for a twilight snack.

4.35pm

HIS EXCELLENCY THE PRESIDENT: The Council will resume.

SECRETARY FOR HEALTH AND WELFARE:

*The Environment*

Sir, I was very encouraged to hear several Members voice their support for the anti-pollution measures that the Government is now formulating and implementing. It is true that during the last few years emphasis has been placed on the development of environmental legislation as this, together with good planning, is the foundation upon which pollution controls must be based. Once the Noise Control Bill has been passed, which I hope will be early next year, we shall have in place a comprehensive set of such legislation, covering air, water, noise and waste disposal.

Professor POON asked why, given the expansion of the Environmental Protection Department in recent years, environmental improvements have not

so far been more apparent. There is no doubt that we face a daunting backlog of pollution problems and the practical reality is that the pressure on our environment has increased dramatically during the past decade and we are having to run very hard just to stand still. Indeed in the face of this increasing pressure we have been successful in some areas in not only preventing deterioration but achieving improvements. For example, despite an increase of 65 per cent in fossil fuel consumption over the last 10 years, careful environmental management has led to a 50 per cent decrease in the concentration of sulphur dioxide in the atmosphere.

I should point out also that the Environmental Protection Department was established as recently as April last year. The department's establishment has now increased significantly, but much of this increase represents a transfer of functions from other parts of the Government, and over the past few years the average annual increase in the total number of staff employed on environmental control duties has only been about 7 per cent. In addition, recruitment of suitably qualified staff has not proved easy. Moreover, many of the regulations have only been made during the last two years, and some of them are not yet in full operation. In a situation like this, we cannot really expect immediate dramatic changes, but we should begin to see steady improvements in the near future, and the deterioration of the environment, which is the result of many years of relative neglect, should be reversed; but it will not be quick or easy.

Professor POON and Mr. Richard LAI stressed the importance of proper environmental planning. We do recognise that prevention is better than cure and this is why the Environmental Protection Department is now represented on all the major planning committees. In addition, public works projects are subject to environmental vetting and environmental impact assessments are carried out for major public and private sector projects. Also, the 'Environment' chapter of the Hong Kong Planning Standards and Guidelines provides valuable guidance to planners, architects and engineers, and this should help to avoid future environmental problems due to poor planning.

I agree entirely with Professor POON and Mr. CHEUNG Yan-lung about the need to increase public awareness of environmental issues. Environmental studies are now included in secondary and tertiary curricula and the media have recently shown an encouraging interest in pollution matters.

We certainly do not rely on environmental control legislation alone in our efforts to reduce pollution problems. A great deal of consultation has taken place as part of the process of developing our policies and a number of departments including Industry, Agriculture and Fisheries and the City and New Territories Administration have made a considerable contribution. Publicity and advice are an integral part of our anti-pollution measures.

As for environmental control methods developed in other parts of the world, we certainly have not adopted these uncritically; we take great pains to devise measures appropriate to our situation, and this is one of the reasons why we



need to devote resources to monitoring work, so that we are aware of the actual conditions in various parts of Hong Kong. In many cases, including the air monitoring equipment referred to by Professor POON, the type of equipment used is automatic and this has led to useful savings in field staff costs.

We also make very great efforts—some may say too great—to ensure that Hong Kong's competitiveness in its export markets is not unduly affected by our pollution controls. But I have to say that if we are to be successful in our efforts to effect environmental improvements—and I am convinced that this is what an increasing proportion of our people want—there will inevitably be a price to pay. We are proposing to spend more than \$600 million over a 10-year period to rid our streams and coastal waters of the appalling pollution caused by animal wastes, much of this money in the form of assistance to the farmers to help them comply with the new regulations, and compensation to those who are unable to comply. As in all pollution control work a compromise has to be struck and we make every effort to ensure that the most satisfactory arrangement possible is reached.

#### *Medical and health*

Sir, in your address on 7 October you announced that a decision had been taken in principle to establish a Hospital Authority, following the recommendations made by the Australian consultants. This is perhaps the most important decision on the organisation of Hong Kong's medical services to be taken for many years, and will have far-reaching effects on the whole public hospital system. Dr. LAM made the very valid point that the success of the new arrangements will depend to a large extent on the adequacy of the financial provision made by the Government and also on the quality of the members appointed to the authority and to its regional committees. I have on several occasions given an undertaking that the Government remains fully committed to the provision of a heavily subsidised public hospital service for the foreseeable future. Moreover there will be no slowing-up of our ambitious programme of new hospitals and extensions to existing hospitals during the next few years. So far as the membership of the authority and its regional committees is concerned, I fully agree with Dr. LAM that we need to select people who can look objectively at the factors involved and who will understand the present difficulties.

Dr. CHIU welcomed the proposal that the Provisional Hospital Authority should be entrusted with the task of formulating a set of common terms of service for the staff of the authority. It is envisaged that staff employed in the present Government and subvented hospitals will in due course be given the option of either accepting the new terms or of retaining their present conditions of employment. I hope that the new terms will be sufficiently attractive to induce the great majority of the staff to opt for them, thus reducing to a minimum the staff management problems likely to result from a situation in which staff on different terms of service work side by side. We shall also need to ensure as far as possible that the promotion prospects of those who opt to remain on their present terms are not unduly affected.

Dr. CHIU reminded me of my undertaking to embark on a review of primary health care. We have not yet reached any decision on the scope of the review and how it will be conducted but these questions will be examined in the near future. It is my intention that family medicine, medical records and related matters will be included.

Dr. LAM asked whether we have considered tapping the resources of the large private sector of medicine as a means of improving services. The consultants did make some suggestions in their report as to how this might be done, but they had a somewhat mixed reception during the consultation period. Personally I hope that the establishment of the authority will make it possible to pursue these ideas further.

I am very much in sympathy with Dr. Conrad LAM's views on the desirability of providing hospice-type services for terminally-ill patients, although I think that given the resource constraints it will be some time before we are able to introduce this service generally in our public hospitals. The Medical Development Advisory Committee advised in March of this year that in principle hospice care should be introduced, although the methods adopted elsewhere will probably need to be adopted to some extent to meet local conditions. I am very glad that several subvented hospitals are introducing various forms of palliative care for patients who are terminally ill, while the Medical and Health Department has started two pilot schemes in the Queen Elizabeth Hospital and the Prince of Wales Hospital for a hospital visitation volunteer service which will co-ordinate the voluntary services available.

Dr. CHIU spoke at some length on the importance of genetic counselling, and the need to make the general public aware of the existence of this service, so that better use can be made of the existing facilities. The Director of Medical and Health Services informs me that education and publicity on medical genetics and genetic counselling are now being undertaken by the Medical and Health Department, the Hong Kong Society of Medical Genetics and voluntary agencies interested in the subject, and plans have been drawn up by the department for the development of this service.

The availability of the Genetic Counselling Service was included in a recent large scale exhibition publicising the services of the department. This coming Saturday, the Hong Kong Society of Medical Genetics and the Peninsula Jaycees are jointly organising a 'Know Genetics' project, which will include an exhibition and a seminar or to promote knowledge of medical genetics among the profession and the public. And these efforts will continue.

Dr. Henrietta Ip devoted a considerable part of her speech to the question of the need for some form of control over the practice of Chinese traditional medicine in Hong Kong. This is a difficult question, largely because of the problems involved in defining exactly what is meant by 'Chinese traditional medicine'. I agree with Dr. IP that the Government has a duty to protect the health of the people, but I believe that most of the problems which have arisen

in this area are in fact related to the illegal practice of western medicine by unqualified persons, such as the use of steroids, rather than the practice of traditional Chinese medicine in its true sense. This aspect is adequately covered by existing legislation, the Medical Registration Ordinance, the Medical Clinics Ordinance, the Pharmacy and Poisons Ordinance, the Antibiotics Ordinance and the Dangerous Drugs Ordinance, and the relevant penalties have recently been raised to improve the deterrent effect.

The Director of Medical and Health Services informs me that he is not aware of any serious health hazards associated with treatment by traditional Chinese methods, other than the illegal practice of western medicine to which I have just referred. Nevertheless, if Dr. IP can provide details of cases within her knowledge, I shall be glad to examine them with the Medical and Health Department.

### *Social Welfare*

I now turn to social welfare issues. Mr. HUI has suggested that there should be an overall review of our social welfare policy which would take into account future developments. Although the White Paper on Social Welfare into the '80s was published some years ago, the philosophy and the general direction of the policies laid down in this document are still largely valid. I do not therefore see the need for an overall review at this stage; this would be a lengthy exercise and would not, I think, produce any very significant changes. It seems to me to be more appropriate to review particular policy areas which are affected by changing circumstances. During the past two years, we have reviewed the school social work service, residential child care services and outreaching social work for young people at risk as well as public assistance and the Old Age Allowance. We are now in the process of reviewing the policy on direct services for the elderly, on street sleepers and on child care centres. Our social welfare policies are therefore being updated on a regular basis to meet the changing needs of the community, and the changes made are incorporated into the Five-Year Plan for Social Welfare Development, which is reviewed on a biennial basis.

Sir, the proposed improvements to the Public Assistance Scheme which were outlined in your address at the opening of the session were generally welcomed by Members. Dr. HO Kam-fai has however suggested that a children's supplement of \$280 per month should be introduced to help single parent families. We have considered the possibility of such an allowance, but concluded that the most appropriate way of helping poor families, particularly those with a large number of children, would be to increase the basic rates for family members and to introduce a meal allowance for children attending full day school. Both of these proposals were included in the recently introduced package. In addition, there is a fee assistance scheme for child care centres, and children from singleparent families are given priority for entry to these centres.

The proposed improvements to the Old Age Allowance however received a mixed reception. While the increased rates of Old Age Allowance and the

extension of the allowance to the 65 to 69 age group have been generally welcomed, many Members reacted strongly against the proposed income declaration, especially for those over 70.

We have therefore reconsidered the proposals in the light of Members' comments and the views expressed by the Social Welfare Advisory Committee, which was consulted last week. As Members are aware the original proposal was that present recipients of the Old Age Allowance should be able to continue to receive the allowance without undergoing any form of means test, but new applicants, both those in the 65 to 69 age group who will be eligible for the allowance for the first time, and the over 70s, who will receive an increased allowance, would be required to make a declaration that their income and assets did not exceed certain levels. This proposal was in line with our policy that help should go to those whose need is greatest.

Many Members pointed out that the Old Age Allowance, when originally introduced for the over 75s and later extended to those over 70, was not means-tested and was intended to meet the additional expenditure incurred by elderly people because of their age. It was related to the circumstances of their age, and not to their financial condition. Some members said that while they accepted the need for an income declaration for the 65 to 69 age group, they strongly opposed its introduction for the over 70s, which was widely seen as a retrograde step.

During the last week we have re-examined the proposals in the light of the strong views expressed and I am sure Members will be pleased to hear that we have now decided that it would be appropriate to dispense with the requirement for an income declaration by all new applicants over 70, while retaining it for those between 65 and 69, who have not previously been eligible. All those aged 70 and over will be eligible for the new higher rate of Old Age Allowance without having to declare their income.

Mr. HUI referred to the need for manpower planning, for the implementation of agreed manning ratios in welfare services with the better training opportunities. Manpower planning is a very inexact science at the best of times and fluctuations in the resources available from year to year make it even more difficult to produce accurate forecasts of the number of social workers who can be recruited. After several years in which the number of social work graduates exceeded the vacancies in the department and the agencies, this year the increased provision of funds has meant that there are not enough trained social workers to fill all the posts. Hence the need to retain the scheme for recruiting graduates in other subjects and giving them post-graduate in-service training in social work.

So far as training programmes are concerned, I am sure that Members will be pleased to hear that the Royal Hong Kong Jockey Club has recently donated \$6 million to the Social Work Training Fund, which will enable the fund to sponsor more in-service training for social workers.

I doubt, however, whether there is a need for a special body to estimate social work manpower needs and to plan training programmes, since the Advisory Committee on Social Work Training is already in existence; together with the Social Welfare Department's computerised social work personnel information system, the committee should be able to provide the necessary information and advice on this subject. I shall follow with interest the current moves towards the establishment of a voluntary register of social workers.

Finally, Sir, I would like to thank Mrs. TAM for her kind remarks about the relationship between the Government and the voluntary welfare agencies. Far too often, it seems to me, the impression is given that this relationship is a continual battle, with impoverished agencies struggling to obtain woefully inadequate resources from a mean Government which rarely consults the agencies before taking important policy decisions. This is just not true, and as Mrs. TAM has said, we have involved the voluntary sector in a number of reviews of important policy areas in recent years. The Social Welfare Department and my branch do have the often thankless task of allocating funds between competing demands, and we never have enough money to do everything that we would like to do. We do our best and I believe that the agencies understand our difficulties. I was very glad that Mrs. TAM said what she did, and I am confident that we shall continue to co-operate effectively with the voluntary agencies for the welfare of the less fortunate citizens of Hong Kong.

Sir, I support the motion.

SECRETARY FOR SECURITY:

*Vietnamese refugees*

Sir, five hon. Members have expressed great concern at our continuing difficulties in respect of Vietnamese refugees. I appreciate that the patience of Members of this Council and of the people of Hong Kong is wearing thin after some 12 years of granting first asylum to boat people from Vietnam on the one hand and the difficulties we are experiencing in getting the resettlement countries to accept them for resettlement on the other. My hon. Friend Mr. Peter C. WONG rightly contrasted the way in which we have to accept all illegal arrivals from Vietnam with our policy of returning all illegal immigrants to China.

Sir, since 1975 some 120 000 boat people have arrived in Hong Kong from Vietnam. More than 112 000 of them have been resettled. I must again record our profound thanks to all those countries, both large and small, which have responded to our requests for assistance. The United States alone has resettled more than 63 000 refugees from Hong Kong, and more than 25 other countries have helped us.

But, as I said in this Council this time last year and as my hon. Friend Mr. POON Chi-fai repeated in this debate, the resettlement countries now have strict limitations on the numbers and the sort of refugees they are prepared to take.

One of the reasons for the decline in resettlement so far this year is that far fewer arrivals here are qualifying under the criteria the resettlement countries apply to determine whom they will take for resettlement. The majority of those now arriving are Northerners with no relatives in the resettlement countries. As things are, there is little hope of their ever being resettled. You, Sir, referred to a decline of 47 per cent in resettlement compared with last year. I am afraid to say in the intervening few weeks since your address that decline has fallen to over 50 per cent.

But, as my hon. Friend Mr. Peter C. WONG rightly pointed out, as a place of first asylum we are bound by international obligations to accept *all* Vietnamese boat people as refugees. These obligations stem from the 1979 Geneva Conference on Indo-Chinese Refugees convened by the United Nations. But by the same token, the rest of the international community has obligations arising from that conference to resettle all those accepted initially by places of first asylum and also to seek durable solutions to the problem of disorderly departures from Vietnam. The basic reason why the resettlement countries are now having such difficulties in meeting their obligations as far as refugees from Hong Kong are concerned is the problems they are encountering in respect of refugees from other parts of the world. If, for this reason, there cannot be resettlement of Vietnamese refugees from Hong Kong, then the alternative is to seek durable solutions to the problem of disorderly departures from Vietnam.

Sir, against the background I have just described I am not surprised that the durable solution two hon. Members advocated was that we should repair the refugees' boats and send them on their way. I think that before we start considering such an extreme measure, we should give the solution we are currently pursuing more time in which to bear fruit—and my hon. Friend Mrs. Rita FAN said in this debate that the Legislative Council group that deals with refugees has asked for a report on progress in six months' time. As my hon. Friend Mr. Peter C. WONG stressed, the solution to the problem must be humane. To this end, as I have said many times in this Council, the solution we are pursuing is to screen new arrivals and to repatriate all those who cannot establish they are genuine refugees, provided we can be satisfied that they will not be treated inhumanely. It is meeting this proviso that is currently holding up further progress. But as my hon. Friend Mrs. Rita FAN commented, there is a 'small glimpse of hope...on the horizon'. And I can assure hon. Members that the Hong Kong Government will continue to do everything it can to get our policy on repatriation accepted. Just as, meanwhile, we will continue doing everything we can to encourage the resettlement countries to take more refugees from Hong Kong. And we badly need their help. Our Vietnamese refugee population is now 9 366 compared with 7 630 in May this year.

So, I am afraid we must also maintain our closed centres as a deterrent. But I can assure my hon. Friend Dr. LAM that as soon as we can implement our policy on repatriating new arrivals, we will be putting forward proposals designed towards opening up the closed centres.

*Illegal immigration*

Sir, I referred earlier to the comparison my hon. Friend Mr. Peter C. WONG made between the way we have to accept Vietnamese refugees and our repatriation of illegal immigrants from China. The latter policy, that is the repatriation of illegal immigrants from China, will continue and I would like to warn potential illegal immigrants not to try to get into Hong Kong. It is definitely not worth the effort. Our anti-illegal immigration measures are very effective. Most illegal immigrants are and will continue to be arrested on the border. Up to the end of last month we had caught 18 564 on the border. The few that manage to slip through will be arrested in Hong Kong. Over the same period this year, we found 3 432 such evaders, as we call them. As they have not got Hong Kong identity cards we are sure we get all these evaders in the end. And as they do not have identity cards they are *not* allowed to work while they are in Hong Kong. *All* illegal immigrants are, and will continue to be, returned to China.

*Importation of labour*

My hon. Friend Mr. HO Sai-chu rightly issued warnings about the consequences of allowing Vietnamese refugees to join our workforce until we can be sure that we would not trigger off another exodus from Vietnam. He suggested, on the other hand, that the admission of one-way exit permit holders from China should be implemented with a certain degree of flexibility so that persons allowed to enter under the scheme could contribute towards alleviating the present labour shortage. In answer, I would like to point out that the present scheme of admitting one-way exit permit holders has been working well. But we have no intention whatsoever of seeking to increase the present quota. The 27 000 entering Hong Kong annually under the scheme are already equivalent to 0.5 per cent of the population, and that, Sir, by international standards is a very high proportion for immigration. It is as much as, I submit, our community can deal with in terms of facilities including housing, medical and social services. Nor would we wish to see the content of the 75-a-day one-way permit holders changed to favour those who are able to work. At present the system is being used primarily to achieve family reunion. We would very much hope that it remains that way.

*Visas for visitors from Eastern Europe*

Sir, my hon. Friends Mrs. CHOW and Mr. SOHMEN have commented on the Government's restrictive policy on granting visas for Eastern bloc visitors and have called for a review. In fact we keep the policy under regular review and it is now far less rigid than is often supposed. Each application for a visa is considered on its merits with the object of balancing Hong Kong's varying interests in this context. We accept that too restrictive a policy could be an impediment to Hong Kong's development as an international conference centre. In order to meet this point, as a result of the last review we have introduced a new procedure which takes account of the long lead times

necessary for planning conferences and which should enable Hong Kong to bid for a greater proportion of conference events. We have also agreed further to relax our policy on the granting of visas so that we will be able to agree to the issue of more visas than we have hitherto. We have informed the Hong Kong Trade Development Council and the Hong Kong Tourist Association. And the management of the Hong Kong Convention and Exhibition Centre is also aware of what we have done.

*BN(O) Passport*

My hon. Friends Mr. Peter C. WONG and Mrs. Selina CHOW referred to the fact that more people are applying for the British Dependent Territory Passport than the British National (Overseas) Passport and asked what the British and Hong Kong Governments plan to do to ensure that third countries' immigration officers are familiar with the new passport.

I would like to take this opportunity to repeat that the British Government, British missions overseas and the Hong Kong Government have done a great deal to explain the new passport to third countries. And since May, specimen passports have been handed over to the governments of third countries, both in Hong Kong and in their capitals. The new passport should by now be a British travel document well known to immigration staff. To date, more than 14 500 BN(O) passports have been applied for. We have no reason whatsoever to believe that BN(O) passport holders have in practice encountered any difficulties in their travels. But we will continue to monitor the situation very closely. Both the British and the Hong Kong Governments will react immediately if any problems do arise.

To facilitate the reporting of any problems travellers encounter with the BN(O) passport and to answer any enquiries on the new passport, the Immigration Department is in the process of setting up a 'hot line'. We should publicise the telephone number as soon as the line is in operation.

Sir, I would like to remind those faced with the choice of applying for a BDTC passport or a BN(O) passport that the validity of a BDTC passport will not run beyond 30 June 1997 and they will have to change to a BN(O) one before that date if they wish to continue to travel on a British travel document. By contrast, the BN(O) passport will be valid for a full 10 years. It will also, do not forget, be a proof of nationality.

Finally, Sir, on the acceptability of the BN(O) passport, the British Government explained the new passport to the governments of 141 countries in the world. The Hong Kong Government explained it to the 73 countries with representatives in Hong Kong. A passport is a travel document that by international convention must be assumed to be acceptable unless a country states otherwise. The important point is that *no* country has said it will not accept the BN(O) passport.

With these remarks, Sir, I support the motion.



ATTORNEY GENERAL: Sir, I rise to seek support for the motion of thanks for your address and in doing so I would like to take up five topics that have been raised by my colleagues in the debate a week ago.

*Commercial crime*

Sir, first commercial crime in general. Both my hon. Friends Mr. Peter C. WONG and Mr. Peter POON have spoken of the need for improvements in the way complex commercial crime cases are handled and tried. I believe no one disputes that it is of prime importance to an international financial centre such as ours that we should possess efficient means of combatting and punishing commercial crime. As a matter of fact the Government has devoted considerable resources to the fight against commercial crime in recent years. It was only in 1980 that my predecessor first set up a Commercial Crime Unit in the Prosecutions Division of the Legal Department by assigning to that unit a directorate officer and two counsel. Prior to that, commercial crime had to compete for time and attention with other serious crimes. But today, the Commercial Crime Unit has eight directorate officers and 15 other experienced counsel. And this growth has been paralleled in the Royal Hong Kong Police Force and in recent years the ICAC has also taken on major cases involving corruption. Accountants from the private sector are also brought in to investigate cases and to act as expert witnesses. Of course the fight against commercial crime is costly but I am sure Members do not wish to allow Hong Kong's savings and investments, big or small, to be plundered with impunity.

Members are aware that the 57 recommendations of the Select Committee on Complex Commercial Crime covered administrative matters as well as matters for legislation. A number of those recommendations have already been carried into effect by administrative means. We have been working hard on the recommendations requiring legislation and a 'White Bill' will be published in about two week's time. Although the Bill seeks to implement the broad recommendations of the Select Committee, its detailed provisions will be new and interested parties must be given the opportunity to comment on them.

*Carrian*

Sir, now I turn in particular to Carrian because I want to say that I share not only Mr. POON's concern but the widespread concern at the outcome of the Carrian case. It was an important case arising from Hong Kong's largest ever corporate collapse which resulted in deficiencies of some HK\$10 billion and which damaged the territory's reputation for commercial integrity.

I would like to assure Mr. POON that a great deal of care and trouble was taken in the preparation of the prosecution case, and in framing the charges. As I said in reply to Dr. Conrad LAM who wrote to me in September on this matter, the case was complicated and there were a vast number of documents to assimilate. Consideration was given to alternative ways of proceeding. The decision to prosecute was taken after receiving positive advice

on the charges to be laid from an experienced Queen's Counsel in London, Mr. Harry OGNALL, Q.C. (who has since been made a High Court Judge in the United Kingdom), the then Crown Prosecutor and senior members of the Commercial Crime Unit of the Legal Department. The Crown also obtained advice from two experienced accountants, including Lord BENSON, the former President of the Institute of Chartered Accountants. Both these gave evidence for the Crown at the committal proceedings and at the trial.

Members of the Council will also be aware that under our criminal procedure defendants can choose to test the strength of the prosecution case by way of committal proceedings. This right was exercised in this case in relation to four of the defendants. A full committal hearing lasting six months took place before a magistrate whose function it was to determine whether there was sufficient evidence upon which to commit those defendants to trial in the High Court. The magistrate decided that a committal for trial was warranted.

The estimate given to me and to the court was that the trial would last a further six to eight months. As you know, this estimate was far exceeded. I had for some time been troubled by the prolongation of these proceedings, and the strain which that placed on members of the jury in particular, and all others involved in the case. Those appearing for the Crown took many steps to effect economies. But Members will appreciate that they do not control the course of a trial.

I would only like to add that the Commercial Crime Unit has undertaken in recent years a substantial number of prosecutions arising out of complex commercial fraud. In the three years from 1984 to 1986 the Commercial Crime Unit has prosecuted 44 cases in the High Court resulting in 83 persons convicted and three acquitted. Most of those cases have been lengthy and complex involving suspected fraud of hundreds of millions of dollars. Many of them were cases of conspiracy to defraud. None the less I can assure Members, just as I assured Dr. LAM in September, that where there are lessons to be learned from the Carrigan case, they will not be lost on the Commercial Crime Unit.

#### *Localisation of Legal Department*

Sir, may I turn to the localisation of the Legal Department. My hon. and learned Friend Mr. Martin LEE drew attention to the need to attract more bilingual lawyers into the Legal Department. Let me assure him that I regard localisation as the single most important management issue my department is facing at the present time. Anyone who has studied the discussion paper which the Law Officers and I released to all our counsel last June must be aware of the considerable effort that went into its preparation and of our determination to promote measures which will increase the speed of localisation in the department. We have proposed as a target for localisation that by 1992, 30 per cent of the directorate posts and 50 per cent of the Senior Crown Counsel posts should be held by local counsel. We recently completed a comprehensive report for the inter-departmental working group on how these targets may be achieved.

And I have no doubt that the views we have expressed will assist them in their work and I hope that they will be able to conclude their deliberations swiftly.

Mr. LEE has suggested that one way of attracting more local officers would be to offer them housing. I welcome his recognition of the fact that improved terms for local lawyers will be needed if they are to be attracted to Crown Service. But attraction is only part of the problem. We need to motivate and we need to retain them once we have them. And housing is not the sole answer. Local Senior Crown Counsel who have housing have left the department. In their report to the Working Group the Law Officers and I have proposed different solutions which we hope will enable the Legal Department to attract, to motivate and to retain local counsel.

#### *Training of bilingual lawyers*

Sir, the training of bilingual lawyers. My hon. Friend Mr. YEUNG Po-kwan has drawn our attention to the need to strengthen bilingual legal education in order to meet the requirements of a bilingual legal system. And I fully agree with him that with the more extensive use of Chinese in courts and with the implementation of bilingual legislation, there will be an increased demand for bilingual lawyers.

Training future law graduates to become proficient bilingually is, of course, primarily a task for the tertiary institutions. The idea of introducing law courses to be taught in Chinese has my full support. Where it can the Legal Department has been giving assistance to the tertiary institutions to train law students to be bilingual by providing lecturers and by advising on the planning of curricula.

Mr. YEUNG Po-kwan has rightly pointed out that bilingual lawyers should also be knowledgeable in Chinese law. Training in Chinese law is at present provided by the Hong Kong University as part of its LLM (Master of Law) part-time programme, and by the East Asia University, Macao which awards a diploma in Chinese Law. I understand, Sir, that these courses are well attended by the legal professionals and have attracted a number of professional staff from my chambers as well.

#### *Level of Sentencing*

Sir, finally, to the level of sentencing. My hon. Friend Dr. Ho Kam-fai draws on the findings of the 1987 Crime Victimisation Survey and in particular on the views of the victims of crime as to the level of sentencing. It is of course important that victims feel that the perpetrators of their misfortune have been adequately punished. But there are other factors which properly influence the courts when setting the level of the sentence for any particular offender. The concern of the community at large and the prevalence of the offence are also important. Nor is retribution the only aim of sentencing. If an individual defendant can see the error of his ways, if he can be rehabilitated and if he becomes a useful member of society, so the community benefits.

Members will recall that last year in response to similar comments by Mr. S. L. CHEN, I drew their attention to the long sentences handed down by the courts for serious crimes such as rape and robbery. And I also reminded Members that as Attorney General I have power to seek a review of any sentence which I consider to be wrong in principle or to be manifestly inadequate. And a high proportion of those reviewed have resulted in substantial increases in sentence by the Court of Appeal. But, Sir, of course the ultimate responsibility for sentencing rests with the Judiciary. In view of Members' continuing concern on the level of sentences, I undertake to draw the Chief Justice's attention to what have been said in this debate.

Sir, with these remarks, I support the motion.

CHIEF SECRETARY: Sir, this debate on the Motion of Thanks has been a wide-ranging one, covering all the main areas of the Government's activities and programmes. This is as it should be, because the Governor's annual address provides a unique opportunity for this Council, together with the Administration and the community as a whole, to take stock of where we have got to as a society, and to look ahead to what we shall be doing to make Hong Kong an even better place in which its people can live and work.

This, Sir, was your first annual address. It is clear from the views expressed by Members in this debate that, on the whole, the policies and plans you described have received the strong endorsement of this Council. On behalf of my official colleagues in this Council and of all the other members of the public service, I pledge to you, Sir, our whole-hearted support for all that you have set out to achieve.

Sir, one of the most important tasks which the Government will have to undertake in the next few months is to decide what steps we should take next year in the further development of our system of representative government. We have just completed a public consultation exercise of unprecedented proportions and the community has responded on a correspondingly massive scale. This is most encouraging. All the views which were sent in to the Survey Office, in one form or another, have been carefully and comprehensively recorded and presented in the Survey Office report. The Government will be studying all these views with great care.

The release of the Survey Office report has rekindled the public debate on whether direct elections to this Council should be introduced next year. As the report itself indicates, this is an issue on which views within the community remain divided. In a free and sophisticated society such as Hong Kong, it is not surprising that there are differences of view on the pace of political development, or that these differences are aired forcefully in public. Even within a family, and on far more mundane matters than the system of government, there are often differences of opinion. But the way to resolve these differences lies in careful analysis and rational discussion, not in pretending that a view

which is different from one's own either does not exist or has been fabricated by a third party with ulterior motives. It is indeed a great pity that some people have sought to cast serious doubt on the integrity of the Survey Office and on the sincerity of the Government's wish to consult the people of Hong Kong. These allegations have no basis in fact. The Green Paper on the 1987 review is there for all to see. So is the Survey Office report. They are not simple documents, because the issues with which they are concerned are not simple, as some commentators would have us believe. But everyone who is interested in the truth can study them and form his own conclusion about the genuineness of the review.

Sir, I would like to respond to Members' comments on the Civil Service. I am grateful to Miss DUNN, Mr. CHEUNG Yan-lung and Mr. LAU Wong-fat for their support for the engagement of consultants to review the top management structure of the public service. The directorate pay level survey which was undertaken last year revealed that the structure is clearly under pressure. There is little doubt that the further development of representative government and the run-up to 1997 will add to this pressure. It is therefore timely to take another good look at the structure, with a view to ensuring that it is in the best possible shape to cope with the demands being made upon it, both now and in the future. What we need is an organisation which is capable not only of providing stable and consistent government, but also of managing and coping with change.

The consultancy will be concerned with examining the top management structure, essentially the policy branches of the Government Secretariat and their relationships with the Executive Council, the Legislative Council and the executive departments under their control. But of course, any adjustments which we may decide to make to that structure in the light of the consultants' findings will inevitably have repercussions further down the line. Clearly top management cannot function properly without the support of their more junior colleagues.

Miss DUNN referred to the concentration of Administrative Officers in the Government Secretariat. I am afraid that is inevitable given the policy formulation role of the central government. On the other hand, I entirely share her view that Administrative Officers should have experience of having direct contact with the public, of explaining policies and decisions and hearing peoples' views at first hand. Administrative Officers are subject to regular postings, some would say too regular. Our basic policy is to ensure that all Administrative Officers have experience of working both in front-line jobs in departments and at policy desks in Secretariat. Although some 40 per cent of Administrative Officer posts are located in the Secretariat, well over 95 per cent of the officers concerned, from young Assistant Secretaries to Heads of Branches, have worked in what Miss DUNN described as front line departments (and I assume she included the OMELCO Secretariat in that definition). I must say, however, I do not care much for the idea that the Secretariat is itself not a

front line department. I and my colleagues in this Council, who also form part of the Secretariat, could hardly be described as back room boys. We certainly stand in the firing line more often than most.

Dr. LAM suggested that procedures for dealing with irresponsible and inefficient civil servants should be put in place. These are already well-established under Civil Service Regulations and the Public Service Commission's advice is sought on disciplinary cases. Punishment can range from formal warnings to compulsory retirement in the public interest or dismissal in more serious cases. These powers, Sir, are certainly used and during 1986-87, 26 officers were compulsorily retired and 190 dismissed for incompetence, serious disciplinary offences or on other grounds.

Mr. SOHMEN commented on the need for stability and continuity in the public service. The point is well made. But there have only been three resignations from directorate officers in the past year, out of a total strength of over a thousand. The wastage rate in the service as a whole has declined from 6 per cent 10 years ago to 3 per cent in the last couple of years.

Mr. SOHMEN also highlighted the importance of closer contact and better understanding between the Administration and the private sector. I could not agree with him more. The Administration has an on-going programme to second officers to local firms, United Kingdom Civil Service, and international organisations to enable them to acquire wider experience. The secondment of personnel from the private sector to the Government is proving rather more difficult, perhaps because our terms of service are not quite as attractive as employers in the private sector sometimes like to make out. So far the benevolence of the private sector does not extend to paying for their employees to come and work for us. As an alternative, the Administration is inviting management personnel from the private sector to participate in the three-month long Senior Staff Courses organised for our senior professional and directorate officers. Seven such courses have been completed and over 20 managers from the private sector have participated in the programme. I believe government officers and their counterparts in the private sector are benefitting from the opportunity this provides for them to exchange ideas on a wide range of Hong Kong problems.

Sir, several Members have referred to the establishment of the Hospital Authority and the reorganisation of the Housing Authority. Most have been in favour of our proposals but some doubts and fears have been expressed. In assessing the needs of the community and formulating its policies to meet those needs, it has been the Government's practice regularly to examine the composition and working of its advisory committees, so as to ensure that they continue to function effectively and to fulfil a genuine purpose. Changes are introduced where necessary to meet new situations. Its establishment of statutory bodies with some executive functions, and with the authority in some cases to propose policy changes, is part of this process. Some observers have

suggested that this is a means whereby the Government can offload its responsibilities, particularly those for taking unpopular decisions; or that it is a clandestine way of effecting fundamental changes to the pattern of relationships between the different arms of government. Nothing, Sir, could be further from the truth.

In establishing these bodies, the Government's aim is to ensure that it is better placed to respond promptly and flexibly to changes in demand for its services, and that its advisers are better placed to offer advice on policy issues on the basis of direct knowledge and experience of the way in which these services are delivered on the ground. Its establishment of statutory bodies with a large element of membership from outside the public service is an effective way of bringing the decision-making process closer to the public and must, I believe, be a welcome development.

But, although the statutory bodies are given decision-making powers, the Government remains responsible for determining the broad policies which provide the framework for such operational decisions. Members of the Administration will continue to serve as members on these bodies, and all the bodies will have as their executive arms government departments staffed by public servants. Any policy proposals which are based on their recommendations and which require the enactment of legislation or the voting of funds will require the approval of this Council or its Finance Committee. The establishment of these bodies will therefore in no way detract from the Government's authority and responsibility to govern, or alter the relationship between the Administration, the Executive Council and the Legislative Council.

Sir, some Members have commented on our links with China in the political and economic fields. These will no doubt continue to develop, not only as a consequence of the Sino-British Joint Declaration, but also as a consequence of China's own economic development and of Hong Kong's role as a gateway between China and the outside world. In the run up to 1997, the British and Chinese Governments are both concerned with maintaining the stability and prosperity of the territory and in ensuring a smooth transfer to government in 1997. This can best be achieved by ensuring that there is maximum continuity of administration before and after 1997. This is clearly envisaged in the Joint Declaration. It is thus not only entirely reasonable but also quite essential that there should be close contact and exchanges of views between the two sides, through formal and informal channels.

We should not be fearful of these developments. Over the past decades, Hong Kong's relationship with China has developed steadily in a practical and pragmatic way. The reality of our situation is that a sound working relationship with our neighbour has always been essential to Hong Kong's stability and progress. But this is not to suggest that this fact dominates our thinking or the way in which we govern Hong Kong. It is a clear duty to ensure that the interests of Hong Kong people are paramount and remain so.

Sir, many Members spoke on the general question of the relationship between the Government and the people and I would like to add some thoughts of my own. Very often this relationship is depicted as one of conflict, with the Government standing on one side and the population, or the majority of them, standing on the other. But can this really be so? Can any government which consistently acts against the wishes of the people really survive, particularly in a free and open society such as Hong Kong? By definition, what the Government does or does not do must affect the people, either directly or indirectly, and to a greater or lesser extent. Very often the Government has to act in a way which adversely affects the interests of some individuals or some sectors of the community. This is not done carelessly or vindictively, but for the sake of safeguarding the interests of the community as a whole. We must accept that we cannot please all of the people all of the time. It is a fact of life in any modern and sophisticated society that there is seldom, if ever, complete unanimity on any issue, and any decision taken by the Government will inevitably be welcomed as desirable by some and criticised by others. It is also a fact of political life that Government can seldom expect praise from those who approve of or accept its decisions, but can certainly count on being roundly criticised by those who do not. So the Hong Kong Government is not afraid of criticism; we are quite willing to admit that we may not get everything right. Indeed, we pride ourselves on being a free society where debate is encouraged and people can speak up against the Government. And indeed this Chamber has seen many examples of that principle being fully exploited in the recent past.

But that freedom also includes the right of the Government to reply to criticism. Some would say it is a freedom that we do not exercise often enough, but it is one which I feel should be exercised today. For in this debate, Sir, two Members have attacked not just the actions and policies of this Government, but have questioned its integrity. Sir, such assertions cannot go unanswered.

Mr. Martin LEE and Mr. PANG Chun-hoi, each following a remarkably similar theme, have accused this Government of relinquishing its authority over the Government of Hong Kong, of deceiving its people and of lacking moral fibre. Mr. LEE went on to suggest, Sir, that you had invited Chinese intervention in Hong Kong during your last visit to Peking. He did not explain how he reached this remarkable conclusion.

I have always been brought up to believe that a barrister is trained to put his arguments on the basis of fact and evidence. Yet Mr. LEE, in his speech, relied on insinuation and innuendo with not a single shred of evidence to support his so-called 'case' against the Hong Kong Government. Sir, this Administration, following your example and that of your predecessors, is totally committed and dedicated to furthering the interests of the people of Hong Kong. That has always been our primary concern and remains so today. I know I speak for the whole of the Administration, Sir, when I say that we deeply resent the fact that our integrity and motivation has been called into question.



Your address, Sir, provides clear evidence of the Government's sense of responsibility and its determination to govern Hong Kong in the overall best interests of the community. Many of our programmes and plans are designed to bring benefits well beyond the end of this century. This reflects the solemn obligation which the British Government has accepted under the Joint Declaration, that it 'will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability'. It is an important fact that the continuation of good government up to and beyond 1997 depends very heavily on the existing body of public servants and advisers. Sir, the Government is not a machine. It is made up of people; people who care about the future, who care about the future of their children, people who above all care deeply about Hong Kong. That it is these very people whom by inference Mr. LEE and Mr. PANG have sought to denigrate in their speeches. It is incumbent upon the Hong Kong Government to continue to provide sound administration in the territory, and to exercise responsibly the high degree of autonomy which it already enjoys under the British Government and which the government of the future Hong Kong SAR will enjoy under the Chinese Government. We are determined to meet that requirement.

Sir, Mr. LEE and Mr. PANG do a grave disservice to this community by trying to undermine the credibility and authority of this Administration. For the life of me I find it difficult to see what they hope to achieve. If they are playing politics they are indeed playing a dangerous game, because the fact is that the stability and prosperity of this community depends upon the credibility and authority of this Administration. This Government does not need to be reminded of its duty by Mr. LEE and Mr. PANG. Every senior member of this Government is acutely aware that we must retain the trust of the people of Hong Kong; that every policy, every action and every move that we make must have the support, and be in the interest of, the majority of the people of Hong Kong. Indeed, our ability to govern depends as much now, as it has in the past, upon that trust and that support.

Sir, the accusations which have been made against us are grave indeed. They cannot be taken lightly or dismissed simply as part of the cut and thrust of political debate. I refute them in the strongest possible terms. Those who continue to make them in the misguided belief that they are dealing with a lame duck will discover that they have a tiger by the tail, and not a paper tiger either.

Sir, I beg to move the motion.

*Question put and agreed to.*

**Adjournment and next sitting**

HIS EXCELLENCY THE PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 18 November 1987.

*Adjourned accordingly at fourteen minutes to Six o'clock.*