

1 HONG KONG LEGISLATIVE COUNCIL -- 16 November 1988

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OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 16 November 1988

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

THE HONOURABLE THE FINANCIAL SECRETARY
MR. PIERS JACOBS, O.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL
MR. JEREMY FELL MATHEWS, J.P.

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

THE HONOURABLE DONALD LIAO POON-HUAI, C.B.E., J.P.
SECRETARY FOR DISTRICT ADMINISTRATION

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.

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, O.B.E., J.P.

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

THE HONOURABLE CHENG HON-KWAN, J.P.

THE HONOURABLE CHUNG PUI-LAM

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

THE HONOURABLE DAVID LI KWOK-PO, 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 SZETO WAH

THE HONOURABLE TAI CHIN-WAH

THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING

DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.

THE HONOURABLE ANDREW WONG WANG-FAT

THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.

THE HONOURABLE GRAHAM BARNES, C.B.E., 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 MICHAEL LEUNG MAN-KIN, J.P.
SECRETARY FOR TRANSPORT

THE HONOURABLE EDWARD HO SING-TIN, J.P.

THE HONOURABLE GEOFFREY THOMAS BARNES, J.P.
SECRETARY FOR SECURITY

THE HONOURABLE PETER TSAO KWANG-YUNG, C.P.M., J.P.
SECRETARY FOR ADMINISTRATIVE SERVICES AND INFORMATION

THE HONOURABLE CHAU TAK-HAY, J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

THE HONOURABLE MARTIN GILBERT BARROW, O.B.E.

THE HONOURABLE PAUL CHENG MING-FUN

THE HONOURABLE MICHAEL CHENG TAK-KIN, J.P.

THE HONOURABLE DAVID CHEUNG CHI-KONG, J.P.

THE HONOURABLE RONALD CHOW MEI-TAK

THE HONOURABLE MRS. NELLIE FONG WONG KUT-MAN, J.P.

THE HONOURABLE MRS. PEGGY LAM, M.B.E., J.P.

THE HONOURABLE DANIEL LAM WAI-KEUNG, J.P.

THE HONOURABLE MRS. MIRIAM LAU KIN-YEE

THE HONOURABLE LAU WAH-SUM, J.P.

DR. THE HONOURABLE LEONG CHE-HUNG

THE HONOURABLE LEUNG WAI-TUNG, J.P.

THE HONOURABLE JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

THE HONOURABLE KINGSLEY SIT HO-YIN

THE HONOURABLE MRS. SO CHAU YIM-PING, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE MRS. ELSIE TU, C.B.E.

THE HONOURABLE PETER WONG HONG-YUEN

ABSENT

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

THE HONOURABLE HUI YIN-FAT

THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.

THE HONOURABLE TAM YIU-CHUNG

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL

MR. LAW KAM-SANG

Papers

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

Subject	L.N. No.
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Subsidiary Legislation:

Maintenance Orders (Reciprocal Enforcement)
Ordinance

Maintenance Orders (Reciprocal Enforcement) (Designation of Reciprocal Countries) (Amendment) Order 1988.....	298/88
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Registration of Persons Ordinance

Registration of Persons (Invalidation of Old Identity Cards) (No.3) Order 1988.....	299/88
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Banking Ordinance

Banking Ordinance (Amendment of Fifth Schedule) (No.5) Notice 1988.....	300/88
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Sessional Papers 1988-89

No. 23 -- Samaritan Fund - Income and expenditure
account for the year ended 31 March 1988

No. 24 -- Annual Report of the Director of Accounting Services and the Accounts of Hong Kong for the year ended 31 March 1988

No. 25 -- Report of the Director of Audit on the Accounts of the Hong Kong Government for the year ended 31 March 1988 and the results of value for money audits October 1988
Director of Audit's Report No. 12

Government business

Motion

COMPANIES ORDINANCE

The Attorney General moved the following motion:

"That the Companies (Winding-up) (Amendment) Rules 1988, made by the Chief Justice on 15 September 1988, be approved."

He said: Sir, I move the motion standing in my name on the Order Paper.

The Companies (Winding-up) (Amendment) Rules 1988 make a consequential amendment to the principal rules following the enactment of the

Companies (Amendment) (No. 2) Ordinance 1988 on 6 July 1988. This amendment, read together with the amending Ordinance, allows the Registrar of the Supreme Court to hear in open court unopposed petitions for the winding-up of a company, so that the Companies Judge can give more time to the hearing of contested petitions.

Sir, I beg to move.

Question proposed, put and agreed to.

Second Reading of Bill

MOTOR VEHICLES (FIRST REGISTRATION TAX) (AMENDMENT) BILL 1988

Resumption of debate on Second Reading which was moved on 2 November 1988.

Question proposed, put and agreed to.

Bill read the Second time.

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

Committee stage of Bill

Council went into Committee.

MOTOR VEHICLES (FIRST REGISTRATION TAX) (AMENDMENT) BILL 1988

Clauses 1 to 3 were agreed to.

Council then resumed.

Third Reading of Bill

THE ATTORNEY GENERAL reported that the

MOTOR VEHICLES (FIRST REGISTRATION TAX) (AMENDMENT) BILL 1988

had passed through Committee without amendment and moved the Third Reading of the Bill.

Question on the Bill proposed, put and agreed to.

Bill read the Third time and passed.

Member's Motion

MOTION OF THANKS

Resumption of debate on motion which was moved on 9 November 1988.

FINANCIAL SECRETARY: Sir, in your address to this Council, you said that a healthy and growing economy is the essential foundation for all our efforts to improve the quality of life for the people of Hong Kong. I respectfully agree. In view of the importance of the economy to the development of services to our community, I shall start by saying a few words on this subject before I turn to specific issues raised by Members in the course of this debate.

As you indicated, Sir, with the economy operating close to capacity, inflation has become one of our major concerns, and there are as yet few signs that the pressure is easing. Several Members have echoed this concern. Painful though inflation is, there are unfortunately relatively few policy options open to a small externally oriented economy, which has become increasingly interdependent with other economies throughout the world.

As I have said before, inflation is part of our economy's adjustment process. Thus, although in the short term I have little to offer by way of comfort, the necessary adjustments will take place, probably reflected initially by a slower growth rate in our economy than we have experienced in the recent past. Thereafter, I have no doubt that Hong Kong will again enjoy strong growth, and that this will happen without our making fundamental changes in our economic policies.

Management of public finance

In times of rising inflation, it is, of course, incumbent upon Government to exercise close control over public expenditure. I can assure Members of this Council that it is my intention to do just that, not only in respect of expenditure by

government departments but also in respect of expenditure by those various agencies of Government which receive public funds.

The growing pressure for increased public expenditure on all sides, both recurrent and capital, must be constrained within our guidelines. Sir, as you have said, it is our underlying philosophy that the growth rate of public expenditure should not outstrip the underlying growth rate of the economy. Public expenditure is not directly related to our ability to raise revenue, but rather to the underlying performance of our economy.

Expenditure on civil service pay is a major component, nearly 40%, of recurrent expenditure. Our guideline for the growth in the size of the Civil Service is 2.5% per annum, a figure which is related to what we believe is Government's fair share of the labour market. Yet in the current year the Civil Service could grow by some 6%, equivalent to about 9 000 posts. This excessive growth cannot be permitted to continue and, as I said in my Budget Speech earlier this year, it is my intention to slow this rate down next year and to get back to our guideline the following year.

A number of Members have encouraged Government to give better value for money in relation to the services we offer. As far as I am concerned they are preaching to the converted. But on top of all the excellent efforts made so far by my colleagues, I agree that more needs to be done, not only by heads of departments but increasingly by Secretaries, who have the responsibility for ensuring that the funds they are allocated are spent efficiently and effectively.

I am glad to report that Finance Branch together with the Treasury have already successfully instituted a number of financial management reforms, all designed to enhance efficiency and productivity. These reforms are ongoing. The focus will continue to be on the improvement of our performance in the delivery of services to the community through the adoption of modern financial management techniques.

Sir, this brings me to the relationship between on the one hand the Government, and on the other the various agencies, including statutory authorities, which deliver services to the public on behalf of Government. I refer not only to subvented organizations, such as those in the medical and educational fields, but also to such bodies as the Trade Development Council, the Hong Kong Tourist Association, and to commercial organizations such as the Kowloon-Canton Railway and the Mass Transit Railway.

Once the Hospital Authority has been established, over 40% of the services delivered to the public will be provided by these agencies, and not by the Civil Service. It is increasingly important therefore that Government should formalize its position regarding these agencies. I am, of course, concerned with the establishment of a proper financial relationship covering such matters as the Government's financial contribution, approvals for capital expenditure programmes, dividend policies and performance measures.

Sir, lest it be thought that what I have said means greater government control over the management and day to day operations of these bodies, may I assure Members that our intention is quite the opposite. Where we have taken the view that certain public services can, for one reason or another, be better provided outside the Civil Service, it is our intention that the agencies concerned should get on with the job which has been entrusted to them. We will not interfere. But in answer to some Members who have expressed concern at the loosening of control, I accept that it is our responsibility, The Government's responsibility, to ensure that the agencies should continue to operate within a broad framework established by the Government, a framework which sets out clearly the objectives and the nature of the financial relationship between the agencies concerned and the Government.

Trade

I turn now to trade and industry. A number of Members highlighted the need to continue our efforts to fight against protectionism and to promote our exports. I entirely agree with what they have said. We are particularly concerned over the dangers of any renewed attempt by the United States Congress to pass protectionist textiles legislation.

The current trend of our trade with the United States is helpful in this respect. The proportion of our domestic exports to this market has continued to decline, from 44% in 1985, to 38% in the first half of 1987, and to 33% in the first half of this year. Perhaps more importantly, the United States trade deficit with Hong Kong declined by a dramatic 26% in the first eight months of this year as against the same period in 1987.

In relation to our trading position generally, we are also monitoring carefully the progress of the members of the European Community towards the establishment of

a single market in 1992. Indeed, a major conference was held in Hong Kong this month on this issue. The fact that over 400 participants attended this conference is clear evidence of the interest that developments in Europe are arousing in Hong Kong. While there are potential problems involved, we are inclined at this stage to regard the single market as a positive step which will provide new opportunities for our exporters.

A key role in expanding Hong Kong exports is, of course, played by the Trade Development Council, which has continued to have considerable success in developing new markets. Complementing these trade promotion efforts is the work of the Trade Department, which seeks to remove barriers in overseas markets in order to promote a free international trading system. Particular efforts are being made to achieve positive results in the GATT's Uruguay round.

Some Members commented on the continuing growth of our economic relationship with China. This growth is clearly a crucial and welcome factor in the progressive restructuring of our economy. China is now our largest trading partner, with particular importance in our re-export trade.

Sir, probably the most dominant theme of Members' remarks in relation to industry was the need to increase the competitiveness and technological level of our manufacturing sector, a fundamental objective with which I wholeheartedly agree.

There are a number of complementary factors at work. Much is being achieved through the working of market forces, but the Administration is also lending significant assistance in this regard. Automation and the use of higher technology is contributing to the upgrading of our industrial sector. And we are enjoying the benefits of a continuing stream of new higher technology investments from overseas, particularly from the United States and Japan.

Some Members welcomed initiatives already under consideration, such as the proposals for a technology centre and a third industrial estate, but inevitably there were calls for more to be done. Of course, we are in a dynamic situation and I accept that we can never afford to rest on our laurels if we are to remain competitive.

Key roles in Hong Kong's industrial development are played by the Industry Development Board and the Productivity Council, and I fully agree with the point that we need to make maximum use of private sector representatives on such bodies in order to achieve an effective dialogue. It is of importance that we secure the right input,

and to this end we have decided to restore formal representation of the principal trade and industrial organizations onto the Industry Development Board.

Sir, it is worth underlining the extent of our commitment of resources to the industrial development programme. Let me give just one example. In respect of the Productivity Council alone, the government subvention has more than doubled, from \$37 million in 1985-86 to \$91 million in the current financial year.

But we need to look imaginatively at problem areas in order to see how they can be removed or reduced. One current example of what is being done is in the field of manpower training in new technologies. Here a Working Party, chaired by the Director of Industry will soon be completing its consideration of how best to ensure that our technologists can be kept up to date with new developments.

And the proposed quality improvement programme is yet another example of the way in which we are formulating new initiatives to upgrade our industry. We are firmly committed to continuing this process, in partnership with the private sector.

Securities and Futures Commission

Sir, some Members have expressed concern about the powers of the new Securities and Futures Commission when it comes into operation.

In reforming our regulatory system for the securities markets, we will, of course, seek to strike the right balance between the need for adequate powers to combat fraud and market abuses and the need to preserve civil liberties; and between the desire to encourage the growth of markets and the need to ensure that they do not get out of control.

As Members have rightly pointed out, we must avoid over-regulation. Otherwise we will stifle the vigour and innovation of our markets. While looking overseas for useful references, and indeed for internationally accepted standards of conduct, we must not forget the need for a Hong Kong solution. In vesting powers in the new commission, we will ensure that there are adequate checks and balances, but nevertheless without undermining the commission's regulatory authority.

The establishment of the commission is essential if we are to maintain the momentum of implementing the reform proposals put forward by the Securities Review

Committee. We have accorded top priority to the drafting of legislation to bring this new authority into early existence.

In view of the very tight timetable, we began consulting market organizations, professional bodies and advisory committees on the major draft provisions of the Bill at an early stage, notwithstanding the fact that consultation on these provisions within Government was still continuing. Despite a mistaken belief in some quarters that there has been a polarization of views, I must emphasize that the consultative process so far has been most helpful in enabling us to gauge market responses towards major legislative proposals while they are still in a formative stage. The process of consultation is essential and it is continuing. It remains our aim to attract a broad consensus of support for the proposals I shall in due course be putting before this Council.

Appeal procedures

The need for reform of the appeal procedures under the Banking Ordinance has been touched upon by one Member who said that such a reform had been promised in the past. Let me clarify the position. During the debate on the Second Reading of the Banking Bill 1986, my predecessor agreed to re-examine the appeal procedures. And as I pointed out in this Council last June, the general issue was thereafter addressed thoroughly within the Administration and we concluded that the idea of an independent tribunal to hear appeals under the Banking Ordinance would present a number of difficulties. An independent tribunal would normally be empowered to hear an appeal de novo. It could reverse a decision based on sound policy considerations. This could result in the whole policy being changed. Such a tribunal would be unlikely to possess full background information in relation to the formation of the policy concerned, and it might not be in a position to perceive the wider implication of its own decision.

Nevertheless, we are always prepared to consider the views of the banking industry on matters of this kind. So in response to a recent study by the Hong Kong Association of Banks on the appeal procedures, I have asked the Banking Advisory Committee and the Deposit-taking Companies Advisory Committee to review this subject. This review will also cover the procedures concerning appeals from decisions on capital adequacy ratios.

In relation to capital adequacy ratios, the Banking Ordinance provisions requiring minimum prudent levels of capital came into force on 1 September this year.

No authorized institution has indicated any wish to appeal against the minimum capital adequacy ratios assigned. As to concerns that the capital adequacy ratios in Hong Kong might be set above international levels, thereby putting Hong Kong banks at a disadvantage, there is as yet no international standard in force, but even if there were and our levels were somewhat higher, I do not think that we should be unduly worried. As an international banking centre, Hong Kong has much to gain from showing the world that our banks have the ability to measure up to the highest standards.

Airport development

Lastly, Sir, airport developments have caught the attention and interest not only of Members of this Council but also of the public. As you have said, Sir, the subject is of great importance to Hong Kong. Several Members have commented on the need to improve facilities at Kai Tak Airport and to construct a replacement airport as soon as possible. We must, of course, ensure that Hong Kong has the necessary aviation infrastructure to underpin our economic development.

Facilities at Kai Tak Airport are continuously being upgraded and improved to keep pace with demand. Consultants have just submitted their report on Kai Tak's ultimate capacity and development potential. They have concluded that despite site constraints, it should be possible to improve the airport facilities to accommodate further growth. The consultants' report includes recommendations in relation to the enhancement to the air traffic control system, the expansion of aircraft parking facilities and measures to optimize usage of the single runway system. Taken together, these improvements should enable Kai Tak to meet demand well into the 1990s. But what of the future?

Sir, as you have pointed out, a replacement for Kai Tak will be the biggest project ever undertaken in Hong Kong. It will affect Hong Kong's development well into the 21st century. We have therefore embarked upon a well-coordinated series of detailed studies to enable us to site and fund the airport to Hong Kong's greatest advantage.

Studies to evaluate the relative advantages of siting a replacement airport at Chek Lap Kok or in the western harbour area are proceeding well and on schedule. The various studies will be drawn together for evaluation by the third quarter of 1989. We should then have all the necessary facts and figures to enable us to take a decision before the end of 1989. We need to be satisfied that the project is financially and economically viable so that once embarked upon we can see it through to its successful

completion. There should be ample scope for private sector participation, but much will depend on the financing strategies and the institutional arrangements adopted.

We are making good progress, but given the magnitude of the task and its far-reaching implications for the economy, it is only right that we exercise care. No one would expect otherwise.

Sir, with these remarks, I support the motion.

SECRETARY FOR LANDS AND WORKS: Sir, this debate has produced so much comment regarding lands and works, planning and the environment that I would need most of the afternoon to cover the field properly. So I hope that Members will forgive me if I simply address the main topics covered, and also if I assume that they will recall the very solid programme of work on all fronts which was outlined in your speech. But first I would like to make a very general point. The main infrastructural development and environmental plans for airport, port, transport, metroplan, sewerage systems and the rural areas, and the review of the Town Planning Ordinance on which we are engaged, are quite massive and cover virtually every corner of the territory. They are also totally dependent on each other to produce results. For instance the port area and the metroplan area overlap, and are in some cases competitors for land; the removal of the airport would provide the largest single opportunity for land formation for improvement of the Kowloon environment, and for commercial, industrial, housing and other uses, as well as providing one major option for port development; sewerage and waste disposal schemes must be designed in relation to planned land uses and themselves have a considerable demand for land and will have to be co-ordinated with our reclamation schemes; the container handling business now extends deep into the areas for which we are now working out a rural planning and improvement strategy and must be taken into account; new infrastructure and proper rural development require planning controls not necessarily contained in the Town Planning Ordinance. The crash programmes we want for the port and airport, and land formation schemes to meet the dramatically changing nature of industry, and moreover being undertaken against a background of a need for environmental protection, which was always there, but on which the people of Hong Kong will now rightly insist. For the whole scene of change is the living and working environment of Hong Kong.

The port and airport studies

Sir, the Port and Airport Development Strategy studies are progressing very well and are on schedule. In the general framework of three basic scenarios, that is with Kai Tak Airport retained, a new airport at Chek Lap Kok and a new airport in the general area east of Lantau Island, the Port and Airport Development Strategy consultants have produced a number of different options on port development. These options will be progressively refined during the next nine months and by the end of next year decisions on the airport and port development strategy will have been taken. Special attention is also being paid in the study and the future structure of policy and departmental functions in the Lands and Works Group, to which you briefly referred in your speech, Sir, to ensure that the departmental machinery for fronting up to these massive development programmes envisaged is in place in time.

Metroplan

Sir, when we first adopted the name "metroplan" for the sub-regional planning statement for the metropolitan area, that is Hong Kong, Kowloon and Tsuen Wan, I was in two minds about the name, as I was afraid that it would be seen as being too slick a title for what might in the end turn out to be a non-event. As our studies have progressed, however, it has become apparent that such a strategy is vitally necessary against the overall pattern of change which will be produced by the implementation of the Port and Airport Development Strategy, the major urban reclamations, redevelopment by the Land Development Corporation and others of obsolete details of private development and of the older public housing estates by the Housing Authority. Also metroplan is about the only means by which we can give any hope of realization to our planning of the transport system after the period covered by the Comprehensive Transport Study No. 2 and also of the upgrading of the general urban environment. So this study, which we initiated primarily for urban renewal and environmental improvement reasons, has necessarily become strategic as well.

Sir, this study is exceptionally complex. Its implementation, involving local environmental and town planning, consultation, development works, land administration and coordination of the redevelopment plans of the Land Development Corporation and the Housing Authority all in a heavily populated area, will be no less so. So, once again, Metroplan and the organization needed to coordinate it have been made a specific part of the organizational study now being carried out in the Lands and Works Group.

Sir, we were appreciative of the interest which some Members have given to the work in this study, not least because after publication of a general statement of intent we were not able to spare staff to attend to many requests which we received for more detailed briefings. Our next publication which will outline the major options will be published in mid-1989 and I hope at that time to be able to arrange a much wider consultation.

Rural planning and improvement

Sir, we have been very conscious of the strong grounds for the pressure which has been sustained by certain Members of this Council for improving the infrastructure and the environment of the rural areas. Your speech, Sir, outlined the background to the study which is now being carried out on rural planning and improvements. I am sorry to have to keep dwelling on complexities, but Members familiar with land matters in the New Territories will know best just how complex a matter planning and the improvement of the rural areas can be. That is at least part of the reason why it has not been attempted comprehensively in the past, and why it is now so desperately needed. Rural planning and infrastructural improvements are inseparable entities of the strategy. Without effective planning and development control policies to provide a rational basis for effective public and private investment in the rural areas, the acceleration of infrastructural improvement programmes will merely open up larger tracts of rural land for indiscriminate uses and aggravate the problem of urban sprawl and pollution in the countryside. I will not attempt today to anticipate the strategy in details, but I see the greatest benefits to be gained from it as being:

- (a) firstly, it will provide a positive and realistic framework for local development -- when I say realistic I mean the recognition that small industry, container storage and even car-breaking are all part of present day rural life and that landlords will want an economic return on their land;
- (b) secondly, it will help to control pollution and to prevent the encroachment of incompatible activities on people's normal lives;
- (c) thirdly, it will reduce flooding; and
- (d) fourthly, it will facilitate the provision of transport to the villages.

I think its main difficulties as being:

(a) firstly, the acceptance by rural land-owners that planning does not necessarily divide development opportunities equally;

(b) secondly, the present system of resumption compensation which is related to urban development expectations in the new towns could well swallow up most of the funds which we wish to devote to improvements, and will also almost certainly have to be changed in this context; this could be unpopular;

(c) thirdly, the flatness of much of the area will in many cases make sewerage relying on gravity impossible and require pumped systems; it is also the major problem in flood protection schemes; and

(d) fourthly, the problem of making adequate staff resources available for the work.

So these and many other aspects of the strategy will have to be discussed in considerable detail with those affected before the middle of next year, and I have in mind the establishment of a joint working party involving both members of the Town Planning Board and the Heung Yee Kuk to discuss them prior to a more general consultation.

Town Planning Ordinance Review

Sir, if we build roads to a rural standard to serve villages, they will not carry fully loaded container lorries, and if we construct a sewerage system for an estimated rural population of say, 3 000 it will not be big enough if, say, a dyeing factory or housing for 5 000 is constructed on the land served by it. So an integral part of infrastructural development has to be some control on land use. The present Town Planning Ordinance makes no provision for the preparation of plans for or other controls on rural land uses, and this is one of the reasons why it needs revision. But it is not the only reason. The Town Planning Ordinance is essentially a vehicle for producing Outline Zoning Plans for urbanized areas and, although it has been ingeniously amended to bring into effect a rudimentary planning permission system, it is still far from what is now needed to provide for effective planning in the town and country. With the help of an advisory group, which is chaired by

the Honourable Edward Ho, proposals for new draft legislation will be finalized in about April next year. Again it is a bit dangerous to anticipate such proposals or even parts of them piecemeal, but I know that among the more significant features will be extension of town planning to cover the whole territory -- that is, the Government will not only have a fuller control of the developed areas, but will have powers to assess and control environmentally significant developments in all areas, -- second some system of enforcement of planning decisions, and some recognition of the realities of planning blight, the case for which is particularly strong in a leasehold system.

Sir, an important part, perhaps the most important part, of the organizational review of the lands and works group of departments, is concerned with the disposition of town planners, which I agree is presently fragmented and inefficient. The formation of a new Town Planning Department is one of the solutions under consideration in this review.

Environmental protection

I was very encouraged by the welcome, Sir, given by Members to Your Excellency's detailed account of the Government's proposals for improving the environment of Hong Kong, because it will need a concerted effort by the Administration, this Council, and the OMELCO panel for the investment and legislation proposed to have any real effect. And in the massive crash programme of infrastructural development on which we will be set there will be very difficult choices regarding funds and land resources between economic, social and environmental projects. In these circumstances, if all our professions of intent are to mean anything, we cannot, as perhaps we and most other countries have done in the past, allow expenditure and land allocation in support of environmental protection only a residual place after we have provided for our economic and other social needs. We have watched year by year the increase of affluence of our society marching in parallel with a decline of our air and water and general environmental standards, assuming that we could somehow catch up on these standards when we had finished our economic and social programmes. Of course, in reality we will never finish these programmes, and we have to accept in our planning and distribution of resources that the preservation of the Hong Kong environment has to be given an equal place with them. In some cases, as in critical land allocations, it will need to be given priority. For it is no use putting all our time, effort and money into planning our future economic and social infrastructure if, at the end of the day, We finish up with an environment that nobody wants to live

or work in or which all makes them ill.

Members have suggested many areas where environmental improvements are necessary. Some of the more "local" points I will take up directly with them outside this Chamber. But many important issues have been raised, and we need a concerted plan of action.

Government will therefore produce, by July 1989, White Paper on Pollution, a statement of intent which will spell out Government's strategies, objectives and targets, with a time-table for achieving them. It will cover the whole spectrum of pollution: air, noise, water and wastes. I am confident that we can produce the right kind of plans and targets, but co-operation and commitment will decide whether we succeed or fail in them.

Co-operation means co-operation not only from the major polluters in both the public and the private sectors, and in particular those sectors of industry whose effluents, wastes, air emissions and noise levels are unacceptable; but also co-operation and better co-ordination between government branches and departments; and also, as many colleagues have noted, co-operation from every member of the community. Although public awareness of environmental issues and support for environmental programmes are growing, we will, as certain Members pointed out, have to upgrade our pollution education and awareness programmes; we have considerably increased our financial provision for this purpose. We must also do all we can to help polluting industries whenever possible to adjust their technology and methods, so that they can continue to play their part in the economy without polluting the environment.

Commitment means the firm resolve to finance and implement our plans, overcoming the frustrations and set-backs which are bound to occur, and driving towards our overall objectives. But most of all, we will need commitment to the environment from this Council in creating effective and positive legislation. While the White Paper is being prepared, the Administration is committed to the programmes of expenditure and legislation which you outlined on 12 October in this Council and, with or without a White Paper, it means to achieve them.

Construction industry

Sir, the Secretary for Education and Manpower will be speaking in general terms

about the labour shortage, but it may be worthwhile if I say a few words about the construction industry in particular. The industry has certainly had a difficult time this year, but nevertheless seems to have done extremely well, and to have shown considerable resilience in difficult circumstances.

The recently published Census and Statistics Department survey showed a 20% labour vacancy rate on Housing Authority contract sites. Despite this problem, the Housing Authority expects to have produced a record of 54 000 flats this year which, together with 6 000 flats produced by private developers under the Private Sector Participation Scheme, more than make up for last year's shortfall. New contracts continue to be let on time. The labour vacancy rate on other government contracts, at 10%, is much less and major delays are not a very widespread problem. The survey shows that in the private sector, which finances approximately two-thirds of the \$30 billion being spent on building and civil engineering construction this year, there is only a vacancy rate of 3%.

A more recent survey has been carried out by Census and Statistics Department, but the results are still coming in and have not yet been analysed. The indications are that the situation is about the same. Rates of increase in both the tender prices and labour and material costs for the Government and the Housing Authority have slowed down. Sir, there is no need for drastic action now. But this situation will have to be watched very carefully, and we are looking very seriously at the resources which will be needed for our future infrastructural programmes. In this context, I should mention that Government has throughout the year had a number of meetings with representatives of the construction industry to devise the best way to import labour for construction. Following these meetings a detailed but limited scheme for the importation of labour for the construction industry was drawn up. It was not introduced because it would have had serious policy implications in other areas.

Miscellaneous points

Sir, there are still a few points made by Members on which I would like to make specific comments. I am very conscious of the public feeling about holes in the roads and pavements, and I have specifically asked for examination of pricing system for road excavations, with a view to making a presentation early next year to the OMELCO Lands and Works Panel on the whole road openings issue. We too are concerned about the limited supplies of high grade office accommodation expected to

enter the market in the next few years and the effects on commercial rents, and will be having discussions with the industry to see what can be done. The suggestion that more unused industrial accommodation might be used for offices will certainly be considered, but it could have serious repercussions for industry. The Land Development Corporation's scheme will also undoubtedly assist the situation in time and in this context may I ask you, Members, that the progress which the corporation has achieved so far could not possibly have been achieved without a high priority being given by Government to its schemes, and also, may I assure Members that this will continue.

Finally a point on housing. We agree that we should get on with redevelopment schemes as soon as possible, but not that repair works should not be carried out, because they are expensive or disruptive to blocks scheduled eventually for redevelopment. Under the Comprehensive Redevelopment Programme of the Housing Authority, repairs and maintenance works are planned in relation to the life expectancy and conditions of each block to ensure that the level of works is kept to the minimum necessary. As a responsible landlord, the Housing Authority cannot just put off such essential repairs. Given the size of the repairs programme, it will be extremely difficult, if not impossible, to provide reception accommodation in each and every case to those affected.

Sir, all in all, 1989 promises to be a pretty lively and decisive year, and with this final comment, I support the motion.

SECRETARY FOR TRANSPORT: Sir, as you indicated clearly in your address, despite continuous investment in our transport infrastructure, there are limits on the extent to which our road system can be further expanded. Road congestion will continue to be a problem. Many Members of this Council have agreed that it must be tackled with determination.

This points to the need, in the first place, for more and better use of public transport which carry a total of 9.4 million passengers a day.

Since August this year, the Kowloon-Canton Railway has added 75 train cars which, together with the modified existing cars, have increased total capacity by 75% over 1986. 54 new train cars have been ordered for delivery in 1990 and 1991 to further boost capacity by 25%. On the Mass Transit Railway, eight-car trains are now being

run at two minutes headway during morning peaks at both the Tsuen Wan and Kwun Tong Lines, and at three minutes on the Island Line. By May 1989, improvement works to the Tsuen Wan Depot should extend the two-minute headway at the Tsuen Wan Line for a longer period in the morning peak.

Phase I of the Light Rail Transit system, in operation since September, is carrying a daily average of 180 000 commuters together with 20 000 on the feeder buses. Like many other new rail systems elsewhere, the LRT has faced inevitable teething problems during its initial operation. However, improvements are constantly being made. Refinements to signalized crossings, platform width and interface between the light rail vehicles and other road users are being made in the light of experience. I believe that local commuters, with care, patience and understanding, will gradually accustom themselves to the new system, and to use it safely.

Before leaving the railways, I would like to reassure Members that the primary aim of establishing the two rail corporations is to ensure the provision of an efficient public transport system that will meet the growing needs of the travelling public. This aim is clearly enshrined in the respective Ordinances. Although the corporations enjoy some flexibility in their daily operation, overall control remains with the boards of directors appointed by the Governor to ensure that the corporations act in a manner consistent with the overall public interest. Time and experience have shown that both corporations have acted responsibly. There is no reason to suppose that they will act otherwise, and there are sufficient safeguards in the system to prevent this.

The three franchised bus companies carry nearly 4 million passengers per day catering for well over 40% of the total daily patronage. Their five-year forward planning programmes plus annual route development plans should be able to cope with the medium term need. These programmes take full account of the requirements of local residents for increased and improved services. Their flexibility and adaptability to new requirements enable them to respond readily to the demand of new residential developments, particularly in new towns.

Ferries, including cross harbour and outlying district services, maintain an important role in providing off-road transport services. New services are introduced whenever justified. Two routes: Wan Chai to Kowloon Point, and from Kowloon to Lantau and Cheung Chau were introduced this year.

However, inadequate pier and berthing facilities in the harbour are restricting their future development. We are now awaiting the completion of reclamation studies on the Central-Wan Chai and west Kowloon areas before firming up our proposal on pier reprovisioning programmes. In the meantime, we are seeking alternative berthing points to cope with inadequate passenger facilities in the Central piers.

Taxis and public light buses play a supplementary role in public transport. The Transport Advisory Committee has, earlier this year, examined their role in some detail. The role of taxis including their fare policy and the issue of new taxi licences were fully considered. Recommendations were subsequently accepted by Government for implementation. The policy of gradually converting red minibuses to green minibuses was also reaffirmed. It was also accepted that full conversion would be impractical due to the lack of suitable routes which are both financially viable and not wastefully competitive to the larger carriers.

Apart from a quantitative expansion of public transport, we are conscious of the need for qualitative improvements if they are to become an attractive alternative to private cars users. But I must sound a note of caution here: no city in the world is able to cater fully for the peak hour demand unless public transport services are to be heavily subsidized. A degree of tolerance and understanding from commuters is essential.

The two railways now offer considerable comfort and convenience except during the peak hours. The bus companies are also striving to provide better comfort. Modern and large buses have been progressively introduced. Air-conditioned coaches, offering a premium service, are being operated successfully by Kowloon Motor Bus on a selected number of routes. Similar services will be gradually extended to other suitable routes in Kowloon and Hong Kong Island. Moreover, KMB is now experimenting with air-conditioned double-deckers which, if successful, could give added comfort to bus travellers. At the same time, residential coach services are providing a more road-efficient alternative, offering air-conditioning and greater comfort to commuters from home direct to work.

Alongside the continued expansion of public transport services, we are pressing ahead with major highways and tunnels which, when completed in the next five years, will bring substantial relief to our present congestion. In particular, the completion of the Eastern Harbour Crossing, the Shing Mun or Route 5 Tunnel and Tate's Cairn Tunnel will considerably relieve the present cross harbour traffic and that

experienced at Lion Rock Tunnel.

It is apparent, however, that with growing economic activities and the rising standard of living, the demand for travel will continue to increase and new roads will soon become full. The Second Comprehensive Transport Study has forecast that by 2001, the number of private cars will increase from the present 100 000 to 390 000; the number of goods vehicles from 170 000 to 185 000 and the number of daily public transport boardings from 9 million to 12 million. These are large increases. We must therefore plan and expand our transport infrastructure up to the end of the century and beyond. This is one of the aims of the Second Comprehensive Transport Study.

The study is now coming to its final stage. While not wishing to pre-empt its final recommendations, it may be useful to mention some of the major projects under consideration. These include:

- Route 3 extending from the border and the north-west New Territories through Tsing Yi to west Kowloon;
- the Western Harbour Crossing;
- the East Kowloon Corridor passing the new Hung Hom Reclamation and the Second Airport Tunnel;
- the Junk Bay MTR extension;
- a rail link connecting Tsuen Wan to Tuen Mun or to Yuen Long; and possibly,
- a light rail connecting Ma On Shan to Tai Wai and further to Diamond Hill.

But building more roads and railways is not the only way to reduce congestion. Less known are traffic management and engineering measures to maximize the use of existing road space. These include bus only lanes, tidal flow and signal controlled merging in the Lion Rock Tunnel and the separation of tunnel and non-tunnel traffic at the Cross Harbour Tunnel. Systematic district traffic studies are undertaken to identify the best solutions for local traffic problems. There is a continual search

for sites suitable for use as underground car parks. Plans for launching a pilot scheme of providing hillside escalators connecting Central with the mid-levels are being finalized.

Modern technology is being applied in the monitoring and control of traffic. The first Area Traffic Control System introduced 10 years ago in west Kowloon has been subsequently extended to cover east Kowloon. A new system will shortly be introduced for Hong Kong Island. This will use the latest traffic control technology, with sensors embedded in the carriageway sending the latest traffic information to a central computer which will then compute the most optimal signal timing and automatically adjust the red and green time at road junctions.

Nevertheless, there is a limit as to how much we can hope to reduce congestion even after employing various management schemes, building more roads and tunnels and expanding our public transport. Regulatory measures will continue to be required to contain the increased demand to a manageable level, particularly the demand for personalized forms of transport.

The need and options for regulatory measures, together with a proposed road and rail investment programme will be discussed and outlined in the Second Comprehensive Transport Study. I hope to receive the final report by February or March next year. A Green Paper will then be published for public consultation before June. It is only too true that inherent in any transport problem are conflicts between sectional and community interests. I hope the Green Paper will provide a forum for public discussion and debate of our transport problems and a basis to reconcile conflicting interests.

Sir, with these remarks, I support the motion.

SECRETARY FOR DISTRICT ADMINISTRATION: Sir, Members have raised a number of interesting points covering public housing, private building management, arts, sports, youth, and the district administration scheme. I shall respond to these matters in turn.

Public housing

On public housing, I am encouraged to note Members' general support for the Long Term Housing Strategy and their views on how the objectives could be achieved in a

more cost-effective manner. One of the underlying principles of the strategy is that public housing tenants who are no longer in need of this form of heavily subsidized housing should be encouraged to move out of their flats and take up other forms of less subsidized, or better still non-subsidized, accommodation. The rental flats recovered can thus be re-allocated to other families more in need.

The Housing Authority is well aware of the suggestion that wealthy tenants who own private properties should not be allowed to occupy public rental flats, to buy Home Ownership flats, or to benefit from the Home Purchase Loan Scheme. However the Authority also recognizes that it would be socially undesirable, and impracticable to enforce a policy to evict such tenants from public housing rental estates. It has therefore adopted a policy whereby public housing tenants should be required to declare their income and face possible prosecution or eviction if they made false declarations. Those who can no longer satisfy the eligibility criteria will be required to pay more rent or be given incentives to move out of the flats voluntarily. The arrangements are monitored continuously and if necessary further deterrents may be introduced.

Furthermore, it has been the longstanding practice of the Housing Authority to review from time to time the income limits in respect of the General Waiting List and Home Ownership Scheme applicants. In this context, a comprehensive review has just commenced. The opportunity is also taken to review the operation of the newly introduced Home Purchase Loan Scheme.

Despite the success of public housing in Hong Kong, it has always been the aim of the Housing Authority to improve the space standards and community facilities in the estates. As society becomes more affluent, people would aspire to better and larger living accommodation and are more willing to pay for it. The review mentioned above will, as in previous exercises, take the affordability of the tenants and home-buyers as its primary consideration in setting future domestic rents and sale prices of Home Ownership Scheme flats.

In reviewing the new Home Purchase Loan Scheme, the Housing Authority's objective is to encourage tenants who can afford it to purchase flats in the private sector and vacate their public housing rental flats. Although the prices of flats in the private sector are largely decided by market forces, the Authority would ensure that the Home Purchase Loan Scheme will be flexible enough to adjust to prevailing market conditions and prices, thereby discouraging speculation.

Private building management

Sir, a number of Members commented on the management of private multi-storey buildings. The Advisory Committee on Private Buildings Management referred to in your policy address came into being on 1 November 1988 and its formation has been well received by the public.

With Mr. CHUNG Pui-lam as its Chairman, the Advisory Committee has nine non-official and seven official members. The non-official members are either past or present district board members or well qualified professionals and community personalities who are knowledgeable about and keenly interested in building management. This committee is tasked to review the effectiveness of existing policies on the management of private buildings and to recommend appropriate measures to improve the management of these buildings.

In the coming months, the Committee is expected to discuss a multitude of private building management issues, including Deeds of Mutual Covenants, the rights and interests of owners and tenants in multi-storey buildings, as well as the formation of owners corporations. On the question of existing Deeds of Mutual Covenants, I should mention that an inter-departmental working group is finalizing its recommendations on how they should be improved. These recommendations will be put to the Advisory Committee on Private Building Management for comment before the public are consulted on them.

Over half of our population live in private buildings and the building management problems that need to be resolved are varied and complicated. To assist the public in managing their buildings more effectively, the Government has since 1985 established eight district building management co-ordination teams. These teams consist of staff seconded to the City and New Territories Administration from the Housing Department, each headed by a professional housing manager. Two additional teams will be formed before the end of this year. Subject to resources being available, it is our intention to provide these teams to as many districts as possible.

While building management co-ordination teams are providing a most useful and popular service to the public, proper building management can be achieved or sustained only if owners corporations, mutual aid committees and individual flat owners are prepared to take a greater interest, and to play a more positive role, in managing their own properties.

Guesthouses

I now turn to the subject of guesthouses. Sir, the City and New Territories Administration will be responsible for establishing the licensing authority for guesthouses. We are in the process of working out the scope of control as well as the detailed licensing procedures.

There can be many types of guesthouses, such as those patronized by budget tourists and situated in high rise buildings, hotels, low rise motels, service apartments and holiday bungalows on outlying islands. It will be for consideration precisely what types of guesthouses should be licensed and whether or not there should be a phased programme of control. Our present intention is to license those guesthouses found in multi-storey buildings as a matter of priority because of the greater life risk involved.

We shall carefully consider the suggestion that guesthouses should be allowed only in commercial buildings or in the commercial portion of mixed commercial-residential buildings. However, this suggestion, if adopted, will have considerable implications on the large number of guesthouses which are already operating in residential buildings or in the residential portion of commercial-residential buildings.

Pending the introduction of a licensing system, the Fire Services Department will carry out more frequent inspections of existing guesthouses and advise their operators on the installation of fire-fighting equipment, including fire extinguishers, automatic fire alarms and exit signs. In addition, the Department will provide training for the staff of these establishments and conduct the fire drills. Other departments such as the Buildings Ordinance Office, the Urban Services Department and Regional Services Department will also closely monitor the operation of existing guesthouses, taking enforcement action where necessary.

Sir, I would like to take this opportunity to appeal to guesthouse operators to exercise self-discipline, and to co-operate with the departments concerned in order to make their premises a safe place for their clients.

Finally, as regards consultation on Government's licensing proposals, not only will we consult the district boards and interested parties concerned, but we will

be relying heavily on the expert advice of the newly established Advisory Committee on Private Building Management.

Arts and sports

Sir, I am grateful to Members for their continued support for the promotion of, and funding for, sports. The report of the Sports Consultancy commissioned by the Government has attracted much attention in sporting circles and I am hopeful that there will be new initiatives arising from this exercise.

I understand the Council for Recreation and Sport has been looking into the relationship between health and physical exercise and a report on the subject will be available soon. In Hong Kong, where work and study often take precedence over recreation and sports, it is both essential and desirable to draw the attention of our residents to the importance of keeping in shape and in good health. Apart from the ever-popular jogging and walking, there are already a large number of residents practising morning exercises, such as Luk Tung Kuen and Tai Chi and Chi Kung in the parks, balconies, roof tops and whatever space they can find, and this should be encouraged further.

Some Members have expressed concern on the way funds for the arts are spent. It appears that, in Hong Kong, even arts cannot escape the need to be cost-effective and to provide value for money. In this connection, Members may wish to know that the Council for the Performing Arts has recently set up an arts audit team to monitor the work of grant recipients and ensure that they make the most cost-effective use of the public funds allocated to them.

Members may also be interested to know that the Jockey Club Ti-I College for those with talents in sports and visual arts has already been established in Shat Tin and the first batch of students will be admitted in September 1989. In addition, a working group has been set up under the Academy for the Performing Arts to look into the development of a prevocational school for the performing arts.

Youth

Sir, a number of Members have drawn our attention to the needs and problems of the young people of Hong Kong. We are all aware of the importance of youth to the overall development of our society and that youth deserve special care and attention.

The proper development of our young people has always been, and will continue to be, accorded priority in the formulation of the Government's community and social service programmes.

Sir, Hong Kong is an open society. Our young people are inevitably exposed to all kinds of influence. It is therefore imperative that we should create a right environment in which they can be groomed properly. Families, schools, public and private organizations all have a part to play in helping our young people to make the best use of their potential, to contribute to society, and to enrich the quality of their life. The Government, for its part, will continue to provide a full range of services aimed at proper youth development. These include education, recreation and culture, community participation programmes, employment guidance, family life education, and so on. These services will be continuously reviewed to take into account the changing circumstances of Hong Kong and the different needs of our young people.

I understand the Central Committee on Youth's final report on youth policy will be ready early next year. Its recommendations will be considered carefully by the Administration.

District administration

On the future role of district boards, the White Paper on the Development of Representative Government published in February this year has affirmed that district boards have proved themselves to be a valuable part of the system of representative government in Hong Kong. The Government is committed to providing them with the necessary resources and support to ensure that they continue to function effectively as advisory bodies on local matters affecting the daily lives of the residents in their districts. A central directive has also been issued to all departments and policy branches requiring them to respond quickly and positively to the views, suggestions and requests put forward by the district boards.

A recent review indicates that the administrative arrangements are operating effectively, and there are increasing signs of close co-operation between the district boards and government departments in resolving district problems. Actions are also being taken to seek a larger allocation of funds for the districts to undertake more environmental improvement works and community involvement projects with a view to improving further the quality of life of the residents in the districts.

Sir, my other duties prevented me from being in this Chamber to listen to Mr. Andrew WONG's discourse on Ionic columns in this building. The volute or scroll capital of the Ionic order, like so many other decorative motifs, is said to have been derived from one or more origins including the Egyptian lotus, the nautilus shell or the ram's horns with their curls. While they appear to Mr. WONG as ears to listen, I see them as eyes to observe the performance of this Council from all directions.

Sir, with these remarks, I support the motion.

SECRETARY FOR ADMINISTRATIVE SERVICES AND INFORMATION : Sir, it has been suggested that government departments should move out of prime areas with the twin objects of achieving rental savings and easing transport difficulties.

The principles we follow in determining the location of government departments and agencies are first, they must be conveniently located for the public they serve and secondly they must be within reach of the other departments with which they work. A large proportion of the Civil Service is therefore inevitably located in the urban area. But to the extent possible within these constraints, we do try to disperse our offices.

We also have a policy of occupying wherever possible owned rather than leased premises to ensure economy and security of tenure. Adherence to this policy has enabled us substantially to reduce the area of leased accommodation over the past five years, particularly in the main business districts. Overall, some 60% of our offices are now owned.

An extensive building programme is in hand to further reduce our reliance on rented office accommodation.

But all these efforts will, I regret to say, have little effect on transport utilization. That is an area where improvements will have to come through other means.

Emigration

Sir, several Members commented on the issue of emigration and what role the

Government should play in dealing with the situation.

Since I last addressed Members on this subject in May, the Administration has continued its work on fact finding and as a result we now have a very much better grasp of the overall situation. While numbers are higher than the historical norm -- 30 000 people left last year, 45 000 expected to leave this year -- they do not present a picture of alarming proportions. Moreover, on closer inspection, we have found in some sectors the problems of high staff turnover and keen demand for skills are caused in greater part by the rapid expansion of those industries. Emigration is a lesser, aggravating factor. Manpower shortage is sometimes a sign of continuing success rather than a symptom of failure.

Be that as it may, we are not complacent. Our first priority must be to maintain those aspects of Hong Kong life which are most attractive. Our buoyant economy, our lifestyle, the freedom of Hong Kong people to go about their daily affairs, the low tax rates and Government's well publicized philosophy of positive non-interventionism. These are the things we must preserve.

Secondly, we must improve those areas of life where we at present do less well. Two matters frequently quoted are the need to improve the environment, and the need to improve the education system both in qualitative terms and in terms of increasing opportunity. I will not trespass overmuch on my official colleagues' ground but suffice it to say we do have positive plans in these areas.

It is important to note that in all the things I have mentioned so far, the action we have taken or will be taking applies equally to both existing residents and prospective returnees.

A third area on which Members laid stress concerns the need to boost training opportunities to bring forward local talents as rapidly as possible. The role of my branch in this area is to improve our knowledge of the profile of those leaving so that the skills being lost can be more readily identified and replaced. Such information will then be passed to my official colleagues responsible for various aspects of this rather wide-ranging subject.

Finally, I come to the subject of facilitating the return to Hong Kong of people who have felt the need to obtain some form of insurance policy overseas. Several Members made the point that in our efforts to attract such people back we must beware

of creating a privileged class. That is surely right. Welcome as they are, there can be no bonus for coming home with a foreign passport. It would be dispiriting for the vast majority who have stayed behind -- and would send quite the wrong message -- if we were to devise special incentives to draw back those who had emigrated.

But having said that, it would be remiss of us not to consider how to provide better information to those who have left about life here and to remove factors militating against their return. If there should not be incentives, neither should there be disincentives. We shall therefore be considering what can be done, without breaching the principle of equality of treatment, to remove unnecessary barriers. After all, we are talking about Hong Kong people and there must always be a welcome for them here at home.

We must also ensure that Hong Kong students overseas continue to think in terms of returning to Hong Kong to live and work after completing their studies. They are the building blocks of our future prosperity and we ignore them at our peril.

In the meantime, Hong Kong Government will continue to gather information. In particular we will be keeping in close touch with the private sector. It is our belief that in time, as the increasing numbers of local graduates move up through the system gaining working experience, a better equilibrium between supply and demand will be achieved.

Boards and committees

I now switch to the quite different subject of Government's network of advisory boards and committees. Mr. HUI Yin-fat queried their effectiveness within the consultative process. He also questioned the relationship between OMELCO and the statutory authorities such as the Housing Authority and the Provisional Hospital Authority

In reply, I would like to deal first with the role and work of Government's advisory boards and committees and then go on to examine the relationship between Government and its statutory authorities and bodies.

Including committees at district and area level, there are well over 400 boards and committees which give advice either directly to Central Government or to individual heads of departments. Members of these committees are selected because

of their particular expertise in, or specialist knowledge of, a subject, or through their record of interest in contributing to the life of the community. Almost 5 000 members of the public give their time in this way and we are extremely grateful to them.

There may be some misunderstanding over the role of the vast proportion of advisory boards and committees. Their role is designed to allow Government to obtain the best possible advice on which to base decisions. But decisions themselves are the responsibility of Government. The recommendations of these boards form an important part in the decision-making process, in the formulation of policies, and in the methods in which such policies are eventually implemented. But they do not absolve Government of its ultimate responsibility.

To ensure that we have the best possible advice the composition and operation of different bodies needs to be reviewed regularly. Such reviews are carried out every two years, the latest in 1987. Terms of reference of boards and committees are also regularly reviewed to ensure that they are up to date and reflect present day requirements. Where appropriate, changes are made to the chairmanship of boards and committees so that an increasing numbers of them are chaired by non-officials. As regards duration of membership, we adopt what is known as the "six-year rule" to ensure that there is a regular injection of new blood into the system. However, this is only a guideline and where specific expertise and continuity are important, discretion is exercised so that a balance is struck between new ideas and fresh perspective on the one hand, and continuity and depth of experience on the other.

Finally, Sir, I would like to assure honourable Members that the views of advisory committees are most closely considered in all sectors and sections of the work of Government.

Relationship between government and statutory authorities

Mr. HUI mentioned the relationship between OMELCO and the statutory authorities which Government has established. I would like to spend a few moments outlining the Government's policy on the relationship between the Administration, the Executive Council, the Legislative Council and various statutory bodies.

When I talk here of the "statutory bodies", I mean public corporations, statutory authorities and other organizations established by Ordinance, which perform

functions previously undertaken by government departments.

Why has the Government set out on the course of developing statutory bodies? The main answer is they promote greater community participation in Government, allow outside expertise to be tapped, and allow certain tasks to be carried out away from the administrative constraints of Government (for example, hiring and firing, purchasing of supplies and budgetary practices).

Nowadays, apart from the long-standing examples of the Urban and Regional Councils, we have statutory bodies running our railway, our public sector housing, regulation of broadcasting and promotion of our overseas trade. Soon our hospitals will be run along the same quasi-independent lines by the Hospital Authority.

These bodies vary widely in their functions and responsibilities. Their scope of activities and financial and constitutional relationships with the Government are set out in their terms of reference and the Ordinances under which they are created. None the less whatever their relationship with Government is, ultimately it is the Government which is answerable for the activities of these bodies. It is therefore essential that any major developments in policy should be subject to the approval of the Governor in Council. This is the current position and it will not change.

Once the Government has set down the broad policies and objectives, however, it is important that these bodies are allowed to go about their business independently without undue interferences. The arrangements made for the reorganized Housing Authority are a good example. It is given a free hand to pursue its objectives and to use its resources flexibly to achieve them. That is not to say that it is totally independent of the Government: while the Housing Authority is free to devise, implement and review its policies within the set objectives, approval of the Governor in Council still has to be obtained for any significant changes to policies.

We have also looked at the relationship between statutory bodies and this Council: in particular, Members' ability to monitor their activities. This Council has considerable scope to do so. When the enabling legislation is placed before the Council, Members have the opportunity to comment and indeed to change it. Whenever amending legislation is introduced the same opportunities are afforded. Bodies receiving public funds are subject to scrutiny of the Finance Committee. Questions can also be raised in the Public Accounts Committee, and in this Council during question time.

As I mentioned earlier, ultimate policy and financial responsibility for the statutory authorities rests with Government. There will therefore always be officials available to answer questions about the operations of these bodies, either publicly in this Council or less formally in the context of meetings with OMELCO's standing panels.

The financial relationship between statutory bodies and Government also needs to be looked at. There are at the moment too many different systems operating at the same time. A review is clearly called for. We therefore plan to establish a general framework within which each body can be catered for. This broad framework will allow issues relating to financial arrangements to be addressed in a consistent manner.

The framework we have in mind would set out procedures for the contribution of government finance to bodies; for monitoring and approving capital investment programmes; and for setting financial objectives. It would also provide for consistent reporting mechanisms and ensure government representation on the management bodies of each organization, with the aim of safeguarding Government's financial interests.

The Administration recognizes that there is a need to provide a visible and agreed structure within which statutory bodies can be formed. It has been decided therefore that in order to rationalize the relationship between the Government and statutory bodies in terms of ultimate policy and financial control, a series of reviews should be undertaken to ensure that certain broad guidelines are met. We shall seek to ensure first that the terms of reference of each statutory body provide for adequate policy control and secondly to define the financial relationship with Government. Where appropriate, the Government must be represented on the board or committee of the organization; and it must be made clear with which policy Secretary the responsibility lies. As and when further statutory bodies are established, these guidelines will be followed.

There has been some concern expressed in the media and by honourable Members about what is seen as devolution of responsibility from Government in respect of major areas of public concern. I trust that Members will be reassured that there is no intention on the part of Government to seek to absolve itself of its responsibilities for the welfare and well-being of the people of Hong Kong. The move towards the establishment

of statutory authorities is aimed at setting up more efficient systems of providing services to the public without any loss in public accountability.

Sir, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER: Sir, Members have, as usual, raised a variety of thoughtful and sometimes controversial points on education and labour matters. I will try to bring together my response on educational issues under the general theme of "quantity and quality in education", before turning to labour matters.

Education: quantity and quality

In your address, Sir, you spoke both of the emphasis in recent years on the provision of school places to meet rising demand and also of the need to concentrate on improving quality. I believe that no theme in education is more important than this. Indeed, I expect it to be a recurring theme in the years ahead. We have an absolute commitment both to increasing educational opportunities and to improving our teaching, our curricula and our facilities. The goals of quantity and quality in education must not be mutually exclusive.

The issue of "quantity"

Primary and secondary education

I will speak first on "quantity". An impartial observer of our educational system would be astonished at the change which has come about in the opportunities available to Hong Kong's young people over the past decade. About 10 years ago we introduced free and compulsory education for all children up to the end of Secondary III. More than two-thirds of children now obtain a place beyond this to Hong Kong Certificate of Education level or equivalent. In the sixth form, we are approaching our target of one-third of the eligible age group. This is a great achievement, and much credit must go to our schools and to our teachers, who have responded to the challenge of introducing mass education.

Higher education

Turning to higher education, I am grateful to the many Members who spoke on this

subject for their support of our plan to increase places in the institutions funded by the University and Polytechnic Grants Committee. An annual growth rate of 5% in numbers which will culminate, by the end of the century, in almost doubling the opportunities for tertiary education is ambitious. But I am confident that, with the support of this Council, we will be able to achieve the goal to which you, Sir, referred in your address.

Some Members feel that our planned provision for over 62 000 places by the year 2000 is still modest by today's international standards. They think we should set even higher sights. In this context I would like to make two points. The figure of 62 000 places which I have just quoted did not include numbers at the Open Learning Institute which will be established next year. It can also be misleading to make international comparisons: catching up with moving targets is always difficult. But we will continue to plan for the future. Four out of our six tertiary institutions will have reached their planned capacity by 1997 and the remaining two by the year 2000. We will be considering over the next few years whether continuing demand will require us to establish another major institution early in the next century.

The issue of "quality"

Having spoken about "quantity", I would like, Sir, to turn to quality in education. "Quality" in this context has many meanings. In brief, one could say that a good quality education is provided where there is a coherent educational structure, a sound curriculum and good quality teaching. I believe that we are making progress in all these areas.

Primary and secondary education

While agreeing that improvements in quality are needed to our system of primary and secondary education, we should not lose sight of the advances made over the years. Compared with 25 years ago we have better school buildings, better teaching facilities, better trained teachers, a wide range of subjects, a great variety of extra-curricular activities, and -- surely most important of all -- the opportunity for almost every child, not just the lucky few, to receive a decent education. Inevitably the average standard drops if you move from a highly selective system to a system of education for all. But examination results do not indicate that brighter children are achieving less now than they did some years ago; on the contrary, they indicate that many more children are now completing their secondary education to a satisfactory standard.

Advanced level passes, for example, have increased by over 60% since 1981, and standards are rigorously maintained to ensure international recognition.

I do not wish to imply that examinations are everything. Some Members have spoken of examination pressures extending as far down as the playschool level. In fact examination pressure has been considerably reduced over the past few years as more places have become available in our secondary schools. The first public examination any of our children now take is the certificate examination after Secondary V.

The change to a mass education system has given rise to the need for greater variety in curriculum and teaching methods. I agree with the view that we should do everything possible to provide a sound foundation at the primary level. We are keen to extend the "activity approach" to as many schools as possible. This child-centred method was introduced to our schools in the mid-1970s. It stimulates more effective learning and results in livelier, more inquisitive minds. It is thus a keystone in our efforts to improve the quality of education.

I welcome Members' support for our proposal to phase out half-day primary schools. I sympathize with their desire for quick progress. I am also grateful for their recognition of the constraints involved, in particular the supply of additional school sites. We are now working out a programme and I hope to consult the Executive Council before too long.

In both the primary and secondary sectors we have taken measures this year which will help us to develop curricula more suited to the broader range of pupils which we now have in our schools. We have re-structured the Curriculum Development Committee into a council under a non-government chairman. We have provided incentives for teachers to work on curriculum development projects. With much greater participation by teachers at all levels, the council will be better placed to respond to the various curriculum needs of schools. The council will also be concerned with the balance between different subjects within the curriculum, the way in which they are taught and even the contents of individual syllabuses. The Education Commission is now working on a major study of curricula and behavioural problems during the period of compulsory education in primary schools and junior secondary classes and will publish its conclusions next year in its fourth report. However, I must emphasize that a good curriculum cannot contain every possible area of study as a separate subject, however worthwhile.

Private schools

One Member has referred to the need to improve the quality of education in our private schools. I agree. Our objective must be to create a system which can ensure the private sector a strong role in our education system up to 1997 and beyond. By doing so we will add to the quality of our education by making available the greater choice and variety which the private sector can provide. I agree that details of how the Direct Subsidy Scheme would be implemented should be made available as soon as possible, assuming that its introduction is approved in principle by the Executive Council. This would become a priority task for the proposed private schools review committee.

Schools administration

An issue which very much affects the quality of education in our aided schools is that of the Codes of Aid. Some Members have urged changes to the codes. I have considerable sympathy with the desire of schools for more freedom, more flexibility and more discretion in the use of funds. The Education Department is already considering some simplifications to administrative procedure, but I shall, in addition, pursue with the director whether more can be done.

Another point that has been raised is whether teacher training should be hived off to the tertiary sector. The Education Commission intends to make a comprehensive study of the colleges of education in one of its future reports. I think we must await the commission's advice before contemplating any radical changes to our existing system.

Civic education

Some Members were concerned that not enough attention is being paid to civic education. It is perhaps not sufficiently appreciated how much is in fact being done in this area. Since the Guidelines on Civic Education in Schools were issued in 1985, nearly all schools have introduced civic education programmes. Sixteen thousand teachers have taken part in training courses and over 12 000 visits have been made by teachers to the Education Department's Civic Education Resource Centre, which offers a good range of teaching and reference materials. Teaching packages have been issued to schools. A new subject, Government and Public Affairs, has been introduced in the senior secondary and sixth form curriculum and the first HKCE examination will be held in 1989. Many schools have formed pupils associations, thus encouraging

greater participation by students themselves in organizing extra-curricular activities.

Outside schools, citizenship training is provided by many youth groups, including the scouts, the guides, the St John's Ambulance Brigade, the Civil Aid Services, Junior Police Call and the Community Youth Club scheme. Civic education is also promoted by the City and New Territories Administration, Radio Television Hong Kong, the Independent Commission Against Corruption, the Social Welfare Department and the Information Services Department. Incidentally expenditure in this area is much greater than the figure of \$1.9 million which has been quoted in this debate. This figure merely represents the provision of funds in support of the Committee on the Promotion of Civic Education during this financial year. Our rough estimate is that the total expenditure in support of civic education during 1988-89 will amount to about \$25 million. This seems to me not unreasonable.

Higher education

Perhaps the most controversial area in the debate about the quality of education is that of higher education. We have a shortage of tertiary places. We also live in a competitive world where it is necessary not just to maintain, but to improve, higher education standards. The Government continues to devote resources to both aims. I believe that, despite increasing numbers, our graduates as a result enjoy a high reputation locally and overseas.

The Education Commission's Report No. 3 has proposed ways to improve the quality of tertiary education further by rationalizing its structure: in particular, by specifying that matriculation to all first degree courses must follow Secondary VII. It has also recommended the adoption of a credit unit system to provide flexibility in building up curricula and to improve student choice. I am grateful for Members' support for these recommendations. I must make it clear yet again that decisions have not yet been taken. We have carried out a long, painstaking programme of gathering and analysing public comment. Whatever decisions are finally made, all views expressed will have been most carefully considered.

Research

As several Members have said, an important factor in maintaining the quality of education is research. It is vital both to our tertiary institutions and for the

industrial innovation on which our economy relies to remain competitive in the world market. UPGC funds have always been available for research, but, starting from this academic year, the UPGC is providing funds specifically earmarked for this purpose. \$30 million is being provided this academic year, \$40 million next year and \$50 million the year after. I would expect further increases to follow in future years. The UPGC has also established a special sub-committee to make sure that these funds are used in the most effective way. As funds increase, this sub-committee is expected to develop into a fully independent committee. But research should not depend solely on the public sector. Our tertiary institutions are already doing some work for the private sector. From my contacts with them I know that they are well aware of the importance of their contacts with the private sector and I am confident that private sector involvement in research will increase greatly in the future.

Language in education

Several Members have commented on the quality of language teaching throughout our education system and, in particular, on the benefits of mother tongue teaching. There is no doubt that for children whose English is below a certain threshold, learning is more effective in the mother tongue. We are making it easier for schools to opt for a greater use of Chinese in the classroom, by encouraging the production of better quality textbooks in Chinese.

But Hong Kong also depends on the ability of a large proportion of the population to speak English well. Our aim should be to achieve a truly bilingual society, where Chinese is the teaching language, at least in the lower forms, for those who would benefit most from it, but the position of English is maintained. Of course, it is hard to achieve generally high standards in both English and Chinese and some of our measures, such as the additional help for schools teaching in Chinese, are only just being introduced. Nevertheless, we shall be reviewing the present position in language teaching and looking for new ideas to improve standards in both languages.

An important element in increasing both the quality and quantity of our education is the establishment of the Open Learning Institute, which will greatly improve opportunities for those who have previously missed out. The first students will be admitted in September next year. Recruitment of senior staff is under way, legislation has been drafted, academic programmes have been identified, arrangements for academic accreditation have been made, accommodation has been secured and a director designate

has been appointed. As far as quantity is concerned, the Open Learning Institute will provide us with higher education opportunities for an almost unlimited number of students. As for quality, the rigorous system of assessment by attainment and the agreements negotiated by the Open Learning Institute on academic accreditation will ensure that the Open Learning Institute's qualifications will be regarded at least as highly as those of our existing tertiary institutions.

Education policy-making

Before I leave the subject of quality and quantity in education, Sir, I should perhaps say a brief word about education policy-making. If we are to ensure that our commitment both to more educational opportunities and to a higher quality of education is maintained, we must be sure that the mechanism through which educational policies are developed is sound. I believe that it is.

In addition to the normal mechanism of a policy-making branch and policy-implementing departments, we have, in the education field, a particular strong network of advisory bodies including the Board of Education and the Education Commission. I believe that the commission, in its first three reports, has impartially and pragmatically surveyed the entire field of Hong Kong education. I do not agree with those who suggest that we require a further review. I believe that, over the last few years, we have spent enough time reviewing and debating. If we are really committed to quality in education, now is the time to take decisions and to act on them.

Labour shortage

Sir, I would now like to turn to labour matters. Many Members have spoken of the tight labour market, which, along with other shortages, arises from our thriving economy.

The suggested solution is that we allow in workers from outside. The main arguments for such a scheme are that it would relieve the tight labour supply, slow down the rate of wage increases, slow down cost increases and so relieve inflationary pressures on the economy. It is also argued that it would reduce delays in the public works programme and improve the quality of work currently under construction.

In this context it is important to distinguish between skilled and unskilled

labour. Our immigration policy has always allowed us to bring in people with special skills which are in short supply. The surprising thing is what little use employers have made of this policy and this is something we are now looking at.

What we do not allow is the large scale importation of people without special skills. As you said, Sir, in your speech, there are strong reasons against such a scheme.

First, it would upset the forces of supply and demand in the labour market and deprive our workforce of their fair share of the fruits of our booming economy. This would be extremely damaging to our labour relations. Even those speakers in the debate who spoke in favour of importing labour made it clear that they did not wish to do anything to damage our present harmonious labour relations.

Secondly, the key to our economic success is the steady upgrading of our technology, management skills, productivity and product quality. Importation of unskilled labour would reduce the incentive for employers to upgrade in this way. It might increase our total product, but it would be unlikely to increase our product per head, which is what matters for our standard of living.

Thirdly, it would bring additional pressure to bear upon our infrastructure and social services. The supply of housing, medical and social services and our transport facilities would be stretched even tighter.

Fourthly, it might expose Hong Kong to international accusations of exploiting cheap labour, which increase protectionist pressures against our exports.

Even those speakers who supported the importation of labour appeared to acknowledge the validity of these arguments. However some appeared to be arguing that the problem was so serious that drastic action must be taken, while others appeared to be arguing that what they were proposing was only a limited short-term import of labour on too small a scale to have the damaging results we fear. These two lines of argument are not easy to reconcile. If the problem is as critical as some Members have argued, any limited short-term scheme will soon prove to be inadequate and will only lead to increased pressure for larger-scale schemes, with all the damaging effects I have already mentioned.

Hong Kong's economy has long been subject to cyclical variations and labour

shortages such as the one we are now encountering have occurred before. At such times we do lose something of our competitive edge, but this loss of competitiveness is not, as some Members have argued, of a long-term nature. Historically it has always corrected itself at the next stage in the economic cycle.

I accept that some sectors are harder hit than others because for one reason or another they are less able to adjust. Particular mention was made, for example, of the garment industry, which because of country of origin requirements cannot move key processes to China. Even so, I believe there is still scope for further automation of some aspects of that industry.

Several Members have suggested that a working group should be established with representatives of the employers, employees and the relevant policy branches and departments to consider the requirements for labour in the long term and the possibility of importing labour for particular industries in the short term. It must be doubtful whether such a group could reach a consensus on such a contentious issue as this. There are, however, major long-term economic studies being undertaken which are due to be completed early next year. In the light of the findings of more studies we will certainly consider most carefully the proposal put forward by Members.

Sir, I would now like to speak briefly on other labour issues.

Labour legislation

Over the years we have built up a set of labour laws governing industrial safety and health, employees' compensation, labour relations, employment conditions and trade unions affairs. The level of statutory protection in Hong Kong now compares reasonably well with our neighbours. In fact this body of laws enables us to comply with more International Labour Organization conventions than anywhere else in the region. This would not be possible without co-operation amongst employers, employees and the Government.

I must emphasize that we are always conscious of the need to keep our laws under review and to introduce improvements. A constant stream of legislative proposals goes to the Labour Advisory Board for consultation. A number of new proposals are nearing their final stage of drafting and we hope to be able to present them to this Council in the current Session.

Sir, I support the motion.

4.23 pm

HIS EXCELLENCY THE PRESIDENT: There are still five Members due to speak in this debate. Members might like a short break at this point.

4.43 pm

HIS EXCELLENCY THE PRESIDENT: Council will now resume.

SECRETARY FOR HEALTH AND WELFARE: Sir, I would like to start with social welfare issues. Certainly one of the most important and pressing problems which we are facing at the moment is the shortage of trained social workers. The Government shares the concern which has been expressed in this Council and by other bodies, such as the Social Welfare Advisory Committee. Earlier this year, that committee endorsed a package of measures to redress this problem in both the long and short term -- a package which was proposed by the Advisory Committee on Social Work Training, in whose chairman, incidentally, I have every confidence. The principal measures proposed were the continued employment of non-social work trained graduates and an expansion in the number of social work places in the tertiary institutions. The Director of Social Welfare is already implementing a number of these measures and we are actively planning, in conjunction with the Secretary for Education and Manpower and the University and Polytechnic Grants Committee, a substantial increase in the number of social work degree and diploma places in the tertiary institutions over a period of five years, commencing in September 1989. It will take time to reduce the shortfall, but I believe that we are heading in the right direction.

We have given careful thought to the suggestion that we should establish a central body to plan the supply and development of social work manpower. Our conclusion is that there is no need for such a body as this responsibility is already being performed by the Advisory Committee on Social Work Training. The Advisory Committee can now undertake its work more effectively with the recent introduction of a computerized manpower planning system. But I must point out that manpower planning is difficult at the best of times as the demand for social workers is dependant on factors such as the expansion of services and wastage rates, which cannot always be accurately

forecast several years in advance.

One unfortunate effect of the shortage of trained social workers is that it makes it very difficult to implement all of the agreed manning ratios. In particular, the current family casework ratio in the Social Welfare Department of one caseworker to 90 cases is unacceptably high. The ratio in the voluntary sector at one caseworker to about 80 cases is better, but still exceeds the agreed ratio of one to 70. Such high caseloads inevitably mean that the caseworkers concerned are placed under considerable pressure and that some cases may not receive as much attention as they deserve. The Social Welfare Department therefore proposes to increase the number of family caseworkers during the next financial year, which will assist in reducing the ratio. We shall endeavour to achieve our target of one to 70, and also to implement all of the other agreed manning ratios as soon as financial and, perhaps more importantly, manpower resources permit.

As regards welfare services, the Government is aware that there is a shortfall in some areas and is therefore planning new projects to meet current and anticipated demand. We review the demand, provision and shortfall of services every two years with the voluntary sector in the context of the five year plan for Social Welfare Development and, in doing so, we take into account not only the number of facilities available, but also the quality of service to be provided.

Turning to services for the elderly, I am grateful for the support which our proposed holiday home for the elderly has received. We have already started planning for this and are now seeking a suitable site in the New Territories. We also intend to improve the existing housing arrangements for the elderly by providing about 1 900 additional care and attention places and 1 800 places in homes for the elderly by March 1991, and a further 820 infirmary places by the end of 1991. In conjunction with this, the Social Welfare Department and the Housing Department will be examining ways of providing facilities within public housing estates to cater for the natural progression of the elderly through the different phases of old age.

As regards social security arrangements for the elderly, we have endeavoured to improve the level and range of benefits as far as possible within the financial resources available. One measure of the Government's commitment in this regard is the fact that expenditure on social security has increased from \$1.4 billion in 1984-85 to over \$2.2 billion in this financial year. We estimate that about 75% of this expenditure benefits the elderly. We shall continue to keep the levels of

available benefits under constant review.

Finally, may I refer to the suggestion that there should be an overall review of the development of social welfare services in the 1990s. At present, we review our policies and services on an individual basis in accordance with the principles laid down in the 1979 White Paper, and in the light of advice from the Social Welfare Advisory Committee. For example, over the last 12 months, the committee has considered such issues as the control of private homes for the elderly, the policy on services for the elderly, the planning ratio for children and youth centres and the social work manpower situation. Our policies and plans are thus updated regularly to meet the changing needs of the community and are incorporated into the five year plan for social welfare development, which is reviewed on a biennial basis. My initial impression in the short time that I have been Secretary for Health and Welfare is that the principles laid down in the White Paper are still valid and that the present arrangements are working satisfactorily. Nevertheless, I will certainly bear this constructive suggestion in mind and will give it further thought over the coming months.

Medical and health

I should now like to turn to our medical and health services. In their speeches, Members have referred to the problems of staff wastage, shortage of hospital beds, and the overcrowded conditions in many of our public hospitals. While it may well be that the problems which now confront us are, at least in part, attributable to the very rapid expansion of services which has taken place over the past 10 to 15 years, I firmly believe that to have held back on such expansion would have been indefensible. Access to medical treatment cannot be the prerogative of the privileged few. In striving to meet the needs of the community as a whole, the Government has acted in the firm conviction that the full range of medical and health services should be available to all, however meagre their financial resources.

By any standards, our achievements have been impressive : a fact acknowledged by the consultants who undertook the review "The delivery of medical services in hospitals" in 1985 and whose recommendations form the basis for the Government's decision to establish a hospital authority. Specifically the consultants noted that medical and health services in Hong Kong have established a continuing good public health record with evidence of low levels, by world standards, of communicable disease, infant and maternal mortality; coped well with massive and unexpected population

increases, often involving severe public health risks, without major breakdowns in the medical and health system and without requiring a higher proportion of government expenditure to do so; and provided an increasing amount, in real terms, of funding support to subvented organizations while still allowing an acceptable degree of autonomy.

But a justifiable pride in such achievements has not led to complacency. Far from denying that problems exist, the Government has faced them squarely and has concluded that fundamental changes to the present system of managing medical and health services are required.

The establishment of the Provisional Hospital Authority on 1 October marks the first step on the road to a more efficient, well-managed and cost-effective hospital system. Its key priorities will be to develop improved terms and conditions of service for hospital staff and to lay the foundations of a better environment for patient care. But the establishment of the Provisional Hospital Authority is only a first step. We have a long way to go. The setting up of the future Hospital Authority will mark the beginning of a process of development and reform which will take a number of years to complete and which will embrace all aspects of the management and staffing of hospital services.

All changes are difficult and, as you yourself have noted, Sir, staff of the Medical and Health Department are naturally concerned about their future. I shall not repeat what you, Sir, have already said about the working conditions and terms of service of government doctors. With regard to nursing staff, I will do my best, in consultation with the Director of Medical and Health Services, to see what can be done, in the short term, to improve the working conditions of nursing staff and to address the problem of staff wastage. The Government welcomes a dialogue with nursing staff in order to identify the problems and to find solutions. But while I sympathize with the worries and frustrations felt by our hospital staff, particularly those working in overcrowded regional hospitals, it is clear that there are no instant solutions. I therefore appeal to staff to give new initiatives a chance to work and to refrain from any course of action which may affect patient care.

The Provisional Hospital Authority has just begun its work and there is much to be done if we are to achieve our aim of establishing a statutory Hospital Authority in 1990. The immediate task of the Provisional Hospital Authority is to recommend the framework within which the integration of the services of government and subvented hospitals can take place. This will involve consideration of a new management

structure which will, amongst other things, provide for greater devolution of responsibility to the regional level of management. It will include the development of common terms and conditions of service for staff in both government and subvented hospitals. It will also involve the putting in place of new financial and management procedures which will ensure consistent standards of service in all public hospitals whilst, at the same time, allowing subvented hospitals to retain the traditions and degree of management independence which they value so highly.

Bearing in mind the complexity of these tasks, the Government has selected members of the Provisional Hospital Authority with great care to ensure adequate representation of the skills and experience which will be necessary to the task of establishing the Hospital Authority. Throughout its work there will be continuing and full consultation with representatives of all grades of staff currently employed in government and subvented hospitals. Where appropriate, staff members will be co-opted onto the working committees of the Provisional Hospital Authority.

Sir, the Government, through the Health and Welfare Branch, will remain responsible for the overall direction and co-ordination of medical and health policy, that is, for determining the framework within which the Hospital Authority will operate. In this regard, I accept that it is for the Government to define the overall objectives to be achieved in health care for the population as a whole, in the light of the financial resources which can be made available and the needs of different sectors of the community.

While on the subject of hospital services, I should perhaps comment upon the present situation in relation to fees and charges in subvented hospitals. Our policy in this area is that charges in subvented hospitals should be generally consistent with similar charges in government hospitals. In this context, government fee levels are regarded as guidelines for subvented hospitals. However, subvented hospitals are independent organizations and traditionally have enjoyed a certain degree of autonomy. As a result, individual boards of management may decide to apply some flexibility in setting fees and charges for certain services. There is no evidence that such practices have led to patients being unable to afford services at subvented hospitals. In cases where patients cannot afford to pay, fees may be waived or reduced as is the case in government hospitals.

Sir, while our energies have been focussed, in recent months, on the forthcoming reorganization of the Medical and Health Department and on the setting up of the

Provisional Hospital Authority, our commitment to undertake a review of the out-patient clinic system has not been forgotten. Over the years the system has fulfilled an important function in the early detection of communicable diseases and the prevention of epidemics. More recently we have developed a comprehensive range of maternal and child services aimed, in particular, at the prompt identification of disability or developmental delay in infants and young children.

However, as with hospital services, public expectations of the services provided by out-patient clinics are rising and the demands on them changing. It is time to re-evaluate their role and, in particular, to consider the interface between primary health care services and the services of the future Hospital Authority. The commencement of such a review will be a high priority in the next few months.

As regards the supply of doctors, the present evidence suggests that the current rates of intake at the two medical schools are about right. But I intend to keep the situation closely under review in the light of the current shortages of doctors in the public sector and the recent report by the working party on post-graduate medical education and training which has recommended that an academy of medicine should be established in Hong Kong.

The establishment of such an academy, which would provide Hong Kong with its own facilities for the training, examination and accreditation of doctors at the post-graduate "specialist" level will, among other things, call for suitably qualified personnel in the teaching and other public hospitals to supervise training as well as more generous study leave reserves to enable serving doctors to be released to obtain higher qualifications. The Government will shortly be consulting the appropriate bodies on the recommendations of the working party. I expect that we will be ready to put proposals to the Executive Council in March or April next year.

The Medical Registration Ordinance has been in place for many years and, as a general point, I agree that it would be prudent to ensure that its provisions are consistent with modern developments within the medical profession. The Medical Council of Hong Kong, the body which holds statutory powers in relation to the registration of medical practitioners, has established a working party to consider areas where legislative amendment may be necessary. The Council will make proposals in this regard to the Government in due course.

Turning to the subject of dental care, I cannot accept the contention that the

Government has failed to make the public aware of the importance of dental health although, arguably, there is always more which could be done. The introduction of the school dental service in 1980 has made a major contribution to the task of educating future generations in the importance of regular preventive dental health care. The service was extended to all primary school children in 1987. There are now over 370 000 children participating in the scheme. The desirability of expanding the coverage of the school dental service to include, for example, secondary school students will be kept under review.

The Government has also recently boosted its efforts in the area of public education with the bringing into full operation of the Medical and Health Department's Oral Health Education Unit. The regular work of the unit will include organizing health talks and seminars for primary school children, teachers and parents, as well as planning dental care education programmes for adults and the elderly in liaison with community and welfare groups.

The possible oversupply of dentists is of course a matter of concern. A dental sub-committee of the Medical Development Advisory Committee was established in 1986 to undertake an in-depth review of the dental manpower situation. The sub-committee has recently submitted its report to the Medical Development Advisory Committee which will advise the Government on the steps required to ensure that the supply of qualified dentists does not continue to outstrip local demand for their services.

I now turn to the question of Chinese medicine. For over a hundred years, it has been the policy of the Government to respect the cultural and traditional practice of people of the Chinese race, including the practice of Chinese traditional medicine. For thousands of years, Chinese traditional medicine has been extensively and widely practised. There is little evidence to suggest that it has posed a serious public health hazard. Where adverse effects to patients have been reported, these have normally been associated with the mixing of Chinese traditional remedies with western drugs or illegal medical practices. Such illegal practices are already subject to legislative control.

Having said this, I would like to emphasize that I am not complacent with regard to the present situation, nor do I question the sincerity of the concerns which have been expressed. However, the implications of direct government intervention to control the practice of Chinese traditional medicine would be wide-ranging and considerable. So we must be sure of our ground before we take such a step.

The exercise of legislative control of western medicine is feasible because there are established standards of practice and specific qualifications are required before medical practitioners may be registered. In the case of Chinese traditional medicine, the training is very diversified and there is no uniform or commonly accepted standard.

For its part, the Medical and Health Department has no expertise in dealing with Chinese traditional medicine. It would thus be necessary to establish a new body, staffed by people with appropriate training and experience in the field of Chinese traditional medicine. Once again, we would be handicapped in such an endeavour by the present lack of recognized professional standards against which to assess not only the quality of treatment being provided, but even the expertise of the people whom we would need to recruit. Any attempt to impose control over the practice of Chinese traditional medicine would thus be an extremely difficult and complicated as well as massive and long-term undertaking.

Sir, as a bureaucrat, I suffer from certain disadvantages. One of them is the possession of a very open mind. Another is the inclination to look at issues from another person's point of view. So, Members should not be too surprised to hear that in spite of the problems of principle and practice I have just described, I will not close my mind to the points which have been raised and will cautiously consider whether in the longer term the Government should intervene more directly in this area.

Sir, I support the motion.

SECRETARY FOR SECURITY: Sir, a major problem for our crowded community this year has been the arrival of nearly 18 000 Vietnamese refugees and boat people, none of whom was turned away and all of whom have had to be provided with typhoon-proof accommodation. I should like to pay tribute to the disciplined services, auxiliary services, government departments, UNHCR and voluntary agencies who have coped so well with this influx.

The solutions to the Vietnamese problem lie outside Hong Kong. We can only do so much ourselves, and that must be within the framework of the screening policy introduced on 16 June and the associated processes of repatriation, resettlement, and the liberalization of the former closed camps.

Resettlement

It is therefore not surprising that many Members have expressed their concern about the problems of the Vietnamese in Hong Kong, and in particular the current rate of overseas resettlement. This is something about which we are of one mind, and the views of the Administration have again been put strongly to United Kingdom ministers, by you, Sir, on your recent visit to London.

In the current year we expect no more than 2 600 refugees to be resettled. This is slightly better than the 2 200 who were resettled last year, but is of course a far from satisfactory rate. I can assure Members that the Administration wastes no opportunity in making this point to resettlement countries. I believe our best prospect for a major increase in resettlement quotas lies in the efforts now being made to organize an international conference next year on Indo-Chinese refugees. I hope that a package of solutions will emerge from this process which will include an increase in the number of refugees resettled from Hong Kong.

The views of Members on the need for a general increase in resettlement have been conveyed to London, and the Administration will continue to emphasize the very important point made by Members that other countries cannot be expected to help Hong Kong without a further and more generous commitment on the part of the United Kingdom. But on the other side of the coin let us not forget the 1 million which Her Majesty's Government has recently donated to the UNHCR for use specifically in Hong Kong. For this we are grateful.

Repatriation

On the question of repatriation, Sir, I should like to record that during the second round of talks in London with officials from the Socialist Republic of Vietnam both sides accepted the need for comprehensive arrangements covering all Vietnamese boat people arriving in Hong Kong after 15 June who do not qualify as genuine refugees. We also agreed that an immediate start should be made by completing arrangements for the return of those people who have asked to go back to Vietnam. We, the UNHCR and the Vietnamese authorities are now working on these arrangements with a view to getting the first group home before the end of the year.

As an integral part of such returns the UNHCR is working on a model repatriation and reintegration package for returnees. The British side is ready in principle to

make a financial contribution to the UNHCR in support of this package.

Liberalization

Some Members have commented on the liberalization programme for the closed camps. I can assure Members that this programme is being planned systematically and implemented cautiously. The working groups have been established and are proving useful. I think many of the fears of local residents were based on a misunderstanding of the plans and I hope that, through the participation of the district board members, many of these concerns can be allayed. There will, of course, be some problems but that with patience and understanding these can be overcome.

International conference

The proposal that we should have a four-point plan covering an increase in resettlement quota, an expanded Orderly Departure Programme, repatriation and the resettlement of long stayers, covers most of the main elements of the comprehensive solution which we are seeking, and for which international co-operation is an essential ingredient. In Hong Kong screening will remain an important basis of any comprehensive arrangements. All these issues are now being addressed in the multilateral discussions leading towards the international conference. We are participating fully in these meetings, the next of which will be in Kuala Lumpur in December.

Importation of labour

Turning now, Sir, to the question of labour and its importation, on which many Members spoke, I have little to add to what has already been said by the Secretary for Education and Manpower and what I said myself in this Chamber in answer to a question last month. I would only urge employers who have a need to import skilled staff, who cannot be found in Hong Kong, to apply to the Immigration Department.

Wives of Hong Kong ex-servicemen

On the subject of the right of abode for the wives and widows of Hong Kong ex-servicemen, Members have urged the Government to make representations to Her Majesty's Government for the granting of British citizenship. I can understand the problems faced by the widows in the acquisition of British citizenship, and for some

wives in fulfilling the residence requirement. We shall bring these points raised by Members to the attention of the British Government. I must however caution that if what is being sought involves, as it would appear to do, amendments to the British Nationality Act 1981, it would be no small undertaking, even for a limited group of people, because many of the provisions of that legislation are closely interlinked, and to seek to change one part could have ramifications for other areas. But we shall certainly look into this and see what can be done to assist this particular group of persons.

Law and order

Juvenile delinquency

A number of points which fall broadly under the heading of law and order were also raised by Members. Concern was expressed about juvenile delinquency, which is most commonly connected with shoplifting, triad-related offences and drug offences. The Administration naturally shares this concern and has, on the advice of the Fight Crime Committee, continued this year's fight crime publicity campaign with the anti-shop theft and anti-triad themes.

Early next month a scheme for the renunciation of triad membership will start operating, which will provide an opportunity for those who wish to rid themselves of the stigma of triads to start afresh. The Triad Renunciation Tribunal, which will be responsible for assessing applications and administering oaths, will be both independent of any government department and subject to strict confidentiality rules. A campaign to publicize the scheme will be launched early next month.

The Administration also shares the concern which was expressed about preventing people, particularly young people, from starting on drugs. In addition to the enforcement of existing legislation which has resulted in the seizure of large quantities of illicit drugs in recent months, and the drafting of new legislation to confiscate the proceeds of drug trafficking, the Action Committee Against Narcotics continues to organize extensive preventive education and publicity programmes.

Apart from tackling specific crime areas the Fight Crime Committee's Standing Committee on Young Offenders has recommended the strengthening of outreaching social work services to help young delinquents. And with the aim of forestalling juvenile delinquency, the police supervise young offenders discharged under the

Superintendents' Discretion Scheme, continue to develop the Junior Police Call and have formed special working groups at district level to take a more structured approach to delinquency.

Where prevention has failed, improved curative measures are necessary to help young offenders turn over a new leaf. The Standing Committee on Young Offenders will review shortly the work of the Young Offender Assessment Panel, and consider whether its services in advising on appropriate sentences for young offenders should be expanded. The committee will also monitor the rehabilitative effects of special outward bound courses for "youth at risk" and refine the courses as appropriate.

Vice

A point of concern was raised by one Member last week about nuisances arising from the presence of vice establishments in residential buildings. The public has been consulted by means of a White Bill about possible legislation to curb such nuisances, which are associated with prostitution. The response showed general support for the proposed legislation, and I hope to bring a revised Crimes (Amendment) Bill before this Council within the current Session.

Interpol

On the subject of Interpol and related matters the Police Force and Customs and Excise Service are well aware of the importance of international contacts to help them fight the spread of crime syndicates, drug trafficking, fraud and other crimes. Contacts with Interpol, the Customs Co-operation Council, and individual enforcement agencies have been steadily strengthened and will be maintained. In particular, liaison with customs and police authorities in China is being strengthened to deal with problems arising from the increasing movement of people and goods between Hong Kong and China. Our commitment to effective international co-operation in fighting crime is further shown by the agreement which has been reached in the Joint Liaison Group that Hong Kong will maintain separate membership of regional Interpol and customs organizations beyond 1997.

Crime-fighting in multi-storey buildings

As regards the point which was raised about improving security in high rise buildings, a good start has been made by means of the neighbourhood watch scheme

which the police have been running since 1984. Under this expanding scheme selected buildings have been targetted to form watch committees and advice has been passed to the public on security measures. The fifth phase of the scheme was completed in June this year and the sixth phase started in July.

In conclusion, Sir, I should like to observe that despite the new burdens placed upon the Administration by the Vietnamese arrivals, by the increased movement of people and goods through Hong Kong, and by internal developments within Hong Kong itself, the disciplined services have been able to continue to provide, and to improve upon, the previous services being offered. Powers, conduct and procedures are kept under proper review, and recruitment has been maintained at levels sufficient to enable us to continue to plan ahead, and to train the staff required to meet future developments.

With these remarks, Sir, I support the motion.

ATTORNEY GENERAL: Sir, I would like to take up two topics that were raised by Members in the debate last week.

Foreign law firms

I am grateful to Members for giving me the opportunity to outline to this Council the reasons behind Government's proposal on that subject.

The proposal is to introduce formal criteria, where none now exist, to permit the registration, through the courts, of foreign lawyers and foreign law firms, thereafter to permit those firms, if they so wish, to employ or to take into partnership, Hong Kong qualified solicitors to practise Hong Kong law and to impose a formal regime of discipline over those firms through the Law Society.

The proposal has been formulated to enhance Hong Kong's reputation as a major international, financial and commercial centre. And this will clearly be a benefit to Hong Kong as a whole. It will extend the range of legal services available in Hong Kong by enabling foreign law firms to provide from within the firm an integrated legal service to their clients -- who come predominantly from the financial and commercial community.

The proposal will thus extend to foreign law firms which satisfy the entry criteria similar rights to practise multi-jurisdictional law that are currently enjoyed by some of the larger firms of Hong Kong solicitors.

The proposal does not, as has been suggested, proceed from the premise that Hong Kong lawyers are unable to meet the needs of the international community for legal services. Far from it. The aim is to make what is good even better. The Government considers that the fear of competition does not alone provide any justification for the exclusion of foreign law firms. Hong Kong has a long tradition of encouraging competition in a free market and we believe the free competition between lawyers permitted to practise in Hong Kong is in the best interests of Hong Kong's financial and commercial development.

There is a growing international interest in the integration of domestic and foreign lawyers in other jurisdictions in order to provide multinational advice within a single firm. To varying degrees such integration is already permitted in France, Belgium, West Germany, Italy and the Netherlands as well as California, New York, the district of Columbia and New South Wales. These proposals demonstrate that Hong Kong is in step with developing international trends.

The question of foreign lawyers being permitted to practise in Hong Kong was first raised in 1972 when a foreign law firm wrote to the then Attorney General requesting permission to establish an office in Hong Kong. Following consultation with the Law Society, a loose administrative arrangement was devised whereby the Immigration Department consulted the Law Society before issuing a work permit to a foreign law firm. Foreign law firms were and are required to sign an undertaking with the Law Society and the only method of discipline is through the work permits of the individual members of the foreign law firm. The only sanction is to withdraw that permit. The arrangement has no legislative backing; it has no clearly laid down criteria.

The proposal therefore is that a statutory scheme under the control of the Chief Justice be devised to regulate foreign lawyers practising in Hong Kong. Clear criteria will be formulated to ensure that only foreign law firms of substantial reputation and integrity are permitted to practise here, that an effective check is provided on both the quality and the number of foreign law firms allowed into Hong Kong and that the Law Society is involved in this process with adequate powers to exercise effective disciplinary control over the foreign law firms.

It has been suggested that the proposal will open the floodgates to foreign lawyers; it will not. Foreign lawyers are here already. (Since the 1970s more than 20 foreign law firms including firms from America, Australia, West Germany, Canada and Sweden have been established in Hong Kong.) The criteria they presently have to satisfy will not be lessened by the proposal; in fact they will be formalized and tightened. It has been suggested that the proposal interferes with the Law Society's role in regulating the conduct of its members; it does not. It will in fact strengthen this because, for the first time, the Law Society will have clearly laid down powers of discipline over foreign lawyers.

The proposal is not, and never has been, that foreign lawyers will themselves practise Hong Kong law. It has been suggested that although not directly practising Hong Kong law a foreign lawyer employing a Hong Kong solicitor will, through the process of supervising him, be indirectly practising law here. This point was raised during question time in this Council on 20 July 1988 and the answer I gave then was that the regulation of the foreign law firms wishing to avail themselves of this opportunity would need to be very carefully addressed. And this is now happening. There are many other matters of important detail to be considered in which the Law Society will obviously play a vital part. We believe that the details when fully laid out will demonstrate that the concerns expressed over the proposal are groundless.

Civic education

I was heartened to hear concern that our young people should be taught not just the "3R's" but also something of the legal structures and principles which underpin the society in which we live. This concern is one which I share. It is important that we endeavour to instil in the general public an awareness of the rule of law.

The Bar Association, the Law Society and the Government are actively considering how legal education in schools can be enhanced. We are also looking at ways in which greater general civic awareness of the law can be achieved. We will need to develop our thoughts in this area with the Secretary for Education and Manpower and with the Committee on the Promotion of Civic Education. Members can be assured that concerns expressed in this Council have been the subject of much thought and that both Government and the professions are alive to the importance of the issue.

Sir, with these remarks, I support the motion.

CHIEF SECRETARY: Sir, we have now spent some 16 hours in discussion of your annual policy speech and I am left with the popular task of drawing official Members' contributions to a close. I should try to do so expeditiously.

Members' speeches on the public service fell into two main categories, they were either detailed, careful analyses of the organization, problems and prospects of the service or, colourful sweeping assertions about its performance.

I hope Members will forgive me if I do not attempt to answer like with like. In response, I will take refuge in the motto of my golfing friends "down the middle is best".

Sir, many have congratulated you on the content and vision of your speech and rightly so. But there was one minor triumph which escaped attention. I believe for the first time in living memory some news was announced in the annual address which neither Members nor even the media had heard about in advance -- the "think tank". I cannot help wondering whether some of the wild speculation about the role of this modest and practical addition to our administrative machinery was generated by commentators, irked by the fact that they were taken by surprise when it was announced. But that is an unworthy thought, Sir, which I will quickly set aside.

The Administration is right now working on the detailed arrangements for the establishment of the Central Policy Unit -- the CPU for short. Some points remain to be finalized. I can, however, provide Members with an outline of our thinking.

The CPU will form part of the Government Secretariat and will function as such. It will be housed in the Secretariat building. It will, however, not be a policy branch with responsibility for a defined programme area of its own. Its role will be to undertake in-depth examinations of complex policy issues, to analyse options and to recommend solutions. These issues will be specified on a case-by-case basis. They are likely to be issues of a long-term, strategic nature, or issues which cut across, or fall between, the boundaries of several different policy branches or government departments. I would not expect the CPU to be involved in the vast majority of policy issues which clearly fall to be dealt with by one or other of the policy Secretaries. And while the CPU itself, as well as individual policy Secretaries may suggest issues for the unit to consider, the actual tasks of the unit will be assigned to it by the Governor, the Financial Secretary and myself.

So, the work of the CPU is designed to complement and supplement the work done by policy Secretaries, not to replace it. The unit will not usurp the role of the policy Secretaries, and it will not act as a filter through which all policy proposals drawn up by the Secretaries will be passed. I would instead expect a close collaborative relationship to develop between the CPU and policy Secretaries. For the CPU to function effectively, it will need to pull together all the information that is relevant to the issue being examined. Some of this information will have to be obtained through the unit's own research, but much of it will necessarily be drawn from material already in the possession of the relevant policy branches and departments. I would also expect that the CPU will wish to seek the views of those branches and departments on subjects which impinge on their areas of responsibility. As the CPU will not itself be a policy branch or an executive department, clearly it will not have responsibility for implementing policy.

Sir, there has been some speculation that the CPU might somehow usurp the role of the Executive Council or even this Council. There can be no question whatsoever of that happening. Although in theory the Executive Council is purely advisory, it is in practice a corporate decision-making body given that the Governor invariably acts in accordance with the Council's advice. The CPU is not a decision-making body. Policy proposals emerging from the unit will initially be considered within the Administration and will then, where appropriate, be submitted to the Governor-in-Council for consideration and decision. And, of course, if a decision is taken following the advice of the CPU which requires the enactment of legislation or the allocation of public funds, the approval of this Council will have to be sought in the normal way.

As regards the organization and staffing of the CPU, I envisage that the unit will be organized in a flexible way. There will be a small core of about four full-time members with a number of supporting staff, and they will form part of the Civil Service although some of them will probably be brought in from outside the Government. There will also be a number of part-time members, who may be drawn from within as well as outside the Civil Service. Some of them would participate regularly in the work of the unit while others would be brought in on an ad hoc basis. The members, both full-time and part-time, will be appointed by the Governor.

Finally, Sir, on a lighter note, may I assure you that I have no intention of using the "think tank" to build up my power-base so as to mount a coup. In any case,

Sir, I much prefer Victoria House to Government House. (laughter)

I turn now to science and technology. Several Members have stressed that the Government should pay greater attention to scientific and technological development and do more to improve our capability in these areas so as to keep up with our competitors. The Government is conscious of this need, and is committed to providing the necessary infrastructure which would allow the development and application of science and technology to sustain a competitive and healthy economy.

But science and technology is an extremely broad field encompassing a large number of streams and disciplines -- which, incidentally, explains why it is not practicable to centralize the Government's own activities in this field in one single department. It is also a field in which rapid advances are made, with new concepts and new applications emerging day by day. It is no easy task to cut through the mass of information and possibilities to get at the things Hong Kong needs most. To do this, we need to draw upon all the expertise we got, both from within the Government and from outside, and we need to identify sufficiently specific areas for priority treatment.

Sir, it was precisely for this reason that the Committee on Science and Technology has been set up. We look to the committee to produce ideas in the area of science and technology which are of direct and practical relevance to the circumstances of Hong Kong, or which are of potential long-term benefit to the economy, and to recommend specific action for the development and application of those ideas. I am encouraged that the committee is pursuing its tasks vigorously. It is now developing, together with the Administration, a specific work programme covering a few key areas and activities which are considered to be of the highest priority and importance. We expect this programme to be rolled forward annually in the future. For its part, the Government recognizes that there is a need to provide the committee with adequate support, in terms of both financial resources and technical and administrative back-up, to enable the committee to undertake basic research, commission feasibility studies and organize activities.

We are working hard on this and will have some positive proposals to put to the committee shortly.

Let me turn now to our other proposals for reorganizing the top-level structure of the Government Secretariat. These involve, in the main, the creation of two new

policy branches, one to take specific responsibility for planning and environmental protection, and the other for sports, recreation and culture, entertainment and broadcasting.

Several Members have commented on these changes during the debate. Concern has been expressed about the possible implications of the creation of the new recreation and culture branch for the role of the municipal councils and their relationship with the central level of Government.

I can assure Members that the role and functions of the municipal councils, and the degree of autonomy that they enjoy, will in no way be affected by the establishment of this new branch. It is, of course, our intention that the creation of the new branch will result in some strengthening of the Government's efforts in co-ordinating the policies and activities of the various bodies involved in the field of sports, recreation and culture, and these include the two municipal councils. But the basic remit of the two councils and those of their executive departments will remain unchanged, and in matters concerning sport, recreation and culture the new Secretary will be working closely with the two councils in much the same way as the Secretary for Municipal Services does now. The Deputy Chief Secretary, whose post will be retitled as Secretary for Constitutional Affairs, will take over the responsibility for maintaining day-to-day liaison with the municipal councils, and I myself look forward to continuing my regular contacts with the two chairmen. As regards the other duties currently undertaken by the Secretary for Municipal Services, whose post will be abolished upon the creation of the new Secretary for Recreation and Culture, our intention is to reallocate those to other existing parts of the Administration. We shall need to do further work to sort out the details, and will do so in consultation with the municipal councils.

Members have warmly endorsed the government plans to tackle vigorously the problems of environmental pollution and to improve the physical environment of the territory. Many have spoken in support of the creation of a new policy branch to take specific responsibility for planning and environmental protection.

The creation of the new policy branch raises the question of what is the best organizational structure for dealing with the other tasks currently undertaken by the Lands and Works Branch and, in particular, what should be the appropriate interface between the planning and works functions. Suggestions have been made by some Members in relation to this question.

There are arguments for integrating planning and works under one policy Secretary, thereby ensuring consistency of approach and reducing the need for departments to be responsible to more than one branch. But the resultant range of duties would be broad and the burden might prove too great for a single Secretary to shoulder. The alternative might be to place planning and works under two separate Secretaries, which would be more likely to ensure that both aspects receive the attention they need at the Secretary level. This would, of course, require very close co-ordination and co-operation between the two Secretaries if it is to work.

There are complex organizational questions involved and these are being addressed in the internal study mentioned, Sir, in your address. The Government's aim is to create a structure which would ensure that we can give high priority to environmental matters and their integration with planning procedures. We must also be certain that plans can be effectively converted into development programmes, and that these programmes are effectively implemented.

I am confident that we will be able to finalize our plans for the new structure by the end of this year and implement them in the early part of 1989.

Sir, I turn now to a matter of obvious concern to a number of Members, the well-being of the Civil Service. It is an important subject and I am most grateful for the interest shown in so many speeches.

There seems to be a widespread belief that promotion in the service is based on age and length of service rather than merit. This is clearly nonsense. We now have a comprehensive system of reporting and selection designed to ensure that those with talent rise to the top. Accelerated promotion is now common place. And many are reaching the top earlier in their careers. The average age of policy Secretaries for example has declined from 56 five years ago to 52 at present, and five out of 15 of them are now under the age of 50. I am sure that this trend will continue.

We are also at pains to ensure that the system is as fair as possible. The selection of officers capable of taking on responsibilities in the directorate and reaching the most senior levels has for some years been based on regular review exercises conducted by the heads of departments in consultation with the Secretary for the Civil Service and their related policy Secretaries. Apart from immediate directorate succession planning, the process involves "talent spotting" for the longer term and identifying training requirements to bring on suitable individuals.

On the subject of training, a wide range of courses is offered internally to meet vocational, professional, management and language needs. The highly successful Senior Staff Course is now to become a permanent part of the training scene. No less than 18 000 civil servants attend external courses each year, mainly in Hong Kong but also, in 100 or so cases, overseas. The fact that it costs \$400 million to train civil servants each year indicates the importance we attach to the programme.

Several Members have referred to the morale of the Civil Service and I would like to attempt a sober assessment of it using a number of criteria.

Firstly, losses from the Civil Service. While resignations and retirements obviously continue, we do not, I am happy to say, share the worst of the problems of the private sector. If we look at top officials, we find that in recent years there have been relatively few resignations or early retirements. At the directorate level, the present strength is 1 059, the number of resignations and early retirements over the past four years is 29 in 1985-86, 15 in 1986-87, 23 in 1987-88 and 14 so far in 1988-89. At senior management or senior professional level, the present strength is 1 734 and the resignation and early retirement figures are 55 in 1985-86, 50 in 1986-87, 55 in 1987-88 and 30 so far this year. These produce average percentages of less than 2% for the directorate and 3% for the senior ranks.

I am told that the comparable figure for senior people in the private sector is at least 10%.

This is not to say the Civil Service is escaping the dual pressures of the very competitive labour market and emigration completely. Despite the fact that overall wastage in recent years is running at only about 4% of strength and resignations account for a little over half of that, we do of course have problem areas. We would be complacent if we were not to recognize this and more so if we were to try do nothing about it. Using a 10% wastage figure as a rule of thumb, our identifiable problems are in social welfare, medical and health, legal, data processing and one or two other smaller grades. These problems clearly need to be tackled. We already have proposals to deal with some of them and are working hard on the others.

Another possible way to gauge the morale of the Civil Service might be to examine the perceptions of those outside it and in particular those starting a career or looking for a job.

The administrative service is one of the key areas to watch in this respect because recruits joining it do so now in the clear knowledge that they will form the core of the Government Secretariat up to 1997 and beyond. In 1986 there were 2 696 applications for the 26 vacancies in the administrative service, in 1987, 3 443 applicants for 33 vacancies, in 1988, 3 155 applications for 27 vacancies and in this year no less than 3 237 have applied for the 30 vacancies. I find these figures very encouraging indeed.

There are of course recruiting difficulties in particular grades. Student nurses, and computer programmers for example are hard to come by but these problems stem from such factors as pressures in the private sector and conditions of service and it is clear they do not reflect badly on the morale of the service as a whole.

In general, our Civil Service seems to be one which considerable numbers of people are willing, indeed eager, to join. This would seem to suggest that, far from being an organization with no spark and no future, it is seen as a going concern with plenty to offer.

But I would emphasize that we are by no means lulled into a false sense of security about the state of the Civil Service, its effectiveness or its morale. There are challenging times ahead for both the staff and the management.

Some Members have questioned whether we have enough young leaders of quality and dedication in our community to take Hong Kong forward into the next century.

Let me answer for the Civil Service. I have no doubt whatsoever that we do have a strong corps of bright, enthusiastic and resilient people coming to the top. The vast majority of them are committed to Hong Kong and dedicated to seeing it through 1997 and beyond. In particular, the high-flyers amongst them are only too conscious of the effect their departure would have on the service and indeed the community.

Like all of us in the service, they expect criticism on their performance and effectiveness. But attacks on their motivation and loyalty are quite another matter. They need to be encouraged not doubted. In this context, it is worth remembering that, however the political system develops here, the whole community, and that includes the politicians, will still depend upon the Civil Service as the backbone of the administration of Hong Kong.

Of course, the public service does not have the monopoly on leadership. But if our political system also encourages the emergence of responsible dedicated political leaders to work alongside their Civil Service colleagues for the good of the people of Hong Kong, I am sure we can face the future with every confidence.

Sir, in drawing this debate to a close, I would like to thank Members for their thoughtful contributions. Speeches have varied greatly in style, content and tone. But we have come to appreciate and respect the variety and diversity of views expressed in this Chamber as a reflection of those held in the community at large. This is what the development of a more representative system of government is all about.

Sir, your speech would not, I think, be dubbed in popular jargon a "political speech", but it certainly carries a political message. The message that this Government will continue to go full steam ahead with its plans for the future, committed to doing its best for the people of Hong Kong. Sir, in this, you have the whole-hearted and loyal support of the Administration and I, Sir, most enthusiastically support the motion.

MR. ALLEN LEE: Sir, since I moved this motion debate a week ago, I have heard in this Council hearty congratulations on your comprehensive plans for the future; cogent but constructive criticism on those plans; and today, the Administration's thoughtful replies to the points we raised. I have no intention of repeating any of the points or arguments we put forward: they already provide a fertile pool of ideas or concrete proposals on which our "think tank" can draw. I am indeed proud of all my colleagues who have spoken with such conviction and honesty, even if laced with the occasional rhetoric.

But rhetoric apart, I have a message to underline this afternoon. It will be brief, yet not simple. It concerns leadership.

Sir, 1997 is a reality that, like it or not, we have to live with and accept. In accepting this reality and all its ramifications, we can either resign ourselves to gloom and doom; or we can take up the challenge with the vitality and adaptability for which Hong Kong is internationally known, and to which we owe our economic success. The choice is ours, and I believe that we in this Council owe it to the community to take up the challenge, jointly map out a clear direction, and lead the community

in forging ahead. That job is certainly not easy. We are at crossroads where important decisions about our long-term future must be made. Actions to carry us forward must be taken.

In so doing, we must not allow our judgement to be distorted by any concern other than the common interest of our community.

We must also avoid certain pitfalls. Diversity of opinion is healthy, but irresponsible accusations are destructive. Sectoral interests are inevitable, but blind proponents of these interests do not make good leaders. To be a leader is to be able to take on the responsibility of decision making -- decisions free from bias, free from self or sectoral interests. True democracy is what we should be aiming for, but it is easy to say yet difficult to practise. Let us recognize that the path leading to democracy often involves the process of give and take. We must be prepared, when the overall interest of Hong Kong is at stake, to give, and give without reservation. Selfish motivations have no place in this Council.

Sir, I firmly believe that if we have clarity of vision, unity of purpose, and row together in harmony, we can ride any of the waves that will hit us. And on behalf of all my colleagues, I thank you once again for providing in your address a strong foundation on which we can plan for the future. Together.

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, 23 November 1988.

Adjourned accordingly at ten minutes to Six o'clock.

Note: The short titles of the motions listed in the Hansard have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.