

1 HONG KONG LEGISLATIVE COUNCIL -- 8 November 1989

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OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 8 November 1989

The Council met at Three o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (PRESIDENT)

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

THE CHIEF SECRETARY

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

THE FINANCIAL SECRETARY

THE HONOURABLE SIR PIERS JACOBS, K.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE FRANK STOCK, Q.C., 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 HOME AFFAIRS

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

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

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

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

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

THE HONOURABLE CHAN YING-LUN, O.B.E., J.P.

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

THE HONOURABLE CHUNG PUI-LAM, J.P.

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

THE HONOURABLE HUI YIN-FAT, O.B.E., J.P.

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

THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.

THE HONOURABLE POON CHI-FAI, J.P.

PROF. THE HONOURABLE POON CHUNG-KWONG, J.P.

THE HONOURABLE SZETO WAH

THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING, J.P.

THE HONOURABLE TAM YIU-CHUNG

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

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

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

THE HONOURABLE GRAHAM BARNES, C.B.E., J.P.
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.

SECRETARY FOR TRANSPORT

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

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

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, J.P.

THE HONOURABLE YEUNG KAI-YIN, J.P.
SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE MRS. ANSON CHAN, J.P.
SECRETARY FOR ECONOMIC SERVICES

ABSENT

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

THE HONOURABLE CHENG HON-KWAN, J.P.

THE HONOURABLE DAVID LI KWOK-PO, J.P.

THE HONOURABLE PANG CHUN-HOI, M.B.E.

THE HONOURABLE TAI CHIN-WAH, J.P.

IN ATTENDANCE

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

Papers

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

Subject

Subsidiary Legislation

L.N. No.

Commissioner for Administrative Complaints
Ordinance

Commissioner for Administrative Complaints
Ordinance (Amendment of Schedule 1)

Order 1989.....

357/89

Immigration Ordinance

Immigration (Places of Detention)

(Amendment) (No. 13) Order 1989..... 358/89

Immigration Ordinance

Immigration (Treatment of Detainees)

(Amendment) (No. 3) Order 1989..... 359/89

Immigration Ordinance

Immigration (Vietnamese Boat People)

(Detention Centres) (Designation)

Order 1989.....

360/89

Immigration Ordinance

Immigration (Vietnamese Boat People)

(Detention Centres) Rules 1989..... 361/89

Immigration Ordinance

Immigration (Vietnamese Refugee Centres)

(Closed Centre) (Amendment) Rules 1989..... 362/89

Legal Practitioners Ordinance

Solicitors' Practice (Amendment) (No. 2)

Rules 1989.....
363/89

First Reading of Bills

JUDICIAL SERVICE COMMISSION (AMENDMENT) BILL 1989

BANK NOTES ISSUE (AMENDMENT) BILL 1989

ARBITRATION (AMENDMENT) (NO. 2) BILL 1989

IMMIGRATION (AMENDMENT) (NO.4) BILL 1989

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

Second Reading of Bills

JUDICIAL SERVICE COMMISSION (AMENDMENT) BILL 1989

THE CHIEF SECRETARY moved the Second Reading of: "A Bill to amend the Judicial Service Commission Ordinance."

He said: Sir, I move the Second Reading of the Judicial Service Commission (Amendment) Bill 1989.

The Bill was first introduced into this Council in June 1988. On the suggestion of the ad hoc group, the Administration has exchanged views with the legal profession and the Bill has been modified. The purpose of the Bill is to introduce changes to the Judicial Service Commission in order to underline the independence of the Judiciary.

The Bill provides for the expansion of the membership of the Judicial Service Commission from six to nine, consisting of three members of the Judiciary, including the Chief Justice as chairman, two members of the legal profession and three lay

members together with the Attorney General as an ex-officio member. The chairman of the Public Service Commission is no longer to be a member of the Judicial Service Commission. While we do not share the legal profession's concern about the effect of his membership on the concept of a non-civil service Judiciary, we agree that his expertise in appointment matters could be provided by one of the lay members.

The legal profession has also objected to the Attorney General remaining a member of the Judicial Service Commission.

Sir, the Administration has carefully considered the objections but we continue to believe that there are sound reasons for the Attorney General to continue to be a member. The separation of the Judiciary from the Administration does not mean that the Administration has no role to play in the appointment of judges and magistrates. The Administration has a responsibility for ensuring that high standards are maintained in the administration of justice in which judicial appointments play an important part. It is appropriate that the Attorney General as guardian of the public interest in the administration of justice, should participate in judicial appointments.

We also believe that the Attorney General's position as legal adviser to the Governor and head of the Legal Department make it appropriate for him to be a member of the Judicial Service Commission. The Legal Department briefs out a great deal of work to the private sector and employs approximately 250 government lawyers. Such a position gives the Attorney General a considerable appreciation of ability within the legal profession of Hong Kong. He is thus well-placed to assist the Commission in its deliberations, concerning both lawyers who seek appointment to the Bench and members of the Judiciary who seek, or who are proposed for, advancement.

The Bill also introduces a consultative mechanism for the appointment of the two members from the legal profession. One will be a barrister and the other a solicitor. Before a decision is taken by the Governor on these appointments, the chairman of the Hong Kong Bar Association and the president of the Law Society of Hong Kong will be invited to make nominations. The Governor will wish to take account of these recommendations but will not be bound by them.

As a consequence of the increase in membership of the Commission from six to nine, the Bill also provides for an increase in the quorum to the Chief Justice plus five members. We believe that the legal profession's suggestion that the quorum should

be seven members is inappropriate. As Members will appreciate, during certain periods of the year when business must be transacted it is quite possible that more than two members will be out of Hong Kong.

The other change introduced in the Bill is the removal of the requirement for decisions taken by the Commission to be unanimous. With an expanded membership of nine, the likelihood of unanimous decisions will naturally be reduced and it would clearly be undesirable to the operation of the Commission that decisions should be blocked by the objection of one member. On the other hand, the validity of a decision might be in doubt if there were to be a large number of dissenting votes. The Bill therefore provides that resolutions should be passed with not more than two dissenting votes. The legal profession's suggestion for resolutions to be passed with not more than one dissenting vote is not considered acceptable.

The legal profession has proposed that the legislation should specify that judicial appointments should be made by the Governor in accordance with the advice of the Judicial Service Commission. This would be consistent with the provision in the Joint Declaration that judges of the Special Administrative Region courts shall be appointed by the Chief Executive in accordance with the recommendation of an independent commission. However, before the Judicial Service Commission can assume such an executive role, certain measures such as providing for security of tenure for judicial officers and replacing the Letters Patent under which judges are now appointed with other provisions affording similar protection will have to be put in place. Therefore we propose that the Commission remain advisory for the time being. In practice, the recommendations of the Commission on judicial appointments have always been accepted by the Governor.

Sir, the Bill has been revised to take into account some of the views expressed by the legal profession. The changes proposed in the Bill will help to underline and enhance the independence of the Judiciary, and I am sure their implementation will be beneficial to our judicial system.

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

Question on the adjournment proposed, put and agreed to.

THE FINANCIAL SECRETARY moved the Second Reading of: "A Bill to amend the Bank Notes Issue Ordinance."

He said: Sir, I move that the Bank Notes Issue (Amendment) Bill 1989 be read the Second time. The main purpose of the Bill is to provide that bank notes bearing the name "The Hongkong and Shanghai Banking Corporation" shall continue to be legal tender following the change in the bank's name to "The Hongkong and Shanghai Banking Corporation Limited" on 6 October 1989.

In August 1989 the bank announced its intention to register itself as a limited company under Part IX of the Companies Ordinance in order to modernize its statutory framework. The change was approved by the bank's shareholders on 19 September and the registration was effected on 6 October. A notice made under section 55 of the Interpretation and General Clauses Ordinance has brought about the substitution of the new name for the old name wherever it occurred in the Laws of Hong Kong. The notice was published in the Gazette on 6 October.

There is a need to ensure that bank notes bearing the old name may still be lawfully issued and will remain legal tender. The process of replacing such notes by notes bearing the bank's new name is expected to take several years. The cost of printing bank notes is borne by Government for the account of the Exchange Fund.

The Bill provides that any bank notes bearing the former name, whether issued before, on or after 6 October 1989 shall be deemed to be bank notes lawfully issued and legal tender for the purposes of the principal Ordinance. It provides also that section 14 of The Hongkong and Shanghai Banking Corporation Limited Ordinance shall apply to bank notes bearing the former name, and that section 93 of the Companies Ordinance shall not apply to bank notes issued by a note-issuing bank.

There is a provision in clause 1(2) that the Bill shall be deemed to have come into operation on 6 October. I trust that this retrospectivity will not cause concern to Members since no one is to be deprived of existing rights as a result. Indeed the rights of holders of the bank's notes will be confirmed.

This is a reserved Bill under Article XXVI (3) of the Royal Instructions. The Secretary of State has given approval for it to be enacted.

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

Question on the adjournment proposed, put and agreed to.

ARBITRATION (AMENDMENT) (NO. 2) BILL 1989

THE ATTORNEY GENERAL moved the Second Reading of: "A Bill to amend the Arbitration Ordinance."

He said: Sir, I move that the Arbitration (Amendment) (No. 2) Bill 1989 be read a Second time.

The object of this Bill is to implement recommendations of the Law Reform Commission in its Report on the Adoption of the UNCITRAL Model Law of Arbitration.

The report, which was published in September 1987, was compiled by a sub-committee whose membership was not only highly versed in the subject of arbitration, but also international in its composition.

With the increasing internationalization of commerce a clear need has emerged for business disputes to be settled in a manner that is just, swift, predictable and final. But if different countries have different mechanisms for resolving these disputes, businessmen are unlikely to choose a venue for arbitration if they or their advisers are unfamiliar with that venue's arbitration laws and procedures. It was this problem that was addressed by the United Nations Commission on International Trade Law (UNCITRAL) in the hope that if common procedures were applied, businessmen could choose a venue for its convenience and put aside worries about procedural matters. UNCITRAL produced its Model Law in 1985, and the General Assembly of the United Nations passed a resolution calling on all states to give due consideration to adoption of the Model Law.

The basic philosophy of the Model Law is to provide the international business community with a universal code expressed clearly and which is aimed at speedy resolution of disputes with minimal interference by the courts and without elaborate procedures.

Since the establishment in September 1985 of the Hong Kong International Arbitration Centre, Hong Kong has been developing the potential for being the leading

centre for international commercial arbitration in the Far East. Clearly it is important that the laws of Hong Kong be as well designed as possible to assist these developments.

The effect of adoption of the Model Law for Hong Kong will be to make knowledge of Hong Kong international arbitration rules accessible at once to the international community, thereby making Hong Kong eminently attractive to parties as an arbitration venue. This was the view of the Law Reform Commission which stated, "We rapidly and unanimously came to the view that it would be greatly to Hong Kong's benefit if the Model Law were adopted here as part of Hong Kong's domestic law....There is great benefit to be gained from Hong Kong's point of view in its role as a burgeoning centre of international arbitration."

Although Hong Kong's present arbitration law does make special provision for non-domestic arbitrations, they are, with some exceptions, dealt with along similar lines to domestic arbitrations. The Bill however provides for two distinct regimes. Domestic arbitrations will continue to be governed by the existing law subject to a few changes. International arbitrations, on the other hand, will be governed by the Model Law the provisions of which (save for one Chapter) are, by this Bill, to be incorporated into the Arbitration Ordinance.

However, provision is made for parties to domestic arbitration to enter an agreement, after a dispute has arisen, for their dispute to be dealt with under the Model Law. Provision is also made for parties to an international agreement to provide that any disputes will be dealt with under the law of domestic arbitration.

Under the Model Law, an arbitration is international in a number of circumstances. It is international if the parties to the arbitration agreement have their places of business in different states, or have agreed that the subject matter of the agreement relates to more than one state. Even if the places of business of the parties are in the same state, the arbitration is also international if the parties agree to arbitrate elsewhere; or if a substantial part of the commercial obligations are to be performed elsewhere; or if the subject matter of the dispute is more closely connected with another state. A domestic arbitration is one that will fall outside these prescribed circumstances.

The effect of the Bill is that there will now be a number of material differences in the rules applicable to the two types of arbitrations. These relate principally

to the powers of the court. The powers of the court in relation to international arbitrations will now be far more limited than those for domestic arbitrations. Whilst there will, for example, be recourse to the courts to set aside an award made under an invalid agreement, or made contrary to the agreement, or made contrary to public policy, there will, for international arbitrations, no longer be power for the court to rule on questions of law. Nor will there be power in the court in relation to international arbitrations to give relief for delay, to order discovery of documents, or to order consolidation of proceedings. In short, the tribunal appointed to determine international arbitrations will enjoy considerable autonomy.

However, these limits on the courts' power to intervene should not cause concern. One of the main attractions of arbitration is the need for swift finality. In any event, the courts are in practice rarely approached at present to intervene; such powers as exist have become somewhat circumscribed by case law; and existing law already permits exclusion, by agreement, of most of the court's powers to intervene.

There are other features of the Bill to which the attention of Members should be drawn:

-- The Model Law expresses itself as intended for international commercial arbitrations. The term "commercial" is given different meanings in different jurisdictions. Hong Kong would not wish to adopt a definition which might be given too narrow an interpretation. Therefore, the Bill provides that the Model Law will apply to all international arbitrations.

-- Under the existing law, awards made outside Hong Kong are enforceable here only if the state where the award was made itself enforces awards made in Hong Kong. The Model Law however provides for enforcement irrespective of whether such reciprocity is offered. It was not considered desirable for Hong Kong to have to enforce awards in the absence of reciprocity. The existing law in this regard will therefore remain unchanged.

-- Since one of the attractions of arbitration to businessmen is the avoidance of publicity which can flow from court proceedings, the Bill provides that in all arbitrations, whether domestic or international, court proceedings must be held in private if one of the parties wishes. There are consequential provisions for restricting reports of the proceedings.

-- The present law permits, if the arbitration agreement so provides, the appointment of a conciliator who can subsequently act as an arbitrator. The Bill extends conciliation powers by providing that an arbitrator may act as a conciliator, even if the agreement is silent on this point, provided the parties consent.

Sir, Members should know that the Bar Committee and some solicitors feel that the Model Law should not apply unless the parties to the arbitration have specifically adopted it to resolve their disputes; this is the "opting-in" approach. The Bill presented rejects this approach in favour of providing that the Model Law will apply unless the parties have "opted out". The Administration believes that the "opting-in" approach amounts to a rejection of the principle that the Model Law should be the law applicable to international arbitrations; it would cause confusion to those involved in international arbitration and detract from Hong Kong's ability to become an international arbitration centre. There has also been a suggestion that the Model Law definition of international arbitration be changed in order to ensure that only arbitrations which have no connection with Hong Kong are subject to the Model Law. But the basic philosophy behind the Bill is that in order to achieve international recognition, the Model Law should be adopted in Hong Kong with minimum change. To alter the definition of international arbitration would be to create the very uncertainty in the international arbitration community which this whole measure is designed to avoid.

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

Question on the adjournment proposed, put and agreed to.

IMMIGRATION (AMENDMENT) (NO. 4) BILL 1989

THE SECRETARY FOR SECURITY moved the Second Reading of: "A Bill to amend the Immigration Ordinance."

He said: Sir, I move the Second Reading of the Immigration (Amendment) (No. 4) Bill 1989.

The object of the Bill is to amend the Immigration Ordinance to incorporate the new rank of Chief Immigration Assistant which will be created in the Immigration Department.

The Department has two disciplined grades: the Immigration Officer grade and the Immigration Assistant grade. The Immigration Officer grade comprises six ranks starting with the rank of Assistant Immigration officer. The Immigration Assistant grade comprises two ranks: Senior Immigration Assistant and Immigration Assistant.

To cope with the increasing demand for services, and having regard to the growing complexity of immigration work, the less complex duties of Immigration Officers will now devolve upon the new rank of Chief Immigration Assistant which will be created above the existing Senior Immigration Assistant rank. This will mean that most of the responsibilities of Assistant Immigration Officers will be transferred to Chief Immigration Assistants, while the remaining duties of Assistant Immigration Officers will be absorbed by Immigration Officers.

This restructuring will not only enable the more senior officers to concentrate on the more important and complex tasks but will lead to the eventual abolition of the Assistant Immigration Officer rank, thereby streamlining the officer grade and achieving some savings.

Since the powers of the officers in the different levels of the Immigration Department are set out in the Immigration Ordinance, the proposed restructuring of immigration grades makes amendments to the Ordinance necessary. Consequential amendments will also be made to the Immigration Service Ordinance and Immigration Regulations.

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

Question on the adjournment proposed, put and agreed to.

REGISTRATION OF PERSONS (AMENDMENT) BILL 1989

Resumption of debate on Second Reading which was moved on 18 October 1989

Question on the Second Reading of the Bill 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).

MEDICAL REGISTRATION (AMENDMENT) BILL 1989

Resumption of debate on Second Reading which was moved on 18 October 1989

Question on the Second Reading of the Bill 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).

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 1989

Resumption of debate on Second Reading which was moved on 18 October 1989

Question on Second Reading proposed.

MR. BARROW: Sir, the Hong Kong Tourist Association (Amendment) Bill 1989, as the Honourable Secretary for Economic Services explained three weeks ago in this Council, seeks to formalize the financial arrangements for the Association.

I do agree that, from a public accountability viewpoint, Government needs to be prudent in spending public resources so that they can achieve their objectives most effectively. This Council, in addition, bears the responsibility to make sure that this is actually so, and the Tourist Association supports the principles of the Bill.

It has to be noted, however, that the tourism industry is a volatile service industry and there are many more challenges ahead: the shortage of experienced and trained personnel is already eroding our service standards; there is stiff competition from other countries in East Asia, and the recent events in China have prompted many Western visitors to defer their trips to the region.

I do urge the Government to duly recognize that the Tourist Association, in promoting one of the key foreign currency earning industries in Hong Kong, has to respond to a fast-changing business environment. This is exactly why the Association

has from its outset been a public body but not a government department, so that unnecessary red-tape can be avoided, while at the same time not losing sight of the need for accountability.

I hope that in future the Government, when implementing the Bill, will not lose sight of these factors, and will apply the principles of the Bill with sufficient flexibility. The Association looks forward to working closely with Government, in achieving a recovery in tourism, as well as in promoting Hong Kong for the long term.

With these remarks, Sir, I support the motion.

SECRETARY FOR ECONOMIC SERVICES: Sir, I am grateful for Mr. Martin BARROW's support of this Bill. This bill does no more than to bring the accounting arrangements for the Tourist Association into line with those applicable to other comparable subvented organizations. I am sure these arrangements will not in any way impinge on the Association's ability to respond rapidly to the fast-changing environment in which it operates.

Question on the Second Reading of the Bill put and agreed to.

Bill read the Second time.

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

Committee stage of Bills

Council went into Committee.

REGISTRATION OF PERSONS (AMENDMENT) BILL 1989

Clauses 1 to 7 were agreed to.

MEDICAL REGISTRATION (AMENDMENT) BILL 1989

Clauses 1 and 2 were agreed to.

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 1989

Clauses 1 to 4 were agreed to.
Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

REGISTRATION OF PERSONS (AMENDMENT) BILL 1989

MEDICAL REGISTRATION (AMENDMENT) BILL 1989 and

HONG KONG TOURIST ASSOCIATION (AMENDMENT) BILL 1989

had passed through Committee without amendment. He moved the Third Reading of the Bills.

Question on the Third Reading of the Bills proposed, put and agreed to.

Bills read the Third time and passed.

Member's Motion

MOTION OF THANKS

Resumption of debate on motion which was moved on 1 November 1989

FINANCIAL SECRETARY: Sir, before I turn to a number of specific issues raised by Members, I shall start by giving a brief summary of the present state of the economy.

Economy

As expected, the growth rate of our economy has continued to slow down. Currently, we are experiencing more moderate growth for both the external and the domestic sectors. There is a positive side to this in that the reduction of pressure on

capacity should help to reduce inflation. We must remember that we have enjoyed three successive years of remarkable growth, and in these circumstances a period of consolidation is inevitable.

But on top of this predictable economic adjustment the events in China in June have adversely affected a number of sectors. Some have suffered more than others, but, nevertheless, I am happy to say that there has again been a steady increase in economic activity over the last few months. A clear indication of our economic vitality and resilience.

In the short term, inflation is our major concern. Although the labour market is still generally tight, there is some evidence that the workforce is now more stable with less job-hopping than before. This should help to reduce the pressure on wages. The current rate of inflation at around 10%, as measured by the Consumer Price Index (A), is somewhat too high for comfort, but to the extent that most of the current inflationary pressures are generated domestically, the rate of inflation can be expected to ease as the economy slows down further.

The performance of the economy is, of course, the framework within which we plan our programmes of expenditure, and it is therefore essential that we monitor carefully its development. In this connection, I am grateful to Members of this Council who have been providing me with advice and guidance. It has been suggested that an Economic Development Board should be established to oversee and advise on the entire range of economic activities in Hong Kong. This imaginative and helpful suggestion ties in well with our intention to review the structure and membership of the Economic Review Committee so as to improve the dialogue between the Administration and the private sector. I hope to be able to conclude this review shortly.

Industry

In the field of industrial development, our basic philosophy has been to allow market forces to determine the direction taken by industry. This market-led approach recognizes that industrialists and businessmen are best placed to decide upon the direction of their undertakings. Generally, this must be preferable to a government-led industrial strategy. Certainly it is the way in which Hong Kong has prospered. As we have said many times before the Government's role in this area is to provide the necessary support services to maintain an efficient manufacturing sector.

I do not underestimate the challenges now faced by industrialists, who must adopt new technology to remain competitive. Those industrialists who are willing to confront these challenges can obtain technical assistance, if necessary, from a range of publicly-funded bodies, such as the Hong Kong Productivity Council, the capabilities of which have been expanded rapidly in recent years to meet our changing needs.

You announced, Sir, the decision to add to this range of support services through the establishment of a technology centre. I share the view of many Members that this centre will play a significant role in developing our industrial capability. The centre's provisional board, to be established next year, will need to work closely with the industrial, business and academic communities. As with other parts of our supporting infrastructure, the technology centre will respond to the demands of industry, rather than seek to channel industrial development in predetermined directions. Our essential philosophy will remain unchanged but a gap in our infrastructure will have been filled.

Science and technology

Whilst Hong Kong's relatively low tax regime and its totally open economy have already created a highly favourable climate for investment, some Members have referred to the importance of science and technology to Hong Kong's continued prosperity. I agree. The Government already provides practical encouragement for science and technology through its tertiary education programme designed to increase the supply of graduates in these fields.

More needs to be done, and so we are looking at improved arrangements for engaging our industrial and academic communities in the whole area of industrial development and applied research. Our aim is to make even more effective use of the Industry Development Board and the Committee on Science and Technology, and I am considering as a matter of priority how this might be achieved. Again, it is probably better to build on what we have rather than sweep it away and start again. Much has been achieved in Hong Kong so far, but I share the view of Members that we are facing new challenges that have to be met.

Financial services

Let me now turn to our financial services sector. Following the reform of the Hong Kong Stock Exchange in July 1988, the Securities and Futures Commission was established in May 1989 and the Hong Kong Futures Exchange was reconstituted in the following month. All these major changes took place as swiftly as possible after the October 1987 crash. As a community we can be justly proud of what has been achieved so far. Concerns have been expressed recently that as a result of our successful reforms, we might be drifting into over-regulation of our markets. Let me say emphatically that we have no intention of letting our markets be strangled in this way, nor do we intend slavishly to follow precedents established elsewhere.

On the other hand, under-regulation is also a danger. The October 1987 crash highlighted a number of serious inadequacies in our market systems and in the overall regulatory regime. If we are to have a market which bears comparison with the best financial markets in the world, then the system of regulation that we adopt must be adequate. And if the market is to be developed for the benefit of the economy as a whole, rather than for the benefit of a small minority, then there must be standards and safeguards.

There is a careful balance to be struck and I believe we shall achieve it if regulators and market players discuss and debate together in a constructive manner. They have been doing so and I have no doubt that they will continue to do so. Furthermore, the development of self-regulation is an important statutory objective of the Securities and Futures Commission. Again, I can assure Members that this is one area to which I and the Commission are fully committed.

Airport

Sir, your announcement of the decision to build a new international airport at Chek Lap Kok has been widely welcomed. This new airport, as the key element in the comprehensive development strategy, will do much to ensure our continued economic growth and prosperity well into the next century.

But before we have our new airport we must improve Kai Tak so that it can handle the growth in traffic. Because of obvious geographical constraints, there is a limit to how much we can expand the existing capacity of Kai Tak to deal with this high growth. A consultancy commissioned to examine Kai Tak's ability to cope with forecast traffic growth concluded, in November last year, that unless various improvements were made to Kai Tak, the airport could reach the limits of its capacity

as early as 1993. We have accepted the consultants' recommendations that a major programme of improvement works should be undertaken.

Over the next five years, at an estimated cost of about \$3 billion, Kai Tak's capacity will be expanded through a programme of works aimed primarily at expanding apron facilities to provide more space for aircraft parking. The first two additional fully-serviced parking bays should be available in early 1992. Once completed, the airport's capacity will be increased from 20 million to 24 million passengers a year. This should enable us to cope with the forecast growth up to about 1996. Thereafter, there will be severe constraints on any further growth. It is in order to minimize the economic disbenefits flowing from these constraints that we have set ourselves the ambitious target of opening the first runway at Chek Lap Kok as early as possible in 1997.

We expect to put to this Council a Bill seeking to establish the Provisional Airport Authority early next year. We are also taking steps to recruit a person of appropriate calibre to fill the post of Chief Executive to the Authority.

The Secretary for Works is working on the setting up of a computerised Master Development Programme which will ensure the effective co-ordination of the many inter-related projects involved in facilitating the opening of the new airport in 1997. It will be particularly important to ensure that there is no slippage in the programme for the provision of airport-related transport projects, such as the Lantau Fixed Crossing and associated roads.

For the airport itself, the immediate task is the preparation of a detailed airport master plan. And there are a number of related civil engineering design and environmental impact assessment studies to be carried out. We shall at the same time acquire land and commence preliminary on-site works.

Sir, while generally welcoming your announcement to proceed with this bold development strategy, some Members have understandably expressed prudent concern about the risks and problems involved in such an enormous undertaking. Members have mentioned the large demand for labour resulting from these developments, the extent to which our construction industry will be able to cope, and the likely effects on overall demand in the economy and on inflation. We are acutely conscious of these problems. Clearly, we need to spread out the construction workload as far as possible in order to alleviate the pressure on costs. Moreover, given the large

additional demand for labour for many years to come against the slow increase in labour supply, we have to find ways of using our labour resources in the most effective manner.

We must increase labour productivity through the use of advanced construction techniques and equipment, and through better training of our construction workers. But as you have indicated, Sir, in order to ensure that the projects are completed on time and within budget, we may have to re-examine our needs in relation to the importation of additional labour. We must, nevertheless, acknowledge the concern of the local workforce regarding the possible effects on wages and job opportunities.

Financial discipline

I do not wish to anticipate too much of my 1990 Budget speech, but as you have indicated, Sir, the programme you have announced is of such magnitude that, as Financial Secretary, I must comment on its implications.

I am only too well aware of the demands on Hong Kong's resources -- financial, physical and human -- that this programme will require, and I can assure Members that we have not adopted it lightly, or without the most painstaking consideration of what is entailed. As regards financing, I am confident that the necessary resources can be found. Although the total cost is high, I am also confident that it is not so high that we cannot afford it. Indeed, we cannot afford not to proceed with the developments involved given their importance to our continued well-being. But implementation must be accompanied by rigorous control over public expenditure. We shall have to exercise restraint in providing resources for other development projects and scrutinize closely expenditure on existing services.

In considering what we can afford, we should not forget the longer-term benefits accruing from the eventual release of the land currently occupied by Kai Tak. The fact that implementation of the projects is spread over many years will also give us scope to phase expenditure carefully. There is no doubt that a significant proportion of the physical infrastructural projects will prove attractive to private sector investors or lenders by virtue of the revenue they will generate. As for the airport itself, our initial thinking is that the Airport Authority, like the Mass Transit Railway Corporation, would be funded through government equity and private loan finance, but we have not ruled out the possibility of involving private equity at a later stage.

We are building here on our successful experience in private sector financing of major projects such as road tunnels, railways and container terminals. We shall also be able, if necessary, to draw to some extent on our accumulated reserves. Members will recall that in my last Budget I have already set aside \$7 billion for this purpose. But I should warn that if Hong Kong is to remain attractive to investors, we will need to ensure that our own financial position, including our reserves, remains strong. To achieve this, we must take a measured, prudent and structured approach to the management of our finances.

In short, I am confident that we as a community can afford this ambitious programme, but to do so, it will be necessary to be realistic, critical, and disciplined about our other priorities, and the resources devoted to existing services.

We shall have to exercise firm financial discipline in all areas of government activity, not only in the new projects and new services, but as importantly, in the efficient and effective delivery of existing services. A vigorous attack on baseline, or on-going, expenditure, on which I laid much stress in my last Budget speech, will be a crucial element in securing the additional resources we will need. In other words, all government expenditure must be put under scrutiny and subjected to searching analysis and enquiry. As one Member mentioned, there is a need to phase other developments to minimize the impact of the port and airport related projects on our resources. I would only add that this also applies to services, and not just infrastructural or other developments.

As a first step towards controlling existing expenditure and encouraging redeployment of staff and increased efficiency, we have now introduced tighter controls on the growth of the Civil Service. Some 9 000 vacant posts are being deleted for 1989-90 representing potential expenditure (including on costs) of some \$1.7 billion a year. Furthermore, requests for additional posts for 1990-91 are being cut far more radically than in recent years in order to keep the growth in strength down to about 2% next year. Whilst we are trying to do this selectively, being less strict in areas of high priority or where new projects are being completed and need to be staffed, I must warn that all areas will be affected to varying degrees. I am hopeful, however, that in the longer term this enforced restraint will provide a useful stimulus, encouraging re-assessment of priorities, redeployment of staff and increased efficiency. Above all, it will release resources for the new initiatives.

Incidentally, some Members referred to taxation and to my suggestion regarding the introduction of a wholesale tax. I had hoped that this particular subject would not be introduced into this debate. It is more for the Budget debate next year. But firstly, let me assure Members that the introduction of a wholesale tax is not imminent so there is no cause for undue concern at this stage. Secondly, I enjoyed the concept of the ghost of Budgets to come simmering gently on the back burner. More of this subject next March.

Sir, I know that I can rely on Members of this Council and colleagues in the Civil Service to accept and uphold the constraints to which I have referred. I believe it is well understood and accepted that it is now more necessary than ever to ensure that all our resources are properly and efficiently deployed.

I have no doubt that the resources we need can be secured, but this will take determination, strict observance of priorities and self-discipline. Funding on this unprecedented scale will require an equally unprecedented effort from all of us.

Sir, with these remarks, I support the motion.

SECRETARY FOR ECONOMIC SERVICES: Sir, in welcoming the plans for port development, one Member has suggested that a Port Authority should be established in place of the proposed Port Development Board.

There is no disagreement that management of our port is crucial to our continued ability to handle our cargoes. The existing system relies on a partnership between Government (which largely controls the waterspace) and the private sector (which largely owns and operates the wharves and terminals).

This system has served us well for many, many years. But it has an important weakness, brought about by the scale of land and transport requirements now needed to service the port. On the seaward side, we have coped well with gearing our port to handle the enormous container ships which enter and leave harbour, nearly 30 times a day. But we have been less successful in coping with their cargoes -- storage alone requires vast amounts of land; transport of containers to and from the port has made great demands on our road system. As demands on the port continue to increase we shall need greater co-ordination between the marine and the land aspects of the

operation. This, plus the growing need to have a central focus for all matters concerning the port, have led us to examine the options open for better port management. In this task, we were assisted by consultants who carried out a detailed study of the financial and institutional arrangements for port and airport development. A Port Authority owning, managing and operating all or part of the port and its cargo handling infrastructure was indeed one of the options that were considered.

The reality is that our present practice whereby Government provides the framework and the private sector provides the investment, the operating skills and takes decisions on investment on the basis of prudent commercial principles has served us well. It is important that we continue to encourage the private sector to participate in port development. We have judged that the creation of a fully fledged Port Authority might not enable this objective to be met. Moreover for a Port Authority to manage effectively, it would need to have some say over the ways in which land is disposed. Land is a very scarce resource in Hong Kong and given the many competing demands, it is necessary for the Government to retain control over land disposal in order to make the best use of this scarce resource.

We accept, however, that in providing the necessary framework, the Government must get its own act together in a more co-ordinated way. The aim is to provide a far more organized system for the central co-ordination of the planning and development process. This is what the Port Development Board with its widely based membership and its complement of multi-disciplined professional planners will be expected to achieve.

The continued efficiency of our port is our very life blood and we must ensure that we do nothing to impair its efficiency and good order. Given the continued increase in port traffic, the constant incursion into the available water space by new reclamations and the major infrastructural developments firmly planned, we must ensure that we have in place the mechanism to keep our port management under constant review. The Port Development Board will, I hope, go some way to ensuring this. But we must remain both vigilant and flexible.

Our intention is that the Board should come into operation in April next year. Before then we will need to take a critical look at the port advisory committee structure to ensure that there is no overlap.

Sir, hardly a month passes without the number of ships entering the port and the

volumes of cargo they load or discharge reaching new heights. All this without significant delays to schedules and with a very high degree of safety. The new vessel traffic system inaugurated by you, Sir, earlier this year is already proving its worth and helping us to put yet more quarts into our pint pot. I have no doubt that the Port Development Board will see to it that innovation and better co-ordination become a part of the daily life of the port. We expect that this Board will fast become the single entity to whom port users and industry participants can direct their concerns about the management of the port.

Cable television and telecommunications infrastructure

Before leaving the subject of infrastructural development, I should like to comment on the cable television project and our telecommunications infrastructure. Three months ago the Government announced that Hong Kong Cable Communications Limited had been selected to provide the cable television system for Hong Kong. This is a major private sector project, requiring investment of the order of \$4 billion. The selected company contains a mixture of local, United States and European interests. The international dimension to the investment in what is a long-term project is particularly encouraging.

Since the announcement of Hong Kong Cable Communications' selection as the future cable television licensee, the company has been gearing up for the commencement of network construction in the early part of 1990. An enormous amount of detailed preparatory work is required for a project of this magnitude. The company appears to be making good progress at this stage to meet its target of beginning cable television service in 1991. The Government for its part is currently preparing draft legislation to pave the way for the issuing of licences to the company. We expect to present these legislative proposals to this Council early in the coming year.

Cable television broadcasting offers the prospect of a wider range of home entertainment in Hong Kong. From the four channels now available, viewing choice will increase to between 15 and 20 channels of news, entertainment and educational material at a cost of \$120 to \$150 per month for the first three years. Minority interests will be catered for more fully than is possible in a conventional television system.

Apart from enriching viewers' choice, the development of cable television will open up additional opportunities for retailers and advertisers and stimulate growth

in the local programme production industry. A steady supply of local programmes marketed to Chinese communities overseas should also help to encourage interest in maintaining links with Hong Kong.

In addition to carrying cable television, the network to be provided by the cable television operator will also be allowed to carry non-franchised telecommunications services. These will be mainly business-oriented data and facsimile services. In providing such services, this second network will be operating in direct competition with the existing network owned and operated by the Hong Kong Telephone Company. Customers will for the first time have a choice of wired networks, in the same way that they currently have a choice of mobile telephone and paging networks. The enormous success of paging and mobile telephone services in the local market amply demonstrates the advantages of competitive provision.

The presence of a second network will have a positive stimulating effect on the entire non-franchised telecommunications sector. We expect to see a wider range of services to meet the needs of the business community at lower prices. We already have a first-class telecommunications infrastructure. The second network should improve our competitive position and enhance Hong Kong's attractiveness to overseas companies as the leading international business and financial centre in the Southeast Asian region.

The Government will continue to explore ways of expanding the scope for competition. We recognize that the continuing success of this strategy is crucially dependent on having a telecommunications regulatory system that is suitably adapted to the requirements of the rapidly developing telecommunications scene.

Endangered species

I turn now to endangered species, for which the Director of Agriculture and Fisheries is the Hong Kong Management Authority under the Convention on International Trade in Endangered Species. Over the years, Hong Kong has made quiet, but very worthwhile progress in the greater protection of endangered species traded through Hong Kong.

None has, however, caught the world's imagination and public attention more than the international campaign to save the African elephant from extinction.

We have argued in the international forum that to preserve the elephant, it is not necessary to ruin the trade. Far better, we have said, to stop the killing, but meet the existing but hopefully residual demand for ivory from the controlled stocks of ivory available to the world from Hong Kong.

Regretfully, the international community has determined that international trade in ivory must cease. Our ivory traders and workers face very difficult times ahead. We are urgently considering how, if at all, we can ameliorate the effects of this ban. I can say, however, that we intend to provide some help to those workers who may lose their jobs as a result of the ban on trade. We are working on a scheme to retrain those who may seek new skills and, at the same time, assist those who may seek alternative jobs in finding suitable openings.

As to help for the traders, since the ban on trade in ivory has been imposed on Hong Kong, as on all other parties to the Convention, by the international community there can be no question of the Government compensating them for their losses. The idea of an international buy-out fund has been suggested and we are giving it our attention. I am not optimistic, however, of its success. We are, therefore, taking forward the entering of a short-term -- and I emphasize "short-term" -- reservation to allow sufficient time for traders to dispose of their existing businesses and for the retraining scheme for ivory craftsmen to be implemented.

Agriculture and fisheries

Sir, the fact that your speech made no reference to agriculture and fisheries development in Hong Kong in no way detracts from the valuable role which our primary producers play in satisfying the local demand for fresh food. Our policy in this area is to maintain a steady supply of fresh food to Hong Kong at stable prices. Over a third of the vegetables and live chickens we consume come from the local farms; the fishery industry supplies three quarters of the fish we consume. The agriculture and fisheries industries therefore play a significant role in stabilizing food supplies. Our role is to provide development and infrastructural support services to enhance their productivity. These services have helped the industries to modernize and improve on their efficiency. I am grateful to the various advisory bodies, notably the Advisory Committee on Agriculture and Fisheries, the Vegetable Marketing Advisory Board, and the Fish Marketing Advisory Board for their support and encouragement.

Agricultural land rehabilitation and rural improvement

In an attempt to tackle the problem of uncontrolled development and the deterioration of the rural environment, the Government intends to implement, over the next few years, a Rural Planning and Improvement Strategy. As a contribution to this strategy, the Agriculture and Fisheries Department, in addition to its technical and credit assistance provided to farmers, has established an Agricultural Development Fund of \$5 million financed by the Vegetable Marketing Organization. The Department has also carried out a pilot agricultural land rehabilitation scheme at two selected areas. We have obtained encouraging results in bringing 6.5 hectares of fallow land back to cultivation since July 1988. The intention is to extend this scheme to tie in with the revised Rural Planning and Improvement Strategy, so as to utilize our fallow land for active production.

Mariculture

Mariculture, regulated under the Marine Fish Culture Ordinance, has developed rapidly over the past decade. But we do need to ensure that its development is such that whilst its productive capacity is maximized, its impact on the environment is minimized. To this end the Agriculture and Fisheries Department has been assisting fish farmers through seminars and other means to adopt better husbandry practices and techniques to help reduce losses due to red tides and fish diseases as well as to reduce the impact on the environment.

A number of studies on artificial fishfeed, nutrition, prevention and treatment of fish diseases, and a scientific appraisal of the carrying capacity of fish culture zones have been carried out.

We are presently reviewing our policy on the future development of mariculture and have recently commissioned a consultancy study on the environmental impact of the industry.

Capture fisheries development

In capture fisheries, aside from the provision of regular technical support services, some encouraging progress has been made in the trial fishing of deep sea prawns. Progress is also being made in the introduction of steel fishing vessels and the training of crew for their operations has already commenced.

Fish marketing

Orderly marketing of marine fish through the Fish Marketing Organization is being actively promoted, with due enforcement of the Marine Fish (Marketing) Ordinance. Efforts aimed at combatting illegal marketing, both on land and at sea, have yielded encouraging results. In particular, anti-triad measures already introduced into three major markets have resulted in improvements in market order, efficiency and throughput. Similar measures will be extended to other markets in the near future.

Sir, with these remarks, I support the motion.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Sir, as the Financial Secretary and the Secretary for Economic Services have spoken extensively on the port and airport, I first wish simply to make quite clear that one of the principal reasons why the Chek Lap Kok port and airport strategy was chosen was that it would have less adverse environmental impact than any other of the shortlisted strategies. This is not to say it has no environmental impact. But at every stage there will be environmental impact assessments and environmental protection factors will be very important in detailed planning.

As one or two Members observed, a very real consequence of our Port and Airport Development Strategy is a decisive move of the centre of gravity of Hong Kong to the west. It is true and also important; but even without the Port and Airport Development Strategy it was happening. And the principal reason is of course that most of the important neighbouring development in Guangdong, with which we have such strong economic links, is in the west and northwest or is accessed from Hong Kong in the west. True our water sources are almost due north and some of our electricity will in future come from the eastern side, but generally speaking trade and goods come from the west of Hong Kong and are likely to continue doing so.

In a recent visit which the Secretary for Economic Services and I made to the cities and counties in the Pearl River Delta, one of the strongest impressions with which we returned was of the dependence of all these places for economic leadership, port facilities and overseas contacts on their countrymen and business acquaintances in Hong Kong. We must clearly foster these close relationships to ensure that Hong Kong continues to hold its proper place as the major regional port and source of business of the area. And we will have some competition, though not, I believe, too

serious. In particular we were told on our visit that Yan Tian in Mirs Bay had been chosen as one of the four Chinese transshipment ports for early development, and in a visit there we could see that it was basically a good port with excellent deep marine approaches and with the capacity of links both by road and rail into the Chinese transport system. But it is very difficult for river boats and barges to get round Hong Kong and across Mirs Bay from the Pearl River because of the high winds and heavy seas in the bay. This difficulty, which is perhaps the reason why Yan Tian was not developed as a port before, is going to be hard to resolve and will at least for the time being tend to concentrate the main use of the port on bulk transfers of such products as fertilizer which may be most economically transported by train. Indeed very few of those we met on the west bank of the Pearl River seemed to think the existence of Yan Tian would make any difference to their use of Hong Kong for outward and inward shipping.

So we will generally be developing more of a western bias in our planning, and during 1990, as we stated in our publicity document for the Rural Planning and Improvement Strategy, we will be preparing a new sub-regional planning study for the northwest New Territories which will provide for much greater areas of land to be allocated to container-related and port-related uses.

We believe that industry will be much more interested in this area than hitherto and must be provided for, partly through the provision of further industrial areas in Tuen Mun and perhaps Tin Shui Wai, and also through private sector developments in the Rural Planning and Improvement Schemes. A much more determined effort will be made to segregate dirty industry than hitherto, though I see little hope of this very mixed and generally scruffy area being turned into a planners' Utopia. Economic development in this area will in turn give strong support to the public and private housing in Tin Shui Wai, where the first blocks will be completed in 1992. So priority is being given for this study to be started as soon as the Metroplan Study is completed in April. Members' ideas expressed in this debate and elsewhere will be given every consideration.

There may also be other adjustments. Because we must invest so heavily in the port and airport and in the supporting towns, it may be necessary to delay the start of site works in Tseung Kwan O Stage III, part of which is related to the building of public housing in Tiu Keng Leng or Rennis Mill. But the Housing Authority, which is keen to redevelop this area, is looking at the possibility of taking on the scheme itself. In any case, the development of the eastern side of Tseung Kwan O for an industrial estate should not be affected as it is likely to be financed from other

sources.

Another consequence of development pressures in the west is that Sai Kung, Clear Water Bay and Tai Po, including the Double Haven area, become more critically needed than ever for recreation. With the gazetting of country parks, good development and sewerage schemes in our new towns, and with gazetting of water quality control zones in Tolo Harbour and Port Shelter, we in Hong Kong are probably doing more or less the right things to conserve these areas, although our progress is slow and until we have new planning legislation to control land use in the areas outside the country parks, we are very vulnerable. I have some worries however about developments in the Shenzhen Economic Zone. The establishment of some 13 km of port along Yan Tian Bay and the activities which will be introduced to support it must, I fear, have some effect on water quality throughout Mirs Bay. So it will be my aim in the future discussions on environmental protection which we have agreed to hold with the Guangdong Provincial Government to show that we too have a real interest in the local water quality. It was a point which I made recently in our visit to Shenzhen also.

Another area likely to be significantly affected by the Port and Airport Development Strategy is the metropolitan area comprising Hong Kong Island, Kowloon and the three cornered new town of Tsuen Wan, Kwai Chung and Tsing Yi. All will be critically affected by the predicated port and airport moves and lifting of height restrictions will add new dimensions to development. Moreover, all will be increasingly hampered in their functions by the obsolescence of many of the buildings and streets. The Metroplan, which as I said earlier we expect to complete some time in April, like the northwest sub-regional planning study, is a strategy on which to base both physical planning and development and redevelopment programmes. And it has a special emphasis on the overall quality of urban renewal, in which of course the Land Development Corporation (LDC) is playing and will play its part. Earlier in the debate the complaints of two of our Members who are also members of the Land Development Corporation Board reflected the enthusiasm and eagerness of the Corporation to get on with its schemes.

The Land Development Corporation was established in early 1988 to help cope with the problems of urban renewal. Since the LDC has commissioned a series of consultancy studies to find the areas most in need of redevelopment. As a result, a number of comprehensive redevelopment schemes and smaller-scale redevelopment proposals have been submitted to the Government for consideration in accordance with the Ordinance.

These are complex redevelopment schemes which affect large numbers of residents. To ensure that equitable rehousing and compensation arrangements are given to those affected by LDC's proposals, I have the responsibility under the Ordinance to assess in conjunction with the concerned departments the impact of each and every project proposed. LDC projects are certainly given priority within the government machinery. A special team called the Co-ordinating Urban Renewal Team has been established under the Town Planning Ordinance to co-ordinate work on all the LDC schemes. We are presently dealing with the first generation of schemes which are very large and which will affect a lot of people. We think that between us we are getting them right and that it will be much easier and a faster business to process subsequent schemes more quickly.

The Rural Planning and Improvement Strategy, which is also mentioned by the Secretary for Economic Services a moment ago, was prepared also with the Port and Airport Development Strategy requirements in mind. However, now that plans have been confirmed, the revision of the New Territories Sub-Regional Planning Statements can take detailed requirements into account. As I have mentioned the first to be revised is the Northwest Sub-Regional Plan, but others will follow as soon as staff can be spared. Members may like to note that Lantau is fortunately fairly well controlled by two gazetted country parks and a draft Statutory Outline Zoning Plan covering the southern section. In the light of recent development, it will be important to update the planning, but this exercise can reasonably await its turn. Meanwhile, a review of the Agricultural Priority Area Zoning and other preliminary work is in hand.

A sum of \$390 million has been earmarked under the Resource Allocation Scheme for expenditure on Rural Planning and Improvement Strategy capital works in 1989-94. The implication of Government's 2% establishment growth ceiling on this is now being examined. As the Rural Planning and Improvement Strategy is staff-intensive in nature, some projects may have to be deferred until staff are available. Further consultation with local interests will take place in mid to late 1990 once the revised scope of the scheme has been determined.

I do not wish in this debate to repeat all the objectives of the White Paper on Environmental Protection; I would like to say, however, in response to the fears expressed by one Member, that the Environmental Protection Department's requests for capital and recurrent resources, although not unscathed by pressures to economize, seem likely to be largely successful. We will however have to continue to assess our priorities very carefully and in this connection I would like to assure Members

that the Government is following no slavish line of adherence to overseas standards. The standards we are adopting are what we see as practical and practicable means of reducing pollution, with top priority being given to measures which have a direct effect on health. I would like specially to mention two with which Members must now be very familiar, but for which I will be seeking a resounding "aye" later in this legislative Session. These are of course the reduction of sulphur content in fuel oil and the removal of the 30% allowance on existing liquid effluent discharges.

Sir, with these remarks, I support the motion.

SECRETARY FOR TRANSPORT: Sir, following your announcement on the replacement airport, planning for the essential transport links has started. At the same time, planning for the overall territorial transport network is being revised in the light of this major decision. These are daunting tasks, and the engineering, organizational and financing arrangements are the most complex of transport projects ever undertaken. But we have the experience and expertise, and above all the will and confidence to tackle them. Guiding these overall developments will be the White Paper on Transport Policy which I hope to publish early next year.

First, a general update on what is happening on the airport-related transport projects. These comprise the North Lantau Expressway, the Lantau Fixed Crossing, and the Airport Railway.

The North Lantau Expressway will be a 12-km dual three-lane carriageway along the northern coast of Lantau. Because of the difficult terrain, parts of it will be built on viaducts and parts on reclamation. In engineering terms this is a difficult highway to build, but our experience in projects such as the Tuen Mun and Tolo Highways will enable us to tackle it efficiently. We shall be reviewing the design of the expressway early next year with a view to starting construction in mid-1992.

The Lantau Fixed Crossing is even more complex, comprising two crossings linking northeast Lantau to Ma Wan and from Ma Wan to Tsing Yi. One design under consideration is a suspension bridge with a span of about 1.4 km, the longest of its kind in the world. The alternative of using immersed tube construction is also being investigated. Once a decision is taken on either a bridge or a tunnel, detailed design will begin.

There will be an intersection at Tsing Yi with Route 3, a major trunk road recommended by the Second Comprehensive Transport Study (CTS-2). The construction of Route 3, including the West Kowloon Expressway and the Western Harbour Crossing, will now be advanced and tailored to meet the requirements of the new airport. A feasibility study on the section from Yuen Long to Kwai Chung has just been completed and detailed design will begin soon. We are also starting a detailed feasibility study on the Western Harbour Crossing, to be completed within 12 months.

The Airport Railway is critical to our transport strategy since the road system will not be able to absorb all the traffic to and from the new airport. We expect the railway to carry as many as 50% of airport travellers. It will be purposely designed and built to offer the maximum comfort and convenience to airport users. The terminus at the airport will form an integral part of the air terminal facilities. Dedicated trains will run express service from the airport to stations in the urban area where the train passengers can change to other forms of transport. The railway will also provide a general public service, bringing relief to the Nathan Road Corridor, serving new developments on the West Kowloon Reclamation and providing a third cross harbour rail link.

The two rail corporations have been invited to submit a statement of intent for the construction and operation of the Airport Railway. A decision will then be taken as to which operator should be selected. An Airport Railway Feasibility Study will be launched early next year to determine the alignment, capacity and financial viability of the railway. The selected operator will be involved in the study and undertake detailed design and construction.

As rightly pointed out by Members, this massive building programme will rely considerably on private investment. We are confident, from recent experience on the Eastern Harbour Crossing and Tate's Cairn Tunnel, that major transport projects will attract much private interest. They include the Lantau Fixed Crossing, the Western Harbour Crossing, and parts of Route 3. While the exact details have yet to be worked out, I hope that open invitations will be made some time next year to private sector consortia, both local and overseas, to take part in these projects.

We have not lost sight of the need for early planning on the interface between various public transport modes when Lantau is opened up by these links, as several Members have reminded us. We are now examining the likely growth in recreational

travel, having regard to the potential developments in Lantau and their environmental impact. Once the outcome of this study is known, we will look into the role of Lantau taxis and buses, the ferries and their integration with other transport services outside Lantau. Our aim is to map out a public transport service network which is balanced, adequate and compatible with the capacity of existing and planned local roads on Lantau.

Turning now, Sir, to the non-airport related transport programme, Members can be assured that all essential works will proceed as planned. Two recent examples are the timely completion of the Eastern Harbour Crossing and the final section of the Island Eastern Corridor to Chai Wan.

More projects are under construction and most will be completed within the next two years. Route 5 between Sha Tin and Tsuen Wan is due to open in March next year. By mid-1991, the opening of Tate's Cairn Tunnel and the completion of Kwun Tong Bypass and trunk road connections in Sha Tin will provide a new trunk route linking Hong Kong Island East with the eastern New Territories, bringing further relief to the Lion Rock Tunnel.

The upgrading and dualling of Connaught Road, due for completion early next year, will speed up traffic flow in the busy Central district. By late 1990, the Tseung Kwan O Tunnel will substantially increase the road capacity between the fast-developing new town and urban Kowloon. Improvement works are continuing on the New Territories Circular Road. The new border crossing at Lok Ma Chau will open in December, offering the much-needed additional capacity to cope with the fast-growing goods traffic across the border.

Neither have we neglected the pressing need to improve east-west traffic flow in the Kowloon Peninsula. Various cross-Kowloon road schemes are being examined. These include the corridors along Lung Cheung Road and Ching Cheung Road, Boundary Street and Prince Edward Road, Argyle Street and Waterloo Road, and Gascoigne Road and Jordan Road. On the Island, the proposed Route 7 and the Central-Wanchai Bypass will provide a continuous expressway along the northern and western shores of the Island.

Sir, planning for the expansion and improvement of the transport infrastructure to meet our needs is an on-going commitment. This principle has been unanimously endorsed by this Council in the July debate on the Green Paper on Transport Policy

and widely accepted by the community in the public response.

This brings me then to the Green Paper on Transport Policy. Public response has been very encouraging, with over 200 submissions. The overwhelming support for an adequate infrastructure will be incorporated in the White Paper now being drafted. In particular, the road and rail network will include the additional transport links generated by the new airport and port developments. The policy intentions for better co-ordination of land use and transport planning to reduce pressure on the transport infrastructure and services will also be set out.

The relative priority of the three rail projects identified in the Green Paper, namely: the Northwest New Territories link to the urban area, the Mass Transit Railway extension to Tseung Kwan O and a third cross-harbour crossing will be further examined, taking full account of the airport railway.

Given the difference in operation and service characteristics of the light rail, heavy rail and the mass transit railway, the system on which any future railway link is to be operated will make very different impact on the existing rail network. For this reason, planning of future rail links should best be examined on the merits of proposals submitted by the rail operators, having regard to which system will bring the most benefits to the commuters. To assess fully the longer-term needs of our territorial rail development, a Rail Development Study will be undertaken before the end of next year immediately after the completion of the Airport Railway Feasibility Study. This overall review will include future rail freight requirements and priorities for the three rail projects mentioned earlier.

As regards the strategy for expanding and improving public transport services, the general consensus is that the mass carriers should continue to form the backbone of the system, and that more and better use be made of the off-street modes. There is also a clear consensus that the quality of public transport services should continue to improve to meet rising expectations for better comfort and speed. A common view is that, to achieve this, the inter-modal policy should allow more flexibility and competition between modes and encourage innovative services. These comments will be fully reflected in the White Paper.

Sir, one of the most encouraging responses has been on traffic management. The public have accepted in principle the need for managing road use. That is, first, making effective use of road space; second, giving priority to more efficient and

essential road users; and third, managing travel demand to a level with which the road system can cope.

There is considerable support for better use of modern traffic management technology to improve traffic flow. There is also a strong urge for better co-ordination and supervision of roadworks to minimize traffic disruptions. These are fully accepted.

The public have also recognized the need to manage goods vehicle traffic, now accounting for about half of the total road traffic. There is hence general support for measures to discourage the use of light goods vans for personal transport. There are, however, some reservations on using taxation measures to manage the growth of the larger goods vehicles. We will examine more closely the effects of such measures on the economy, and other options such as encouraging more use of rail and sea freight transport, goods delivery outside the peak hours and use of larger vehicles with more efficient loading equipment. A freight transport study to address these issues is now being considered.

Not surprisingly, public views on road use management are divided. Although some recognize the need for managing the growth and usage of vehicles, a more popular view is that fiscal measures should apply only as a last resort and priority should first be given to improving the transport infrastructure and public transport. This sentiment is perfectly understandable. However, we must also be realistic. The transport infrastructure programme identified in the Green paper and now enhanced substantially by the PADS-related projects is the most ambitious ever planned and will tax the economy and the construction industry to their limits. Public transport already carries 87% of the total daily person trips. There is a limit on how far further improvements alone can reduce private car trips. Hence, while recognizing the legitimate aspiration for car ownership, we must pursue road management measures to contain vehicle growth and usage to a level with which the road system can cope, if we are to maintain a reasonable degree of mobility.

Sir, the next 10 years will be an extremely busy, challenging and exciting time for all of us, and all those involved in planning and building road and rail projects and managing transport. We hope to receive the full support, co-operation and understanding of the community to realize these aims and to finish the projects in time. I have no doubt that the community will respond positively to these challenges.

Sir, with these remarks, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER: Sir, in your address you outlined a bold new strategy for educational development in the 1990s. There has been wide support for your announcement of a major expansion in tertiary education, but Members have raised important questions concerning how this is to be achieved. They have also spoken on a wide range of other educational issues. It is encouraging to see the amount of serious thought and concern which Members have devoted to this key policy area, and I am grateful for their constructive suggestions.

Expansion of tertiary education

Can it be achieved?

Turning, first, to the expansion of tertiary education, several Members have expressed concern over the practical aspects of achieving the target of 15 000 first-year, first-degree places by 1994-95. Detailed examination of resources, space, manpower and management before this target was announced gave grounds for confidence that it could be achieved. My discussions with the University and Polytechnic Grants Committee (UPGC) last September confirmed me in this view.

We will secure priority in the allocation of resources for an expansion programme involving \$1.7 billion in capital expenditure and \$2.8 billion in recurrent expenditure up to 1994-95. When detailed estimates are available, I shall put them to the Finance Committee of this Council for approval. We are confident that sufficient capacity can be found for the expansion of degree places and for sub-degree courses to be transferred from the polytechnics to the Vocational Training Council (VTC). The UPGC is also considering whether certain post-secondary colleges could qualify for degree work. More importantly, I share Members' concern that we should be able to recruit an adequate complement of staff of the right calibre. Despite the events of recent months, there has been no falling off of interest in academic employment from either local or overseas sources. Indeed, the experience of our tertiary institutions suggests that there are substantial overseas sources that we have only just begun to tap. Given competitive and appropriate terms of service, and given the incentive of adequate funding of research work -- a point to which I shall return later -- I am confident that our tertiary institutions will be able to compete successfully for staff.

A suggestion has been made that we may have insufficient sixth form leavers of matriculation standard to fill the large number of new undergraduate places. Based on historical trends and demographic estimates, we forecast the number of students with two A-Level passes or more should rise to at least 23% of the target age group by 1994-95. Thus a provision of first degree places for 18% of the age group is realistic.

Sir, this is the first time that we have undertaken an expansion of tertiary education on so massive and complex a scale, and within such a short time frame. It will inevitably require careful planning and co-ordination. Accordingly, in addition to the plans the UPGC and the VTC must themselves make, I am chairing a steering group to oversee and co-ordinate the various components of our expansion plan. The group includes the chairmen of the UPGC and the VTC, and members of my Branch, Finance Branch and the Education Department.

Maintenance of standards

Sir, no fewer than 14 Members have cautioned that the expansion of degree places should not be accompanied by the fall in average standards which followed the rapid growth of secondary education in the 1980s. I note this warning and neither I nor the tertiary institutions underestimate the challenge. As many Members have also suggested, different teaching methods may be needed to cater for a wider range of interest and ability. There are, however, good reasons for optimism.

In the first place, circumstances now are different from those a decade ago, when we rapidly created subsidized secondary places by buying them from schools which could not, in many cases, meet the standards of the aided sector. This will not be the case in our programme for tertiary expansion, because the expansion will be achieved through institutions with proven track records of academic excellence. Secondly, these institutions have well-established systems of quality control. In the case of the polytechnics and Hong Kong Baptist College, there is also assessment by an external accrediting body which advises the UPGC on whether the degrees they offer reach international standards. This external assessment function will be assumed by the Hong Kong Council for Academic Accreditation in early 1990, and I expect to present the necessary legislation to this Council soon.

Improvements in the schools sector

Several Members expressed concern that the expansion of tertiary education can only be achieved at the expense of education in our schools. This is not the case. Our strategy for the 1990s is based on two premises. They are:

first, that the quality of our tertiary education is not in doubt, but the number of places available has fallen far short of society's demands; and

second, that the number of places available in the school system is adequate, but improvements should be made to its quality.

The boldness of our plans for tertiary expansion may have drawn attention away from the major improvements to the school sector mentioned, Sir, in your address.

Pre-primary

Five Members have urged that we expand the public provision of education to include kindergartens. Here we have had to take a hard decision about priorities. Nevertheless, we will improve training opportunities for kindergarten teachers by providing regional training centres and by operating courses at more convenient hours. We will also separate from the social welfare system the assistance we now give to needy parents, and from September next year we will introduce a scheme of fee remissions which should benefit twice as many families. The new scheme, which was warmly welcomed by the Board of Education, should enable kindergartens to increase their income, and hence allow them to employ better qualified teachers. Details will be announced early next year.

Secondary

In secondary education we are now remedying one of the major defects arising from the rapid introduction of free and compulsory education, by raising the standards of private schools in the Bought Place Scheme. A vigorous start will be made next year under the guidance of the new Private Schools Review Committee, which will also move quickly to set up the new Direct Subsidy Scheme.

Sixth form

A new curriculum for sixth form will be available by September 1992. This broader and more flexible curriculum is designed to give students a liberal preparation for

life. One Member has suggested that this policy be reviewed, now that a higher percentage of sixth form leavers will be going on to tertiary education. But the new curriculum will benefit not only employers but also our tertiary institutions, which have long advocated a broader-based education for their matriculants.

Teaching environment

In addition to the noise abatement measures to schools mentioned in your address, Sir, we will be taking steps to implement other improvements to the teaching environment which Members have mentioned. These will include air-conditioning school staffrooms and the provision of photocopiers. Minor though these measures might appear, they can improve both productivity and morale.

Major issues for the 1990s

Sir, many Members have rightly drawn attention to areas where new policy is still being formulated. They have referred to the need for a broader curriculum, the importance of language standards and the problems faced by the teaching profession. These issues affect all sectors of the school system. Solutions will, in some cases, be controversial. But the issues must be faced and they must be resolved.

The teaching profession

Several Members expressed concern that the quality and morale of the teaching profession needs to be raised and that we must ensure that sufficient young people continue to take up teaching as a career. I believe that we still have a strong core of experienced professionals. But we cannot be complacent. The Education Commission has begun a comprehensive study of the teaching profession. This study will cover the future of non-graduates in the profession and the role of the colleges of education. It will also review the measures taken in respect of graduate teachers, and will consider possible improvements to their training and career development.

Language in education

Another area focussed on by Members is the vexed question of media of instruction and of the standards of Chinese and English. Views are now being sought on the Education Department working party's report on language improvement measures. The crux of the matter is that, on the one hand, a large number of children can learn more effectively in the medium of Chinese but, on the other hand, the improvement

of English standards is essential for our tertiary institutions as well as for many employers. The present situation, where many schools use a mixture of both languages, results in students mastering neither language satisfactorily. It may be that some form of streaming provides the answer. I note however the warning that streaming would not be acceptable in the absence of a viable Chinese language stream. But let us suspend judgement. We have not taken a firm view on this issue. When the results of public consultation on the Education Department's report are known, we will seek the advice of the Board of Education and the Education Commission before formulating recommendations for the Executive Council.

Review of curriculum

The language issue is an example of the general principle, referred to by some Members, that every child has the right to be educated in the way from which he or she can most benefit. Since the introduction of free and compulsory education, a wider variety of children have come to school than ever before. We need to reflect this variety in curriculum, types of school and methods of teaching. The Direct Subsidy Scheme is an important step in this direction. But it will apply only to a limited number of schools. The Education Commission is therefore looking at measures which will cater to students in all schools for whom the usual curriculum is not ideal. These include children with lower academic abilities, children with serious behavioural or emotional problems and, at the other end of the spectrum, children with particular talents and those who are academically gifted.

Achievement standards

In addition to reviewing the school curriculum, it is perhaps timely to start considering what standards we expect our pupils, teachers and schools to achieve and to have objective means of assessing their performance against these standards. I believe that there is a case for developing a series of tests in respect of core subjects at the key levels of the school system. These tests would not be public examinations and would certainly not stand in the way of students' progress through school. But they would allow us to monitor the performance of pupils, teachers and schools and to deploy resources more effectively and fairly. Proposals for the development of such tests will be given careful consideration by the Education Commission during its study of curricula and behavioural problems.

Research and development

Turning to the tertiary sector, research for educational purposes is an important means of attracting and retaining high-quality academics, and of improving scholarship. Such activity justifies the investment of public funds because it contributes to our educational infrastructure. But I agree that the building up of research capability must also have regard to the needs of the business community. Thus the advice of the Industry Development Board will soon be sought on the extent to which contract research can legitimately be supported by the Government.

The Education Commission

Sir, I have referred to a variety of studies and policy proposals being developed by the Education Commission and our other advisory bodies. I agree with those Members who advocated setting a logical agenda for these advisory bodies and for the Government itself. In its next report, to be published in the first half of 1990, the Education Commission will recommend such an agenda, in the form of a framework in which issues can be considered in an orderly and efficient manner. The Commission will take as the basis for the framework the strategy which the Executive Council has endorsed and which you, Sir, have outlined in your address. This framework will then constitute our master plan for educational development in the 1990s.

Manpower

Turning now, Sir, to manpower-related issues, several Members have spoken of the need to ensure that we maintain an adequate supply of trained manpower. I have recently set up an inter-departmental Manpower Committee to advise me on manpower requirements in the medium term. The Committee has been asked to take stock of existing trained manpower, to review employment trends in our trades, industries and professions and to prepare broad estimates of future requirements by occupation. Subject to the advice of various committees and professional bodies, these estimates, expressed in educational and vocational training terms, will then be fed to the UPGC and the VTC, in time for student number targets for the next triennium to be drawn up. This exercise will be rolled forward annually.

Finally, I would like to address Members' interest in labour legislation. As you said last year, Sir, we do have a policy of achieving a level of statutory provision in employment conditions and industrial safety broadly comparable to the best prevailing in the Asia Pacific region. We aim to achieve a number of improvements

during the current Session. These include the setting up of an Employees' Compensation Assistance Scheme, various improvements to the Employment Ordinance, new levels of compensation under the Employees' Compensation Ordinance and the Pneumoconiosis (Compensation) Ordinance, and an increase in paid annual leave. In addition, a steady stream of further improvements is being put to the Labour Advisory Board and proposals will continue to be made to this Council. Our commitment, therefore, to a satisfied and productive workforce will continue into the next decade.

Sir, with these remarks, it gives me great pleasure to support the motion.

SECRETARY FOR HEALTH AND WELFARE: Sir, a number of Members have welcomed the forthcoming review which will lead next year to a new White Paper on social welfare. I have noted with interest the various comments made on this subject. The review will provide the opportunity for a comprehensive re-examination of all programme areas in the social welfare field and I fully agree that in planning for the future we will need to take account of Hong Kong's socio-economic circumstances as well as the demographic changes in our society.

In conducting the review, we will ensure that the views of the voluntary welfare sector are taken into account, not least through non-official membership on the working party to be chaired by the Director of Social Welfare. There will also be ample opportunity for suggestions to be put forward for consideration. Initially, we plan to discuss the mechanics of the review with the Social Welfare Advisory Committee later this month. But for the avoidance of doubt, I would like to take this opportunity to emphasize that the review will be confined to social welfare matters and will not embrace more wide-ranging issues which are outside my purview such as, for example, retirement benefit schemes.

Several Members also mentioned the manpower difficulties in the social welfare field. We have put in hand a package of both long and short-term measures to tackle the shortage of trained social workers. Furthermore, the advisory committee with responsibility for examining social work manpower planning and training issues will be invited in the next month or so to consider a new set of manpower projections, and we will then seek the views of the Social Welfare Advisory Committee. In this connection, I might mention that I am unaware of any evidence to support the contention that manpower problems are more acute in the voluntary welfare sector. Rather, available information seems to suggest that at least as far as trained social workers

are concerned, vacancy and wastage rates in the Government and the voluntary sector are very similar. Nevertheless, I hope that, as a result of the current review by the Standing Commission on Civil Service Salaries and Conditions of Service, the prospects of recruiting and retaining social workers in both Government and the voluntary sector could be improved.

The current manpower shortage unfortunately means that social workers often face caseloads which are still too high. We have not yet been able to implement fully our target staffing ratios, although progress has been made in some areas and further improvements can be expected. Quite separately, a study is being undertaken of procedures and workloads in our social security field units and provision has been made for the creation of additional posts for these units in the next financial year.

Rehabilitation

I now turn to rehabilitation matters and the comments that have been made as to our policy on ex-mental patients with a disposition to violence. The overall objective in this regard, as endorsed by the Rehabilitation Development Co-ordinating Committee, is to assist the integration of discharged mental patients into the community through the provision of a wide range of services. Apart from half-way houses, such services include vocational training for basic work skills, sheltered employment or assistance in seeking open employment, compassionate rehousing, as well as social clubs and activity centres. While there is currently a shortfall in the provision of half-way houses, another five such facilities are under active planning. Together, these will provide an additional 380 places of which one quarter will be set aside for the admission of ex-mental patients with a record of or disposition to violence. However, community support and public acceptance are also essential elements in our efforts to achieve integration in this field. A variety of public education and publicity programmes are therefore organized regularly at territory-wide, district and neighbourhood levels by the Committee on Public Education in Rehabilitation.

Medical and health services

As some Members have pointed out in their remarks, this is not an entirely happy time for the medical and health services. There is dissatisfaction with present conditions and uncertainty over the future, and many health care professionals have responded by taking their much-needed skills out of the public sector, and some have

left Hong Kong altogether. We are fully aware of the seriousness of this problem and much of my time in the past year or so has been devoted to finding ways to bolster recruitment and reduce wastage by making work in public hospitals and clinics more attractive.

I believe that through the co-operation we have maintained in our regular meetings with government doctors and nurses, we have made much progress. Our efforts have focused mainly on four areas, namely, improvement to remuneration and promotion prospects, provision of better training opportunities, strengthening of supporting services and improvements to the working environment. I have provided comprehensive information on the measures we are committed to implementing in letters which I recently sent to the government doctors' and nurses' associations. I am determined to make progress as rapidly as possible though clearly the extent to which we can improve manning levels will depend on the availability of suitably qualified persons. I am therefore hopeful that the outcome of the current review of the Standing Commission on Civil Service Salaries and Conditions of Service, and the various other measures we are taking, will together have a beneficial impact on recruitment and wastage. In this connection, I should mention that the temporary allowance announced yesterday is only an interim measure and that the Standing Commission's final recommendations regarding the salary scales of not only doctors and nurses, but also many other grades of health care staff, are expected to be completed in about six months' time.

The establishment of the Hospital Authority in April 1990 will mark another major step in our efforts to improve the public hospital services. Set up outside the framework of the Civil Service, the Authority will enjoy a greater degree of flexibility in handling manpower and financial matters. We hope that the new remuneration package envisaged for the staff of the Authority will be attractive to staff at present working in government hospitals and that it will contribute towards our efforts to retain them in the public sector. Where subvented hospital staff are concerned, this package will represent an improvement on that currently available to them and this, together with the integration of the government and subvented hospitals under the common management of the Authority, will give a boost to their morale. The implications of the new package on the other parts of the subvented sector will obviously have to be considered by the Government but that will be a separate exercise.

Some Members have proposed a comprehensive review of medical and health policy

leading to a White Paper. I believe there are times when an overall review of a major service can be worthwhile, but this is not the best time for such a review of medical and health services to take place. We are currently engaged in two major exercises involving the bulk of our medical and health services. Following the review of the delivery of medical services in hospitals, the Provisional Hospital Authority is now busily devising the structure and working arrangements for the Hospital Authority that will be established next year. A few months ago, we launched a major review of primary health care, which is expected to continue until the end of next year. I believe that before the reforms to be initiated under the Hospital Authority have been effected and that until the primary health care review has laid down guidelines for the development of services in that area and the Government has decided how far it can bring its recommendations into effect, it would be premature and confusing to launch a further and more general policy review. This does not mean, however, that we will not be looking at the problems of financing medical services, including our fee-charging policy.

Some of the points made by Members touch upon fundamental principles of our health care system. At the primary health care level, these include the issues of whether our general out-patient clinics should continue to operate on an open-door basis; whether assistance should be directed at the needy and whether private practitioners should play a role in public health care. These are all important questions for any review of primary health care. Otherwise, improvements in service would simply generate additional demand without necessarily addressing the needs of those who require low-cost medical care. This would not be an efficient use of resources. These and other issues relating to the kind of primary health care service we should provide, including the future of the School Medical Service, are now being considered by the Working Party on Primary Health Care.

Sir, following the announcement in your address to this Council of the Government's decision in principle to establish a Hong Kong Academy of Medicine, you have appointed Professor David TODD, an eminent member of the medical profession well-respected by his colleagues in Hong Kong as well as overseas, as the chairman of the Preparatory Committee that will oversee the arrangements for establishing the Academy. Other members of this Committee, which will have a balanced representation from various medical specialties, will be appointed shortly. I should like to emphasize that no decision has been taken on the controversial question of the status of individual specialties in the future Academy. We shall welcome the Preparatory Committee's recommendations on this as well as other matters concerning the

composition of the Academy.

I now turn to the Undesirable Medical Advertisements Ordinance which was amended last year to increase the level of penalties and to overcome certain enforcement problems. Since then, the situation has been monitored closely by the Department of Health. Some 5 700 advisory letters have been issued to concerned parties to explain the present legal requirements. A total of 60 advertisements were reported to have contravened the law and have been the subject of legal advice and police investigation. So far this has led to three successful prosecutions in which the involved parties were convicted and punished. At the same time, the Department of Health has noted that publishers have taken heed of the advice and are now more cautious and selective when publishing medical advertisements.

Smoking and health

Given the indisputable health hazards of smoking, it is my responsibility to ensure that effective measures are taken to discourage smoking, especially among our young people. By sponsoring sports events, the tobacco industry is able to associate its products with a healthy, outdoor sporting image which has an appeal among young people. This compromises our efforts to limit exposure of children and young people to persuasion to smoke.

I appreciate the understandable concern that the banning of tobacco sponsorship would hamper the development of sports and arts in Hong Kong. This concern was clearly reflected during the public consultation conducted earlier this year on the various recommendations put forward by the Council on Smoking and Health. I can assure Members that, in reaching decisions on those recommendations, the Government will be sensitive to the practical implications.

In the meantime, we have not lost sight of the importance of generating an increased public awareness of the health hazards of smoking. A large-scale youth project on the theme of "a healthy lifestyle without tobacco" will soon be launched by the Council on Smoking and Health.

A subject on which Dr. Henrietta IP offered us advice this year as she did last year is the attainment of health through physical recreation. She will be pleased to know that since her speech in this Council last year, I have taken up swimming as a daily exercise. Sir, the business of this Council places on its Members a heavy

burden, both intellectual and physical; and good health is essential to the discharge of their duties. I cannot speak on behalf of non-official Members. But I am happy to report that all my official colleagues, who are so clearly superior to me in intellect, are also in an even better state of health than myself.

Sir, on that healthy note, I support the motion.

SECRETARY FOR HOME AFFAIRS: Sir, a number of comments have been made during this debate on youth, civic education, district administration, housing, and recreation and culture. I shall respond to these points in turn.

Youth

Sir, I am grateful for Members' support for the establishment of the Commission on Youth. The Government has indeed long recognized the importance of young people and the need to facilitate them to develop into responsible members of our society. This is seen in the rapid expansion of the various forms of youth services in the past 20 years. In view of the changing circumstances of Hong Kong, it is now timely that we should reaffirm our commitment to youth development with the setting up of the Commission on Youth. The first major task of the Commission will be to review the youth services provided, with a view to recommending a direction for the planning of future services.

Sir, apart from being a central advisory committee, the Commission will gather information and initiate research on matters pertaining to youth, exchange ideas and findings with other government advisory bodies to ensure that the interests of young people are taken into account in the design of relevant service programmes, and encourage better co-operation among the delivery agencies of youth services. In addition, it will put forward proposals on the promotion of civic awareness among young people and their participation in community affairs. Yet another function will be to promote leadership training for young people, and liaise with overseas youth organizations to increase the opportunities for our young people to acquire international experience and exposure.

Civic education

The increasing importance of civic education in our rapidly changing social and political environment is well-recognized. The Committee on the Promotion of Civic

Education has focused its effort to encourage all sectors of the community, including government departments, to actively promote civic awareness and responsibility among our residents. To this end, the Committee has already sponsored nearly 100 civic education projects since its inception in 1986.

Every year, the Committee reviews and formulates its work emphases and priorities. For instance, in view of the elections in 1991, the Committee has laid down early this year two important task areas, namely, to foster among our residents the understanding of and participation in the political and community affairs of Hong Kong and to promote the spirit of the rule of law. In this regard, a series of activities including seminars, outdoor events and territory-wide publicity programmes have been planned. Furthermore, on the advice of the Committee, a new civic education resource centre has been set up in the City and New Territories Administration headquarters in Wan Chai. The centre, which is open to the public, contains a large amount of reference materials on civic education and provides a convenient focal point for both individuals and organizations to obtain more information in the course of planning and organizing civic education projects.

District administration

Sir, when the District Administration Scheme was introduced in 1981, Government's objectives were to improve the responsiveness of its operation in the districts and to promote the participation of residents in local affairs through a network of district boards and district management committees. District boards are primarily advisory bodies on district affairs, but they are also encouraged to promote environmental improvement, as well as cultural and recreational projects in their districts. The functions of the district boards are now well understood by our residents. Over the years, the district boards have effectively channelled to the Government a wide range of views of the local populace and given invaluable advice on how government services and facilities in the districts should be improved.

Sir, the District Administration Scheme was last reviewed in 1987 both by the City and New Territories Administration and through the Green Paper on Review of Development in Representative Government. Both reviews re-affirmed the role and contributions of the district boards in the machinery of government in Hong Kong. Nevertheless, a number of improvements to the administrative arrangements and operation of the scheme have been implemented.

It is noteworthy that the age distribution of all district board members shows that nearly 40% of them are under 40 years old. Many more young people are also serving as co-opted members on the committees and working groups established under the district boards. This provides them with a good training opportunity to develop into leaders of their districts.

Public housing

On squatter clearance, the Government is confident that the policy objective of clearing all urban squatters by the mid-1990s will be met. The present urban squatter population at 83 000 persons is less than half of that in 1984. The successful implementation of this programme owes much to the co-operation of the squatters themselves and support of district board and local liaison bodies.

Under the Long Term Housing Strategy, an increasing emphasis will be placed on home ownership, and the current building programme by the Housing Authority envisages completion of about 123 000 home ownership flats between now and mid-1990s. Results of recent sales programmes of home ownership flats and response to the current Home Purchase Loan Scheme have continued to be encouraging.

However, while there is a strong demand for assisted home ownership, there is also a sizeable outstanding demand for rental public housing from clearances, redevelopment and the general waiting list. With constraints on land supply and other resources, the Housing Authority has to strike a suitable balance in its production programme to meet the various housing needs of the public.

Sir, the Housing Authority regularly reviews the income limits and eligibility criteria for all types of assisted housing to see how best this opportunity can be extended to those most in need. To this end, it has taken the initiative to set up three working groups to study the proposed sale of rental flats to sitting tenants, the housing problems of the "sandwich class" and private sector production in the context of the strategy. These studies, which are expected to be completed next year, will have an important bearing on the future direction of assisted home ownership in Hong Kong.

Recreation and culture

Sir, I am grateful for the recognition of the need to develop sports, recreation and culture while we are launching the massive infrastructural projects. Members will be pleased to note that we have recently been making significant progress in these areas, such as the establishment of the Provisional Sports Development Board, the proposal to upgrade the Academy for Performing Arts into a degree-granting institution and the review of funding priorities by the Council for Performing Arts. In order to fund these new initiatives, a balanced approach should be adopted taking into account the availability of government resources and the need to encourage private sector participation. With this in view, the Recreation and Culture Branch is planning to organize early next year a seminar of experts and concerned groups to explore the best way to promote business sponsorship for the performing arts.

As regards the preservation of cultural heritage, full credit must go to the Antiquity Advisory Board for its highly successful campaign to promote community awareness and education in this area. Our list of declared monuments in the territory is growing, and I can assure Members that efforts will continue to be made and resources provided to keep up our work on this front.

Sir, with these remarks, I support the motion.

SECRETARY FOR SECURITY: Sir, in their speeches last week several Members spoke on the subjects of immigration and Vietnamese boat people, and reference was also made to aspects of crime. I shall speak briefly on these three subjects, taking the latter first.

Crime

We can be thankful that our crime rate in Hong Kong makes it one of the safer places in the world for people to live and work. The present level of crime remains about the same as last year. There has been a drop in minor crimes such as shoptheft, but a slight increase in serious and violent crimes. The number of juvenile offenders has remained constant at about 17% of all offenders.

Neither the police nor the Administration are complacent about the situation and a close watch is kept on crime trends and rates. The Fight Crime Committee, on which several Members serve, continues to function most positively and has been very active in promoting publicity and education aimed at crime prevention, particularly amongst

young persons.

Good progress has been made with legislation to combat organized crime. The enactment of the Drug Trafficking (Recovery of Proceeds) Ordinance during the last Session was a major step in the fight against international drug trafficking. Most of its provisions came into force on 1 September this year and the remaining provisions, relating to the reporting of suspicious transactions by banks and other financial institutions, will come into force on 1 December. The Gambling (Amendment) Bill and the Crimes (Amendment) Bill now before this Council are further measures against serious crime. The Administration is also considering the feasibility of legislation to create a new offence of involvement in organized crime. This will make it easier to bring before the courts evidence of such involvement, to permit the imposition of heavy sentences for leading members of organized crime gangs and syndicates, and to attack such gangs and syndicates through new provisions for forfeiture and against money-laundering. We aim to publish a draft Organized Crime Bill next year as a White Bill for public consultation.

The Fight Crime Committee is looking into the possibility of legislation to regulate the security industry in Hong Kong and so to improve standards. Proposals will include a licensing system on two levels: for the employees of security companies, and for the companies themselves.

Sir, we shall continue to review our criminal and penal law to ensure that it remains up-to-date and in line with community requirements and present social attitudes. Following an extensive consultation exercise, and a review of the effectiveness of other forms of punishment, the Administration will make proposals for legislation to repeal all existing provisions which empower the courts to award corporal punishment. We shall also seek the views of this Council on the present laws relating to homosexual conduct.

Immigration

Turning to immigration, I accept that our policies need to evolve in line with changing economic circumstances. The introduction earlier this year of a special quota for the importation of skilled labour was an example of this. In the same spirit, and in keeping with Hong Kong's role as an international business centre, we have recently decided to adopt a more flexible approach in admitting genuine business visitors from Eastern European countries.

Evolution in immigration matters is, however, a cautious process, and these small changes do not signify any weakening of our determination to maintain the integrity of our land and sea borders, and to act firmly against illegal immigration. There can be no question of any amnesty for categories of persons who enter Hong Kong illegally or who enter as visitors and subsequently remain in Hong Kong illegally.

Vietnamese

The fact that so many Members have mentioned Vietnamese boat people shows clearly the concern of our community at this continuing and frustrating problem. There will be a separate debate on this subject later this month, so I shall restrict myself this afternoon to a few main points.

The Government remains committed to the present Comprehensive Plan of Action (CPA) agreed in Geneva in June. We believe that it is only through the full and balanced implementation of the CPA that the problem of the Vietnamese boat people can be resolved.

The lack of consensus on alternatives to voluntary repatriation in Geneva last month should not obscure the good progress which has been made with other elements of the CPA. For example, resettlement has picked up well this year, with some 3 400 resettled so far. I expect the total for 1989 to be over 4 000. Although our overall Vietnamese camp population stands at over 57 000, we have only 13 000 Vietnamese of refugee status and it is clear that this part of the CPA will make a satisfactory reduction to this figure.

The Orderly Departure Programme (ODP) from Vietnam is also going well. About 45 000 people will leave Vietnam during 1989, a 100% increase over 1988. The ODP is important because it provides a legitimate avenue for departure and thereby takes some of the pressure off first asylum countries.

This year has also seen the start of the voluntary repatriation programme. Over 500 people have now returned to Vietnam under this scheme, which was first engineered by Hong Kong in our talks in Hanoi in August 1988. We remain committed to the voluntary programme as an important element of the CPA.

But, despite these successes, we should be under no illusions that without the

full implementation of all the components of the CPA, it cannot be a comprehensive solution. Without arrangements for the repatriation of all those who have been screened out as non-refugees, we shall continue to attract to Hong Kong misguided and misled Vietnamese resettlement seekers.

What must be understood by the critics of mandatory repatriation is that, far from being contrary to the CPA, it is an intrinsic and logical part of it. Once someone has been screened out as a non-refugee, there is no alternative to returning, with safeguards, to Vietnam. That is the clear message of the CPA, and it is simply unrealistic to expect all non-refugees to volunteer to return. Some will, and some have already. But for non-volunteers, who will be the majority, what alternative is there to repatriation? They are not eligible for resettlement; and the only other option, which is indefinite detention in permanent camps in Hong Kong, has to be discounted. Otherwise that would indeed be a grim prospect: not only for the men, women and children concerned, but also for Hong Kong as a continuing social, administrative and financial burden.

The outward surge of Vietnamese from their homeland can no longer be viewed in the simple, ideological fashion of former years, according to which every person leaving Vietnam was regarded automatically as a refugee seeking asylum.

We have said many times that Hong Kong has turned none away, but it is equally important to recognize that the Vietnamese boat people see Hong Kong only as a transit centre to resettlement elsewhere. And for overseas Vietnamese, or others, to foster such hopes of resettlement is to mislead irresponsibly these unfortunate people whom nobody wants.

Sir, the third Steering Committee Meeting will be re-convened in Geneva on 4 and 5 December, and I hope that we shall be able to make progress on the issue of repatriation. Without this essential ingredient, and the deterrent message it would send, Hong Kong could well face another major influx of boat people in 1990. The international community has endorsed the CPA, and the countries of first asylum must be allowed to implement it in full if we are to continue to cope with the enormous pressures imposed on us by arrivals from Vietnam.

Finally, Sir, I should like to pay tribute to all our disciplined and auxiliary services. Many have been heavily committed to coping with the influx of Vietnamese boat people. All have experienced difficulties in recruitment, and in replacing

skilled and experienced manpower. Yet they have all responded magnificently. Hong Kong can be very proud of its disciplined and auxiliary services and for the highly professional manner in which they perform their many and varied duties.

With these remarks, Sir, I support the motion.

CHIEF SECRETARY: Sir, we are most grateful to Members for their thoughtful and sometimes forthright comments on your annual address. Your speech, Sir, gave an insight into Government thinking on the important issues which face us and announced far-sighted plans for the next decade. It is not surprising that the debate which followed was wide ranging. On the official side we have not attempted to deal with every point raised by Members but each policy Secretary has addressed the main issues which have been raised in his own policy area. It remains for me, Sir, to cover some of the broader subjects.

Relations with China

It is not at all surprising that so many Members of this Council should have referred to the importance of the relationship between Hong Kong and China for, as one Member put it so succinctly, our destinies are inseparable. Nevertheless, the paths which we take towards these destinies are different: a fact which has been given expression in the concept of "one country, two systems".

The events of the last few months have underlined the differences between our system and that of the People's Republic of China. Inevitably the relationship between Hong Kong and China has come under strain, but I believe that with time and patient effort on both sides we will be able to return to the flexible and constructive approach to problems which has characterized our relationship since the signing of the Sino-British Joint Declaration. For our part we are determined to do everything possible to bring that about.

Britain and China are bound together by the Joint Declaration to work for the continuing prosperity and stability of Hong Kong and both sides have declared their continuing commitment to the full and faithful implementation of that agreement. The Hong Kong Government will continue to play its part fully in the work of implementing the Joint Declaration. We will also continue to build on and develop the ever-expanding range of links between Hong Kong people and their neighbours in Guangdong province. These links are making an extremely important contribution to the economic

development of both Hong Kong and Southern China. They offer pragmatic evidence of the determination of ordinary people, on both sides of the border, to work together constructively for their mutual benefit.

Basic Law

The formal framework for the relationship after 1997 is to be the Basic Law. In fulfilling their responsibility for drafting this unique document, the Chinese authorities have indicated, on many occasions, their wish to solicit fully the views of Hong Kong people. As a result of views that were expressed on the first consultation draft last year (including views expressed so clearly in this Chamber), significant changes were made and incorporated in the second draft which have served to improve it considerably. Credit is due to the drafters for the way they responded at that time.

In spite of the interruptions to the second consultation exercise, Hong Kong people resumed the debate, and a wide variety of views was expressed. Again, points made in this Chamber in May and June contributed to that debate and assisted in focussing public attention on key areas. Discussion between non-government Members of both this Council and the Executive Council showed the way in which differences can, through constructive debate, be reconciled in the search for the greater good of the community as a whole. And it is the community as a whole whose interests must be safeguarded in the final version of the Basic Law. I am sure that those who are tasked with the heavy responsibility of producing a framework for Hong Kong, which will do much to shape Hong Kong well into the next century, will again show themselves to be willing to listen and respond.

Political development

Naturally discussion of what our political structure should be like after 1997 raises questions about how it should develop in the years immediately ahead. This Council in its present form has served Hong Kong well. Members represent a wide variety of interests and political viewpoints, but it is usually possible to reach consensus on the important issues of the day and to move forward towards the acceptance of sensible and pragmatic solutions. Building on the firm foundation of the present system, which is well understood by all, will help to ensure continuity and stability in the transitional years.

As to the future composition of the legislature, we have already acknowledged that there is now a widely held view in Hong Kong that there should be a somewhat faster pace of development than was envisaged in the 1988 White Paper, and we have said that this view will be taken into account in reaching our final decision on the make up of the 1991 legislature. Many Members have spoken in favour of the early acceptance by the Administration of the OMELCO proposal on the composition of the Legislative Council in 1991. This proposal has attracted support from most district boards and from the wider community. A decision on the 1991 legislature will be taken in sufficient time for the enactment of electoral legislation and for other preparatory work.

The Bill of Rights

Another sign of our growing political maturity is the keen interest shown by Members in the proposed Bill of Rights. This is how it should be with a piece of legislation of such importance to the community.

Much of the debate within and outside this Council has concentrated on the so-called freeze period. This is the period during which existing legislation will be immune from challenge in the courts. There are those who hope that this period will be short. Others question the wisdom of the concept itself. Others urge that the review of legislation should not await enactment of the Bill. I welcome this opportunity to explain our thinking.

Once we have the new Bill in place, individuals will be able to challenge the existing legislation if they believe it contravenes the Bill of Rights; the courts will in turn be able to strike down existing laws which breach basic rights and freedoms. But they will not be able to enact new laws to take their place. The situation could therefore arise when there would be an operational vacuum before a law which had been adjudged incompatible with the Bill of Rights could be replaced by an amended one which was compatible. The timetable for enactment of the Bill is unusually short, and it will not be possible to review all existing legislation before it is enacted. Hence the need for a grace period after passage of the Bill to allow us to identify real areas of doubt regarding compatibility.

This is not to say that the review will only begin after passage of the Bill. Work has already begun. Indeed, we have already identified some areas where existing Hong Kong laws -- even those which reflect deeply held views -- may need amendment

if they are to be brought fully into line with the Bill. Our laws governing homosexual behaviour fall within this category.

There have been reports that the Administration had decided on a five-year freeze period. This is not true, and whilst no completion date has been fixed, the Administration is very conscious of the need to keep the period to that which is strictly necessary for the purpose of the exercise.

Work on the Bill itself has moved ahead speedily. Drafting instructions have been issued, and a draft is under preparation. The intention is to render rights set out in the International Covenant on Civil and Political Rights justiciable in our courts so far as practicable so that individuals who feel that their rights have been violated will be able to initiate action through the courts to seek redress. Particular care is being taken to ensure that the Bill of Rights has superior legal status within Hong Kong law.

The Civil Service

Sir, I was pleased to note the high degree of interest shown by many Members in different aspects of the Civil Service. That interest reflects a recognition of the fact that it is most important to maintain a stable, efficient and contented Civil Service in Hong Kong if we are to face the future with confidence.

The Government has many demands on its services, both in manpower and financial terms. The level of demand is likely to grow significantly over the next decade when major infrastructure projects will reach construction stage. But resources are limited. The Administration is always looking for ways to improve the system of resource allocation in the Civil Service, and in turn to place greater emphasis on policy Secretaries' responsibilities for setting priorities and for financial management generally.

With these objectives in mind, the Administration completed an internal document on Public Sector Reform in February this year. This reform programme has generated great interest within the senior management of the service. A high powered Public Sector Reform Steering Committee has now been set up under my Committee to guide and co-ordinate various pilot studies and to take the reform programme forward. I will keep Members informed of our progress on a regular basis.

Although I have started by addressing procedural matters, I would not wish this to be taken as a sign that we are neglecting the human side. Last year I was able to say that morale in the Civil Service was high. I cannot say the same this year. There can be no doubt that concern about the future and the related issue of nationality, together with the brain drain and the additional demands being made on their services has affected civil servants' morale. But while morale may have suffered somewhat, what is perhaps even more important is that this problem has not been allowed to affect the high standard of service which the Civil Service has given and continues to give.

This is not to say that I am complacent about the present state of civil service morale. We must try and improve it. The existing situation has many causes, not all of which are within our capacity to resolve. But one thing we can do is to seek that the Government, as a good employer, provides its civil servants with reasonable pay and conditions of service.

Of particular concern to many civil servants is the security of their pensions. The payment of pensions after 1997 on terms no less favourable than before is guaranteed by the Joint Declaration and we expect that this guarantee will be embodied in the Basic Law. Moreover pensions are now a right and are a statutory charge on the general revenue. Pensions will therefore be secure. Nevertheless in the light of staff anxiety we are considering whether more can be done to reassure the service about their pensions.

Sir, one request which has been made by staff, and which has been echoed by Members of this Council, is that a portion of our reserves be set aside to establish a fund for the payment of pensions. We are examining this proposal but I must point out that this is unlikely to prove a practicable proposition. The sums involved are massive, we are talking of tens of billions of Hong Kong dollars, and with our existing commitments for capital expenditure and planned development, the possibility of setting such sums aside for a civil service pension is remote. Our reserves must be used for the benefit of the community as a whole. But that said we recognize there are worries over pensions and are actively looking for other ways to provide a higher degree of security for them.

The Financial Secretary has referred to the need to restrict the growth of the Civil Service. This is not just a Finance Branch initiative, the Administration as a whole is fully committed to the objective of seeking a lean, efficient and highly

productive service. If we accept that civil servants should be reasonably well paid and looked after, which we do, they in turn must accept that they must work hard to deliver the goods. At a time when our manpower and finances are limited we must ensure that the service produces good value for money in every respect. This is well understood by all concerned and I am confident that the limited targets for growth which we have established are realistic and will be achieved.

Before leaving the subject of the Administration, I should like to mention the significant contribution that the Central Policy Unit (CPU) has made to our decision making process at the highest level.

Since its inception on 1 April 1989, the CPU has produced a total of 94 papers for the consideration of the Governor, the Financial Secretary and myself. It has proven its ability to respond promptly to urgent requests for views on matters of immediate concern to the Administration; its in-depth analyses on issues, which are of a long-term and strategic nature, are of particular value to us in formulating and evaluating major policies.

I am particularly pleased that its members have established such good working and personal relationship with policy Secretaries, heads of departments and private sector contacts. This reflects great credit on all concerned and has, I am sure, dispelled much of the suspicion and perhaps cynicism which greeted the announcement of the formation of the CPU a year ago.

Brain drain

Sir, several Members spoke at some length about the need to rebuild local confidence and stem the loss of Hong Kong's talented people through emigration. We in the Administration share many of the sentiments expressed but we also believe that there is a role for everyone to play in the restoration of confidence. Ultimately the most important test will be whether this community recovers its self-confidence.

The first task that the Government undertook was to quantify the scale of the problem. Nothing saps morale more quickly or more surely than wild speculation about what might be happening. That job of fact finding is essentially complete, in that we have been able to establish exactly what took place from 1980-88 and have also developed a limited capacity to forecast ahead. We estimate that next year we are likely to lose about 55 000 people through emigration. This is a sobering figure indeed.

The next immediate task is to obtain a more accurate profile of those leaving. Already we have part of the picture. For example, we know that about 52% of emigrants are in the 25 to 44 age group, and that as many as 15% of them have received tertiary education. Among those emigrants previously in active employment in Hong Kong, the medical, accounting and computing disciplines comprise the top three occupational groups. Professionals and managers make up nearly a quarter of all those leaving. They are precisely the kind of people Hong Kong can least afford to lose.

Action is in hand to improve our knowledge still further. This is essential if we are to provide the information the Secretary for Education and Manpower will need in constructing his manpower supply model.

Sir, the Administration believes that the decision to increase the provision of first-degree places from 7 000 to 15 000 a year in 1995 will in the long run prove to be the most effective practical measure in replenishing the loss of talent.

For the medium term, we are devising a number of measures designed to facilitate the return of the economically active who have emigrated since the surge of departures began in 1987. While our job market speaks for itself locally, perhaps its voice does not carry as well overseas. We must also do what we can to ensure that any former Hong Kong resident who wants to come back is not deterred by a lack of suitable school places for his children. There is already a considerable stock of places in our international schools, and we are relieving regional shortfalls by building a third English School Foundation secondary school on Hong Kong Island. To create an efficient source of advice and information to parents we are inviting all international schools to form a one stop unit, and are examining a proposal to extend this and indeed our employment advisory service to our overseas offices. But we firmly believe that the emphasis must be on facilitating return, not on creating special incentives to do so. A substantial bonus for coming back would in effect be an extra reason to go.

The private sector is responding vigorously to the problem of manpower shortage. Many local firms are actively pursuing recruitment of former Hong Kong residents particularly in Canada and the United States. The Civil Service has already scored some success in this also. About 200 applications for appointment as Administrative Officers have been received this year alone from former Hong Kong residents in the United States. Most of them are in their mid to late twenties with some working

experience. This is indeed encouraging news.

The scheme for importing technicians and craftsmen from outside Hong Kong has worked reasonably well. By the end of the year more than 1 000 skilled workers will be brought in as a temporary measure to strengthen our local workforce. That would still leave the original quota of 3 000 skilled workers not fully utilized. Sir, the time will soon come for the Administration to review whether this temporary measure could and should be incorporated in some form into our normal immigration procedures.

Meanwhile we have now adopted a liberal immigration policy for skilled workers at the professional level. The arrangements for bringing in overseas professionals are now simple and flexible. We do not have any numerical ceiling. Nor do we discriminate against any place of origin. An employer who is unable to fill a professional vacancy locally will be welcome to recruit from outside Hong Kong. Once he is able to satisfy the Director of Immigration that his prospective recruit is professionally qualified and will be paid the going Hong Kong wages, an employment visa will be issued promptly. I encourage all employers to make good use of this facility.

Nationality

Sir, this leads me to the subject of British Nationality. The Administration's position on this matter has not changed. We continue to believe that restoring the right of abode in the United Kingdom for Hong Kong British nationals would provide a broad base for rebuilding local confidence.

We are naturally disappointed by ministerial statements that it would not be possible in United Kingdom political terms for Her Majesty's Government to grant such a right to all British nationals in Hong Kong. But we understand that there is likely to be a limited scheme based on citizenship which will not require a beneficiary to leave Hong Kong to obtain his right of abode in the United Kingdom. We certainly believe that such a scheme is better than no scheme at all and the Administration has been considering how a good measure of local confidence could be restored within such a package. We believe that, given more work here and in London, there is advantage in actively supporting this scheme with the objective, as you, Sir, said in your address, of trying to ensure that it is as generous as possible, and that it is to the greatest extent possible tailored to Hong Kong's needs and circumstances.

In selecting likely beneficiaries, we have suggested to Her Majesty's Government that the scheme should target those occupations in Hong Kong which are most vulnerable to serious depletion through emigration, and those which are likely to be put under particular pressure arising from the change of sovereignty. A high priority should be given to those occupations which would be particularly difficult, expensive and time-consuming to replenish. The scheme should have special regard for the dependants of the principal beneficiaries. We have also suggested that the majority of those who benefit from the United Kingdom citizenship scheme should be in the private sector rather than in the Civil Service. Using these criteria and a reasonably generous overall figure, such a scheme should be able to retain in Hong Kong active members of a broad spectrum of occupations in sufficient numbers to sustain a vibrant economy and an effective Administration up to and beyond 1997. Sir, whilst any limited scheme is bound to be divisive to some extent we believe that the use of such criteria would be readily understood and acceptable by Hong Kong people and that the scheme would be generally welcomed.

Future of Hong Kong

Sir, many Members have expressed their thoughts about the future of Hong Kong cogently and with great passion.

Of course there is uncertainty, but in looking to our worries for the future, we can take some comfort from the past. We tend to believe that our current problems are much worse than those we have ever had to face before. Our memories tend to block out the bad times -- the massive influx of people in the 1950s, the momentous riots of 1967 when everyone said Hong Kong was finished. The stock market crash of 1973 when it fell from 1 700 points to less than 200, precipitated by the oil crisis and a world economic recession. The property market drop of 40% between 1983 and 1984 when talks on the future were underway, and a dramatic run on the Hong Kong dollar. But, despite all those difficult, sometimes terrifying times, Hong Kong has survived and indeed flourished.

Today's problems are certainly different. In facing up to the uncertainty of what Hong Kong will be like in the future we will not always be able to put our finger on practical problems and solve them with our usual determination and drive. Many of the worries and fears are in our own minds.

To deal with them effectively we must not only believe in ourselves, we must convince the people of Hong Kong that they can believe in Hong Kong, in their own future here, and most importantly in a future for their children. That requires leadership.

You, Sir, have given us the lead by charting the clearest possible course for the Government to follow and we shall rise to the challenge. But the future of Hong Kong does not lie with the Administration alone. By 1997 there will be no official Member of this Council; that formal change, enshrined in the Joint Declaration, signifies a more significant change in the way Hong Kong is to be governed, a growth in the influence of non-official members and a need for leaders to emerge from the community. The development of our political system will encourage that trend, but to make it work well we need responsible experienced people to take up the challenge and devote their full-time energies to public service. Hong Kong people have a well-deserved reputation for devoting their time to working for the community and I have no doubt that good people will come forward to help lead Hong Kong into the next century.

Sir, providing leadership will not be easy. The political and other pressures may be great. But as long as we stick unswervingly to the principles on which Hong Kong's success has been built, the rule of law and the freedom of the individual (principles which are enshrined in the Joint Declaration and the Basic Law) we will be able to provide the best hope of Hong Kong's success now and in the future.

Sir, I support the motion.

MR. ALLEN LEE: Sir, the speeches in this Council on the motion "that this Council thanks the Governor for his address" have been hearty in congratulating the Administration's most constructive plans. We must do everything we can to ensure a future for the Hong Kong people.

We are so keenly aware of the uncertainties facing us. This is a difficult time for us and it is not made easier by what is happening around us. Nevertheless, we will not lose sight of our responsibility towards our own people who are committed to staying in Hong Kong in building up our infrastructure, improving our social services, increasing our education opportunities, advancing our technological capabilities and in bringing to fruition the host of ambitious projects that call

for not only our dedication and our experience, but in short, a lot of hard work. Such projects require the contribution of a community that pledges its support for a better Hong Kong. The key to success lies in ourselves. We must therefore stand together as a community, carry on the good work we have done so far, and apply ourselves to tackling problems and achieving our goals with courage, determination and unity of purpose.

Sir, we have worked so hard to have come this far. The pace of transformation of Hong Kong has never failed to amaze people who have watched the developments in Hong Kong. With the strength and diversity of knowledge and expertise within this Council, we can lead Hong Kong through troubled times and to build a future for our people.

With these concluding remarks, Sir, I beg to move.

Question on the motion put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: Now in accordance with Standing Orders I adjourn the Council until 2:30 pm on Wednesday, 15 November 1989.

Adjourned accordingly at fourteen minutes to Six o'clock.