

1 HONG KONG LEGISLATIVE COUNCIL -- 17 April 1991

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OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 17 April 1991

The Council met at half-past Two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (PRESIDENT)

SIR DAVID CLIVE WILSON, G.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 JEREMY FELL MATHEWS, C.M.G., J.P.

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

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

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

THE HONOURABLE CHENG HON-KWAN, O.B.E., J.P.

THE HONOURABLE CHUNG PUI-LAM, J.P.

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

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

THE HONOURABLE DAVID LI KWOK-PO, O.B.E., J.P.

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

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

THE HONOURABLE POON CHI-FAI, J.P.

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAI CHIN-WAH, J.P.

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

THE HONOURABLE TAM YIU-CHUNG

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

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

THE HONOURABLE LAU WONG-FAT, O.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 RONALD JOSEPH ARCULLI, J.P.

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

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, O.B.E., 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

THE HONOURABLE PETER TSAO KWANG-YUNG, C.B.E., C.P.M., J.P.
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE MRS ELIZABETH WONG CHIEN CHI-LIEN, I.S.O., J.P.
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE ALISTAIR PETER ASPREY, O.B.E., A.E., J.P.
SECRETARY FOR SECURITY

ABSENT

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

THE HONOURABLE PAUL CHENG MING-FUN

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.

Buildings Ordinance Regulations 1991..... 120/91	Building (Administration) (Amendment)	
Hong Kong Airport (Regulations) Ordinance (Traffic) (Amendment) Regulations 1991..... 121/91		Hong Kong Airport
Post Office Ordinance 1991.....	Post Office (Amendment) Regulations	122/91
Quarantine and Prevention of Disease Ordinance Prevention of Disease Regulations 1991..... 123/91	Quarantine and (Scale of Charges) (Amendment)	
Public Health and Municipal Services Ordinance Municipal Services of Tenth Schedule) (No. 2) Order 1991.....	Public Health and (Public Markets) (Designation and Amendment	124/91
Supreme Court Ordinance (Amendment) Rules 1991.....	Rules of the Supreme Court	125/91
Public Health and Municipal Services Ordinance Markets in the Declaration 1991.....	Urban Council Area (Amendment)	Declaration of

126/91

District Boards (Amendment) Ordinance 1990
(Amendment) Ordinance 1990
(Commencement of Sections 3, 6(2) and 7)
Notice 1991.....

District Boards

127/91

Electoral Provisions (Amendment) Ordinance 1990
Provisions (Amendment) Ordinance 1990 (Commencement of Section 16)
Notice

Electoral

1991..... 128/91

Legislative Council (Electoral Provisions) (Amendment) Ordinance 1990
Legislative Council (Electoral Provisions)
(Amendment) Ordinance 1990 (Commencement of Sections 2,
3(1), 4, 6, 9, 10(1), 11, 12(1),
13(a) and 16 to 22) Notice 1991.....
129/91

Legislative Council (Electoral Provisions) (Procedure) (Amendment)
Regulations 1990

Legislative Council (Electoral Provisions)
(Procedure) (Amendment) Regulations 1990
(Commencement) Notice 1991..... 130/91

Legislative Council (Electoral Provisions) (Registration of Electors and
Appointment of Authorized Representatives) (Amendment)
Regulations 1990

Legislative Council (Electoral Provisions)
(Registration of Electors and Appointment of
Authorized Representatives) (Amendment)
Regulations 1990 (Commencement of Regulations 2(a), 3, 4(2)
and 5) Notice 1991..... 131/91

Regional Council (Amendment) (No. 2) Ordinance 1990

Regional Council (Amendment) (No. 2) Ordinance 1990
(Commencement of Sections 2 and 3)
Notice 1991..... 132/91

Urban Council (Amendment) (No. 2) Ordinance 1990	
Urban Council (Amendment) (No. 2)	Ordinance 1990
(Commencement of Sections 2 and 3) Notice	
1991.....	133/91
Air Pollution Control Ordinance	Air Pollution Control (Vehicle
Design	
Standards) (Emission) Regulations 1991.....	134/91
Merchant Shipping (Safety) Ordinance	Merchant Shipping (Safety)
(Signals of	
Distress and Prevention of Collisions)	
(Amendment) Regulations 1991.....	135/91

Sessional Papers 1990-91

No. 65 -- Consumer Council Annual Report 1989-1990

No. 66 -- Report of the Special Meetings of the Finance Committee
on the Draft Estimates of Expenditure 1991-92

Address by Member

Consumer Council Annual Report 1989-1990

MR MARTIN LEE: Sir, the year 1989-90 was a busy and challenging year for the Consumer Council in meeting its responsibilities to respond to the needs of millions of consumers in Hong Kong. I am pleased to report to this Council that the Consumer Council was successful in achieving its tasks.

The Consumer Council, in 1989-90, concluded several important studies on trade practices, for example, the Council examined trade practices such as property transactions, the pricing of motor insurance and petroleum products, the basis for calculating the insurable value of mortgaged properties, the monopolistic tendencies of a carpark business and the cancellation of group tours or the increase in tour

prices after the payment of deposits.

More recently, the Council's study on property transaction has attracted much public attention and we succeeded in requiring property developers to provide advance information about the prices and an accurate description of the fittings and dimensions of units in uncompleted buildings. We have also been successful in improving the sales procedures of uncompleted developments. On these projects the Council worked closely with both the Administration and the industry in order to see its proposals implemented successfully. We are well aware of the fact however that much more is needed to be done in the area of property transaction. Honourable Members in this Council know well that home purchasers are now confronted with a highly speculative property market and the Consumer Council is diligently identifying measures to give better protection to genuine home purchasers. Our work in this area convinces us that the Consumer Council must always keep abreast of the rapidly changing market place in Hong Kong in order to satisfy the expectations of our consumers.

On the subject of consumers' expectations, I would like to stress that the Council has received repeated requests from consumers for more effective monitoring of the operations of public utilities and public transport companies. In the report submitted to the Government at the end of 1989, the Consumer Council proposed that the Government should not debar the Council from acting on consumers' complaints directed against public utilities and public transport companies. It further proposed that the Government should improve consumer representation in consultation in the various monitoring bodies of public utilities and public transport companies. I do hope that the Administration will give urgent and positive consideration to these proposals.

The Consumer Council has a duty to render advice to the Government in respect of consumer issues. In the past years, we have fulfilled this function by submitting numerous indepth study reports some of which were at least as good as those prepared by consultants specifically engaged by the Government to perform certain tasks with one major difference. The Consumer Council does not come to the Finance Committee of this Council for funds so as to engage consultants. The studies of the Consumer Council were carried out and completed within the very limited resources available but the impact created was quite widespread. We look forward to the support of Honourable Members of this Council and the Administration for our continued work on behalf of the consumers of Hong Kong.

Motions

MONEY LENDERS ORDINANCE

THE FINANCIAL SECRETARY moved the following motion:

"That Part 1 of Schedule 1 to the Money Lenders Ordinance be amended by repealing item 6."

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

Part 1 of Schedule 1 to the Money Lenders Ordinance specifies persons who are excluded from the definition of money lenders. The purpose is to exempt institutions the business of which is lending if those institutions are already adequately supervised.

Item 6 of the Schedule specifies The Hong Kong Building and Loan Agency Limited as one of the exempted persons. The shares of the Agency were previously held by four licensed banks, the Government and the Commonwealth Development Corporation. The shares were sold to Lippo Capital Corporation Limited in February 1991.

Since Lippo is neither a government body nor a supervised institution, there is no justification for continued exemption of the Agency. I propose therefore that it should be removed from the list of exempted persons in Schedule 1 to the Ordinance.

Sir, I beg to move.

Question on the motion proposed, put and agreed to.

HONG KONG SPORTS INSTITUTE ORDINANCE

THE SECRETARY FOR HOME AFFAIRS moved the following motion:

"That the Jubilee Sports Centre (Amendment) By-laws 1991, made by the Jubilee Sports Centre Board on 5 March 1991 --

(1) be amended by repealing by-law 1 and substituting --

"1. Citation

These by-laws may be cited as the Jubilee Sports Centre (Amendment) By-laws 1991.";

(2) be approved as amended in paragraph (1)."

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

Section 24 of the Jubilee Sports Centre Ordinance (Cap. 309) provided that the Jubilee Sports Centre Board may, under its common seal, make by-laws consistent with the Jubilee Sports Centre Ordinance, and that such by-laws shall be subject to the approval of the Legislative Council.

The Jubilee Sports Centre (Amendment) Bill 1991 was passed by this Council on 13 March 1991, as a result of which the Jubilee Sports Centre has been renamed the Hong Kong Sports Institute with effect from 1 April 1991. Consequential amendments to the Jubilee Sports Centre by-laws are required in order to reflect the change of name. The opportunity is also taken to update the post title of "General Manager" of the centre to "Chief Executive".

Sir, I move that the Jubilee Sports Centre (Amendment) By-laws 1991 be approved.

Question on the motion proposed, put and agreed to.

First Reading of Bills

MOTOR VEHICLES (FIRST REGISTRATION TAX) (AMENDMENT) BILL 1991

FEES INCREASE (1991 BUDGET) BILL 1991

BANKING (AMENDMENT) BILL 1991

INLAND REVENUE (AMENDMENT) (NO. 3) BILL 1991

STAMP DUTY (AMENDMENT) BILL 1991

SECURITIES (AMENDMENT) (NO. 2) BILL 1991

CRIMES (AMENDMENT) BILL 1991

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

Second Reading of Bills

MOTOR VEHICLES (FIRST REGISTRATION TAX) (AMENDMENT) BILL 1991

THE FINANCIAL SECRETARY moved the Second Reading of: "A Bill to amend the Motor Vehicles (First Registration Tax) Ordinance."

He said: Sir, I move that the Motor Vehicles (First Registration Tax) (Amendment) Bill 1991 be read the Second time.

This Bill seeks to give legislative effect to the proposals in this year's Budget to increase the tax rates for private cars, goods vehicles, and motor cycles and motor tricycles to serve fiscal purposes, and in respect of goods vehicles, in addition to serve traffic restraint purposes.

For some years, light vans not exceeding 1.9 tonnes have often been purchased for both private passenger and goods use. Owners of those vans which have been used for private passenger purposes have been able to take advantage of the lower rate of first registration tax and annual licence fees intended for goods vehicles. The effectiveness of existing transport measures to discourage private car ownership is thus undermined.

To remedy this situation, it is proposed to increase the tax on van-type light goods vehicles not exceeding 1.9 tonnes in weight 3.6 times, to the same rate as that for private cars, and to double the tax on vans weighing more than 1.9 tonnes. A similar increase in licence fees for vans will also be introduced later in the Fees Increase (1991 Budget) Bill 1991.

After these measures, the total number of licensed goods vehicles is estimated

to fall to 22% less than the unrestrained projected number. The cost impact on businesses using these vehicles for goods transport is not expected to be significant because of the small proportion of transport services to total business costs.

The proposed rates of motor vehicle first registration tax are 90% for a basic car, 105% for a semi-luxury car, 120% for a luxury car, 35% for a goods vehicle other than a van, 90% for a van not exceeding 1.9 tonnes, 50% for a van exceeding 1.9 tonnes, and 35% for motor cycles and motor tricycles.

The implementation of these proposals will result in an estimated additional \$460 million revenue in 1991-92. There are no staffing implications.

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

Question on the adjournment proposed, put and agreed to.

FEES INCREASE (1991 BUDGET) BILL 1991

THE FINANCIAL SECRETARY moved the Second Reading of: "A Bill to amend regulations under miscellaneous Ordinances to increase fees in accordance with proposals in the 1991 Budget."

He said: Sir, I move that the Fees Increase (1991 Budget) Bill 1991 be read the Second time.

This Bill seeks to give legislative effect to the proposals in this year's Budget to increase marine berthing and passenger embarkation fees, the tolls for the Aberdeen and Shing Mun Tunnels, driving and annual licence fees and to tax-load the transfer of vehicle ownership fee.

Except for the vehicle ownership transfer fee, the proposed increases serve mainly to maintain revenue yields in line with inflation. The increase in the annual licence fees for vans not exceeding 1.9 tonnes in weight and vans weighing more than 1.9 tonnes is consistent with the proposed restructuring of the First Registration Tax on goods vehicles in the Motor Vehicles (First Registration Tax) (Amendment) Bill 1991.

The estimated additional revenue from these measures is \$492 million in the current financial year. There are no staffing implications.

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

Question on the adjournment proposed, put and agreed to.

BANKING (AMENDMENT) BILL 1991

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

He said: Sir, I move that the Banking (Amendment) Bill 1991 be read the Second time.

This Bill seeks to give legislative effect to the proposals in this year's Budget to increase the licence and registration fees of restricted licence banks and deposit-taking companies by 40%. In 1989-90, the cost of administration of the licences was under-recovered by 30%. The proposed 40% increase takes into account the inflation rate in 1990.

The increases will yield an estimated additional \$13 million in the current financial year. There are no staffing implications.

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

Question on the adjournment proposed, put and agreed to.

INLAND REVENUE (AMENDMENT) (NO.3) BILL 1991

THE FINANCIAL SECRETARY moved the Second Reading of: "A Bill to amend the Inland Revenue Ordinance."

He said: Sir, I move that the Inland Revenue (Amendment) (No.3) Bill 1991 be read the Second time.

This Bill seeks to give legislative effect to the taxation concessions proposed in this year's Budget. It provides for a simplified four-band scale at the new

marginal rates of 2% for the first \$20,000 of net chargeable income, 9% and 17% for the second and third \$20,000 and 25% for the remainder. Taxpayers with lower income stand to benefit most. Furthermore, the basic and married person's allowances are increased from \$32,000 and \$66,000 to \$34,000 and \$68,000 respectively.

The cost to General Revenue of implementing these proposals is estimated to be approximately \$340 million in the current financial year, and \$480 million in a full year. There are no staffing implications.

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

Question on the adjournment proposed, put and agreed to.

STAMP DUTY (AMENDMENT) BILL 1991

THE FINANCIAL SECRETARY moved the Second Reading of: "A Bill to amend the Stamp Duty Ordinance."

He said: Sir, I move that the Stamp Duty (Amendment) Bill 1991 be read the Second time.

This Bill seeks to give legislative effect to the taxation concessions proposed in this year's Budget. These include a reduction in the overall contract note duty from 0.6% to 0.5%, exemption of registered debt instruments from stamp duty and relief of corporate groups from duty on stock transfers upon restructuring of their intra-group shareholdings. This relief is on the same basis as the existing exemption from assignment duty upon the reorganization of intra-group property holdings. To guard against abuse of the relief afforded to corporate groups, companies must remain associated for two years after the date of the transfer of the property or shares.

The cost to General Revenue of implementing these proposals is estimated to be approximately \$501 million in the current financial year. There are no staffing implications.

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

Question on the adjournment proposed, put and agreed to.

SECURITIES (AMENDMENT) (NO. 2) BILL 1991

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

He said: Sir, I move that the Securities (Amendment) (No. 2) Bill 1991 be read the Second time. This Bill seeks to curb the activities of runners and unregistered dealers in securities by bringing them under the regulatory control of the Securities and Futures Commission.

There is a loophole in the Securities Ordinance which allows unregistered intermediaries to handle investors' money and securities. The Bill seeks to plug this loophole by providing that a person who acts for remuneration as an intermediary between an investor and a registered dealer is required to be registered with the Securities and Futures Commission. Through the registration system, the Commission can assess and monitor whether such intermediaries are fit and proper.

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

Question on the adjournment proposed, put and agreed to.

CRIMES (AMENDMENT) BILL 1991

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

He said: Sir, I move that the Crimes (Amendment) Bill 1991 be read a Second time. The Bill seeks to give effect to the motion approved by this Council in July last year that measures be taken:

(a) to remove the criminal penalties relating to homosexual acts committed in private by consenting men who have reached the age of 21; and

(b) to extend to men and boys where appropriate the protection from sexual

exploitation afforded to women and girls.

The provisions of this Bill follow closely the main recommendations of the 1983 Law Reform Commission Report on Laws Governing Homosexual Conduct. Details of the measures proposed are set out in the Explanatory Memorandum to the Bill. I will mention the more important provisions.

First, decriminalization of homosexual acts per se is effected by clause 26, which will repeal sections 49 to 53 of the Offences Against the Person Ordinance, and by clause 3 which will abolish the common law offence of buggery. Clause 3 will also, however, add new sections to the Crimes Ordinance defining the circumstances in which a homosexual act will remain a criminal offence. These are:

- (a) where the act is non-consensual;
- (b) where the act is committed with or by a man under the age of 21;
- (c) where the act is committed with a defective; and
- (d) where the act is committed otherwise than in private.

Secondly, the Bill will extend to men and boys most of the present provisions of the Crimes Ordinance which are designed to offer women and girls protection from sexual exploitation. A number of existing offences designed for the protection of females refer to "unlawful sexual intercourse", which means, essentially, intercourse otherwise than between a man and his wife. A person who has unlawful sexual intercourse does not necessarily commit an offence. However, in certain circumstances such an act will amount to an offence; for example, if the act is procured by threats, or false pretences, or obtained by the administration of drugs. Clause 2 introduces the term "unlawful sexual act" to replace "unlawful sexual intercourse" in those offences which will be extended to protect males and females equally from sexual abuse. An "unlawful sexual act" will include unlawful sexual intercourse and also homosexual acts. By describing such acts as "unlawful sexual acts" and designating them as immoral for the purposes of section 147 of the Ordinance, which relates to soliciting for immoral purposes, it is made clear that they are not acts which the law condones or will support.

The Bill will also extend to men and boys the protection currently afforded to women and girls in relation to prostitution. This is achieved by deleting reference

to the sex of the prostitute or person living on the earnings of prostitution.

Clause 7 extends the offence of indecent assault in section 122 of the Crimes Ordinance to protect males as well as females. It also increases the maximum penalty for such an offence from five to 10 years' imprisonment. This is in line with the penalty for indecent assault on a man under section 50(b) of the Offences Against the Person Ordinance, a section which is repealed by the Bill. The psychological trauma inflicted by the worst case of indecent assault can be little different from that inflicted by rape, and it is considered more appropriate to increase the protection given to women than to decrease the protection given to men.

Finally, clause 20 amends section 146 of the Crimes Ordinance, which deals with indecent conduct towards a child under 14, to bring children between 14 and 16 within its protection. This brings this section into line with section 122 of the Ordinance which provides that a child under 16 cannot give consent to an indecent assault which would prevent the assault being an offence.

Sir, the provisions of this Bill are complex. Its essential purposes however are: to decriminalize consensual homosexual acts committed in private by adult males; but, at the same time, to safeguard standards of public decency; and to provide adequate safeguards against the sexual exploitation and corruption of others, particularly to the young and those who are otherwise vulnerable.

I move that the debate on this Bill be now adjourned.

Question on the adjournment proposed, put and agreed to.

INLAND REVENUE (AMENDMENT) (NO. 2) BILL 1991

Resumption of debate on Second Reading which was moved on 27 February 1991

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).
POLICE FORCE (AMENDMENT) BILL 1990

Resumption of debate on Second Reading which was moved on

21 November 1990

Question on Second Reading proposed.

MRS TU: The purpose of this Bill is to enlarge the powers of the police in crime detection, and deals mainly with the taking of additional identifying details and retaining the records of convicted persons.

The ad hoc group met four times to study the Bill, and agreed to support it with a few minor amendments, including redating it to 1991.

To avoid any possible abuse the group proposed and the Administration agreed that, in taking finger and other prints and photographs, the procedure should always be supervised by a police officer.

The group also proposed and the Administration accepted that, in the case of a person being arrested but not charged, or being charged but discharged or acquitted, a limit should be placed upon the time by which records should be destroyed or delivered to the person. As a definitive time limit is not always possible, the Administration proposed and the group agreed to state that this action should be carried out as soon as reasonably practicable.

The Administration agreed to the ad hoc group's proposal to add the words "in accordance with guidelines approved by the Attorney General" to subsection (4) in order to clarify that the clause refers to the Superintendent's Discretion Scheme, which, being discretionary, is not subject to legislation.

Another matter of concern was the Commissioner may retain the records of a person guilty of any offence, since that might include simple offences such as unlicensed hawking. The group was assured that only recordable offences as stipulated in Police General Order 46-01 would be retained, and that recordable offences are reviewed regularly.

The group enquired whether any particular sanctions would be taken against police who failed to take action to destroy records where required, but we accepted the assurance that dereliction of duty would be dealt with under normal police proceedings.

Other details of the Bill were discussed, but the ad hoc group was satisfied that the amendments to be proposed at the Committee stage would be adequate.

I therefore support the Bill.

SECRETARY FOR SECURITY: Sir, I am grateful to Mrs TU and the ad hoc group for the careful consideration they have given to this Bill. I confirm that I shall be moving amendments at the Committee stage both to the Police Force (Amendment) Bill and the Independent Commission Against Corruption (Amendment) Bill. The main purpose of these amendments will be, firstly, to make it clear that the taking of identifying particulars must be done under the supervision of a police officer or an Independent Commission Against Corruption officer as appropriate, and secondly, to require that the destruction or return of the identifying particulars of any person must be done as soon as reasonably practicable; and that the person concerned should be allowed to decide whether the particulars are to be destroyed or returned to him.

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).

INDEPENDENT COMMISSION AGAINST CORRUPTION (AMENDMENT) BILL 1990

Resumption of debate on Second Reading which was moved on 21 November 1990

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).

IMPORT AND EXPORT (AMENDMENT) BILL 1991

Question on Second Reading proposed.

MRS FAN: Sir, the extent of smuggling activities in Hong Kong waters, particularly to and from China conducted by fast, multi-engined speedboats have caused grave concern in the community recently. The reckless manner in which the smugglers operated their speedboats, their total disregard for the safety of others demonstrated by the death of a marine police officer whose inflatable craft was being rammed last June and other police officers who were injured in anti-smuggling operations show the seriousness of the problem. The Administration estimated the value of goods smuggled out of Hong Kong daily to be around \$20 million. The profit margins are generally 100% of the purchase price in Hong Kong.

Under existing legislation, law enforcement agencies face three particular difficulties in taking prosecutions against those involved in smuggling. They are:

- (a) The difficulty in laying charges against smuggling activities by fishing vessels or speedboats because of the evidential problems in having to prove export or intent to export as goods are often claimed to be destined for outlying islands in Hong Kong.
- (b) The high-powered speedboats used by smugglers, which are capable of up to 70 knots, pose great problems in intercepting them at sea.
- (c) The law enforcement agencies being unable to control the construction, maintenance and repair of high-powered speedboats used for smuggling.

The main purpose of the present Bill is to strengthen anti-smuggling measures under the Import and Export Ordinance by doing the following:

- (a) Firstly, enabling the Governor in Council to make regulations to make it an offence to carry certain prescribed articles, for example television sets, video recorders and vehicles on ferries and small vessels within the waters of Hong Kong without lawful excuse.
- (b) Secondly, creating criminal offences relating to:
 - (i) the construction and maintenance of vessels for the purpose of smuggling;

(ii) assisting in the export of unmanifested cargo; and

(iii) assisting in the export or carriage of restricted or prohibited articles; and

(c) Thirdly, increasing the maximum penalties under existing anti-smuggling provisions to a fine of \$500,000 and two years' imprisonment to bring them in line with those set for the new smuggling offences.

The ad hoc group set up to scrutinize the Bill held three meetings, including two with the Administration. A written representation was received from a group of electrical appliance traders expressing their concern over the presumption of intent provisions which might unfairly place the onus of proving the lack of criminal intent upon the defendants, and the granting of wide discretionary power to law enforcement agencies. Their views were carefully considered by the group.

Sir, I will now briefly summarize the major points considered by the group.

Whether the presumption of intent provisions under the new sections 18A and 35A would contravene the Bill of Rights

Members were concerned that the presumption provisions under the new sections 18A and 35A might violate the Bill of Rights by infringing the presumption of innocence.

The Administration explained to us that the proposed presumption provisions had been carefully drafted to ensure that they would not impinge on the principle of presumption of innocence under the Bill of Rights. In invoking the new presumption provisions, the prosecution had to prove that the circumstances of the case gave rise to reasonable suspicion that a person was assisting in smuggling. It would be up to the court to decide whether the defendant's explanation to dispel the evidential presumption was reasonable having regard to the facts and circumstances of the case. The presumption would be refuted if the court was satisfied with the defendant's explanation. Such an approach would simplify the evidential requirement for laying charges against smuggling offences. This, however, did not reverse the presumption of innocence. It was noted that the existing section 14 of the Ordinance already contained a presumption provision that certain types of alteration of vessels,

aircraft or vehicles were presumed to be for the purpose of smuggling.

Presumption of assisting in smuggling

Members noted that clauses 7 and 11 of the Bill have caused concern for wholesalers and retailers of prescribed articles, godown proprietors and lorry-drivers. To allay the worry of innocent traders that they might be unwittingly involved in the carriage of cargo intended for smuggling, Members suggested, and the Administration agreed to come up with a procedure whereby traders who had doubts on their delivery orders could notify the police in advance. (I expect the Secretary for Security to advise us of the findings in his speech.)

Some Members expressed worries that innocent godown proprietors and bona fide wholesalers and retailers might be caught under the new section 18A(2) for having unknowingly supplied or provided storage facilities to goods subsequently used for smuggling. The Administration explained that in invoking the new presumption provision, apart from the proving that a person has possession of, or assisted with the carrying or keeping of any cargo, the law enforcement agencies also had to establish that there were circumstances giving rise to reasonable suspicion that the person had the intent to export the cargo without a manifest. The presumption would be displaced if the defendant could adduce evidence to the contrary. Members were assured that frivolous cases would not be brought to the court.

Operation of the new legislation and the carriage licence system

The group expressed concern about the effectiveness of the new section 18A as smugglers could cover their goods by manifests which they might not have any intent of submitting to the Commissioner of Customs and Excise. In such cases, it would be difficult for law enforcement agencies to establish the intent to export without a manifest. The Administration clarified that the thrust of the new anti-smuggling measures was to combat smuggling by multi-engined fishing vessels and speedboats. The existing loopholes would be plugged by imposing new controls on the carriage of prescribed articles in Hong Kong waters by the carriage licence system. After the enactment of this Bill, new regulations will be introduced to make it an offence to carry certain prescribed articles (that is television sets, video recorders, air conditioners, and so on) on ferries or small vessels under 250 tons in Hong Kong waters without lawful excuse. The carriage of these prescribed articles (except as personal belongings) on vessels under 250 tons or ferries will require a carriage licence

issued by the Commissioner of Customs and Excise who will not issue such a licence unless he is satisfied that the carrier is involved in legitimate trade.

The group was assured by the Administration that the problem concerning the working of manifests is under active consideration. A working group headed by the Secretary for Trade and Industry was now reviewing the entire Import and Export Ordinance. The examination of problems associated with manifests would form part of the review which was expected to be completed by the end of this year. The Administration believed that even before the review exercise was completed, the new section 18A would be useful in fighting against smuggling.

The group has requested, and I am sure the Secretary for Security will explain in his speech later on how the carriage licence system, export licence and manifests would work together in combating smuggling so that the public can gain a good understanding of the new legislation.

Sir, while I would like to see the new legislation work successfully in curbing illegal export of goods out of Hong Kong, of greater concern to the people of Hong Kong is the illegal importation of firearms into Hong Kong which posed a direct threat to law and order. Repeatedly mentioned by myself and many other Councillors in this Chamber, the issue of cross-border crimes requires not only effective legislation and their proper enforcement on the part of Hong Kong, but also full co-operation from the Chinese authorities which is paramount in tackling these problems. We hope to see better co-operation at various levels from both sides of the border.

Sir, with these remarks, I support the Bill.

SECRETARY FOR SECURITY: Sir, I am grateful to Mrs FAN and to the ad hoc group for the careful consideration they have given to this Bill. I would like to reply to two points that Mrs FAN has made. She has referred to the concern of wholesalers, retailers and transport companies that they should have some means to protect themselves against the presumption of assistance in smuggling which is contained in the present Bill. The suggestion has been made that for this purpose the police should have a dedicated hotline on which wholesalers, retailers or transport agencies might report, for example, the delivery of goods to locations commonly used for smuggling purposes. We have considered this suggestion and we believe that the existing crime report hotline should be used for this purpose. Officers manning this hotline will be briefed on how to respond to such calls and will be able to provide

appropriate advice. Mrs FAN has also mentioned the question of manifests, export licences and the new carriage permit proposed in the Bill. I would like to explain briefly that all goods being exported are required to be accompanied by a manifest and in certain cases goods also require an export permit. Now the absence of a manifest or an export permit causes few problems in the case of prosecution for exporting unmanifested goods or goods without an export permit on large ocean-going ships. But the difficulty which we have always had with small boats engaged in smuggling is the difficulty of proving the intention to export and it is this difficulty which the present Bill seeks to address. Small vessels will now be required to obtain a carriage licence in respect of goods most often smuggled, that is, a carriage licence irrespective of whether the goods are to be delivered to, for example, one of the outlying islands in Hong Kong or whether they are to be exported. We are very conscious of the need not to obstruct the necessarily legitimate trade in introducing this requirement for carriage licences but we believe that the measures now proposed in the Bill will have a minimal effect on legitimate trade.

Sir, I would just like to mention one other point, finally. There will be a proposal that an additional clause be inserted in the Bill at the Committee stage. The purpose of this amendment is to enable the Commissioner of Customs and Excise to appoint as authorized officers under the Ordinance members of the Royal Navy who contribute to the work of the anti-smuggling task force. Their appointment will then give them powers under the Ordinance to stop and detain persons suspected of smuggling offences.

At this point Mr CHUNG Pui-lam declared interest as partner of a firm of solicitors which handles, among others, cases involving unmanifested cargo and tenders advice to clients, some of whom are engaged in the business of import and export of electrical goods.

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).

APPROPRIATION BILL 1991

Question on Second Reading proposed.

CHIEF SECRETARY: Sir, I would like to deal first with two of the major themes which have been referred to by many Members in their speeches in this debate. The same themes have been echoed in media and public discussion since they were first aired in this Council. In broad terms they are:

Firstly, that the Government has not done enough to meet the social needs of the community.

Secondly, and this point follows on from the first, that the balance of expenditure in future will be too heavily weighted in favour of infrastructural projects to the detriment of social services.

These are broad generalizations and I am concerned because they seem to be ill founded.

Before I tackle the criticism of whether as a Government we are doing enough it is important to ask the question how much should the Government do? In contrast to most others the Hong Kong Government is dedicated to restricting the size of the public sector. This is fundamental to our philosophy. And the record shows that we have been successful in limiting public expenditure to well within 20% of GDP. This principle seems to be well accepted by everyone, even by those who seem to have no problem with squaring the concept of a smaller public service with demand for more public services.

The second point to make is that this restrictive philosophy has inevitable consequences and we have to target expenditure with extreme care and we cannot do everything that people would like us to do. That may seem to be an obvious point but if sensible suggestions are to be made as to how Government is to do better they need to be coupled with ideas as to how that can be achieved. That said, we are fortunate in Hong Kong in having a broad consensus over the way Hong Kong manages its affairs. There are no political parties clamouring for higher taxes and a western style welfare state.

We believe in a broadly laissez-faire policy towards the development of the

economy, but that is not our attitude towards social services -- The remarkable growth in our economy over the last two decades has enabled us to build up heavily subsidized and supportive social programmes whilst maintaining a low tax base. An integral part of these programmes has been a massive capital works programme of housing, schools and hospitals.

Since the huge influx in Hong Kong in the 1950s and 1960s our priority has been to meet the essential needs in the critical areas of housing, health, education and welfare. In all of these areas we have first worked to provide basic services available to all and then gone on to improve the standards as the ability of the community as a whole to contribute more towards them has increased.

The combination of heavily subsidized services and a relatively high threshold of direct taxation has ensured that more people here have greater freedom of choice over a larger share of their disposable income than perhaps anywhere else in the world.

We have also been careful to leave openings for those who can afford to buy better services in the private sector or do better than the provision offered by the Government. For example, the Home Ownership Scheme was devised to provide a rung up the ladder to private housing for those who could afford it and at the same time to free rental flats for those who were more in need. This has been so successful that some 40% of our families now own their own homes; 20 years ago the figure was less than half this.

So the result of our policies has been greater upward social mobility. That is what lies at the root of Hong Kong's success. Not a levelling down to the lowest common denominator but an opening up of equal opportunity for all.

The success of our social programmes is there for all to see. Of course there is more to be done but in most areas of social need we have broken the back of the problem and can now concentrate on extending the range and quality of services available.

We have taken a number of initiatives to do just this, the establishment of the Hospital Authority and the report on primary health care, the White Paper on Social Welfare and the review of rehabilitation services, four Education Commission reports and the housing strategy will all result in substantially improved services to the community.

We are constantly seeking ways to meet the aspirations of the people of Hong Kong for a better quality of life. That has been and will continue to be one of the main priorities of the Government.

Sir, I would like to try to deal with the myth that infrastructural development equals airport and roads and that social programmes are something else. Projects in the public works programme for which money has been committed amount to a massive \$65 billion and of this amount no less than \$31 billion or about 50% will be spent on capital projects in support of social services programmes.

Thus the idea that we are somehow turning our backs on the social programmes in order to build an airport is clearly nonsense. Of course aspirations will always run ahead of resources. There will always be a demand to spend more, particularly on social services. But that desire to spend more must be tempered by the knowledge that more can only be spent either by a conscious decision to raise new revenue or to trim or redirect priorities already agreed.

Sir, I would like now to turn briefly to how the Administration tackles the resolution of conflicting demands for expenditure. This is done in what has come to be known as "the Star Chamber". Could I stress here that contrary to one Member's understanding, the Star Chamber has nothing to do with revenue proposals which are the exclusive preserve of the Financial Secretary. The Star Chamber is solely concerned with Expenditure. As part of our annual budgetary exercise all policy Secretaries are required, with the help of Finance Branch, to assess the cost of continuing current programmes as well as the cost of new projects, which they would like to or are being urged to undertake. The aggregate sums produce a simple equation which tells us how much is needed to pursue programmes and projects in hand and how much can be allocated in the coming year to fund new ideas. Each Secretary's "wish list" of new projects must compete with his peers' for priority in the allocation of new money.

As part of this exercise they are also required to re-examine existing programmes to see whether they are still justified and to seek savings with the co-operation of the departments under their control. This is a useful discipline. In effect it forces Secretaries to re-examine all their priorities and to look for ways to re-focus expenditure to meet new demand. One of the best current examples is the way the Secretary for Education and Manpower is working to fund new services from savings

on old. Indeed he has been so good at it that we are making him Secretary for the Treasury.

Sir, in concluding may I pick up one point made by the Honourable Allen LEE concerning the relationship between civil servants and this Council. It is a particularly appropriate moment to do so since this is the last occasion in a Budget debate when I will have the comfort and companionship of nine other Official Members of this Chamber.

We in the service are only too conscious of the important role played by the Legislative Council in the government of Hong Kong. Without the support of Members of this Chamber we cannot pass legislation or have funds with which to implement policies. Already a sizeable proportion of our time is spent with ad hoc groups, OMELCO panels and on the various committees of the Legislative Council discussing both policies and legislation with Members. We value that dimension to our work because it makes us more conscious of the political implications of it, and the need to take that into account if we are to retain public support for the Government. There is no doubt, in the coming Session of the Legislative Council, officials will need to work even more closely with the Executive Council and Legislative Council colleagues. That is one of the inevitable and, I believe, highly desirable consequences of the political developments which we have set in train. The Civil Service is keen to participate fully in that process and to do all it can to help make it work for the benefit of everyone in Hong Kong.

Sir, I support the motion.

SECRETARY FOR HEALTH AND WELFARE: Sir, in recent years, Hong Kong has taken big strides in providing a comprehensive safety net to help those in need whilst maintaining its simple tax structure.

Over the last five years alone, our annual expenditure on social security has increased by 90% to just over \$3.1 billion. Major improvements have been made in the Public Assistance Scheme. A higher Disability Allowance has been introduced. The qualifying age for Old Age Allowance has been progressively lowered to 65. The allowance now benefits 368 000 elderly people of the age 65 and above at an annual cost of \$1.6 billion.

An additional child supplement will be introduced this year to cover the special needs of children in families receiving Public Assistance. It is estimated that nearly 22 000 children will benefit from this supplement.

Services, too, have improved across the board. The number of children and youth centres has increased by 44% to 416 units. Subvented places in care-and-attention homes and homes for the aged have doubled to just over 8 200 places. The number of multi-service centres and social centres for the elderly has increased from 10 and 76 respectively to 17 and 121. Additional aided day nurseries with 6 200 places have opened, bringing the total to 178 nurseries with nearly 20 000 places. New effective modes of service are being developed through the introduction of occasional child care arrangements and extended or flexible nursery hours. Our focus on the family as the key element in our society predestines the stepping up of services to help and reach out to families including single parent families, as well as the strengthening of support services such as home help and day care for children.

These improvements are indicators not only of the substantial progress that has been achieved but also provide a solid foundation for further development in close partnership with non-governmental organizations. Our social welfare policies and plans for the future are now stated in the recently published White Paper on Social Welfare into the 1990s which stands as a statement of Government's commitment to the future development of social welfare in Hong Kong.

Sir, as you announced in your address in October last year, Government will publish a Green Paper on rehabilitation policies and services to chart the way ahead to further improve the well-being of the disabled members of our community. To draft the Green Paper, a working party, comprising mainly non-officials, has been formed and is hard at work. We hope to finalize the Green Paper for public consultation later in the year.

Health

Turning now to health, health for all underpins social equity. Good health of any community is important both to its productivity and social stability. Our health system must be acceptable both to the individual and to the community. It must be accessible, equitable, effective and at a cost that the community can afford.

In recent years, we have seen important developments and remarkable increases

both in expenditure and in expectations from the community.

In the last five years, the overall expenditure rose from \$5 billion to \$12.2 billion, representing a compound rate of increase of about 25% per annum.

There have been dramatic technological advances and extensive developments in services, and other achievements in medical research, especially research in cancer. To quote just a few: endoscopic services; DNA profiling, lithotripsy, and bone-marrow transplant and many many more -- all significant landmarks in our medical field. New technology facilitates better investigation, diagnosis and treatment.

As we enter a new decade, we hope to usher in major reforms.

To provide quality service, we need good people. Trained professionals are valuable assets to society. We need to provide for their development. The Hong Kong Academy of Medicine, which will serve as our centre of excellence for postgraduate medical education, is soon to be established. We are also continuing to upgrade training for nurses and supplementary medical professionals, all vital to the delivery of quality patient care.

Since the enactment of Hospital Authority Ordinance last December, the Authority has been preparing to take over the management and control of public hospitals. Its proposals have just come to hand and are being considered having regard to the legitimate interests of the Authority, the staff and, above all, our duty to the public. The task ahead is arduous but the mission, important.

Hong Kong today has some of the most impressive health indices in the world. The infant mortality rate is a low 5.9 per thousand live birth in 1990 compared with 7.7 per thousand in 1986. Life expectancy is an exceptional 75 for men and 80 for women. We are now free of epidemic diseases and our immunization programme has practically brought all communicable childhood diseases under control.

Notwithstanding these achievements, the future will see us emphasizing prevention and promotion of health and healthy lifestyles. This will mean more efficient co-ordination of local health services, better interface between hospital and health care services and systems, and closer collaboration between private and public sectors. In this respect, the Report of the Working Party on Primary Health Care, to be published shortly for consultation, points the way forward.

Efficient deployment of resources and effective implementation of policies must also depend on viable prevention strategies to promote health in the community.

I feel it my duty to reiterate the fact that tobacco smoking is a leading cause of preventable death. Tax is an effective tool to discourage smoking, especially among the young. Studies elsewhere show it. Our statistics support it. Worldwide experience has proven it to be more effective than trying to prevent sale of cigarettes to youths or to prohibit them from smoking. When we increased tobacco tax by 300% way back in 1983, the number of daily smokers fell by 20% and the prevalence of young smokers (aged between 15 and 19) dropped by 40%. However, in the last couple of years, the trend for smoking amongst our young is again on the rise.

A time honoured Chinese axiom says that good medicine is bitter and good advice, resented " ". Perhaps I should not be surprised at all that the Financial Secretary's tobacco tax proposals attracted united hostility from tobacco barons, some smokers, and even some Honourable Members of this Council. What an awesome alliance! They object to smokers coughing up tax but not coughing up their lungs.

I have little doubt that objections to the Financial Secretary's tobacco tax proposals are well meaning, all claiming to protect the interest of Hong Kong people. However, we run the risk of deluding ourselves and deceiving others in claiming, for example, that higher tax deprives smokers of their "pleasure" in life. Pleasure in life? Smoking can kill! Death from smoking is a reality!

Now, some facts and figures. According to the World Health Organization, smoking accounts for 90% of all lung cancer deaths, 25% of all coronary heart disease deaths and 75% of all chronic bronchitis and emphysema cases.

There have also been major studies internationally on the adverse effects of passive smoking on health. These have found that passive smoking causes health problems in non-smokers.

Sir, Honourable Members can see here real-life examples of rotten lungs and carcinoma of the lungs protruding from the back. Smoking, a pleasure? Some pleasure!

The tobacco tax proposal

MR ANDREW WONG: Sir, is the Secretary trying to say that smoking ought to be banned?

HIS EXCELLENCY THE PRESIDENT: Thank you, please continue.

SECRETARY FOR HEALTH AND WELFARE: The tobacco tax proposal is no doubt controversial. However, it is less controversial than its detractors would like us believe. Never before has a Hong Kong tax proposal gained such international support. Congratulations on Hong Kong's courageous, exemplary and visionary stand poured in from the four corners of the earth, including major health organizations such as the World Health Organization, the Royal College of Physicians, London; the Royal College of Physicians, Edinburgh; the International Union Against Cancer, Switzerland; the Ministry of Health, Singapore; and from far away places like the Department of Cancer Prevention, Karolinska Institute, Sweden. If this tax proposal failed to gain local popular support here, it has certainly won international acclaim!

As we see things in perspective and move a step at a time, we now look forward to the 1990s as a decade for honest appraisal of where we stand and where we wish to go. We aim to achieve health for all and make Hong Kong a "Healthy City". Next year, we will be hosting the World Health Organization Regional Committee for the Western Pacific. We must continue to show that we are worthy of this status.

Conclusion

In conclusion, Sir, both on the health and welfare side, we in Hong Kong have much to be proud of. No small thanks are due to the Financial Secretary, to whom my colleagues and I extend our wishes for a happy and healthy retirement. His Budget this year is an unforgettable one and there are some of us who will not let him forget it.

Sir, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER: Sir, education is an issue which usually arouses dissatisfaction and this debate has proved to be no exception. Some Honourable Members have complained that spending is being concentrated on tertiary

education, to the detriment of our kindergartens and schools. Others have complained that the tertiary sector is not getting enough to achieve the growth and quality expected of it.

During the debate on last year's Budget, I reminded this Council of the Government's strategy for developing education in the 1990s. It bears repetition. We are aiming to expand the provision of tertiary education while maintaining its quality, and to upgrade the education we provide in schools. Given that there will always be financial constraints, difficult choices have to be made, and we have made them.

Having regard to the urgency involved in supplying our needs for better educated manpower, we have chosen to devote the larger part of the new resources allocated to my programme areas to increasing the provision of tertiary education. The Draft Estimates of Expenditure reflect this decision. That said, it is simply not true that we have starved our kindergartens and schools.

As I made clear to Finance Committee on 21 March, the increase of \$304 million, or 2.9% over the revised estimate for 1990-91, is not the only additional provision we are making available for new and improved services in the kindergarten and school sectors. Following a rigorous examination of activities and spending in these areas, the Director of Education and I have identified annually recurrent savings ranging from over \$200 million this year to over \$600 million three years from now. Much of this is being ploughed back into kindergarten and school education but it is perhaps unfortunate that this decision was not made in time for the proposed expenditure to be reflected in the Draft Estimates.

During the debate on last year's Budget, I said that "within the very limited amount of resources allocated to me each year for services within my programme areas, I shall try not to forget our kindergartens". Sir, I have kept my word. It is clear that, as a result of the fee remission scheme introduced in 1990, kindergarten education has improved. The average salary for kindergarten teachers has risen by 46%. The number of new teachers has increased by 10% and applications for training have grown substantially. In order to accelerate the pace of this improvement, we will soon be putting to Finance Committee proposals for doubling the provision sought in the Draft Estimates for fee remissions. As a further example of what we intend to achieve with our savings, we will be putting to Finance Committee proposals for increasing classrooms and ancillary facilities at Form VI level, for

providing schools with more teachers as they develop Secondary VII classes, and for the training of teachers to cope with the teaching of AS-level subjects and A-level subjects in Chinese. We will also be making a start on some of the more important recommendations contained in the Fourth Report of the Education Commission.

Sir, the points raised on tertiary education have focussed, first, on the funding of the tertiary institutions and, secondly, on the quality of the education they provide.

One Member has argued that by imposing a cash limit on expenditure for the tertiary sector at the outset, the Government severely limits the role of the University and Polytechnic Grants Committee (UPGC) and fails to make full use of the expertise and experience of its members. I must take issue with this argument. The existing procedures work well, precisely because the Government starts off by seeking the advice of the UPGC on the level of provision required to achieve approved targets and standards. After telling the Government what it considers the tertiary institutions require, the UPGC's request is considered in the wider context of competing demands for resources. It is only then that we indicate a provisional cash limit and consult the UPGC on whether our aims can be achieved within that limit. In the event, after careful deliberation, the UPGC confirmed that the cash limit for 1991-92, although not ideal, would enable our aims to be met in respect of both quantity and quality. Despite the various references to "cuts" and "reductions" by several Members, the provision sought in the Draft Estimates for recurrent grants allow for some increases in unit costs per place at all the tertiary institutions. And the larger degree-awarding institutions will receive in recurrent grants between 87% and 99% of what they had asked for.

Looking beyond 1991-92 into the critical triennium ahead, the budgetary situation will remain tight and, as one Member quite rightly pointed out, we can expect a certain degree of belt tightening. But we would not wish this to be done at the expense of quality. We have already made a significant start by establishing the Hong Kong Council of Academic Accreditation for the purposes of conducting degree validation and reviews of the non-university institutions. We also recognize how important it is that the institutions are able to attract and retain good quality academic staff, if they are to maintain internationally recognized standards. To this end, we will be proposing to Finance Committee a doubling of the provision sought in the Draft Estimates for research grants. Three Members have additionally advocated parity in salaries and conditions of service for the staff of the polytechnics and colleges

with those of the universities -- and I am sure that they have proposed this quite objectively. I can say that, as part of the supporting proposals for achieving the expansion of tertiary education, the UPGC has already accepted in principle that a common salary structure should be introduced, at least for academic staff in all the UPGC-funded institutions. We expect to receive the Committee's detailed recommendations in time for them to be considered in the coming Resource Allocation Exercise.

Sir, in the many debates we have had in recent years over tertiary education, the complaints have come down to warnings of the consequences for standards if the Government fails to provide sufficient funds. While I appreciate that Budget debates inevitably revolve around public funds, I am very concerned that this Council should gain the impression that the maintenance of quality and standards at our tertiary institutions are wholly, necessarily and exclusively dependent upon money. It should be said that the primary responsibility for upholding standards at our institutions of higher education, and the autonomy to decide how this should be done, lies with the institutions themselves. It is up to them to create and foster the environment that will motivate their students and academics in the pursuit of excellence. I was therefore amazed to hear one Member calling upon the Government to indicate to the institutions what areas could be cut without hurting the quality of tertiary education. I can say categorically that the Government has no intention of eroding the autonomy of the tertiary institutions nor of assuming a responsibility that rightly belongs to them.

Sir, having dealt with specific points, I would like to conclude by responding to the general message conveyed by Honourable Members in this debate. By complaining that the lion's share of funding is being devoted to tertiary education, and by complaining that the tertiary sector is not receiving sufficient funds, they are in fact saying the Government has not done enough for education overall.

Sir, I cannot let this pass. Twenty years ago, there were not enough primary school places in Hong Kong to give every child a basic education. Only one in six could find a subsidized secondary school place. Today, we provide nine years of free education for all children. Upwards of 80% of all Form III leavers go on for two more years in senior secondary school, while a further 15% enrol in technical institutes at equivalent levels. One Form V leaver in three can obtain a subsidized Form VI place. By the mid-1990s, three out of five sixth formers will be able to take a first degree course. And this massive quantum of education is readily accessible

because it is either free or over 80% subsidized. No child is barred from education through lack of means.

Having returned recently with the Education Commission from a visit to the United States and Britain, I can confidently say that we have built up in Hong Kong an education system of which we can all be proud.

Sir, with these remarks I support the motion.

SECRETARY FOR HOME AFFAIRS: Sir, I would like to elaborate on the provision of public housing.

In terms of the allocation of resources, Government has committed \$10 billion, in the form of capital injection, to the Housing Authority for the implementation of the approved Long Term Housing Strategy. In addition to capital injection, Government will continue to contribute towards the development of public housing by making sites available and providing the supporting infrastructure.

Up to 1990-91, a total of about \$8 billion of the committed \$10 billion has been spent, and it is expected that the balance will be fully drawn down this year. In another two years or so, the Housing Authority should be fully self-financing. I hope this demonstrates prudent planning and management, whilst allowing the Housing Authority to make a very significant contribution to the welfare of a very large number of low income households.

In the last five years, the Housing Authority has produced well over 153 000 rental flats and incurred capital expenditure of over \$21 billion. Over the same period, the Home Ownership Scheme programme has produced about 40 000 flats and incurred capital expenditure of over \$6.9 billion. This is all "public expenditure" in the broad sense of the word, and is a substantial commitment by any standard.

In the next five years, a total of about 59 000 Home Ownership Scheme flats and 27 000 Private Sector Participation Scheme flats will be produced. The Home Purchase Loan Scheme, which taps private sector resources, has also proved to be a very useful supplement to the housing programme. In addition, there is the proposed sale of public rental flats to sitting tenants, which will help increase home ownership without recourse to new production. All these combined efforts will enhance Hong Kong's home ownership growth in the next decade. I am confident Members of this

Council will agree that resources allocated to this social programme constitute money well spent, and the rehousing of nearly half a million people, since the inception of the home ownership programme in 1978, is no mean achievement.

Building management

Let me now turn from public housing to private buildings, which presently provide homes for about half of Hong Kong's population. Poor management of these buildings will inevitably lead to a deterioration in the living conditions of a large number of people, which is equally important that Government should take steps to control activities which might pose a fire hazard to the population. With this in mind, we have made efforts.

To facilitate the formation of owners corporations and to enhance the degree of owner participation in private building management, amendments are being proposed to the Multi-storey Buildings (Owners Incorporation) Ordinance. The major ones include new provisions to supersede unfair clauses in deeds of mutual covenant. It is intended to publish the amendment Bill in the form of a White Bill, and give the public a three-month period to comment on the new provisions.

We have established 10 district Building Management Co-ordination Teams working on a total of 270 target buildings. Consideration will be given to better synchronize the work of these teams with those of the Hotel and Guesthouse Licensing Office, in order to make co-ordinated improvements to buildings with guesthouses, private clubs and also bedspace apartments. A sum of \$500,000 has also been allocated in 1991-92 to organize private building management publicity campaigns, seminars, training courses and the publication of educational materials.

Apart from looking after flat owners, we have not lost sight of the well being of tenants, particularly the bedspace apartment lodgers often described as the "caged men". Legislative controls on fire and building safety for bedspace apartments are now being drafted and the City and New Territories Administration has secured \$60 million in donations towards a private sector project to provide singleton hostels to be managed by voluntary agencies. A bedspace licensing scheme will be introduced, but only when sufficient numbers of lodgers have been suitably rehoused. No public funds for licensing work will therefore be required in the immediate future.

To further protect the safety of the public, the Administration introduced the

Hotel Accommodation Bill into this Council on 9 January 1991. Another Bill, the Clubs (Safety of Premises) Bill, will be introduced into this Council on 8 May. These two Bills aim to regulate the fire safety and building standards of the respective establishments to achieve a higher degree of communal safety. The two control schemes will be enforced by professional staff seconded to the City and New Territories Administration from the Buildings and Lands Department and the Fire Services Department. The annual recurrent costs are estimated to be about \$9 million and \$2 million respectively and it is expected that the costs will be recovered from the trade upon full implementation of the control schemes.

Rent controls

Finally, whilst still on the housing topic in its broader sense, I would like to touch upon rent controls. As I have stated in this Chamber on a number of occasions, it is Government's long-term objective to phase out rent controls as provided for in the Landlord and Tenant (Consolidation) Ordinance. Since 1981 amending legislation has been passed by this Council, on an annual basis, to raise controlled rents progressively, to bring them closer to prevailing market levels and eventually to permit complete decontrol without causing social or economic problems.

The annual revision exercise is again underway and I shall be introducing later this year further amending legislation to adjust the level of rent controls. I hope then to be in a position to give some firm indication of when total decontrol under Part II of the Ordinance can be achieved. At the same time the whole Ordinance is being critically reviewed to identify what other changes would be appropriate to bring its provisions up to date.

Funding for the arts

To conclude my speech here, Sir, I would like to turn to a different subject -- the subject of funding for the promotion of the arts in Hong Kong.

Although funding for the Council for the Performing Arts has been frozen at \$35 million this year, this should be seen in the context of a 100% increase since 1987-88, and the fact that the Urban Council, rather than the Council for the Performing Arts, now funds the Philharmonic Orchestra. As a result, during the same period, subvention for groups supported by the Council for the Performing Arts increased by over 300% and the number of individual projects supported increased by over 200%.

This rapid rate of increase cannot be sustained indefinitely. Established groups will need to earn more income through box-office receipts and sponsorship, so that the public support can be extended to the new performing groups. In the present economic climate, I appreciate that this may not be easy; but the Council for the Performing Arts' revamped matching grant scheme will help. Tax incentives to business sponsors are not the answer as donations to most performing groups are already tax deductible, and further incentives could not be justified in the light of our taxation laws. I can however assure Members of our continued commitment to development of the performing arts.

With these remarks, Sir, I support the motion.

SECRETARY FOR SECURITY: Sir, Hong Kong is a very safe city by any comparison with cities of a similar size in the region or elsewhere. The Government is determined to maintain it as such, for the benefit of our community, and because a safe and stable environment is a major factor in Hong Kong's success as an international business centre and tourist destination. The disciplined services play a vital role in ensuring Hong Kong's security. We have devoted very considerable resources to equipping them for this role, and this will continue in the future. I would like to illustrate this with reference to our expenditure on some of the major areas of security policy.

Over the past five years, total annual expenditure on the police has doubled in cash terms; an increase in real terms of 30%. The great majority of this expenditure has been directed at maintaining a strong police presence on the streets.

The establishment of the force has increased progressively from 31 000 five years ago to 34 000 today. Despite recent problems of recruitment, common to other organizations in the public and private sectors, the force has maintained its operational efficiency and effectiveness as a result of improvements in productivity, the benefits of new and upgraded technology, and the dedication and hard work of its staff.

In line with the growth in the police establishment, there has been a parallel investment in equipment to enhance the capabilities of the force. Since 1986, nearly \$230 million has been committed to expand and modernize the Marine Police Fleet,

involving the purchase of 19 additional and replacement vessels. During the same period, 19 new police buildings were completed and commissioned at a cost of over \$1 billion; and nearly \$900 million was spent on the provision of quarters for married junior police officers, a major incentive for retention of trained and experienced staff.

Hong Kong also has an outstanding fire safety record for a predominantly high-rise city. The Fire Services Department has continued to improve response time to fire and other emergency calls; last year the Department responded to 85% of fire alarm calls within six minutes, and to over 90% of ambulance calls within 10 minutes. These improvements have been achieved as a result of substantial new investment; since 1988, 18 new fire stations and eight ambulance depots have been built. This year, four new fire stations and four ambulance depots will open; and the introduction of a new computerized command and control system for the mobilization of fire vehicles and ambulances will further improve the response times of our fire and ambulance services.

The demand for immigration services has risen substantially in recent years. Passenger traffic has increased by nearly 46% and cross border vehicle traffic by about 116% in the past five years. The demand for documents of various kinds has seen a growth of 35% over the same period. At the same time, the establishment of the Immigration Department has risen by 22%. The Department has been able to cope with this increased workload and other major new commitments, and at the same time to shorten waiting time, with only modest increases in staff, as a result of improvements in automation and computerization, and simplification in policies and procedures. During this period, about \$160 million has been invested in computerization. There is, we believe, scope for further improvements in productivity, and we shall shortly ask the Finance Committee to approve the implementation of a new information system strategy for the Department.

The Customs and Excise Department has similarly had to undertake substantial additional commitments in the past few years. This will continue this year with the opening of the new air cargo terminal. Expenditure on the department last year was twice as high as five years ago, and more than half of its budget continues to be devoted to the prevention and detection of smuggling.

In the case of the Correctional Services Department, we have great emphasis and committed substantial resources to our programmes for the rehabilitation of offenders. This has been reflected in the improved success rates of these programmes. The success rates of our drug addiction treatment centres are almost 70%, for training

centres the rate is also 70%, for young prisoners' programmes it is over 80% and for detention centres well over 90%.

Recent years have also seen major new investment in the Auxiliary Air Force, which is being re-equipped and expanded to improve its capability for search and rescue, and to enable it to assume new responsibilities, particularly in support of the police on the border. Over the six years to 1992, some \$500 million will have been spent on new aircraft and equipment. This includes two additional helicopters which will be entering service this year. There is likely to be further modest expansion in the future, but it will not be necessary to sustain the scale of capital expenditure of recent years.

In concluding, I should like to reassure Members that the Government is fully aware of the importance of the work of the police and the other disciplined services and the need to ensure that they have the resources to do their job. At the same time, we must ensure that these resources are used cost-effectively and productively. At a time when both the labour market and the purse strings are tight, this will be a major challenge if the present high standards of service to the community are to be maintained and improved. It is a challenge which I am sure the senior management of the disciplined services are equal to.

Sir, I support the motion.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Sir, at the beginning of this Legislative Session you emphasized that Hong Kong must be ready and able to play a major part in the economic growth of the southern part of China and the Pearl River Delta. This view was reflected in both major debates and particularly in Mr Edward HO's speech in this debate and I would like to address a subject issue which clearly concerns our South China relations, namely port development.

Sir, the Port and Airport Development Strategy recognized that the industrial picture in South China and the Pearl River Delta had changed dramatically, not least because of the massive investment by the Hong Kong entrepreneurs in those areas. Our port development policy is a positive policy which recognized that the port had returned to its natural function of serving the whole of South China after many years of more limited service to our own manufacturing industry.

Over 90% of our trade is by sea, being carried to and from the territory by international shipping lines. These ships will only continue to call at Hong Kong if our port infrastructure meets their requirements and those of their cargoes. Our strong trade relationship with China and the continued growth in our economy are therefore very much dependent on the provision of sufficient and efficient port facilities.

The Port and Airport Strategy was produced against a background of exceptional and spectacular increases in throughput growth rates, which resulted in our having to accelerate the development programme during the course of its preparation. More recent statistics show both changing patterns in the container trade, as ever greater quantities of goods are being brought to the port in full containers rather than break-bulk, and generally a very substantial increase over all. Between 1989 and 1990 there has been an overall increase of 14.27% in throughput in the port and of 15.50% through the container terminals.

The development programme provide in the shorter term for the development of two new four berth container terminals -- Container Terminal 8 at Stonecutters Island; and Terminal 9, probably at Tsing Yi. The development rights for Terminal 8 have just been granted to a consortium of existing port operators. These operators will include, for the first time, significant participation from Chinese interests reflecting the increasing volume of Chinese cargoes using our port, and the great expansion of the Chinese merchant fleet over the past few years. We expect the first berth of Terminal 8 to be in operation by the end of 1993.

By the end of 1995, however, assuming cargo continues to grow at its present and forecast rate, we will need to have the first berth of Terminal 9 ready. We are already well advanced on the technical feasibility studies and we are examining the most effective layout of the terminal and its adjacent area. Together with Terminal 8, these new facilities when completed, will almost double Hong Kong's existing container terminal capacity.

Progress beyond Terminal 9, probably in Lantau will, of course, depend on growth in port throughput, trends in world shipping and the trading needs of the port. This is where the Port Development Board will play a significant part. Its role is to guide our port development plans taking account of updated port cargo forecasts; to assess what facilities we need; and to advise how best they should be provided.

Sir, the port of Hong Kong is significant in world terms. It is a major cargo centre and attracts mainline shipping operations from all our principal markets. As our domestic economy matures, southern China continues to industrialize, and the demands of local and Chinese cargo on our port increase, it is important that we stand ready to meet those demands by continuing to provide efficient and cost effective port facilities of the right type, in the right place, and at the right time.

Metroplan

Sir, at the beginning of June we expect to publish the completed Metroplan, the comprehensive planning framework for the Metropolitan Areas. This has been under preparation for several years and has undergone a very thorough consultation procedure, for which, at least as yet, Members have afforded us little public credit. Others, however, have, and it has been a very rewarding exercise, as both private and public sector developers are gradually accepting the Metroplan and its principles as the broad framework in which to plan our development schemes. And as experience in many other cities including London and Los Angeles has shown, such a framework is vitally necessary. For decisions have to be made on the local planning of new reclamations, Land Development Corporation schemes and Housing Authority redevelopments and to make sense, these must be part of a coherent role. And a framework is also necessary for determination of heights and limitations on densities of new buildings when aircraft operations are moved away, and also in realizing the enormous asset represented by the land at Kai Tak Airport and adjoining reclamations when these become available for development.

The environment

Sir, we can take some pride in the achievements of last year in improving the environment. Foremost among these has been the massive improvement in air quality achieved by the reduction of sulphur content in fuel oil. This was a measure to resolve the worst air pollution which affects people's homes; we are now moving systematically against the next worst form of air pollution which is pollution by vehicle exhausts at street level. Unleaded petrol has now been on sale for 16 days and the estimate is that some 51% of petrol driven cars are using it so far and the number is increasing, thanks at least partly to the duty differential. During the course of this year we will be also increasing the number of smoky vehicles sent for inspections and adjustment, and laying down much higher exhaust emissions design standards for new cars, both petrol and diesel fuelled. We will also be reviewing

the long-term acceptability of diesel fuelling in different classes of vehicles.

In water pollution control, the enactment of the Water Pollution Control (Amendment) Ordinance removing the exemption from licensing of the discharges of existing factories and abolishing the 30% permitted increase of discharges was a major achievement, but it was made more so by the extremely constructive discussions with industry which preceded it. I think these discussions were a good lesson for both Government and the industrial side and augur well for the improvement of the environment.

Good progress was also made in planning our sewage construction programme. The situation is that the regional Sewerage Master Plan studies are being completed on time and funds are available to implement the sewerage improvement works arising therefrom. Site investigations and surveys for the construction of the Sewage Strategy Disposal Scheme are also well under way and detailed design for the Kowloon System will start later this year. We expect to sign an agreement relating to investigation of the deep water outfall in Guangdong this week. Construction programmes for the latter stages of the Sewage Strategy Disposal Scheme will be finalized in December 1992 after the results of the consultancy studies are known. Funds for these programmes will be applied for through the normal channels at the appropriate times. It is no more possible to give the assurance which Mr Martin LEE sought on this matter than it is for any other capital work which is not yet formally funded, but Mr LEE should have no doubt about our determination to implement this strategy.

Flat speculation

Sir, I would now like to turn to another subject in response to a Member's concern at the recent condition of the property market and to the suggestion that Government would need to exercise control in this area.

Speculation and buying for appreciation of the investment have always been a feature of our buoyant property market. The recent interest in the residential property market seems to be mainly concentrated on pre sales of new large scale, well planned developments in which the prospect for price appreciation is likely to be greater than in small developments, and it is doubtful whether the present level of property speculation is equally widespread in all sectors and in all types of developments.

These are also the properties for which the Land Officers consent scheme affords the most opportunities for control, and with the agreement and assistance of the Real Estate Developers Association, considerably improved procedures for new sales have been introduced recently. Although these have been primarily aimed at preserving public order, they also involve the raising of the low initial deposit, which has hitherto allowed more widespread speculation at a minimum risk to the speculators. In a situation where there is a wide range of all types of property for home-buyers to choose from, and in which large numbers of home-buyers are seeking to upgrade their homes rather than to buy their first flat, I am afraid that I am still not persuaded that the overall public interest would be served by more expensive bureaucratic intervention beyond that which has been agreed.

I am also aware that some sectors of the community are concerned with the activities of property agencies. The Independent Commission Against Corruption has already done some excellent studies on this subject and have passed the findings to both the Government and the Consumer Council. The Consumer Council is examining the issue, not only in the context of property agencies' involvement in speculative activities, but also in relation to complaints about malpractice. I can say that the Government will study the Council's recommendations very carefully when we receive them.

Sir, I support the motion.

SECRETARY FOR TRANSPORT: Sir, the importance of continuing to invest prudently and cost-effectively in our transport infrastructure raised by some Members is fully accepted and recognized by the Administration. Indeed, this has been the main thrust of our transport policy for many years.

For instance, in the last five years, a total of \$11 billion was invested in new projects. To name just the major ones, we have completed three new tunnels, one bridge and a large range of flyovers. The three tunnels are the Eastern Harbour Crossing which comprises rail and road crossings, the Shing Mun Tunnels which are in fact two tunnels between Sha Tin and Tsuen Wan and the Tseung Kwan O Tunnel in between Kowloon and the new town. The bridge is the Lok Ma Chau crossing between the border and the flyovers are the massive range of flyovers in Central from Harcourt Road as far west as Rumsey Street Flyover with the complicated Pedder Street underpass

beneath it. That has brought tremendous improvements to our traffic flow. This year, the Tate's Cairn Tunnel, the fourth tunnel in the series, and the related massive scale Kwun Tong Bypass Phases II and III together with connecting roads at either ends in Sha Tin and Kowloon are due to open in June this year. Together they form the new Route 6 which should ease traffic flow considerably on the eastern part of the territory connecting Eastern Harbour Crossing all the way up north as far as Sha Tin and Tai Po and provide much welcome relief to congestion at Lion Rock Tunnel.

Sir, the benefits to the community of these projects can best be illustrated by some figures. In the three years 1988 to 1990, total lane length in all the roads in Hong Kong has increased by 4%, from 3 650 km to 3 801 km. But during the same period, the number of licensed vehicles has grown from 316 300 to 370 100, an increase of 17%. But despite this substantial increase of vehicles on the roads, the average traffic flow in the urban areas has been maintained at 24 km per hour. In other words, there is no greater congestion on our roads despite the rapid growth of vehicle numbers, due mainly to the new and efficient road system. Even more encouraging is the decline of road accidents, from 2.3 accidents for every million vehicle-kilometre in 1988, down to 1.9 accidents in 1990.

It is no wonder that, according to results of independent surveys commissioned by the City and New Territories Administration, whereas 18% of the respondents said in 1988 that transport was their major concern, only 3% expressed a similar concern when asked the same question in 1990. Furthermore, whereas in 1988, 11% of the respondents said that they were concerned about the inadequacy of our road system, this figure dropped to 8% in 1990, suggesting a general public perception of lesser congestion and speedier travel, a perception borne out by statistics on the decline of transport-related complaints, from 3 163 in 1988 to 1 924 in 1990, a drop of 39%.

Sir, I have quoted these figures to demonstrate the importance of continuing to invest prudently in the development of our transport infrastructure, which has obviously paid dividends to the community as a whole.

This year, some \$3.2 billion have been budgeted for highways and transport projects in the Draft Estimates. The major projects include the Yuen Long-Tuen Mun Eastern Corridor, the New Territories Circular Road between Au Tau and Fan Kam Road, the second Lok Ma Chau bridge, and the Mid-level escalator link.

But good transport links on a large scale alone are not enough. To the man in the street, his primary concern is to have access to public transport quickly, easily

and economically. Some 3.6 billion passenger-trips are made annually on our public transport carriers. Of these, about 36% are made on buses, and 27% on railways, supported by ferries, trams, light buses and taxis.

Hong Kong continues to offer a diversity of transport modes at reasonable prices, which compare very favourably with many major cities elsewhere in this region.

In an age of increasing sophistication and rising expectations, some people are prepared to pay a little more to travel in greater comfort. Transport policy must therefore be responsive to the changing needs of our community. That is why we have actively encouraged, in recent years, the introduction of air-conditioned buses and ferries, and up-market services to meet this demand. We believe that the customer should have a choice as regards quality and price, and that it is only through healthy competition within a well-regulated framework that improvements to service quality and standards can be spurred.

Nor have we forgotten the more modest but important needs at the district level. Some 180 footbridges and pedestrian subways have been built in the last five years. Last year, 1 600 traffic management schemes have been introduced to move vehicles and pedestrians more efficiently and safely throughout the districts.

The Area Traffic Control computer systems installed on Hong Kong Island and Kowloon have proved effective in managing traffic flow, reducing journey time by about 30%. A similar scheme will be implemented in Tsuen Wan by 1993. Finally, there is an on-going programme of road maintenance and reconstruction to keep our roads and footpaths in safe and efficient conditions.

Sir, I welcome Members' suggestion on privatization. The management of Aberdeen Tunnel will be contracted out this summer, and we are also looking into other possible areas for privatization to give us better value for money, such as the management of parking meters, vehicle examinations and licensing. We are also keeping abreast of the latest improvements elsewhere to see whether they can be usefully applied to Hong Kong to help us better manage our limited road space.

Sir, to sustain our social and economic growth, we must carry on to invest prudently in the transport infrastructure, reinforced by good public transport services, and greater application of modern technology. That clearly, Sir, is in the long-term interests of Hong Kong.

Sir, I support the motion.

FINANCIAL SECRETARY: Sir, I have listened carefully and with great interest to the numerous points made by Members in the course of this debate. My official colleagues in this Council have replied to many of the points raised and I shall attempt to deal with others. The Senior Member to whom I am grateful for his supporting remarks, and some others complained of a continuing lack of response on the part of the Administration to comments from Members of this Council made in previous Budget debates. I was a little disappointed to hear this because this year I quite deliberately restructured my speech to give priority to the control of public expenditure, which was one of the main themes of the debate last year. Many Members then expressed concern about the growth of public sector expenditure, and I felt it necessary this year to give some prominence not only to the figures but to how we actually exercise control. That was one response.

Here is another, and more immediate response, this time on the question of tax avoidance, a subject which was raised in the debate this year. I am proposing to seek amendment to the Inland Revenue Ordinance to prevent exploitation of a provision -- Section 16E -- which allows a deduction in respect of expenditure incurred on the purchase of patent rights, or rights to any trade mark or design, for use in Hong Kong. This provision was a concession introduced in 1983 as an incentive for local industries to upgrade technology. I am aware, however, of arrangements designed to obtain substantial tax benefits in circumstances that do not involve, in any real sense, an upgrading of technology.

Subject to the advice of the Executive Council, amendments will be introduced in the course of this year to define more stringently the type of expenditure which will qualify under the provision I have mentioned. In essence, such expenditure will be restricted to that on patent rights and on industrial information and techniques likely to assist in the manufacture or processing of goods and materials. Deductions will be denied in respect of transactions between associated parties. Provided the legislation is passed in this Council, it will apply to contracts entered into on or after 18 April 1991, that is, tomorrow.

On the topic of tax avoidance generally, this has become, unfortunately, a fast growing industry served by a large number of professional advisers. Sections 61 and

61A of the Inland Revenue Ordinance are intended to be a visible deterrent to those who might otherwise contemplate entering into tax avoidance arrangements. Taxpayers and their advisers should not doubt the Inland Revenue Department's resolve to study very carefully any such arrangements which come to notice in case remedial action is required.

Now, if Members will stay with me, they will hear more responses in the course of this speech to issues on which they and others have expressed concern.

Budget strategy

Turning to the substance of the debate, I would like first to revert to my budget strategy and the justifications for the various tax measures.

In relation to expenditure, the starting point must be what the economy can afford. In my Budget speech I spoke about trend growth rates and the Medium Range Forecast. I explained how our various budgetary planning mechanisms work and how we project baseline expenditure and find scope for new or improved services. I went on at some length to describe how we set priorities. Our prime aim remains that, taking one year with another, public expenditure should not exceed the growth in the economy as measured by the Gross Domestic Product (GDP). This is of particular importance in relation to recurrent expenditure, and I explained how we are, in fact, now succeeding in keeping recurrent expenditure within the growth rate of the economy over the period of the Medium Range Forecast. The excess is in relation to capital expenditure, that is to say, investment in our future.

Some Members have from time to time warned against allowing our budget to be revenue driven. Frankly, I have never liked the expressions "expenditure driven" or "revenue driven". They are too simplistic. The correct approach in my view is the one that we have adopted and that is, first, to ensure that we have guidelines in relation to our programme of expenditure; secondly, that we have the mechanisms necessary to enable us to adhere to those guidelines; and lastly, that in fact over a period of time we do adhere to them.

Before I move on to this year's Budget proposals in detail, there is one other general point I wish to address. The estimates of expenditure, we were told by one Member, in what was described to me by another Member as a "meaty speech", were fiction, because they did not include provision, head by head, for inflation in the coming

year or for any salary reviews or adjustments. This argument in effect resuscitates an earlier debate on capital estimates and I wish to place on record precisely what is done, and why, when the estimates are being prepared.

A basic principle in the formulation of the annual estimates of expenditure is that they should be based on current prices and, for capital works, on current specifications. We do not anticipate cost changes and build them into the estimates. This would require the Administration to take a public stance on such sensitive issues as inflation trends over too long a period of time, the future value of the Hong Kong dollar and the outcome of future wage and salary negotiations; more importantly, it would also lock into the estimates the cash value of the Administration's views in these areas. This could be difficult to retrieve or to adjust in the event that the assessment of developments proved to be wrong, since expenditure would have been planned and tailored within the estimates provision.

While the estimate made for each head of expenditure under the General Revenue Account is thus deliberately calculated at current prices, some provision is made by way of the additional commitments subheads for possible cost increases. So the total appropriation sought under the Appropriation Bill does indeed give the wider picture. And so the Budget is a Budget. Where the provision for an individual head of expenditure requires supplementing during the year, this can be arranged only with the prior specific approval of Finance Committee. As regards variations in the cost of capital projects under the Capital Works Reserve Fund -- whether as a result of cost increases or, as in many cases, changes to specifications -- each of these also requires Finance Committee approval.

Sir, far from seeing this arrangement as a flaw in the system, as some Members suggested, I would commend it to the Council as an important and sensible part of the machinery of financial management. It places the individual heads of estimates securely on a factual basis of current prices and enables the Finance Committee to exercise firm and comprehensive control over expenditure. The alternative method proposed in the debate by at least two Members would to some extent diminish Finance Committee's powers in this regard.

Let me now move on to this year's Budget process. The initial position shown in our calculations was a marginal deficit. Given the major programmes of expenditure contemplated or already in hand, I considered that I should aim to convert that deficit into a modest surplus by raising additional revenue.

The choice insofar as revenue raising measures was concerned was then between direct and indirect taxation. I decided against increasing direct taxes. This year, and in our present circumstances, an increase in direct tax rates would have set a new higher plateau; it would also have sent the wrong message to investors locally and overseas -- those who create wealth and jobs -- and might have slowed down our economic recovery. Any deflationary effect would not have been felt for at least 12 months. During my term of office, my policy has been to bring direct tax rates down and I would not reverse this policy unless it were really necessary. The situation this year did not in my view justify such a serious step.

I therefore decided to go for increases in a number of indirect taxes. Here I was helped by a proposal to increase sharply the tax on tobacco for health reasons. Some have accused me of cynicism and hypocrisy, saying that I was only interested in the revenue. This is not so. My colleague the Secretary for Health and Welfare has already spoken convincingly and eloquently on the health aspects, and I am grateful to her for sharing the heat. As to my alleged cynicism, in view of the size of the revenue yield from tobacco tax it would, in my view, indeed have been cynical of me to have dealt with this measure outside the context of the Budget. As to the other revenue measures, I looked for taxes which would spread the burden widely, so minimizing the individual impact. In particular, I looked for measures which would most readily allow an element of choice. I was very conscious of the need to watch the inflationary effect of what was being proposed. I shall have more to say later regarding the actual measures selected and my assessment of their impact on the individual taxpayer.

As far as my 1991-92 Budget is concerned, suffice it to say at this point that its overall effect for the year as a whole should not be inflationary, although clearly in the short term it will increase some consumer prices. The important thing is that the Budget positions us correctly for the future.

Public sector reform

Before I deal with taxation matters I wish to take up the question of the privatization or removal from the central government organization of certain services or enterprises as a means of improving operational performance and of raising funds. A number of Members touched on the subject. We have some record of achievement in this area. It is many years since we transferred responsibility for public housing

and municipal services to authorities which are largely autonomous. We have the Mass Transit Railway Corporation and the Kowloon-Canton Railway Corporation, and now the Hospital Authority. Radio Television Hong Kong is set to become a separate organization. We have contracted out the management of car parks and are about to do the same for the Aberdeen Tunnel as my colleague, the Secretary for Transport, has mentioned. We are also considering contracting out certain operations of the Registrar General's Department.

Members identified various likely candidates for reform or for some form of privatization. These included the Post Office, water supply, legal aid and parking meters. We recognize the likely advantages in terms of operational efficiency of lifting some of these enterprises out of the central government system, but there are practical difficulties to be considered, not least the problem and cost of staff redundancies. And there may be political considerations.

Apart from the benefits of improved operational performance, some Members propounded the financial benefits to be obtained from the disposal of public enterprises to the private sector. There would indeed be benefits in terms of cash receipts from sales, but there are other factors to consider.

The disposal of a revenue-earning organization such as the Post Office would bring a one-off cash return but this would need to be measured against the loss of future revenue. The two railway corporations have been identified as saleable undertakings. But the Kowloon-Canton Railway Corporation is now paying the Government a dividend which would be lost if the Corporation were sold. The Mass Transit Railway Corporation could not be disposed of until its accumulated operating losses were written off and this is not yet the case. Thereafter, the Corporation is likely to become a veritable "cash cow" and we would need to think very carefully before forgoing the benefits to the public revenue.

We have long recognized the need for organizational and management reform throughout the public service and I have given examples of the progress we have made. We will continue to seek ways of improving the delivery of services to the public including privatization and other reforms, but the matter regrettably is not always as simple as it might appear.

Broadening the tax base

Sir, in recent years I have consistently stressed the need to broaden the tax base. The purpose is not simply to raise more and more tax, but also to spread the load and so help in stabilizing our revenue. I would like to respond now to some of the points raised by Members on this subject.

I have sensed in this debate some confusion as to what we mean by broadening the tax base. In connection with this subject, a number of Members have mentioned the introduction of a capital gains tax and have suggested increasing the rate of business profits tax. I do not see this in any way as a broadening of the tax base. Also, in my view it would be quite the wrong way forward.

If we were to increase the business profits tax rates significantly and also introduce a capital gains tax, there is not a shadow of a doubt that we would chase transactions offshore and into the hands of our regional competitors. In addition, as I have stressed so many times in the past, it would greatly increase our reliance on the most volatile of our tax sources. If, instead of the measures I have proposed, this year we were to seek to achieve the same effect by raising corporate profits tax by one percentage point to produce an additional \$730 million and by introducing a capital gains tax to produce \$2.2 billion, we would have swung our reliance on direct taxation from a ratio of 60:40 to about 64:36. This would leave us more vulnerable to the effects of a recession elsewhere, over which we have no control at all. This could severely handicap our ability to meet our recurrent revenue needs. After hearing some of the comments made in this Council, I am less confident than I was that this point has been fully understood.

There appears to be some alarm about the possible imminent introduction of a sales tax, following the comments I made at my press conference after the Budget speech. At that conference, I was at pains to avoid setting out a timetable but certain reporters decided, imaginatively, to give a timetable of their own.

If it were introduced, I accept that a sales tax would add something to the Consumer Price Indices (CPI), although this would be a one-off addition, since there should be no need for any immediate upward revisions of the rate of tax. This is why I have indicated that while inflation is running high it would not be timely to introduce a sales tax.

Whether or not a sales tax would be regressive, as some have suggested, would depend very much on how the tax was structured. There are arguments against a complex

structure designed to achieve equity, but at the end of the day we shall have to see what is in the best interests of Hong Kong.

I hope that during the course of this year, my successor will have a chance to discuss with Members, informally but in more depth, the question of broadening the tax base. It is in the hands of this Council, after all, that the final decision on the matter rests.

In some references to my having broadened the tax base while not increasing the rates of salaries and profits tax, it was suggested that I had not had any regard for the principle of using taxation for the redistribution of wealth.

Let me first say, before tackling this criticism, that before we redistribute any wealth, we have to create it. We have basically two major resources in Hong Kong -- our excellent infrastructure, and our talented and hard-working workforce. We have our excellent infrastructure because we have never shied away from investing heavily in it. Our labour force thrives on having a high level of disposable income to spend on creating a better quality of life. In general, our standard of living here is high, and yet in comparison with our neighbours in the region, Hong Kong represents excellent value for money both as a place in which to invest and as a trading base.

Having said that, I cannot hide the fact that we do sometimes rob the rich, in a quiet and gentlemanly fashion. To a limited extent, we catch them as they earn, but they are allowed to ride on through the forest with enough intact so that they do not feel inhibited from making extra investments thus creating more jobs. Also, we have in our community some of the most generous supporters of charities and good causes in the world.

Then we catch our rich friends again when they spend. If they buy expensive cars, they pay a tax of 120% on the import value. So a \$500,000 car brings in about \$200,000 in tax and a further \$10,000 a year in licence fees. If it is a really souped-up model, there will be a further 45 cents extra in duty per litre to pay for the leaded petrol to run the car. A \$300 bottle of champagne brings in tax of \$77 and a \$200 bottle of brandy, \$79. For the ladies, a \$400 bottle of perfume will attract a little over \$45 in tax.

On a somewhat more mundane level, salaries taxpayers with higher incomes paying tax at the standard rate of 15% contribute 56% of all salaries tax revenue, although

they represent only 8.3% of taxpayers. In the past year, duty on champagne, spirits and high-value cars brought in \$1.6 billion. The top 140 businesses, that is, 0.1% of the total number in Hong Kong, brought in over a third of all profits tax paid by corporations. In the light of the provision made for the less well off members of our community -- subsidized public housing, medical care and education, for example -- and of the services provided for all members of the community, there can be no doubt that there is in practice a substantial redistribution of wealth from rich to poor.

Impact of revenue measures

I have talked about the policy and principles of taxation. I would now like to turn to the individual tax measures I have proposed in the Budget this year. Let me summarize these measures.

The duty on hydrocarbon oils has increased by 5%. This, combined with unleaded petrol measures and changes in oil import prices means that a litre of leaded petrol costs 90 cents more, a litre of diesel 26 cents less and unleaded petrol 11 cents less. This was the one duty which affected just about everyone in the community and for that reason I chose, quite deliberately, not to increase the duty to the full extent required to cover inflation.

I put the specific duty rate on alcohol up by 15%. Members will have noted that the ad-valorem rate has not been changed. The duty on a can of one of the popular brands of beer sold in the supermarkets has increased by just 10 cents. I have put up the duty on cosmetics from 25% to 30%. Thus on a bottle of hair conditioner which used to cost \$37.50, the duty has increased by \$1.50, a 4% increase. Even if one regards these items as necessities, it is hard to accept that such increases have a serious impact on people's standard of living.

As regards the increase in the airport departure tax, a four-day air and hotel holiday package for two to Phuket which costs \$3,000 per person has gone up by \$50 or 1.6% as a result. For those who take their two children with them, it has not gone up at all. The average tourist coming here spends about \$5,000 not including his air fare. His stay is made one per cent more expensive by the increased tax. But is this really an increase that hits the poor?

There have been dire warnings about the effects on our tourist industry of

increases in airport departure tax. I have already pointed out what a miniscule proportion of spending costs this represents for local travellers, and even more miniscule for overseas tourists. I might be more alarmed by these warnings if it could be shown that previous increases in the tax pushed passenger arrivals and departures down and reductions sent them up again. But the actual figures show nothing of the sort. In fact, passenger movements go up and up whatever we do with the tax.

Turning now to vehicle taxes. After the increase in first registration taxes, a new car which would have cost \$100,000 on the road before the Budget will now cost \$107,900. As a result of the tax on transfers of second-hand cars, a \$50,000 second-hand car will now be about 2% more expensive. But again, is this a tax on the poor?

I have noted that my package of revenue measures involving vehicle fees and taxes has caused some alarm among disabled drivers. But let me assure them now that the Secretary for Health and Welfare has legislative proposals in hand to grant them relief from the vehicle ownership transfer fee and duties on petrol and diesel. This is in addition to the wide range of concessions already available to the disabled under the Road Traffic Ordinance and Motor Vehicle (First Registration Tax) Ordinance. And this is yet another response to public concern.

As to property rates, the revaluation of properties will mean that the owner of a small flat will have to pay \$38 per month more. The periodic revision of rateable values is provided for in the Rating Ordinance. As I previously explained, the prime purpose of the exercise is not to raise revenue but to ensure that the burden of charge is spread according to current market rental values. Rates, I might add, are a relatively progressive tax; the more luxurious the property, the higher the rates paid. But because rates affect most people, including the less well to do members of our community, I reduced the rates percentage and placed a 25% cap on the increase payable.

Lastly tobacco. The cost of a packet of cigarettes has now been pushed up to around \$20 -- the psychological barrier we were trying to break. The fact that some cost \$22 to \$24 a packet just makes this blunt weapon against smoking-related diseases that much sharper. If people do not wish to spend that kind of money then the remedy is in their own hands.

In the debate, some Members expressed great concern at the combined effect of my decision, on trade-related grounds, to remove the present concession in favour of Chinese manufactured tobacco. This, it was said, affected a very small group of old people.

Sir, as I reach retirement age, I would be the last person to wish that the elderly should suffer particular hardship from this tax increase. But at the same time, I am concerned that old people, who are particularly vulnerable to smoking-related diseases, should not continue to be encouraged to use this particular product.

Sir, while I would not compromise on health grounds, I am prepared to again respond to the appeals of certain Members of this Council and for the time being to resist the possible trade objections to the continued preferential treatment given to Chinese tobacco. Accordingly, I intend to reduce my original proposal by applying the same increase in duty rate as that for cigarettes, that is, 200%. This will adjust the duty from \$870 to \$180 per kilogram. The change will take effect under a Revenue Protection Order from midnight tonight.

On fees and charges, I have aimed generally to adjust them in line with inflation, although certain fees have been increased further in order to recover costs. The effect on the cost of living is minimal.

Against the overall impact of the indirect tax measures, the personal allowances I have proposed will result in just over one million salaries taxpayers, that is 89% of the total, paying less direct tax before. Taking my proposals for increased allowances and the restructuring of marginal rates together, some 300 000 taxpayers in the lower income brackets will find their tax liabilities reduced by sums equivalent to at least a 10% increase in allowances, and a further 30 000 low income earners will pay no salaries tax at all. On the other hand, the remaining 100 000 taxpayers at the top end of the scale will pay at the same rate as before.

The economy

Sir, Members might welcome an up-date on the economy. With the ending of the Gulf war, the global economic climate has turned brighter. This will contribute to a better performance of our economy this year. The latest trend in our domestic exports and re-exports is encouraging. In the first two months of 1991, the year-on-year growth rate in real terms of domestic exports accelerated to around 9%,

while that of re-exports remained robust at nearly 30%. There was also a pick-up in local demand, particularly in the acquisition of plant and equipment, which signifies improved investor confidence and the desire of producers to expand capacity. The local workforce has remained fully employed.

Members will no doubt agree that real economic growth is the source of improvement in income and standards of living. Our economy is poised to take advantage of the better business environment that lies ahead.

Inflation

I turn now to that subject of much concern, inflation. So much attention has been focussed on the increases in indirect taxes in the Budget that some Members concluded that the Budget itself must be inflationary. This view needs to be put in context. First, in national accounts or resource consumption terms, the public sector as a whole represents only about 12% of the GDP. Secondly, for a number of years the Government has been budgeting for, and achieving, a surplus each year. Although the surplus budgeted for 1991-92 is not as large as in some years it still represents a net withdrawal of purchasing power from the economy, and in that sense the effect of the Budget this year is not inflationary.

I am aware that, amongst all the items of increased indirect taxes, tobacco duty will have the greatest impact on the CPI; about one and a half percentage each point. But it will have an effect only on smokers, who represent merely one-sixth of the adult population, and even their burden would be reduced if they smoked less. It remains a matter of personal choice. Tobacco duty apart, the impact on the CPI of all other increases in indirect taxes taken together should be moderate, less than one half of one percentage each point. I should mention that, in the calendar year 1990, wages for manufacturing workers, for example, went up by an average of about 12%. Inflation ran at 9.8%.

In my Budget speeches I have repeatedly emphasized the need to control public expenditure in order not to absorb too great a share of the territory's resources. A keen sense of fiscal frugality and discipline is all the more important when the inflation rate is high. I hope I have reassured Members that our budgetary position is well under control, and that our efforts in this regard will continue unabated. I have stressed the particular importance of keeping recurrent expenditure in check. As I mentioned in my Budget speech, the growth rate of recurrent expenditure over the period of the Medium Range Forecast will be kept below the trend growth rate of

GDP.

Members will have noted the proposal to develop a government borrowing programme, starting with the issue of two or three-year bonds later this calendar year, depending on satisfactory progress with the necessary legislation. As any money borrowed will be put aside and will not be spent in this financial year, the effect will be to run a larger surplus. The anti-inflationary effect of the public finances in recent years will therefore continue to be broadly maintained.

To the extent that the bonds to be issued will be held by members of the public, this will encourage savings and discourage consumer spending. When the bonds are held by banks and other authorized institutions in Hong Kong, they will have the effect of reducing the amount of money that would otherwise be available for credit expansion. The actual impact will, for course, depend on how the proceeds of the bond programme are managed. The Office of the Exchange Fund has the necessary monetary management skills to discharge this responsibility effectively, operating within our stable monetary framework to produce as far as possible, an anti-inflationary monetary environment.

The issue of Exchange Fund bills has the same impact. The total amount of bills outstanding is now just short of HK\$10 billion. The bills are held mostly by banks who arguably would otherwise be lending more to customers. This is one reason why the growth rate of Hong Kong dollar loans has slowed down from over 30% in 1989 to around 15% in 1990. Last week, after consulting the Exchange Fund Advisory Committee, I increased the maximum issue sizes of the 91-day, 182-day and 364-day bills to HK\$500 million, HK\$400 million and HK\$300 million respectively. The Director of the Office of the Exchange Fund has been given the discretion to determine the actual size of each issue in the light of market conditions, subject to those maxima.

I should, however, emphasize again that the overriding objective of monetary management in Hong Kong continues to be the maintenance of exchange rate stability under the linked exchange rate system, which has served Hong Kong extremely well against the background of not infrequent shocks. The room for using monetary means specifically to curb inflation is therefore limited.

As far as the effect on our inflation rate is concerned, I take some comfort from the recent strengthening of the US dollar. The movement of the US dollar has a considerable influence on the prices of our imports in Hong Kong dollar terms. From

April to December last year, the US dollar depreciated by about 15% against the Japanese yen, the currency of the largest supplier of our retained imports. The concurrent weakening of the Hong Kong dollar caused the prices of our retained imports to increase more rapidly, particularly in the fourth quarter of last year, and this led to a greater amount of imported inflation for the local economy. The US dollar has, however, rebounded strongly since the end of the Gulf war. Between mid-February and the end-March of this year the exchange rate of the US dollar against the yen appreciated by about 10%. This should help to alleviate the impact of imported inflation in due course.

As economic activity continues to revive, some tightening up in local resources can be expected. Thus regrettably much of the local inflationary pressure will be sustained. On the other hand, lower oil product prices and generally stable commodity prices in the world market, coupled with the strength of the US dollar, will help to lessen inflationary pressures from external sources. Local wages and salaries are reported to have been rising less rapidly in recent months. I believe that more modest pay increases could help the process of curbing inflation.

Conclusion

Sir, in conclusion, this will be the fifth and final Budget I have piloted through this Council. Looking back over the last five years, I am struck by the progress we have made as a community. Let me draw Members' attention to some of the highlights.

The Hong Kong economy has continued to prosper in the five years since 1985-86, even allowing for the recent recession. GDP has grown by an average 8%, much better than the average of 3% in the OECD countries. This has enabled us to spend substantially more in maintaining Hong Kong's competitiveness and in improving the quality of life for all members of our community. We have achieved this without harsh tax measures and without eating into our reserves.

I have no wish to bombard Members with too many figures in this short stroll down memory lane, but some of the numbers are remarkable. We have, within our means, increased expenditure in real terms by 52% on social services over the five year period, 42% on education, and 48% on the infrastructure; starting from a much lower base, we have increased expenditure on the environment by over 400% in real terms. Our per capita GDP has topped US\$13,000, putting us just behind Britain in Europe and among the top countries in the Asian region.

We have thus made great strides in making Hong Kong a better and more rewarding place in which to live and work, and we have also advanced Hong Kong's status internationally. Taxes have been kept low so that employers and employees alike are able to retain and enjoy what they earn and this has encouraged further the entrepreneurial wealth creation on which Hong Kong's future depends. And, over the five year period, our fiscal reserves have doubled to \$73 billion, excluding the SARG fund.

I have given the merest sketch of Hong Kong's progress over the last five years -- progress that I am sure will continue under my successor. But what has been achieved is evidence enough that our fiscal policy has provided a sound base on which to build and develop our economy over the years. This year's Budget has been designed to maintain that progress, albeit in a more complex environment. Members who have indicated that they do not support the Budget may wish to reflect upon the record before they cast their votes.

Finally, Sir, turning again to the subject of the Administration's response to points made in this debate, I am aware that I have not covered each and every point. I do not think it would have been possible to do so in my concluding speech without keeping the Council here all night. I know that we have other exciting matters to discuss. But let me again assure Members that what they have said will indeed be examined by the Administration. I have asked my successor to give particular attention to this point. One example of matters that will require attention is the proposal to establish a taxation review committee. Personally, I have some reservations, but in view of the fact that a number of Members have pressed the point I shall leave it to my successor to consider. Obviously, there are some other suggestions that we will not be able to follow simply because we do not find them feasible. Nevertheless the tone and content of the Budget debate will undoubtedly be of help in framing future budgetary proposals. I hope that I have shown this afternoon that I have not been wholly insensitive to what has been said this year.

I wish the next Financial Secretary every success. Be kind to him. I know that he will value the guidance and indeed the friendship of Members as much as I have.

Sir, I beg to move.

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).

5.02 pm

HIS EXCELLENCY THE PRESIDENT: Before the Council goes into Committee, Members might appreciate a short break.

5.27 pm

HIS EXCELLENCY THE PRESIDENT: Council will resume.

Committee stage of Bills

Council went into Committee.

INLAND REVENUE (AMENDMENT) (NO. 2) BILL 1991

Clauses 1, 2, 4 and 5 were agreed to.

Clause 3

FINANCIAL SECRETARY: Sir, I move that clause 3(2)(b) be amended as set out in the paper circulated to Members.

The Bill, if enacted, will exempt, inter alia, profits made by authorized unit trusts or mutual fund corporations on foreign exchange contracts involving different currencies. The proposed amendment to the Bill seeks to substitute the definition of "foreign exchange" with a definition which is considered more appropriate in this context.

Sir, I beg to move.

Proposed amendment

Clause 3

That clause 3(2)(b) be amended by deleting the definition of "foreign exchange" and substituting --

"foreign exchange" means the exchange of different currencies;".

Question on the amendment proposed, put and agreed to.

Question on clause 3, as amended, proposed, put and agreed to.

POLICE FORCE (AMENDMENT) BILL 1990

Clauses 1 and 2

SECRETARY FOR SECURITY: Sir, I move that clauses 1 and 2 be amended as set out in the paper circulated to Members.

Proposed amendments

Clause 1

That clause 1 be amended by deleting "1990" and substituting "1991".

Clause 2

That clause 2 be amended --

In the proposed new section 59 --

(a) in subsection (1) by deleting "or cause to be taken" and substituting ", or cause to be taken under the supervision of a police officer";

(b) in subsection (2) by deleting "be delivered to that person or destroyed" and substituting "as soon as reasonably practicable be destroyed or, if the person prefers, delivered to that person";

(c) in subsection (4) by adding ", in accordance with guidelines approved by the Attorney General," after "instead".

Question on the amendments proposed, put and agreed to.

Question on clauses 1 and 2, as amended, proposed, put and agreed to.

INDEPENDENT COMMISSION AGAINST CORRUPTION (AMENDMENT) BILL 1990

Clauses 1 and 2

SECRETARY FOR SECURITY: Sir, I move that clauses 1 and 2 be amended as set out in the paper circulated to Members.

Proposed amendments

Clause 1

That clause 1 be amended by deleting "Ordinance 1990" and substituting "(No. 2) Ordinance 1991".

Clause 2

That clause 2 be amended --

In the proposed new section 10D --

(a) in subsection (1) by deleting "or cause to be taken" and substituting ", or cause to be taken under the supervision of an officer,";

(b) in subsection (2) by deleting "be delivered to that person or destroyed" and substituting "as soon as reasonably practicable be destroyed or, if the person prefers, delivered to that person".

Question on the amendments proposed, put and agreed to.

Question on clauses 1 and 2, as amended, proposed, put and agreed to.

IMPORT AND EXPORT (AMENDMENT) BILL 1991

Clauses 1 to 11 were agreed to.

New clause 3A Power of Commissioner to appoint authorized officers
Clause read the First time and ordered to be set down for Second Reading pursuant to Standing Order 46(6).

Question on the Second Reading of the new clause proposed, put and agreed to.

Clause read the Second time.

Proposed addition

New clause 3A

That the Bill be amended, by adding after clause 3 --

"3A. Power of Commissioner to appoint
authorized officers

Section 4 is amended by adding "any person approved by the Secretary for Security," after "writing".

Question on the addition of the new clause proposed, put and agreed to.

APPROPRIATION BILL 1991

Heads 21 to 100 and 112 to 194 were agreed to.

Head 106

MR ANDREW WONG: Sir, Head 106 is in respect of Miscellaneous Services. Under this Head, there are two Subheads which are for additional commitments likely to be incurred during the year. Subhead 251 is in respect of Recurrent Additional

Commitments whilst Subhead 789 is in respect of Non-Recurrent Additional Commitments, the sums sought for these two subheads are \$5,950 million and \$590 million respectively. I now move that Head 106 be reduced by \$490 million in respect of the latter, that is, Subhead 789.

Sir, before I lay bare my arguments, may I first of all say that the Government has been far too secretive in handling my enquiries into the whys and wherefores of the \$590 million sought under Subhead 789 during the Finance Committee's examination of the Draft Estimates for 1991-92. I first asked Government to account for the increase from \$100 million for 1990-91 to \$590 million for 1991-92, but was told that "the estimate is made each year on the basis of assumptions which are appropriate at the time" and that "there is no relationship between the estimates for any two years". I then asked what the assumptions were for 1991-92 and somewhat jokingly suggested the possibility of a second Gulf war contribution. I was simply told that "in assessing the provision for additional commitments, no assumption was made with regard to a second Gulf war contribution" and my request for information on the assumptions was neatly ignored.

Sir, it was only after I had given notice to move that the sum be reduced to \$100 million and after the In-House meeting last Friday decided to seek the information I had all along been attempting to seek that the Finance Branch, under the leadership of the Secretary for the Treasury who is soon to become the Financial Secretary, was prepared to let Honourable Members have sight of the list of assumptions, which list was faxed to me only yesterday. With your kind permission, Sir, I wish to have the list included in the Hansard as an appendix to my speech. (Annex I)

Sir, I have now given some thought to the list of assumptions and have come to the conclusion that the \$590 million is still an over-estimation and should be reduced. I will not be exhaustive but will simply give a few pointers.

Sir, in respect of Item 1: compensation to livestock farmers, there are two Subheads under Head 44: Environmental Protection Department covering allowances (Subhead 517) and grants (Subhead 519) to livestock farmers totalling more than \$80 million. Is it envisaged that a new scheme with boosted compensation rates will be introduced during 1991-92? If so, have the sums in Subheads 517 and 519 been offset? I wonder.

Sir, I am also baffled by Items 4 and 7 in respect of the bridging-over

arrangements for the Vocational Training Council (VTC) staff and hiving-off of the Radio Television Hong Kong (RTHK). I understand the hiving-off of government hospitals and the setting up of the new Hospital Authority are covered by Head 106, Subhead 251, Recurrent Additional Commitments. Why then are these two similar items to be covered by Subhead 789, Non-Recurrent Additional Commitments? The nature of expenses for the VTC bridging-over arrangements might well be non-recurrent but the same may not apply in the case of the hiving-off of RTHK.

Sir, it is obviously imperative that a responsible government ought to assess the likely additional commitments to be incurred in a year and reserve a sum as a contingency, lest we might end up at the conclusion of the year in a deficit. But in assessing the size of the contingency, the word "likely" ought to be read as "realistically likely". Is it realistically likely that the British Military Hospital will be relocated (Item 6) within 1991-92? And in the same light, is it realistically likely that RTHK will be hived-off within 1991-92?

Sir, I must also take this opportunity to remind Honourable Members that if no or inadequate provisions have been made for additional commitments, supplementary provisions could still be sought during the year to be offset by savings elsewhere, and that even if savings cannot be found elsewhere, supplementary provisions could still be sought and made, the result being that the estimates will be increased by that amount. This in fact happened in February 1991 when the Finance Committee voted \$230 million as contribution to the Gulf war which exceeded the \$100 million Non-Recurrent Additional Commitments vote by \$130 million in 1990-91. Incidentally, Sir, the \$100 million Subhead concerned was used for no other purpose but the Gulf war contribution. I wonder what assumptions were made and used last year in arriving at the \$100 million figure.

Sir, I submit that a figure much lower than \$590 million is adequate and I suggest \$100 million. In so doing, we at once reduce the anticipated deficit by some \$0.5 billion, making the deficit stand at \$1.5 billion instead of \$2 billion. We can then proceed to also realistically reconsider the rates of increases of the various revenue proposals made by the Financial Secretary on 6 March 1991 when he moved the Second Reading of the Appropriation Bill.

Sir, I beg to move.

HIS EXCELLENCY THE PRESIDENT: Mr WONG, it is in order for you to put in the Hansard the papers to which you referred.

Question on the motion to reduce head 106 by \$490,000,000 in respect of subhead 789 proposed.

MISS LEUNG (in Cantonese): Sir, to my way of thinking, the motion moved by the Honourable Andrew WONG that additional commitments -- what in common parlance is referred to as contingency provisions -- under Head 106 Subhead 789 be reduced from \$590 million to \$100 million is based on arguments of little persuasive let alone convincing weight. Additional commitments for 1991-92 should not be unrealistically set at the same level as that of 1990-91, that is, in the amount of \$100 million, as proposed by the Honourable Andrew WONG. It is patent that contingent matters covered in 1990-91 and matters to be covered in 1991-92 are bound to be widely different. Therefore the additional commitments approved or to be approved for these two fiscal years should substantially differ. After analysing the explanatory data supplied by the Secretary for the Treasury, including the list that he gave of the 11 items which would require additional commitments, and after examining the grounds on which the Honourable Andrew WONG bases his motion to reduce the provision under the relevant subhead I have found that the Secretary for the Treasury has presented a more convincing case. Moreover, when the Government formally draws on the provision, it will need to seek approval from the Finance Committee. Therefore I cannot support the Honourable Andrew WONG's motion. However, I have yet to be persuaded by the Financial Secretary as to the merit of the Government's original estimate before I can support it.

FINANCIAL SECRETARY: Sir, in written replies to Mr Andrew WONG and also to Mr CHEUNG Yan-lung it has been explained that the provision under Head 106, Subhead 789 -- Additional Commitments -- is not a firm estimate. It is a contingency sum which serves to cover items which may arise during the year, for which specific provision could not have been made elsewhere in the Draft Estimates. This sum includes items which are currently being considered by the Finance Committee and those which could not have been foreseen at the time the Estimates were prepared. Any supplementary expenditure on such items will require specific approval of the Finance Committee and, to the extent that the provision under this Subhead will allow, expenditure will be offset against this Subhead but not actually charged to it. There is no direct

expenditure against this Subhead. Inclusion of this provision is a means of ensuring that the total provision for expenditure included in the Estimates is as accurate as possible at the time the Estimates are prepared. The provision of \$590 million was based on information assessments, as I say, when those Estimates were prepared. We did not consider that it was an excessive figure and we do not consider that it is an excessive figure today. Of the provision of \$590 million, about half is intended for items of plant, equipment and works for which approval to commit expenditure will be sought in due course and the remainder is intended for items such as compensation which are likely to be agreed upon during the year. The provision is based on a serious assessment of likely requirements and expenditure on such requirements will only occur with the specific approval of the Finance Committee.

I hope that what I have said, Sir, has been persuasive to Miss LEUNG Wai-tung. Therefore, I am unable to support the resolution. The original provision should stand.

Question on the motion put and negatived.

Head 106 was agreed to.

Head 184

MR SIT (in Cantonese): Sir, in accordance with Standing Order 56(3), I would like to move the following amendment on the Appropriation Bill 1991.

"That the provision in respect of Subhead 984 under Head 184 be reduced by \$287,382,000.00."

Sir, the proposed reduction of funds to finance the capital works projects mainly concern the new projects related to the replacement airport. The projects include:

- (1) Government facilities at the new airport
- (2) Lantau Fixed Crossing -- main works
- (3) North Lantau Expressway

(4) Water treatment and transfer facilities for North Lantau -- Stage I

It is obvious that the \$280 million-odd proposed to be reduced can hardly be sufficient to any one of the above four projects. Why then do I make such a proposal? That is because if we endorse the allocation of \$287,382,000 today, it would mean that we approve the above-mentioned four new airport related projects proposed by the Government. According to Appendix E of the Financial Secretary's Budget speech 1991, the estimated cost for these projects amounts to HK\$15.9 billion.

In view of the fact that a final decision on whether a replacement airport would be built at Chek Lap Kok has yet to be made, that Members of this Council and the community at large still know nothing about the arrangements on specific issues such as whether the size of the new airport would be modified, and that an agreement has not yet been reached between the Chinese and British Governments on relevant issues, if this Council now gives approval to these specific airport related projects and to the introduction of various revenue raising measures on the pretext of funding the large-scale infrastructural development projects, we are indeed not acting in line with our duty to be accountable to the public. Moreover, since the Government might, as stated by some Councillors, scrap the new airport project, the sum now approved could be allocated in vain.

Furthermore, it is essential for a responsible government to make clear to the public the financing and fiscal difficulties in implementing the new airport development programme. I absolutely disagree with the recent remarks made by the British Foreign Secretary, Mr Douglas HURD, some principal local officials and certain Councillors that without China's support the new airport project would have to be shelved. I consider this an outright irresponsible attitude. The Hong Kong Government has, since its announcement of the new airport development programme, conveyed through formal or informal channels two important messages to the public. First, we surely have the financial resources to meet the cost of the large-scale infrastructural projects involved in the new airport project. Second, the decision on whether the replacement airport programme should be implemented is basically an internal matter for Hong Kong, in which no other party shall have the right to interfere.

Sir, in paragraph 88 of your policy address to the people of Hong Kong delivered in this Council on 11 October 1989, you said and I quote that the development of the port and airport "is an enormous financial commitment. But, after very careful study,

the Government is convinced that this commitment is one we can afford." Then, on 5 October 1990, the Chief Secretary, Sir David FORD, announced that the Government would make available a sum of \$7 billion to finance the construction of the Lantau Fixed Crossing. Ever since 11 October 1989, our taxpayers have spent hundreds of millions of dollars on the airport project, including the huge amount spent on consultancy studies. Yet the situation has turned out to be: Without China's support, the new airport project will have to be shelved.

So, the general public would like to know what indeed has gone wrong with the new airport project. Are we unable to shoulder the financial burden? Is it because the project will use up our fiscal surplus by 1997 and impose an enormous deficit on the SAR Government thereafter as alleged by Mr LU Ping, the Director of Hong Kong and Macau Affairs Office? Is the Chinese Government using the new airport as an excuse to intervene in the internal affairs of Hong Kong during the latter half of the transitional period, just as some people have speculated? Yet, the Chinese Government has said many times that the Hong Kong Government can make its own decision if it has sufficient financial resources to take up the construction of the new airport alone. If the rosy picture painted by some principal officials regarding the fiscal and financing arrangements for the new airport project during the past year or so does not carry any element of misleading the public and Members of this Council, there is no such problem as the new airport issue being used by China to intervene in the internal affairs of Hong Kong during the transition period. Hence, the argument of "making others pay for the dinner that you host" is untenable.

However, the people of Hong Kong know nothing about the financial arrangements for the new airport project. Among other things, does the estimate total expenditure for the core projects of the new airport programme amount to \$103 billion or \$79 billion? Will the reserve in 1997 really shrink to some \$7 billion, just as the Chinese side has alleged? The Government has never made all these known to the people of Hong Kong or Members of this Council. So, how can we call upon the public to support our Government?

Two days ago, the Deputy Director of Hong Kong and Macau Affairs Office of the State Council, Mr CHEN Zou'er, made some remarks on the new airport project. He said that the Chinese authority has put forth a new airport proposal which is economical, does not involve the need to increase taxes, and yet beneficial to the people of Hong Kong. I believe that our people would like to know what it is all about and be given an opportunity to study the specific proposal in detail. I do hope that it is really

useful and constructive.

Indeed, if it is the intention of the Hong Kong and Chinese authorities to convince the Hong Kong people, they should disclose the information regarding the new airport project for public consultation before a decision is made.

Sir, before a decision is taken by the Government as to whether the new airport project should proceed or be shelved, whether it should be scaled down and whether such reduction, if any, will affect the assessment of the cost-effectiveness of the new airport, it is the responsibility of this Council to act in the interest of the public and to stop the Government from taking any action other than freezing all programmes of the project. Also, the provision in the 1991 Appropriation Bill for items of the new airport project should be reduced.

Finally, I would like to point out that the people of Hong Kong do not want to see the Government, Members of this Council and the airport carrying the image of a lame duck.

Sir, with these remarks, I beg to move.

Question on the motion to reduce head 184 by \$287,382,000 in respect of subhead 984 proposed.

MISS LEUNG (in Cantonese): Sir, I think the ongoing controversies over the construction of the new airport for the territory between the governments concerned only reflect, in the final analysis, that they are haggling for a larger share of interests and for broader principles. As the construction of the new airport apparently is in the interests of the Chinese, British and Hong Kong Governments as well as the community of Hong Kong, I believe, therefore, that the governments concerned will, in the near future, reach a formal or informal agreement on the building of the new airport.

Sir, I would say it is clearly impracticable at this stage to scrap, as moved by Mr Kingsley SIT, all the sums allocated under the Appropriation Bill 1991 as the proposed startup funding for the new airport project. Therefore, I cannot support Mr SIT's motion.

MR MCGREGOR: Sir, at the present delicate stage of consultation with China on Chinese support for the new airport, I believe that it would be foolish in the extreme to deny funds needed for the work now being done and shortly to be done on this absolutely essential project. To agree to this motion would be to tell the Hong Kong public that we have no faith in both the merit of the scheme and the will of the three Governments concerned to bring it into operation.

I have not the slightest doubt that we shall have our new airport and that some form of agreement, probably with a few distasteful features, will be reached. Our willingness to compromise may be stretched to the limit and there will be loud accusations of surrender. But we shall have the airport because all the parties concerned, even my good friend, Mr Kingsley SIT, who is prone to a little politicking from time to time, know that our economic future depends upon it.

I will vote against the motion and I hope all other Councillors will also do so.
FINANCIAL SECRETARY: Sir, I shall restrict myself to the mechanisms of the Appropriation Bill and I shall not discuss some of those airport issues.

Sir, reducing the amount of the transfer of funds from the General Revenue Account to the Capital Works Reserve Fund is neither an appropriate nor an effective means of preventing or reducing expenditure on specific capital projects. Transfers to funds are provided at a level which enables the funds to meet their expected net expenditure while maintaining a working balance. Volume III of the Draft Estimates lists those projects which have reached some stage in the Public Works Programme and on which expenditure is expected to be incurred during the year. The projects and their associated expenditure are approved by the Public Works Sub-Committee of the Finance Committee and it is in that Sub-Committee that Members can properly assess the appropriateness of the inclusion of or the expenditure on the specific capital projects. The transfers to the Capital Works Reserve Fund are not determined on an individual project basis. The level of transfers does not affect the expenditure from the fund on individual projects.

I would point out that a footnote to the Expenditure Estimates shown in the Capital Works Reserve Fund explains that expenditure in respect of the four projects mentioned by Mr Kingsley SIT is reserved, that is, it cannot be expended pending the approval by the Public Works Sub-Committee to upgrade the project to Category A.

Sir, I am unable to support the resolution; the original provision should stand.

Question on the motion put and negatived.

Head 184 was agreed to.

Schedule was agreed to.

Clauses 1 and 2 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

INLAND REVENUE (AMENDMENT) (NO. 2) BILL 1991

POLICE FORCE (AMENDMENT) BILL 1991, the original short title of which is the POLICE FORCE (AMENDMENT) BILL 1990

INDEPENDENT COMMISSION AGAINST CORRUPTION (AMENDMENT) (NO. 2) BILL 1991, the original short title of which is the INDEPENDENT COMMISSION AGAINST CORRUPTION (AMENDMENT) BILL 1990 and

IMPORT AND EXPORT (AMENDMENT) BILL 1991

had passed through Committee with amendments, and the

APPROPRIATION BILL 1991

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

PORT AND AIRPORT DEVELOPMENT STRATEGY

MR MARTIN LEE moved the following motion:

"That this Council urges the Government to make public all the details of any agreement reached with the PRC Government concerning the proposed Port and Airport Development Strategy; and further, urges the Government:

(a) to protect the high degree of autonomy presently enjoyed by the Hong Kong Government and which ought to be enjoyed by the SAR Government after 1997 and refuse to allow PRC Government-nominated representatives to sit on any executive or advisory body in Hong Kong, including the Airport Authority;

(b) to respect Hong Kong's financial autonomy and not agree to set aside any portion of Hong Kong's fiscal reserves in trust for the post-1997 SAR Government, except as specifically provided for in Annex III of the Joint Declaration in relation to the "Land Fund"; and

(c) to ensure that consultation with the PRC Government does not mean giving the power of veto to the PRC Government on any matter relating to the internal affairs of Hong Kong."

MR MARTIN LEE: Sir, I move the motion standing in my name on the Order Paper.

Hong Kong is now at the crossroads as we enter the second phase of the 13-year transition period. And we must decide today whether we still want the Joint Declaration, and the full implementation of it; or whether we are prepared to accept the breaches of some of the important provisions of the Joint Declaration in exchange for China's support of a new airport.

The purpose of this motion is to allow Members to say publicly what type of agreement they would like to be concluded between Britain and China concerning the proposed Port and Airport Development Strategy (PADS). We, the people of Hong Kong have no opportunity to participate in the current negotiations between Britain and China over the new airport, so we must make certain that the British and Chinese

Governments fully understand our views. I have no wish to disturb the on-going Sino-British negotiations, and I believe this debate will only assist the two sides to understand the views held by the people of Hong Kong.

First and foremost, we must remember that what is being discussed between China and Britain is our future. The discussions centre around how our money is to be spent: whether or not the Hong Kong Government is to build a new airport in Hong Kong to be used and to be paid for by the people of Hong Kong. We must exercise our right to speak, to express what our vision is for the future of Hong Kong. We must step forward today and take responsibility for our own internal affairs, as was promised to us in the Joint Declaration. We cannot merely wait for Britain and China to determine our future and then passively accept whatever they have decided for us. That is why it is so important for this Council, as the body entrusted with the responsibility of representing the people of Hong Kong, to debate the motion today -- before any final agreement is reached between the two Governments.

In debating the motion today, Sir, I hope Members will keep the provisions of the Joint Declaration in sharp focus. We cannot afford to blur these provisions, and I hope Members will directly address the separate aspects of the motion. If we talk only in vague generalities, then we will fail to provide the necessary guidance to the British and Chinese Governments, and the people of Hong Kong will lose a critical chance to make clear to the two Governments what type of agreement is acceptable to them.

6.00 pm

HIS EXCELLENCY THE PRESIDENT: I must interrupt you, Mr LEE. It is now six o'clock and under Standing Order 8(2) the Council should adjourn.

CHIEF SECRETARY: Sir, with your consent, I move that Standing Order 8(2) should be suspended so as to allow the Council's business this afternoon to be concluded.

Question proposed, put and agreed to.

HIS EXCELLENCY THE PRESIDENT: Mr LEE, please continue.

MR MARTIN LEE: I am much obliged, Sir. If Members of this Council fail to take a stand on issues such as the composition of the Airport Authority or the setting aside of fiscal reserves, then they will be relinquishing their duty to the people of Hong Kong by allowing Britain and China to reach an agreement even though we know that that agreement may not be in our long-term interests.

Making public the details of any agreement

The first part of the motion calls on the Government "to make public all details of any agreement reached with the PRC Government concerning the proposed Port and Airport Development Strategy." Quite frankly, I was appalled by the attitude of the British Foreign Secretary, Mr Douglas HURD, at his press conference before leaving Hong Kong, at which he refused to give any commitment whatsoever that the people of Hong Kong would be informed as to the details of any Sino-British agreement over the new airport. Sir, we the people of Hong Kong have the right to know the full details of what this Government plans to do with our money.

I was pleased therefore that the Senior Member of the Executive Council, Baroness DUNN, stated last week that she believed the Government would make public the contents of any agreement. Sir, you must make a similar promise to the people of Hong Kong and I would respectfully call upon you, Sir, to undertake unequivocally to this Council through the Chief Secretary that the Government will indeed reveal all the details of any agreement reached with the PRC over the new airport. There must be a further undertaking that there will not be any secret collateral deal between the two Governments -- apart from any agreement that is announced publicly.

Sir, it is high time for the Government to break from the secrecy which has surrounded the PADS projects, and the leadership in making public the details of any agreement with China must come from the very top of the Government. A failure to do so would constitute a grave breach of the public trust that you have a duty to uphold as Governor of Hong Kong.

I would like now to move on to the three sub-paragraphs in my motion. Because I understand that the Honourable Mrs Selina CHOW will be moving an amendment to my motion, the purpose of which is to delete sub-paragraphs (a) and (b) of my motion, I hope that Members will pay particular attention to these two sub-paragraphs.

PRC representatives on the Airport Authority

Sub-paragraph (a) of the motion calls on the Government "to protect the high degree of autonomy presently enjoyed by the Hong Kong Government and which ought to be enjoyed by the SAR Government after 1997 and refuse to allow PRC Government-nominated representatives to sit on any executive or advisory body in Hong Kong, including the Airport Authority." The protection of our high degree of autonomy is critical if Hong Kong is to remain the prosperous, free capitalist economy that it is today. Autonomy is at the centre of the concept of "one country, two systems."

The provision in the Joint Declaration for a high degree of autonomy is essential to allow Hong Kong people to rule Hong Kong. Indeed, the two are inseparable, for what autonomy would Hong Kong have if officials appointed by and responsible to Beijing were in charge of administering the territory?

Executive officials in Hong Kong must be responsible to the people of Hong Kong through a fully elected legislature. For that is what the Joint Declaration clearly says. If members of executive or advisory bodies in Hong Kong are accountable to Beijing rather than Hong Kong, then conflicts of interest are certain to arise and the interests of the people of Hong Kong may be sacrificed.

The Airport Authority is an excellent example. If that Authority has members who are accountable to Beijing, it calls into question whether the Hong Kong Government or the Chinese Government will have the final say in, for example, the letting of contracts. In the hope of winning the support of Beijing's representatives on the Airport Authority, competing firms may feel compelled to go to Beijing and plead their case there rather than in Hong Kong. Or, for example, if there is a divergence of interests between the Hong Kong and Shenzhen airports, would Beijing's representatives on the Airport Authority vote in the best interests of Hong Kong?

As an executive body that will decide how Hong Kong taxpayers' money is to be spent, the Airport Authority and all its members must be accountable to the Hong Kong Government. Some may feel relieved in learning through recent press reports that the PRC has dropped its earlier demand that its representatives on the Airport Authority be given a formal power of veto, yet we must not fool ourselves into believing that Beijing's representatives will not indeed have such a veto power in

practice. For though they be in the minority, these Beijing appointees have the backing of the PRC. And what will happen if the Beijing appointees do not agree with the majority decision of the Airport Authority and bring the matter back to Beijing?

We must not set the precedent of allowing Beijing to appoint representatives onto executive bodies in Hong Kong. For, after Beijing has secured representatives on the Airport Authority, what executive body will be next: the Hospital Authority? the Housing Authority? the Broadcasting Authority? What indeed will become of Hong Kong people ruling Hong Kong?

In short, to allow Beijing to appoint even one representative onto any executive body in Hong Kong is to allow Beijing to influence -- if not actually control -- the actions of that executive body, and it would clearly constitute a direct interference in the internal affairs of Hong Kong and a direct breach of the Joint Declaration.

Power to control fiscal reserves

Moving on to sub-paragraph (b), I wish to emphasize that this sub-paragraph does not touch upon the level of reserves that is to be left to the HKSAR Government in 1997; the sole question it addresses is who is to have control over those reserves between now and 1997. I suppose every Member of this Council would like to see the HKSAR Government inheriting a very substantial level of reserves in 1997. For no Hong Kong citizen who intends to continue living here after 1997 would wish to see all our hard-earned reserves used up during the next six years.

Yet, the level of reserves is not the question at issue in this motion. The question is: who determines how the money of the people of Hong Kong is to be spent -- we, the people of Hong Kong or the United Kingdom and PRC Governments? While the position of the Chinese side in the most recent round of negotiations has often been described in the press as demanding a guarantee that a certain level of fiscal reserves would remain in 1997, there is reason to believe that the actual position of the PRC is significantly more interventionist. For, what the PRC is demanding, according to press reports, is that the Hong Kong Government do forthwith set aside a substantial portion of the fiscal reserves in trust for the SAR Government, so that over the next six years, the Hong Kong Government would have no right to touch any of this money. I hope when Members address this point they will be clear on exactly what type of agreement on the reserves they are willing to accept.

To set aside a substantial portion of our fiscal reserves in trust would severely compromise our financial autonomy even now. The money in the reserves has come from our taxpayers over the last several years thanks to the outgoing Financial Secretary. And, under our laws, it is the responsibility of this Council to determine how such moneys are to be spent. If we believe that it will be in the long-term interest of Hong Kong to maintain a large level of fiscal reserves, we have the power and the responsibility to veto any Budget proposed by the Government that would deplete those reserves. Indeed, every item of proposed government expenditure must first be approved by the Finance Committee of this Council; and, if we feel any item is excessive we have the full power to reject or reduce it.

For this Council to accept any Sino-British agreement as to how our people's own money is to be spent would be to agree to give up one of the most fundamental powers of this Council. Acceptance of such an agreement would deal a severe blow to the economic autonomy of Hong Kong, and we would only have ourselves to blame.

It is important to emphasize, moreover, that the issue of reserves left to the SAR Government is not a new one. During the negotiations over the Joint Declaration, this issue was examined carefully, and the two sides devised a thoughtful and equitable solution: the creation of the so-called "Land Fund." Annex III of the Joint Declaration specifies that half of all income derived from the sale of land by the British Hong Kong Government between 1984 and 1997 shall be deposited into a special fund in trust for the post-1997 SAR Government. The Financial Secretary has estimated that this fund could well reach a figure of \$80 billion by 1997. In addition to the substantial sums in the Land Fund, there is also the Exchange Fund which is thought by many experts to have at least this much, though the actual size of the Fund is kept secret by the Government. The SAR Government, in short, is in little danger of coming into existence with its coffers empty.

In contrast to the extensive provisions regarding the establishment of the "Land Fund," the Joint Declaration contains no reference whatsoever to any additional fund that is to be set aside in trust for the SAR Government. Hence, any demand by China to establish such a separate fund out of our existing reserves is a direct breach of the Joint Declaration. No matter how highly Members of this Council may value the provision of substantial reserves for the SAR Government, we cannot allow the Joint Declaration to be breached in such a fundamental manner and we must not compromise this essential aspect of our financial autonomy. Nor should we forget that if we agree today to give up our control over one portion of our fiscal reserves,

what is to stop the PRC from returning two years from now and demanding that we surrender our control over yet another portion? As the Chinese saying goes: " " (If you gain an inch, you want a foot).

No power of veto for the PRC Government

I now come to the final sub-paragraph of the motion, that is sub-paragraph (c). Sir, this raises perhaps the most important issue. It urges the Government "to ensure that consultation with the PRC Government does not mean giving the right of veto to the PRC Government on any matter relating to the internal affairs of Hong Kong." This sub-paragraph goes to the very heart of the question: who is going to exercise actual control over the administration of Hong Kong now and in the future?

The fact that we are even debating this subject today demonstrates vividly the lack of respect with which the British and Chinese Governments are treating the central promise of the Joint Declaration. For, the Joint Declaration is absolutely clear on the point as to who is to exercise control over the administration of Hong Kong. In brief, until 30 June 1997, the British Hong Kong Government is to administer the territory. After that date, Hong Kong people are to rule Hong Kong with a high degree of autonomy, that is, apart from defence and foreign affairs the people of the HKSAR shall be masters of their own house. Thus, the Central People's Government in Beijing has undertaken in the Joint Declaration not to take any part in the administration of the internal affairs of Hong Kong both before and after 1997.

Regarding the external affairs of Hong Kong, however, the Joint Declaration establishes a wholly different framework. The Joint Declaration provides that the PRC, as the sovereign power over Hong Kong after 1997, will assume the responsibilities now held by the United Kingdom Government in London to deal with defence and foreign affairs affecting Hong Kong. In order to address external affairs questions arising from the transfer of sovereign power over Hong Kong in 1997, Britain and China agreed in the Joint Declaration to establish the Joint Liaison Group (JLG). Consistent with its external affairs mandate, the JLG consists of ambassadorial rank representatives from the British and Chinese Governments. The Hong Kong Government has no representative on the JLG, and neither will the SAR Government after 1997.

The powers of JLG, which are clearly defined in Annex II of the Joint Declaration, allow it to focus only on issues relating to the transfer of sovereign power. In

particular, the JLG is to resolve questions relating to Hong Kong's political and economic relations with foreign governments and international organizations and also "procedures to be adopted for the smooth transition" of sovereignty. Internal matters -- such as the construction of the new airport -- are specifically excluded from the mandate of the JLG. Indeed, it would contradict the whole framework of the Joint Declaration if ambassadorial rank representatives from the PRC and United Kingdom Governments were to use the JLG meetings to decide internal Hong Kong matters not related to sovereignty.

It is of critical importance to emphasize that the phrase "matters for consideration" -- or in Chinese " " -- appears in this Annex II of the Joint Declaration and nowhere else. The matters over which the PRC Government is to have this " " are only those matters relating to sovereign power which are within the mandate of the Joint Liaison Group. As the future sovereign power over Hong Kong, it is only right that the PRC be given a power to scrutinize and even veto matters relating to the transfer of sovereign power.

The Joint Declaration, however, does not give the PRC Government any right to demand a power to scrutinize -- not to mention veto -- the internal matters of Hong Kong. There is absolutely no mention in the Joint Declaration that "major" projects or projects that "straddle" 1997 somehow give rise to a situation where the PRC Government is granted " ". Annex II of the Joint Declaration goes to great lengths to make this clear. In case there was any misunderstanding as to the limits of the PRC's " ", Annex II stresses, "the Joint Liaison Group shall be an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong or the Hong Kong Special Administrative Region. Nor shall it have any supervisory role over that administration." In light of such absolutely clear language, any claim that China's " " extends to the internal matters of Hong Kong is utterly untenable.

It is fundamental to the Joint Declaration that the Hong Kong Government must have the authority to make decisions on the internal affairs of the territory. To require the Government to consult with and obtain the assent of China on all major internal matters will paralyze the Government, for the Government will not be able to take any major decision without a series of protracted negotiations with representatives of the PRC Government who may have little understanding or knowledge of what is best for Hong Kong.

We must remember that what is involved is not only the airport project, for Beijing has made clear that it wishes to have the final say over all major issues. Though the term "straddling 1997" may seem innocuous, a closer look reveals that virtually everything decided by this Council -- be it town planning, Chinese-language education, electoral laws, taxation policy, and so on -- straddles 1997. If we agree to the demands put forward by the PRC, then virtually every single issue decided by this Council and indeed the Executive Council would first have to be approved by the PRC Government.

In short, to grant China a veto power over all important matters in Hong Kong would create a situation even worse than joint administration. It would, in effect, turn the Hong Kong Government into a puppet of Beijing, for Beijing would have the final say on all major issues and the Hong Kong Government would have no choice but to follow the orders of Beijing. Such a scenario would be catastrophic for Hong Kong.

In conclusion, I urge Members to consider my motion very carefully. I understand that the Honourable Mrs Selina CHOW will seek to amend my motion, and I will speak on her amendment in due course. In considering my motion and the amendment of Mrs CHOW, I hope Members will keep constantly in mind the provisions of the Joint Declaration. We cannot afford to endorse any agreement that would breach any aspect of the Joint Declaration.

The British Government has shown time and again that it will not dispute any interpretation put on the Joint Declaration by the PRC Government, and it has thereby allowed the PRC in effect to interpret the Joint Declaration unilaterally. It is up to us, Members of this Council, to step forward to defend the Joint Declaration and state what type of future we would like to see for Hong Kong.

Though compromise with the PRC may allow Hong Kong to have a new airport, we must ask ourselves whether we are prepared to tear apart the Joint Declaration in order to do so. For, once we compromise on one aspect of the Joint Declaration, once we allow the PRC Government to re-write one of its provisions, then what guarantees do we have that the rest of the agreement will be honoured? Sir, to support Mrs CHOW's amendment would do grave damage to the undoubted duty of this Council to uphold the entirety of the Joint Declaration.

Sir, there are no two ways about it. Either we insist that the Joint Declaration be strictly adhered to, in which case my motion should be supported in its totality;

or we are prepared to sacrifice some of the important provisions of the Joint Declaration in the naive and forlorn hope that there will be no more breaches in future.

Sir, when many years from now, my grandson if I should be blessed to have one asks me what I did at this most critical moment in the transition period, I hope that I would be able to tell him: "Your grandpa did all he could to uphold the Joint Declaration." I hope all Members of this Council will be able to say the same to their grandchildren.

Sir, I so move.

HIS EXCELLENCY THE PRESIDENT: I have received notices from Mrs Selina CHOW and Mr PANG Chun-hoi to move amendments to the motion. Their amendments have been printed in the Order Paper and they have been circulated to Members.

Question on Mr Martin LEE's motion proposed.

HIS EXCELLENCY THE PRESIDENT: Mrs Selina CHOW you may now speak to the question and also move your amendments if you wish.

MRS CHOW: Sir, I would now like to move the amendment to Mr Martin LEE's motion standing in my name on the Order Paper and circulated to Members.

On the face of it, Mr LEE's motion has tremendous appeal.

It echoes the frustration that many of us are experiencing as a result of a daily diet of piecemeal information fed to us through our admirably hardworking media. For the past weeks, the hearts of the Hong Kong people, like the Hong Kong stock market, have been taken on numerous roller-coaster rides by the utterances of those close to the talks on the airport. So how can anyone object to the disclosure of any agreement to be reached, as suggested by Mr LEE's motion?

The problem with this is that in the last few days, the possibility of an agreement seems more illusive and remote than ever, especially when the British team left

Beijing, a move of some finality. Instead the question looms bigger by the day in the minds of our people -- what is going on? What is the latest position? Is this ominous pause a stalemate? Whose court is the ball in? Has an understanding been reached between our Government and the PRC Government regarding the airport project that each is holding its own position, and are therefore unlikely to come to an agreement within a reasonable time frame. In other words, need the Hong Kong Government wait any further before it informs our people properly of the current position as understood by both Governments, especially when Chinese officials publicly made it clear that they did not and do not object to the disclosure of the talks? If Mr Martin LEE's motion were to stand, then this Council would only be asking for the disclosure of details of any agreement reached. Anything short of an agreement, or any understanding of respective positions would not be included. I hope colleagues would see the merit of the broader ambit of my amendment, and support it.

As for the second part of my honourable colleague's motion, I believe that whereas many of us would share his views on the principle of the high degree of autonomy, the mere mention of this principle is not definitive enough in terms of the practical exercise of that autonomy in our Government. Further, the protection of the high degree of autonomy that ought to be enjoyed by the SAR Government does not rest with the Hong Kong Government but the Chinese Government in accordance with the Joint Declaration and the Basic Law.

My amendment aims to put it beyond doubt what the high degree of autonomy presently enjoyed by the Government means in practice. If this Government is to be held responsible for the well-being of this territory, its power to make decisions must be safeguarded. But in exercising that power, it need not, and should not turn a blind eye and a deaf ear to the views that are contributed in the interest of Hong Kong, wherever and from whomever such views emanate. Why should the Government refuse, as a rule, to allow any PRC Government nominated representative to participate in our network of committees if the representative happens to be eminently qualified and committed to Hong Kong? So long as a such participant enjoys the same status and bears the same responsibility -- no more and no less -- as his other fellow participants; and so long as the Government, in deciding on appointments, ensures that all members work for the interest of Hong Kong. How are we to foster co-operation and trust with China if our Government is the first to raise more barriers instead of breaking existing ones down?

As for the setting aside of fiscal reserves, it has to be said in fairness that

when the Joint Declaration was signed, the airport project did not exist. The introduction of such a huge undertaking, particularly in regard to the likely financial burden it may impose on Hong Kong, must be carefully examined. Understandably, China as the guardian of the future SAR Government, would want to be assured that this mammoth commitment would not drain our coffers. It is important to note also that such is not only China's view, but the view of many Hong Kong people who are not going anywhere in 1997, and who would wish to be likewise assured. Thus, provided the sum to be set aside is well within our realm of affordability, it may be but a small price to pay for the peace of mind.

My amendment, Sir, aims to spell out clearly what is most needed for this Government to maintain effective control in order to fulfil its responsibility under the Joint Declaration, while affording the necessary room to manoeuvre in the face of the changes that must take place with time, given the need for a smooth transition towards 1997 and beyond. The assertion of the power of decision for the Hong Kong Government ensures that no room is left for any power of veto for China.

Sir I have heard many say, particularly in recent weeks, that we must be positive and stand by Hong Kong. I believe the way to protect Hong Kong, whether it be our high degree of autonomy or the many other things that we value, is to convince China that our mutual love of Hong Kong is our common ground. By pushing China further away, we are pushing ourselves further away from China. I am certain, the building of mutual trust and respect between ourselves and China is the only base that we can work from to begin to persuade China that, left on our own, we are quite capable of acting in the best interest of Hong Kong without alienating ourselves from China. This is of course no easy task. Let us not make it more difficult for ourselves by moving in the opposite direction. And I have no doubt in my mind that following Mr LEE's route will bring Hong Kong down that path.

Sir, I so move.

HIS EXCELLENCY THE PRESIDENT: I now propose the question to you and that is: That the amendment moved by Mrs Selina CHOW be made to Mr Martin LEE's motion.

It might be helpful if I read out what the result of that would be. The motion so amended would read:

"That this Council urges the Government to make public all the details of any understanding reached with the PRC Government concerning the proposed Port and Airport Development Strategy; and to ensure that in any such understanding the power to take decisions over the affairs of Hong Kong until 1997 rests with the Hong Kong Government."

Members are by now familiar with the procedure of how to tackle these complicated amendments in a debate. But perhaps I would just remind Members that a Member who now speaks to Mrs CHOW's amendment is considered to be speaking both to the original question and the amendment. That means that he or she cannot speak again to the original question after the amendments have been disposed of. Could I now ask whether any Members wish to speak?

The Clerk has all the names. Thank you very much. The names include Mr PANG Chun-hoi..... Could I explain one further technicality on that. In the case of Mr PANG Chun-hoi, since he has already given notice to move an amendment to Mr LEE's motion, I will not call him to speak now because of the ground rule that any amendment proposed, in this case Mrs Selina CHOW's amendment, must be disposed of first before another amendment to the original question can be moved. So Mr PANG will have an opportunity to move his amendment if Mrs CHOW's amendment is negatived. However, if Mrs CHOW's amendment is agreed, then Mr PANG would not be able to move his amendment since that part of Mr LEE's motion that he wishes to amend would have been deleted by Mrs CHOW's amendment. But Mr PANG will still be able to speak to the amended motion should Mrs CHOW's amended motion be carried. I hope that rather complicated explanation is clear. Mr PANG, you still have the opportunity to speak later on.

Out of the list of Members who would now ask to speak, Mr Stephen CHEONG.

MR CHEONG: Thank you, Sir. May I first venture to suggest to Mr LEE that when he tells his grandson -- and I am sure he will have one -- that proudly he said in these critical times he upheld the Joint Declaration, he should not forget to tell his grandson that he tried his best to uphold his own interpretation of the Joint Declaration.

Sir, I rise to support the amendment to the motion as proposed by the Honourable Selina CHOW. The wording of the original motion as moved by Mr LEE, in my view, would have the undesirable result of erecting more and more barriers of misunderstanding

between Hong Kong and China. For the past few years the self-proclaimed democrats of Hong Kong, of whom Mr LEE is their star leader, have embarked on a role of pushing their own Utopian interpretation of a high degree of autonomy in Hong Kong to mean quasi-independence from the sovereign state. The United Democrats have continued to play on the deep-seated fear of the past history of Communist China; as such they continue to preach the message of gloom and doom, especially in international forums. It was reported that Mr LEE, the paramount leader of the United Democrats, is to go to London tonight to lobby British MPs so that they can shore up the spine of the Hong Kong Government to stand up to China. While I still respect his own personal integrity I believe such an action is tantamount to a total distrust, or even contempt, of the ability of the Hong Kong and the British and the Chinese Governments to handle issues efficiently and correctly for the overall interest of Hong Kong. In any case is he -- and his colleagues from the United Democrats -- not setting a very bad precedent for the future SAR leaders of the community? Should those leaders, after 1997, continue to stream up to Beijing and lobby Members of the People's Congress for support on issues which the local government is certainly capable of handling?

Sir, like it or not, sovereignty over Hong Kong reverts to China after 30 June 1997. The "one country, two systems" concept is new and novel, and to implement it successfully will need a lot of goodwill, hard work and co-operative spirit from all sides. There is no question, for sure, that we are worried over its successful implementation. Of course we are worried, of course we are uncertain, whether this concept will work or not. Nevertheless, the successful implementation of this concept is the best and the only way out for the majority of the people of Hong Kong, and to make it work, surely the first step is to try our best to dismantle barriers of mistrust and misunderstandings between Hong Kong and China. We should not be busy building more of them, and I therefore plead earnestly that Mr LEE and his colleagues of the United Democrats of Hong Kong should climb down from their egoistic ladder and learn how to be seasoned and effective leaders of Hong Kong working for the overall and long-term interests of Hong Kong and not just for the short-term election results of the 1991 elections.

Sir, Mrs CHOW's amendment fully reflects the spirit in which this Government should evolve to become a more open government. Our people should not be kept second-guessing all the time on an important issue like this. Hong Kong no doubt needs a new airport and it is even in the long-term economic interest of China for Hong Kong to continue to engage in infrastructural development to meet the future needs of this territory. What has happened so far is a very sad saga of lack of trust

on both sides. To both Britain and China, allow me to plead that the continuing negotiations should not be treated simply as a diplomatic game or wrangle. I am sure there are important issues to be discussed and these issues will be complex, but if there is no basic trust on either side nothing can be achieved.

Sir, this year is already 1991 and only a little more than six years away from 1997. There are still a lot of problems we have to solve and to address, and if we continue to be bogged down on important issues like the airport, how can we, Hong Kong, Britain and China, work effectively to deal with all the other problems that are necessary for a smooth transition and to lay the good foundation for the prosperity and stability of Hong Kong?

Sir, I just pray and hope that policy makers from all sides should be more sympathetic to the reasonable needs of Hong Kong, otherwise the chances of successfully implementing the "one country, two systems" for the stability and prosperity of Hong Kong will be placed, very sadly, in great jeopardy.

I support Mrs CHOW's amendment.

HIS EXCELLENCY THE PRESIDENT: Let me read out the list of names of Members I have who wish to speak to the amendment. Mr Martin LEE, Mr TAM Yiu-chung, Mr Ronald ARCULLI, Mrs Peggy LAM, Dr C.H. LEONG, Miss LEUNG Wai-tung and Mr James TIEN. We have some more. Could the Clerk please take down the names of the other Members?

MR MARTIN LEE: Sir, let us be perfectly clear what we are about to vote on. In due course a vote for Mrs CHOW's amendment has only one meaning: that this Council accepts that Beijing can appoint representatives onto executive bodies in Hong Kong including the Airport Authority and that Britain and China can decide how the money of the people of Hong Kong is to be used. She shakes her head. But that is precisely the effect of it.

Essentially, Mrs CHOW's amendment mirrors the first part of my motion calling for full disclosure of the details of any Sino-British agreement or understanding on PADS. Similarly, the second half of Mrs CHOW's amendment restates sub-paragraph (c) of my motion reaffirming that the Hong Kong Government must retain power to take decisions on the affairs of Hong Kong.

What Mrs CHOW's amendment seeks to do is to delete from my motion sub-paragraphs (a) and (b). Her intention could not be clearer. Sub-paragraph (a), which this amendment seeks to delete, urges the Government not to accept PRC-nominated representatives to executive bodies in Hong Kong, including the Airport Authority. A vote for Mrs CHOW's amendment can only be seen then as a vote in support of giving power to the PRC Government to appoint its representatives to sit on the Airport Authority. Mrs CHOW asked, "What is wrong with that so long as they are given the same power as any other Member?" But I am afraid she has missed the point, and that is, such an appointee from Beijing is accountable to Beijing, the appointor, that is the objection.

Sub-paragraph (b), which this amendment similarly seeks to delete, urges the Government to protect the financial autonomy of Hong Kong and not accept any Sino-British deal under which Hong Kong would have to set aside a portion of its fiscal reserves in trust for the SAR Government in addition to those reserves already in the "Land Fund." Hence, a vote for Mrs CHOW's amendment is clearly a vote to set aside a portion of our reserves in trust now. Such a move has no basis in the Joint Declaration, and it would strip this Council of perhaps its most fundamental power. At a time when we are seeking to strengthen the representativeness and popular accountability of this Council, we would be very short-sighted indeed to willingly cripple ourselves in such a manner.

Some persons may contend that the Joint Declaration does not specifically prohibit a move by the Hong Kong Government before 1997 to set aside reserves -- in addition to those provided for in the Land Fund -- for the SAR Government. Yet, this certainly was not the position of this Government only months ago. And, more specifically, it is a canon of interpretation of treaties that where one specific exception is provided -- in this case, the creation of the "Land Fund" -- the treaty foresees the creation of no other exception.

I believe those Members who will support Mrs CHOW's amendment should make clear to the public why they believe it is good for Hong Kong to allow PRC representatives on executive bodies in Hong Kong and how it will benefit Hong Kong to forfeit our responsibility to manage our taxpayers' money. Do they believe that such actions are consistent with the Joint Declaration?

Sir, I am not trying to push China away with disrespect as Mrs CHOW has suggested

because we just want China to honour and respect her own agreement that she signed on 19 December 1985. As for the Honourable Stephen CHEONG's criticism of me, he suggested that I was putting my own interpretation on the Joint Declaration. So I did. But what he has failed to do is to demonstrate to this Council why and how my interpretation is wrong because if my interpretation is right and he has not even attempted to show otherwise, then what we are dealing with is not a misunderstanding. What we are dealing with is China's attempts to break the Joint Declaration. The United Democrats of Hong Kong have not suggested that we should be independent. We are not even talking about quasi-independence although that phrase is so vague. But I would have liked Mr CHEONG to elaborate. What we are dealing with here and what we are defending here is that high degree of autonomy which is a promise to us. In short, apart from defence and foreign affairs, we Hong Kong people will be masters of our own house in 1997. Now who will believe what has been suggested? Do not worry. Today China will speak for you. You will not have a high degree of autonomy today because you are under British administration. So we will interfere in the way we think the best for you. But come 1997, the position will change and you the people of Hong Kong will indeed enjoy high degree of autonomy.

I am citing an example which springs readily to mind. Consider a couple about to divorce and they have got a little boy. At the moment, the little boy is staying with the mother who has asked the father far more money so that the little boy can have a second bowl of rice. The old man says, "No way." And yet he tries to assure the little boy, "But don't you worry, little Tommy, when you come to live with your Dad in three month's time after the decree of divorce, I will give you three bowls of rice." Well, if little Tommy is only three years old, he may believe him.

We the United Democrats of Hong Kong are not preaching gloom and doom. We are being realistic. We are warning the people of Hong Kong and I will be, in due course, warning the British parliamentarians that we must not allow any party and that includes both the Chinese and the British Governments to depart from the Joint Declaration. Mr CHEONG then warned us that I would be starting a bad precedent if I were to go to England now to plead with the British Government. For then, he is afraid that I would fly off to Beijing after 1997 to plead a certain cause. But I regret that he has missed the point. Why am I going to Britain tonight and why people will be going to China after 1997 (if they are doing that or if we are doing that)? Because the Joint Declaration is broken. What blame can he attribute to such a cause? The Joint Declaration was made for us by both the British and Chinese Governments, so if the Joint Declaration is perceived to be broken, why cannot we go to London?

Why cannot we go to Beijing? Mr CHEONG then urges us to remove the barriers of distrust. I would have liked those barriers to be removed. But you cannot remove those barriers by simple surrender because you surrender an inch today, you may as well be prepared to surrender 12 inches tomorrow.

Sir, let us remember the recent OMELCO meeting we had with the Foreign Secretary, Mr HURD, just before he went to Beijing. A general consensus of OMELCO at that meeting was that no agreement is better than a bad one. And I have little doubt that the two provisions that Mrs CHOW's amendment now seeks to delete would have been rejected by Councillors at that meeting. Have we now changed our position? Are we now prepared to accept an agreement that breaches the Joint Declaration in the most direct way?

Sir, the record will demonstrate the positions taken by Members of this Council on these two critical issues. I hope Members will vote in the long-term interest of Hong Kong and oppose Mrs CHOW's amendment.

MR HUI (in Cantonese): Sir, Sino-British negotiations on the new airport project have come to a temporary halt because there are major problems to be thrashed out. Nevertheless, judging by China's comments made after the suspension of the talks, it appears that the Chinese side has now become anxious that a conclusion be reached as soon as possible so as not to complicate the matter. As far as I myself and some members of the public are concerned, now that the dispute over the new airport plan has remained unresolved after one and a half years, and considering the fact that the people of Hong Kong are all along not entitled to participate in the decision-making process on the issue, this is an excellent opportunity for us to put forward our views to Britain and China. As a matter of fact, funds for the construction of the whole massive project will all come from Hong Kong people. It is therefore unreasonable for them to be barred from the negotiations, let alone being deprived of the right to be kept informed of the progress of the talks. No wonder people are becoming suspicious about the possibility of the Chinese and British Governments betraying Hong Kong for their own interests!

Since both China and Britain have repeatedly declared that they always have Hong Kong people's interests in mind, the only way to allay local people's worries is for the two sides to issue joint communiques in the course of their negotiations, irrespective of whether any agreement has been reached, because they have a duty to

explain to the people of Hong Kong even though the talks may have reached a stalemate. For example, the Director of the State Council's Hong Kong and Macau Affairs Office, Mr LU Ping, has recently maintained the Chinese stance that details of the negotiations, including China's proposal on the airport project, should be disclosed. As China has made known its position, the Hong Kong Government should reveal everything by publishing details of the talks for the information of Hong Kong people so that they can decide what to accept or reject. Should the Hong Kong Government be unwilling to make such disclosure, there will inevitably be suspicions about Britain's sincerity in fighting for Hong Kong's interest and the Hong Kong Government would also find it difficult to exculpate itself from the accusation that it is trying to hold back the facts in the interest of the British Government.

On the major premise of a "Three Nos" (no joint administration, no control and no veto) stance maintained by the Chinese Foreign Minister, Mr QIAN Qi-shen, the proposal put forward by Mr LU Ping which would enable Hong Kong to build a high-quality airport without resorting to tax increases or borrowing, and to set aside an adequate size of reserves for the future SAR Government, may to a certain extent be construed as a gesture of China's concern about the present and future interests of Hong Kong people. Such an expression of sincerity should not be regarded as premature interference in Hong Kong's affairs unless there are some undeclared conditions attached to the Chinese proposal, such as the Chinese side should be given a power to scrutinize matters, and not just the right to be consulted in the course of decision-making over the new airport.

On the other hand, the British Foreign Secretary, Mr Douglas HURD, following a recent visit to China, has said that he understands China's worry that the new airport project might prove to be a heavy financial burden to the future Hong Kong Special Administrative Region Government. He also thinks it is not unreasonable to set aside a portion of the reserves for the SAR Government. However, he points out that regard must be paid to two major principles: first, the implementation of the Sino-British Joint Declaration must have the co-operation of China, Britain and Hong Kong; second, while it is not against principles for the Government to consult China on major issues, Hong Kong must continue to have the final say so as to ensure the territory's effective administration.

Taking an overview of the respective positions of the two sides, what remains unresolved are issues relating to the size of reserves to be set aside and arrangements for making such provision, as well as the two entirely different interpretations by

both sides over the term "consultation", which are likely to have widely different ramifications. In my opinion, while China's worry about the airport project becoming a heavy financial burden for the SAR Government is understandable, and things like increasing taxes, raising loans and reducing our commitment to social services will surely affect people's livelihood and social stability, the Hong Kong Government indeed does not intend to use up our fiscal reserves, or at least is not so stupid as to arouse China's attention and invite its intervention by embarking on such a huge project as the new airport plan. We must also consider that the reserves will ultimately be spent on Hong Kong people. In this connection, although some may regard it undesirable to have intervention from the Chinese side, if the Hong Kong British Government can make some concessions in principle in return for China's blessing for the airport plan, this may after all be accepted as a political reality.

Nevertheless, should China ask the Hong Kong Government to set aside immediately so large a portion of reserves that it is likely to affect Hong Kong's own financial flexibility, such a request is open to question, partly because it is not a sensible one and partly because such a financial arrangement will not be technically feasible. For instance, if it were to be arranged by the two sides in the form of an agreement, it would be tantamount to asking the British Government to sign a bill in acknowledgment of debt. Therefore, should the Hong Kong British Government make a verbal guarantee and then take the initiative to give more transparency to the use of financial resources and placing itself under the supervision of public bodies like OMELCO, I think such a compromise arrangement is worthy to be considered.

However, the most thorny problem remains whether the term "consultation" implies a power to scrutinize or veto matters. Should China insist on being given a power of veto relating to the new airport project, covering planning and also tendering matters, I hope it would first consider the following two ill-effects before assessing the extent of the Hong Kong British Government's acceptance. First, although China is well aware of the only trump card it holds during the airport talks, that is, the Hong Kong Government and investors in the private sector are anxious to get its support, any open interference in Hong Kong's domestic affairs before 1997 will cast doubt upon the promise of a highly autonomous government and safeguarding the interests of investors beyond 1997. Second, the firmer the Chinese stand, the more will people be inclined to think that concern about the new airport plan is only a pretext for full-scale intervention in Hong Kong affairs. They will think that this is just the beginning of interference, the ultimate objective being to safeguard the interests of China in much the same way as Britain does. Yet the result will be the loss of

the people's support. Furthermore, for the sake of face-saving and the principle of ensuring the territory's effective administration during the latter half of the transition period, the Hong Kong British Government would be most reluctant to run such political risks in return for China's support.

To sum up, the impasse which the current negotiations have reached can, in the final analysis, be attributed to the critical lack of mutual trust between the Chinese and British Governments in the wake of the June 4 events. The fact that there is no trustworthy communication link between both sides has undoubtedly created an obstacle to Hong Kong's smooth transition. In my opinion, since the new airport is to be built so that Hong Kong people can meet the challenges of the next century, and since both China and Britain claim to represent Hong Kong's interests, the two sides should trust one another and entrust local people with the decision-making authority over the new airport, as well as the task of monitoring the fiscal reserves. Taking stock of the existing public bodies, I still think that OMELCO Members, with their wide range of expertise and talents, can best represent the different sectors of the community. I trust that so long as the Hong Kong Government is prepared to disclose the relevant information and data, including the contents of the talks now being held, OMELCO Members can certainly play the role of balancing the interests of all sides. I am sure that we are willing to shoulder this responsibility.

As to what to choose from the Honourable Martin LEE's motion and the amended motions moved by the Honourable Mrs Selina CHOW and the Honourable PANG Chun-hoi, as the former has more conditions to satisfy while the latter is not quite compatible with developing circumstances, I thus support Mrs CHOW's amendment as the subject of today's motion debate.

With these remarks, Sir, I support Mrs CHOW's amended motion.

MR TAM (in Cantonese): Sir, the Port and Airport Development Strategy (PADS) being planned is to be financed from out of the wealth of the six million Hong Kong people. Its success or otherwise will most directly affect those Hong Kong citizens who have their roots in Hong Kong. Regrettably, a project with such far-reaching effects is being decided by a few colonial officials who are not subject to control by the Hong Kong people and who do not have to bear any responsibility. Even as a Member of the Legislative Council, I can only feel helpless in face of this reality.

Just as I pointed out in the 1991 Budget debate, the Government monopolized information in the decision-making process of PADS, and turned a deaf ear to the demands for publishing detailed financing data, and reports relating to the possible impact on people's livelihood, and on the financial, economic and environmental fronts. This in turn led to doubts whether PADS as conceived by the colonial government is really in the interest of the Hong Kong people. Looking at it from this angle, I think that up to now the Chinese Government's involvement in the question of the new airport has been because it has been requested to make certain commitments. This situation, in so far as it serves to check and balance the unfettered decision-making power of a few colonial officials, has its positive value. For instance, on the scale of the airport project, the Chinese Government to a certain extent has restrained the tendency of colonial officials to pursue grandiose goals. Furthermore China's involvement has called Hong Kong people's attention to PADS, which has caused a certain degree of pressure being brought to bear on the colonial government to release part of the information (although far from sufficient).

However, the Honourable Martin LEE's motion has completely disregarded the positive influence of the Chinese Government's involvement in the decision for the new airport. It has ignored the fact that a few colonial officials under the colonial system could wield immense and unfettered powers and the political reality that they are not accountable to the public. The motion makes absolute the principle of a high degree of autonomy. Is the Honourable Martin LEE really going to tolerate the risk that the Hong Kong people and the future Special Administrative Region Government may have to bear a disastrous financial burden, just for the sake that the present dictatorial colonial government can enjoy a high degree of autonomy?

Also we must draw a clear line of distinction between the high degree of autonomy of the present colonial government and the high degree of autonomy of the future SAR. The high degree of autonomy of the present colonial government is unrestrained, and in which power is monopolized by a handful of colonial officials. Yet the high degree of autonomy of the SAR will be a high degree of autonomy in which the Government will be accountable to the Hong Kong people. With such an understanding on the question of a high degree of autonomy, we should not lump the two together by giving them the same weight.

Although I pointed out that the involvement of the Chinese side has a restraining effect on the decision-making power of colonial officials who are not accountable to the public, yet both the Chinese and the British sides cannot completely represent

the views of the Hong Kong people. Therefore it is very important that during the course of negotiation on the new airport between China and Britain the contents of the negotiations be published and Hong Kong people be allowed to air their views. However up to now the situation has been disappointing. In fact, since the Government announced the PADS, I have emphasized time and again in many relevant debates the importance of releasing information. However these speeches were but "breezes past the ears" of the powers-that-be. From this it can be seen that all along in decision making, the Government has never considered the views of the Hong Kong people, not even that of this Council.

Sir, based on the above understanding, I object to the motion of the Honourable Martin LEE. As to the amended motion of the Honourable Mrs Selina CHOW, I agree in principle that before 30 June 1997 the power to take decisions over the affairs of Hong Kong rests with the Hong Kong Government, subject to the proviso that the decisions so taken shall not be irresponsible decisions which will harm the long-term interest of Hong Kong and the future SAR.

Sir, with these views, I support the amended motion.

MR ARCULLI: Sir, whilst my learned and honourable friend in his usual style has expressed some rather fundamental issues today, and some of the sentiments which I share, it seems to me that his motion ignores, really, the core of the issue that he is trying to get at in so far as it concerns the airport development. If he is suggesting that the Chinese Government is bound -- and I repeat and I emphasize, bound, -- under the Joint Declaration to give its approval to this new airport development as proposed by the Hong Kong Government, I would be grateful if he would draw our attention as to where this obligation is set out in the Joint Declaration. I would be surprised if he would be able to do this, so where does that leave us? It seems to me that it leaves us exactly where my honourable colleague Mrs CHOW said that we will be if we pass the motion as proposed by the Honourable Martin LEE, and that is pushing ourselves, if not China, further away from ourselves.

I would respectfully ask Mr LEE to consider and to tell us whether we are likely to be able to finance the building of the new airport without the acquiescence, if not the approval, of China? Surely Mr LEE, with all his legal and political acumen, must accept that in the situation that we find ourselves in it is a fact of life that China can and indeed does influence our daily lives. Indeed, over the years we have

enjoyed the benefit of some of China's influence on us, and if I remember correctly, I do not think we have heard too many complaints about that.

If Mr LEE believes that we can ignore this fact of life, I would certainly be grateful, again, if he would tell us how.

As to his impression of what transpired at the OMELCO meeting with the Foreign Secretary, my recollection differs -- perhaps not a great deal from Mr LEE -- but to the extent at least that I do not think that there was a consensus or a majority view on "No agreement is better than a bad agreement" as Mr LEE put it. If I remember correctly, the Foreign Secretary's last remark was that he was leaving us with a range of views.

Sir, I am afraid that the wording and the underlying meaning of the Honourable Martin LEE's motion would at least create the wrong impression, if not beyond that. What we are concerned with is really the disclosure to the people of Hong Kong of any understanding, or indeed any agreement, that the Chinese, British and the Hong Kong Governments might reach in so far as the airport is concerned, and the amendment proposed by the Honourable Selina CHOW simply but amply covers that and for that reason I shall support it.

MR CHOW (in Cantonese): Sir, many people like to describe Hong Kong which is a mere speck on the globe as "a goose that lays golden eggs". Unfortunately, this goose nowadays is quite different from the one in the past. I just hope that the goose would not be roasted eventually for human consumption.

It is no exaggeration to describe Hong Kong as "a goose that lays golden eggs". A goose can never fly, but whether it can fly or not is of no significance to its master. Its value depends upon whether it can bring benefits to its master.

It is still uncertain whether any agreements can be reached in the meetings held by the working group formed between Britain and China to discuss the new airport and other major infrastructural projects in Hong Kong. But undoubtedly, Hong Kong people's interest have been forcibly stripped by the British and Chinese Governments. We cannot find on the negotiation table any representative who can truly reflect the stance of Hong Kong people.

The Political Adviser of the Hong Kong Government who is one of the members of the British delegation is directly appointed by the British Government and cannot

be treated as a representative of Hong Kong. Sir, the construction of the new airport is a major issue which has an important impact on all our political and economic activities as well as on the development of social welfare services in the next six years and beyond. It can be said to have a direct bearing on those people who will stay behind after 1997. However, there is no Hong Kong representatives at the meeting of the working group despite the fact that this project is closely linked with Hong Kong people's livelihood. Please consider what difference there is between the present arrangement and the scramble for concessions in China by the major powers many years ago? I sincerely hope that the British and Chinese Governments can place the interests of Hong Kong people above everything else and never sacrifice our interests as a result of emotional disputes.

In fact, there is nothing seriously wrong in consulting China, the future sovereign state of Hong Kong on important issues that affect Hong Kong up to and beyond 1997. However, it does not mean that "scrutiny" or "co-administration" should be allowed. Scrutiny means that there is an ultimate say. It goes against the arrangement set out in the Joint Declaration that the British Government should have governing power up to 1997 as promised by the Chinese Government. It also turns the Hong Kong Government into an absolutely lame duck during the transition period. As a result, the Government cannot exercise its governing power effectively. Worse still, its credibility will be jeopardized and the Administration cannot perform its functions properly.

The airport issue has been wrapped in a shroud of secrecy from the beginning up to the present. Since the new airport will be built in Hong Kong with the taxpayers' money, why is it that Hong Kong people cannot even take part in the negotiations? Is it fair to Hong Kong people? Has the Government underestimated the impact of the new airport issue on Hong Kong during the transition period? Is the Government not sure of the attitude of the Chinese Government? What exactly are the functions of the Government Political Adviser and the Central Policy Unit? Will the Government learn a lesson after suffering a rebuff in this political issue? Will it become more open and transparent when handling the new airport issue in future? I hope that the Government will bear this lesson firmly in mind and provide more opportunities in the future meetings for the local people as well as the Chinese Government to get the full picture of the airport issue and to see its importance, in order to avoid unnecessary misunderstanding. Starting from the current meeting of the working group, the Government should disclose details with regard to the agreements reached between Britain and China on PADS. Unnecessary political touches should be wiped

off, with a pragmatic attitude to be adopted in dealing with the airport issue. Moreover, the construction of the new airport should be a subject of economic concern rather than a political issue. To over politicize the issue or regard it as a kind of transaction is just the unilateral aspiration of the British and Chinese Governments.

The majority of Hong Kong people are concerned about what economic benefits will be brought about by the new airport; whether the Government will heftily raise taxes as well as reduce expenditure on public services and social welfare; and whether the construction of the new airport will exert financial pressure on the Government. It is really unwise for the Government to give up effective administration during the transition period simply for the sake of building the airport. It will also bring about an element of uncertainty as to whether the future SAR Government can live up to the spirit of "Hong Kong people ruling Hong Kong".

The long existing divergent views between Britain and China may be the result of the fact that the Hong Kong Government or the British representatives are too concerned about the major direction of the airport issue. Details about the impact of this project on the future SAR Government are seldom given to China. The negotiations made little progress and China is still reluctant to state her stance. This situation is in fact closely related to how the Hong Kong Government deals with the issue. If we consider the issue from the position of the other party, we will be able to discover the crux of the problem.

The airport issue has a great impact and an important bearing on Hong Kong people, but even the information available to the Legislative Council is very limited. How can the Chinese Government which has all along attached great importance to protocol not feel suspicious? Sir, in order to dispel doubts and misgivings, the Government should from now on disclose details about the new airport to enable Hong Kong people to understand more. It should not stick to the excuse that because many technical factors are involved, Hong Kong people's earnest request cannot be acceded to.

As to whether we can have a smooth transition in the run-up to 1997, communication and co-ordination between Britain and China will certainly be needed. Apart from that, the most important thing is whether the undertakings made in the Joint Declaration can be fulfilled, that is to say, whether we can have a high degree of autonomy, whether Hong Kong people can rule Hong Kong, whether socialism will not be practised in Hong Kong and whether our political, economic and social systems can

be maintained for 50 years. From now on until 30 June 1997, the British Government is still Hong Kong's "caretaker government". The airport issue is an internal affair. China has been consulted simply because the projects would straddle 1997. So it is reasonable that China be given a chance to understand and consider the matter at an early date. But whether China should have veto power or the power of scrutiny over the airport issue is an entirely different matter.

The Chinese Government often emphasizes that according to Annex II of the Joint Declaration, it should have the power of scrutiny over measures taken to facilitate a smooth transition towards 1997. However, I am afraid the Chinese diplomats might have overlooked some important points. The content of Annex II mainly deals with the scope of work of the Joint Liaison Group. This group has no authority to intervene in the administration of Hong Kong or the Hong Kong Special Administrative Region (Paragraph 6 of Annex II). Its activities and power are confined to its scope of work. Therefore, the word "scrutiny" actually takes the meaning of "consideration" as appeared in the phrase "matters for consideration" in the English version of the Joint Declaration. It has nothing to do with veto power and the power of scrutiny. The Government must implement to the full the Joint Declaration and should not give up the principles and decision made seven years ago despite external pressure or conflict of interests. We should understand that having a "seven years' itch" is against the moral principles of a responsible person or government.

As the Chinese officials often use the Joint Declaration as the tool for negotiation in the hope of rationalizing and systemizing Chinese intervention in the internal affairs of Hong Kong, we might as well refute their stance with their own arguments. It is clearly stated in the Joint Declaration that according to Article 31 of the Chinese Constitution, the Hong Kong Special Administrative Region shall enjoy a high degree of autonomy after 1997 and that "Hong Kong people ruling Hong Kong" would be the management principle for the SAR Government. The standpoint has already been clearly made. Concerning the affairs of Hong Kong during the transition period, views of both sides in this regard have been exchanged through channels at different levels, including the Governor's visit to Beijing, meetings of the Sino-British Joint Liaison Group, exchange visits of Chinese and Hong Kong officials, contacts between the Hong Kong Government and the Hong Kong and Macau Affairs Office as well as the New China News Agency in Hong Kong, and so on. Issues concerning the new airport and projects of related facilities were also discussed at meetings of the Hong Kong/Chinese Expert Team as well as the working group recently set up subsequent to the visit of the British Foreign Minister to China. The Government

has set up an Airport Authority and is considering setting up an Airport Advisory Committee for the preparatory work of the new airport. A special working group has also been set up by Legislative Councillors to monitor the Government's financial arrangement for the new airport project. All along the Chinese Government has not raised any objection to the above arrangements. Why does it demand at this stage that it should have representatives in the Airport Authority? This is really difficult to understand. Why do the Chinese and Hong Kong Governments not make good use of the existing communication channels? Duplication of systems is not a good thing for Hong Kong. I strongly object to the inclusion of a PRC representative into the Airport Authority and any executive or advisory body, because this is equivalent to advancing the return of sovereignty to China from 1997 to 1991. If "7" can become "1", then what is the purpose of having the arrangements for the transition period made in the Sino-British Joint Declaration which was signed in 1984? The Joint Declaration has been registered with the United Nations and became an international document. It is subject to scrutiny by world opinion and bound by international law, in which there is a provision stipulating that all treaties must be abided by. Being permanent member states of the United Nations, both China and Britain should respect and faithfully execute the agreements reached in the Joint Declaration, and there should never be any political trade-offs at the expense of the interest of Hong Kong people.

The sovereignty of a territory cannot belong to two sovereign states at the same time, otherwise, there will be political confusion as well as adverse effects on the policies of the territory. The remarkable success of Hong Kong as an international commercial and financial centre is largely built on a stable political environment and foreign investors would consider political stability as a variable when deciding on making investments in a place. If Hong Kong is co-administered by Britain and China or China starts an early intervention in the internal affairs of Hong Kong, an irreparable blow will be dealt to investors and their confidence will severely be impaired. Hong Kong is already facing a lot of problems, namely, brain drain, a slackened economy, as well as the re-domiciling of major companies. If the Chinese Government tries to have a hand in the administration of Hong Kong in advance, the already unstable political scenario would be further overshadowed and this will exert pressure on the effective administration during the transition period.

In my opinion, the existing communication channels for the new airport issue are already sufficient among the Chinese, British, and Hong Kong sides as far as the system itself is concerned. There is no need to strengthen China's participation in any

executive or advisory body on the new airport project. In fact, the Government should concentrate its effort on improving the transparency of the existing administrative structure and should disclose more information to the public concerning the new airport project. It should also widen the composition of representatives of the Airport Authority to enable the public to monitor the Authority more closely. Or alternatively, directly elected Legislative Council Members can be included into the Authority, so that they can make regular reports on the work progress of the work of the Authority to OMELCO and the public, and these information and reports should be directly available to the public. Besides, a working group should be set up to study and report on the impact of the new airport project on various social welfare and fiscal policies, in order that these policies would not be changed from time to time in the coming years.

Regarding the question as to whether a certain amount of reserve should be set aside for the SAR Government, I suggest that the following three principles should be observed before any decision is made.

(1) Flexibility

If the Government really needs to set aside a certain amount of reserve for the sake of maintaining the financial stability of the future SAR Government, the amount should be flexible and subject to adjustment according to the economic situation. Nevertheless, a percentage range should be set for the adjustment and it should not exceed 5% to 10%.

(2) Feasibility

Secondly, the amount of reserve to be set aside should be at a practical and realistic level. It should not be fixed at random and reserved for the sake of keeping a reserve. Besides, the decision on the amount should depend upon the degree of participation of the private sector.

(3) Precision in financial management and economic forecast

The estimated expenditures made by the Government in recent years were often out of touch with reality. For instance, the main factor contributing to the surplus of the last financial year was that some proposed projects could not be started in that period. Therefore, such surplus was merely a book surplus. Before setting

aside a certain amount of money for the reserve, the Government should exercise tight control over public expenditure, adhere strictly to the diminution schedule of various departments; and improve effectiveness of its work by applying modern technology, so that the fiscal condition of the Hong Kong Government can operate on a sound basis. Only by so doing can the Government avoid the need to introduce a stringent budget in reserving a sum for the SAR Government.

In deciding whether a sum of money should be set aside for the SAR Government, it is more appropriate to follow the above three principles than to fix the amount hastily. As the saying goes, "It is easier learned than practised." Both the Hong Kong side and the Chinese side should not take the matter of maintaining a reserve for the SAR Government lightly.

The success of the new airport project is dependent upon the communication, co-operation and co-ordination among the Chinese, the British and the Hong Kong Governments, but not co-administration (of Hong Kong by Britain and China) or the possession of veto power and the right of scrutiny by the Chinese Government on the internal affairs of Hong Kong, which would certainly not be of any benefit to Hong Kong.

In ancient China, football was a game played by high-ranking officials and the rich in their courtyards. However, it has long been developed overseas into an international sporting event. I hope the Chinese Government will not treat the new airport issue as its own affair but abide by international law and the Sino-British Joint Declaration so that the Joint Declaration can be fully implemented. Furthermore, the Hong Kong Government should attach the greatest importance to the interest of Hong Kong people and turn down any proposal in breach of the Joint Declaration, so that the internal affairs of Hong Kong during the transition period would not become "international affairs" under the intervention of various political entities.

Sir, for the above reasons, I support the motion moved by the Honourable Martin LEE.

MRS FONG: Sir, Hong Kong needs a replacement airport. This is the position of the Hong Kong Government and has not been disputed by the the British Government or the Chinese Government. There is a general consensus. I am disappointed that an

agreement has not been reached on the replacement airport, but am hopeful that meaningful discussions will be resumed soon and that agreement will follow shortly thereafter.

I am not privileged to know the range of issues that are involved, nor within them the precise ones that underpin each side's positions and preclude an agreement. I am therefore hesitant to comment, as my views would be substantially based on newspaper guess-work. However, there seems to be three major areas that different sectors have identified.

First, the general public in Hong Kong understands that the airport cannot be built at all cost, because the "all cost" to them clearly means raising tax and a depletion of the funds available for social services. This opinion of the Hong Kong public is forming; it has not yet come strongly into the open.

Second, the concern of the Hong Kong Government seems to be that the overall project should not be too ambitious or too costly. This concern is communicated clearly in the often repeated request for assurances as to the level of reserves that will be left to the future SAR Government in 1997. What I do not really comprehend here is whether the major concern is with the absolute cost, due to the nature and design of the project, including all of the related infrastructure foreseen in the plan, or whether it is with the timing for the completion of the various parts.

Third, the Hong Kong Government has focussed strongly on its need to maintain control in order to conduct an effective government. No one can dispute the need for control, and an effective government is extremely important. I trust that we will always be willing to listen to constructive comments from any interested party.

The British Government Foreign Office has been playing a very special role. It has made it clear that the Hong Kong Government decides on airport and that is only participating in the negotiation efforts.

If all concerns are on the table, a solution must be found. I therefore urge that negotiations be resumed at the earliest possible date and that if there are any concerns that need better explaining, that they be explained. My own concern in saying this is that the cost to Hong Kong, in the way of losing confidence, is a cost that cannot be ignored.

In the present environment, it is unwise to impose conditions on any one side that would unnecessarily tie that party's hands and preclude it from reaching what might be a totally acceptable agreement. I feel that the full range of restrictions Mr Martin LEE proposes is confrontational. His proposed motion debate has the effect of excessively tying down the British Government's hands in the negotiations. I therefore do not support the motion.

Further on this subject, it is my view that once an agreement has been reached, it should be fully explained to Hong Kong people. What we will need after the negotiations are over is the feeling of consensus that differences are behind us and that the object is the right one from the viewpoint of timing, cost, operational efficiency and effectiveness.

Sir, with these remarks, I oppose the motion proposed by the Honourable Martin LEE. As to the amended motion proposed by Mrs Selina CHOW, I find that it simply proposes not to agree to anything that would involve a change in the Joint Declaration, as part of an understanding to gain agreement to the airport project. I cannot disagree with this proposal. I thus support her motion.

HIS EXCELLENCY THE PRESIDENT: Perhaps it might be useful to Members if I now gave a list of those who have got their names on what is an ever expanding list of speakers. Mrs Peggy LAM, Dr C. H. LEONG, Miss LEUNG Wai-tung, Mr Jimmy McGREGOR, Mr James TIEN, Mr NGAI Shiu-kit, Mr POON Chi-fai, Mr SZETO Wah and Mr Andrew WONG, and if anybody else wishes to add his or her name. Mr PANG Chun-hoi, I mentioned earlier what the particular issue is with you because your amendment, if you have to put it forward, depends on Mr Martin LEE's original motion. Mr CHAN Ying-lun, I will add you to the list too.

MRS LAM (in Cantonese) Sir, the series of negotiations between the Chinese and the British Governments recently over the new airport project have given rise to heated debates and the failure to reach an agreement after such a long time has cast a shroud of uncertainty over the future of Hong Kong. The reason is that what they have been discussing are Hong Kong affairs but we, Hong Kong people, have all the while been kept in the dark as to the details of the negotiations. So indeed nothing could have been more welcome than the chance that we are now having today to discuss the matter in this Council. All along we have stressed that we would like to see a smooth

transition, which would require, I should say, co-operation among the Chinese, British and Hong Kong Governments. Nevertheless, the motion by the Honourable Martin LEE would seem to be running counter to this. So perhaps it could be said that the Honourable Mrs Selina CHOW's amendment motion would be more reasonable and convincing and should deserve our support.

In my view, it is of paramount importance that the decision-making power in respect of Hong Kong affairs should rest with the Hong Kong Government. Any understanding reached between China and Britain regarding the PADS should be made public as, after all, we, the people of Hong Kong, are the parties involved. Both Governments should avoid holding back information and keeping people in the dark as this would spread suspicions and unrest among the community and, as a result, deal a further blow to the confidence of the public. In the past years, the OMELCO Members have been trying hard to restore confidence to the people of Hong Kong. If we failed this time, all our past efforts would be futile.

As to the setting aside of a portion of our reserves in trust for the SAR Government after 1997, this would perhaps be a confidence booster to those who would stay or who had never before thought of emigrating. Very few people, in fact nobody, could predict whether Hong Kong would be in economic hard times in the distant future. So the reserves in trust could serve as an insurance to the SAR Government and to those who will stay. The future Government will thus be better equipped to weather any financial crisis. But one very important point is: how much exactly should be held in trust? I am of the view that this should be decided by the Hong Kong Government having regard to our financial capability and the sum to be set aside being reasonable.

In fact, it would not matter much even if China insisted on appointing a representative to sit on the Airport Authority. The appointment might perhaps quell China's suspicions over the whole project. The infrastructural development, massive in scale, will mean a huge financial commitment with implications stretching beyond 1997. If China considered that this project might burden the future SAR Government or worried about the financial capability of the Government, it should not be too much of a problem to allow its appointed representative to sit on the Authority. That representative, as Mrs CHOW has put it, should have no privilege and should enjoy the same status -- no more and no less -- as his other fellow participants. All members of the Airport Authority ought to have the interests of the Hong Kong public at heart. And of course this PRC Government-appointed representative should be given

no power of veto.

Sir, based on the above reasons, I support Mrs Selina CHOW's amended motion.

DR LEONG: Sir, the new airport project, an otherwise colossal asset to Hong Kong, has unfortunately become an emaciated sitting duck inviting abuses.

It also mirrors the trauma of the upsetting relationship between China, Britain and Hong Kong over the past two years.

This project, if, at the end of the day, goes up in smoke, may be the greatest international farce for this decade. But for Hong Kong people, if this is a way out for a tightening grip by China over the territory before 1997, the price may well be worth it. I personally would hate to see this happen as it has been said that Hong Kong needs a new airport.

Sir, the melee that is going on has done Hong Kong a disservice and has gone out of its dimension. It has extended over its technical border into an area where Hong Kong's autonomy is at stake.

To put it simply, Sir, it is Hong Kong's autonomy now and into the future that is being put to test, and the technicality of the PADS is just the tools for the discussion.

Many people are worried that China is breathing down the neck of Hong Kong and that China is in a quest for even greater authority over the territory before its take-over by 1997. Similarly, Sir, people in Hong Kong fear that Britain may cave in to Beijing's excessive conditions and sweep aside Hong Kong's interest, in return for China's nod over a deformed airport project.

The veil of secrecy surrounding the Sino-British airport talks in Beijing last week, in which no representative from the Hong Kong Government took part, had aggravated such anxiety.

Alas, the "airport jitters" has become an explosive demolition device and may, I am afraid, blow off local confidence to rubbles.

Sir, we do not want to see Hong Kong's plume of autonomy being clipped. And we protest the way the talks are conducted.

We hate, shall I call, "information hoardings" by both sides. This information blackout would lead to more speculation, more anxieties and intensified unsettlement.

Hong Kong people have the right to know and it is pivotal that Hong Kong people should be in the know of all the details of the discussions before it is too late.

This is really to ensure that there is no cozying up on the part of Her Majesty's Government to Beijing and to enable that the interest of Hong Kong will not be sold down the river again.

Hong Kong people, Sir, have already been rid of too many chances to plan better and objectively for their future, in wake of an endless stream of political trade-offs.

Please do not spoof them again this time and do not cow them into any more disgraceful subservience. That ebullience of the Hong Kong sentiment must be taken care of.

The Joint Declaration, Sir, establishes that the Special Administrative Region (SAR) of Hong Kong shall enjoy "a high degree of autonomy" from China after 1997. Only matters of foreign affairs and defence will come under China's jurisdiction.

Hong Kong's proposed new airport has no implication for foreign affairs or defence. It is an internal matter over which Hong Kong alone should decide.

If Beijing seeks veto power over the airport this is a breach of the Joint Declaration and the Joint Declaration, Sir, cannot be breached.

The introduction of a nominated representative from the PRC Government into the Airport Authority or any other executive or advisory body in Hong Kong, to me, constitutes Beijing's veto power on affairs of Hong Kong and this borders on Hong Kong's autonomy. Even if it is just one amongst many, the many will still have to look at him for the ultimate decision for he carries the weight of the Beijing Government.

As regards reserves, very few people will not believe that the Hong Kong

Government should not adopt the policy of maintaining a sensible level of reserve. But such a policy should be set only by the Hong Kong Government. This is part of Hong Kong's autonomy. And Hong Kong must retain the right to change its reserves policy if the need arises.

Last, but not least, let me remind that Britain, and not Hong Kong, is a signatory to the Joint Declaration. It is therefore Her Majesty's Government's responsibility and honour to ensure that the spirit and letter of the Joint Declaration be adhered to -- that is, that the autonomy of the territory be afloat before and after 1997.

The Joint Declaration is an internal piece of document. It is as much a responsibility for China to abide by it, as Britain to make sure it is practised as promised to the people of Hong Kong.

Sir, the Honourable Stephen CHEONG, who is unfortunately not here in the Chamber now, reminded the Honourable Martin LEE to tell his grandson that what he said was his interpretation of the Joint Declaration. I would like to echo the same sentiment and to remind the Honourable Stephen CHEONG that to disagree with having a PRC Government-nominated representative to sit on the Airport Authority, to object to Beijing's control of Hong Kong's fiscal reserve and to disagree with giving China the power of veto on Hong Kong's internal affairs is only his interpretation of Hong Kong's intending to put up a barrier with the PRC. I must declare I am in nowhere related to the United Democrats of whom, to use the Honourable Stephen CHEONG's word, the Honourable Martin LEE is the paramount leader. But in my mind, the proposal by the Honourable Martin LEE is to protect the autonomy of Hong Kong which I hope, all of us here, and the people of Hong Kong so well treasure. The Honourable Mrs Selina CHOW's amended motion sounded initially in face value to be fairly general and acceptable. Having heard, however, her speech on the motion, I have the interpretation that it borders on surrendering Hong Kong's autonomy even before 1997. I am therefore opposed to Mrs CHOW's amended motion and support Mr LEE's motion.

MISS LEUNG (in Cantonese): Sir, Mr Martin LEE's motion on the Port and Airport Development Strategy (PADS) and Mrs Selina CHOW's amendment to it are each made up of two independent parts. As regards the wording of the first part of Mr LEE's motion, Mrs CHOW has proposed to replace the word "agreement" with "understanding". The word "understanding" might include informal agreements whereas the word "agreement" mainly refers to more formal agreements. In this regard, I accept Mrs CHOW's

explanation for her amendment that we should urge the Government to disclose all the formal or informal agreements. Therefore, the terms in which Mrs CHOW's amendment is couched and the meaning they intend to express are obviously more realistic than the original motion.

Both Governments concerned are still bargaining over the building of the new airport. We Legislative Councillors and the general public will never know the extent of their differences and what the points at issue are. We can only guess. The latter part of Mr LEE's motion, that is, parts (a), (b) and (c), is too strongly worded and its scope is too narrow. Indeed, we have no means of knowing if what Mr LEE alleges in his motion really exists as a fact.

The purport of whatever agreement or informal agreement the Governments concerned will eventually reach in the near future will be a matter for conjecture. In short, the wording of the latter part of Mrs CHOW's motion can succinctly reflect the wishes of the general public, that is, before 1997, the Hong Kong Government can still have the power to decide on its own affairs.

Sir, basically I think Mrs CHOW's amendment is more appropriate and realistic than the original motion. However, as regards the latter part of her amendment, I can only accept some of the reasons given in her explanation. In conclusion, I support Mrs CHOW's amendment. At the same time, I would like to take this opportunity to urge the Government to increase the transparency of the PADS project.

MR MCGREGOR: Sir, I do become a little confused as to whether Hong Kong is a fat female goose laying golden eggs, a sitting duck about to explode, a lame duck presumably incapable of laying any eggs at all or a deep-fried dead duck, possibly of the Peking variety. We ought perhaps to equate Hong Kong with flowers, which have different colours but all of which have a pleasant smell.

Sir, Mr Martin LEE's motion contains several basic requirements if Hong Kong is really to continue to enjoy a higher degree of autonomy in the conduct of our affairs now and after 1997.

If China has faith in the arrangements set out in the Joint Declaration and the Basic Law and if China fully intends to subscribe to these agreements there should be no serious concern about the ability of Hong Kong to build and finance the new

airport.

Hong Kong has a long track record of success in infrastructural and institutional development, in expanding and developing one of the world's strongest economies, in planning adequately, indeed brilliantly, for its economic future and for doing all this consistently within budget and with an accrual of reserves which would be a credit to any government in the world.

So what is China afraid of? China's economic track record and performance does not bear comparison to that of Hong Kong. China is not, to my knowledge, a master builder of airports nor an architect of economic growth of international repute. China, I think, could learn a great deal from studying the ways by which Hong Kong sets about planning and building infrastructure.

I come back to the question of Chinese insistence on cast-iron financial guarantees and on direct involvement in the construction and financing of the airport.

If these requests are met in full by the Hong Kong Government we might just as well invite China to become a joint venture partner in the further administration of Hong Kong. At the very least, China would be encouraged to press for further concessions in the important executive functions of the Government. To give way on the airport will weaken resistance to further participatory proposals from China.

I think we all agree that Hong Kong, to remain successful, must have a high degree of autonomy. We already enjoy this status in our relations with Britain. We must insist on keeping this status quo with China. That means that there will be points of administrative authority that cannot be conceded nor seriously weakened. On these points we must argue strongly with China and with those in Hong Kong who would readily concede to China, in order to retain an effective government in control of our incomparable, but vulnerable economy and society.

Mr Martin LEE's motion warns us of dangers to both autonomy and administrative authority in Hong Kong. The issues are wider therefore than the question of the airport, important though that is. The real issue is whether the Hong Kong Government can protect the Hong Kong system from unwarranted interference and intervention from China now and in the future. How, Sir, your Government deals with China on the airport may set the precedent for Chinese involvement in our domestic affairs in future.

Sir, I therefore vote against Mrs Selina CHOW's motion and for Mr Martin LEE's motion.

MR TIEN: Sir, I rise to support the motion as amended by Mrs Selina CHOW, and my grounds for supporting it can be summarized briefly as follows:

In the first place, I consider that, while I sympathize with much of the spirit of Mr Martin LEE's original motion, I nevertheless prefer the version as amended by Mrs CHOW which is less controversial, less strident and, by implication, considerably more realistic.

It calls upon the Hong Kong Government to make public full details of the understanding reached with the PRC Government regarding the PADS. Without doubt, such information is essential if public confidence is to be secure at this somewhat confused moment in our history.

I agree with virtually all my colleagues that the time for excessive secrecy is over. We need more glasnost. Indeed, extreme secrecy can only lead to rumour-mongering, uncertainty and loss of confidence.

In fact, both Mr LEE and Mrs CHOW's motions are in agreement on this point.

My second point refers to the need for Hong Kong to keep the power of decision-making here in Hong Kong. The second part of Mrs CHOW's motion makes this point clearly, more clearly than that of the original motion. Until 1997, (and, we expect, afterwards), "the power to take decisions over the affairs of Hong Kong (should) rest with the Hong Kong Government" I believe this point to be at the heart of the present negotiations.

My third reason for my support of the amended motion is that it speaks of understanding. We should see what we have in common with the PRC rather than stress differences. Such is the practical way.

Sir, as I see it, all three Governments agree with the need to build the airport, and, perhaps, even where it should be built. There is also agreement that it will cost, if fully implemented, a considerable sum of money. There is even agreement that some, (as yet unspecified), element of consultation should be included.

Some important principles appear therefore to be accepted. Equally, some complex and important principles are still under discussion. The cost factor is, of course, significant. Cost will be a bone of contention for years to come, for, without doubt, PADS will not be cheap.

At the same time, the question of the meaning of "consultation" in future discussions has to be sorted out. The representatives of the PRC appear, at this moment in time, to want too big a say over this, and perhaps other future projects.

Let me say that in supporting the motion of Mrs CHOW I do not imply that Mr Martin LEE's motion is not without merit. It is true that we were promised a high degree of autonomy after 1997, and some of the latest exchanges suggest that this is already in peril.

Sir, "megaphone diplomacy" is usually counter-productive. Mrs CHOW's motion avoids the use of the megaphone, and let me simply leave it at that.

Of course, Hong Kong has no political muscle. It will not help us to be unduly confrontational towards the PRC's compensation. Mr LEE's points are phrased in a somewhat supercharged way; that is his privilege. Indeed, I am not lacking in sympathy towards his keen desire to protect the promised high degree of autonomy. I also fully share his concern to respect our autonomy, financial and otherwise. We should not envisage giving a veto power over policy to any government -- other than our own.

However, parts of part (a) and (b) of Mr LEE's motion, such as refusing to allow PRC nominated representatives to sit on any executive or advisory board in Hong Kong and not agreeing to set aside any portion of our reserves for the SAR Government, give me the impression that Mr LEE is trying to add fuel to fire to the current talks between Beijing and London, and that he almost does not want to see any agreement or understanding reached by these three Governments. No airport versus a compromise airport, no agreement versus a compromise agreement, no reserve set aside versus a compromise reserve set aside, confrontation versus compromise -- such position certainly could not be in the best interest of the grassroot people in Hong Kong who, other than having their votes, have no chance of emigrating elsewhere by 1997.

I believe then that the motion as amended by Mrs CHOW is the preferable motion. It is reasonable, specific and less confrontational. It spells out the need, firstly, for proper publicity and awareness, and, secondly, for the autonomy of our Hong Kong

Government to be fully respected. We should be satisfied with achieving these two things, and leave the rhetoric aside.

Sir, I support Mrs CHOW's amendment, and would urge Members of the Council to accept it.

MR NGAI (in Cantonese): Sir, I rise to support the Honourable Mrs Selina CHOW's amendment. Mrs CHOW's amended motion imports, I should say, more of a co-operative spirit and less of a confrontational stance. In the present circumstances, co-operation would be more beneficial while confrontation could do nothing but harm.

A while ago, my honourable colleague, Mr Martin LEE, seemed to suggest that a vote for Mrs CHOW's amendment could only be seen as a vote in support of the PRC Government appointing its representatives to sit on our executive bodies to jointly administer Hong Kong; and that acquiescence to set aside reserves in trust for the SAR Government would somehow be acquiescence to set aside reserves for the PRC rather than the SAR Government. This logic or line of argument is one that I find it hard to accept.

The Honourable Stephen CHEONG just now suggested that Mr Martin LEE should tell his grandchild of his efforts in upholding his interpretation of the Sino-British Joint Declaration. I would like to add that perhaps Mr LEE could tell his grandchild, "Thank God, your Grandpa has legged it!" The reason I say so is that a deduction from Mr LEE's logic could be: "China cannot be trusted; China will not abide by the agreement and is going to interfere in our affairs; so why stay and wait?" To put it in another way, Mr LEE seemed to suggest that once the airport project got under way and the reserves set aside, all hell would break loose and the Sino-British Joint Declaration would be doomed. I believe not many people would accept this line of argument. Given the present circumstances of Hong Kong, I consider that emphasis should, first and foremost, be laid on the imperative need for effective administration by the Hong Kong Government. As a matter of fact, nobody has ever suggested that we should agree to invite PRC Government-nominated representatives to jointly administer Hong Kong. Even Mrs CHOW's amendment motion, it seems to me, carries no implication of this. But if it were to be interpreted subjectively as a motion to invite the PRC Government to jointly administer the territory and to interfere in our internal affairs, this interpretation would appear to be less than convincing. The Chinese Government has time and again made it clear that it has no

intention to interfere in our Government's administration of Hong Kong, and that it is only concerned about matters after or straddling 1997, in particular the airport project which raises the question of whether it would be a heavy financial commitment to the SAR Government after 1997. I am of the view that, as legislators, instead of misleading people, we should guide them the right way so that they will make a reasoned judgment. At present, I feel that it would be all the more important for us to take upon us the responsibility of urging the Chinese and British Governments to be fully co-operative, frank and sincere in sorting out differences and to re-create the lively and friendly atmosphere the Foreign Secretary, Mr Douglas HURD, brought to Beijing at the early stage of the airport talks. Hong Kong indeed needs a new airport. I would therefore like to take this opportunity to urge China and Britain to resume talks so as to find a compromise and reach an agreement as soon as possible. Thank you.

MR POON CHI-FAI (in Cantonese): Sir, all along, China, the United Kingdom and Hong Kong have publicly affirmed the need of a new airport to pave the way for the future development of the territory. Therefore, we must identify our goal clearly and be pragmatic. We should strive to iron out any difficulties in the building of the new airport and work hard for a bright future of Hong Kong. We should never allow our emotions to rule our minds and ask for the abandonment of the new airport scheme indiscreetly or agitate the disputes and consequently render the scheme abortive.

Sir, the motion moved by the Honourable Martin LEE is in many aspects impracticable and not conducive to resolving the problems, but will further complicate and aggravate them. It is not in line with the long-term interests of the territory. As a matter of fact, the success of the airport and related projects depends largely on the attitude of China. Since it is a massive scheme straddling 1997 which will have far-reaching implications on the financial situation of the future Special Administrative Region Government, and the existing Hong Kong Government is still in the form of a British colonial administration which for one reason or another is unable to represent the interests of Hong Kong people fully, therefore as long as the power of final decision on our policies is still rested with the Hong Kong Government, we should not raise unjustified objection to the support, assistance and monitoring offered by China towards the new airport scheme and the representation of the Chinese Government in our local advisory body in respect of the scheme. As a matter of fact, Chinese involvement in the scheme by offering assistance and monitoring will produce a balancing effect and may help prevent the

projects to be operated overwhelmingly in favour of Britain and thus the interests of the future SAR will be safeguarded.

Sir, just as the Financial Secretary has been emphasizing that Hong Kong has to keep her financial capabilities strong due to global uncertainties and in the face of an unprecedented change of our political system into the "one country, two systems", the post-1997 SAR Government must be equipped with sufficiently strong financial capabilities in order to cope with certain ups and downs in political and economic developments. Adequate fiscal reserves can sustain the confidence of our current Government, the civil servants who will remain in Hong Kong to serve the future SAR Government and the people of Hong Kong. They will also form one of the major factors contributing to the successful administration of the territory. The Honourable Martin LEE has proposed in his motion not to set aside any portion of Hong Kong's fiscal reserves (of course it means the amount that we can afford) for the post-1997 SAR Government for contingent needs. I think such a proposal is unfair to the future SAR Government or the people and the civil servants who will stay in Hong Kong after 1997 and runs against the objective of protecting the long-term interests of Hong Kong.

Sir, I would like to raise the question on whether the Hong Kong Government is presently enjoying a high degree of autonomy and whether the people of the territory are enjoying a high degree of democracy too. In view of the way that the Vietnamese boat people problem perplexing Hong Kong for over 10 years has been dealt with, and despite the outcries from Members in this Council or the public outside the Council against the first asylum policy and the strong request for the mandatory repatriation of the boat people so as to reduce our heavy financial burden, all we can get from the Secretary for Security is his perfunctory reply that "the Hong Kong Government has its limitation in handling the boat people problem". Besides, an amount of \$230 million has been allocated to Britain as financial support in the Gulf war regardless of the strong opposition among the public. Under such circumstances, how can we believe that our Government is really enjoying a high degree of autonomy and is free of domination and influence of Britain or the United States?

Sir, Hong Kong people have been in anguish over the June 4 incident. However, after the event, we are even more anxious that China will resume her stability and continue to carry out reforms and practise her open-door policy to maintain prosperity so that the people of China can lead a peaceful life of better living standard. Owing to our close relation with China, Hong Kong can only continue her development when China is under a stable condition. Taking these factors into account, we are in

support of the approach that we may help promote the economy of China and assist her in carrying on with her reforms and open-door policy by virtue of our economic achievement and our influence over China. Only when China achieves good progress with her economy that the living standard of her people may be improved and only when she continues to carry out reforms and the open-door policy that there may be more freedom and democracy. We agree that we may offer well-intentioned advice to China but we do not accept the imposition of isolation or economic sanctions against China. We disagree to any grovelling towards China in order to win her favour but we disapprove of any insensible words or acts taken blindly against China in the manner of "opposing whatever China supports and agreeing whatever China disagrees". Such confrontational attitude will only undermine the interests of Hong Kong. Sir, the people who plan to stay in Hong Kong are afraid of and tired of drastic acts or confrontations. They only hope that there may be a sound and pragmatic policy under which economic development, social stability and prosperity may be sustained so that they may live in peace. Extreme acts will bring no advantage to Hong Kong and will not be supported by the general public. Thus only if we make concerted efforts and take the overall interests into account, a bright prospect will be achieved for both China and Hong Kong.

Sir, with these remarks, I vote against the motion moved by the Honourable Martin LEE Chu-ming.

HIS EXCELLENCY THE PRESIDENT: I have the names of three more Members who wish to speak on the amendment proposed by Mrs Selina CHOW. They are Mr SZETO Wah, Mr Andrew WONG and Mr Michael CHENG.

MR SZETO (in Cantonese): Sir, originally I did not intend to speak because the motion moved by the Honourable Martin LEE had already included my views. But after hearing the speech of the Honourable Stephen CHEONG, every sentence of which "touches" the United Democrats of Hong Kong, I, as a member of the United Democrats of Hong Kong, cannot remain silent, as "it is impolite not to reciprocate".

Mr CHEONG mentioned utopia. What is a utopia? It is an ideal that cannot be realized. He implied that this unrealizable ideal was the one-country-two-systems concept, the spirit of a high degree of autonomy -- by extension, the Sino-British Joint Declaration. If it were not so, he would not have claimed that the Honourable

Martin LEE's motion had a tinge of utopia.

Secondly, Mr CHEONG ridiculed Mr LEE for going to London tonight, saying that after 1997 he would be going to Beijing. Actually, it does not matter where one goes, as "with justice on one's side, one can go anywhere." It depends on what standpoint and attitude one adopts when one goes. In fact, I believe the Honourable Stephen CHEONG has also been to London for quite a few times, and some trips were taken as early as when the Sino-British negotiations were in progress. So what does it matter when somebody else is going at this moment? I have hardly been there, I only went to London for the first time two months ago, but I have been to Beijing for quite a number of times. The question is what standpoint and attitude the goer adopts and the interests of what kind of people the goer represents.

Mr CHEONG followed by saying that we were causing obstacles, causing obstacles to the Sino-British discussions on the issue of the airport. Actually, what the motion raised coincided with that raised under the Sino-British Joint Declaration, that is to say, to implement the basic spirit of the Declaration. If this were to constitute an obstacle, then the real obstacle would not be this motion, but the Sino-British Joint Declaration, that is, the one-country-two-systems concept and the basic spirit of a high degree of autonomy. Mr CHEONG mentioned the 1991 elections. He mentioned the matter many times, and has mentioned it frequently, and almost every time when he spoke he said other people were soliciting votes for the 1991 elections. I hope he will not mention it anymore, and not mention it this way, because in a debate the most important thing is to discuss opinions on their merits, and not to suspect other people's motives, or to look for or speculate the motives behind every opinion of other people, as this is against the principle of debate. Besides, where there are elections there will be electioneering and courting of voters for votes. To strive for votes is not a shameful thing, only to buy votes and eat free political lunches is shameful. If he always ridicules people for striving to win over voters, then in fact he does not know what election is all about.

Finally Mr CHEONG pleaded not to create any mutual distrust, but this is actually not a question of trust. A member of the Legislative Council has the duty to monitor the Government. To monitor is not to distrust, but it is a duty. If we have to trust in everything and do not monitor, then there would be no need for the motion of the Honourable Mrs Selina CHOW either, because we believe, and we trust, that any agreement would be good for us and need not be disclosed. Why do we demand the Hong Kong Government to stick to its right to govern in the airport negotiations? If

we believe then we do not have to say so. This is not the question of trust, but the question of duty.

In passing, I would mention the view put forward by the Honourable TAM Yiu-chung. He said there would be benefit in China's involvement in the airport issue, because this could check and balance the arbitrariness of Hong Kong's colonial bureaucracy. Are Hong Kong's colonial officials acting arbitrarily? Can China's involvement now offer checks and balances, or produce some other effect? This is not our best interest. Our best interest is the implementation of the Sino-British Joint Declaration and the spirit of a high degree of autonomy of the one-country-two-systems. The present involvement violates this spirit, and is against the best interest of the people of Hong Kong.

I support the motion of the Honourable Martin LEE, but I would also tell Mr LEE, if his motion is not adopted, not to be discouraged or disappointed. The motion of the Honourable Mrs Selina CHOW is not bad either. Mr LEE has said that it would be better to have no agreement than to have a bad agreement. Now it is not too bad to have a not-so-bad agreement instead of the best of agreements. Other people throw out a brick to catch a jade, but Mr LEE throws out a jade only to catch a brick. But a brick is not completely useless.

HIS EXCELLENCY THE PRESIDENT: I now have one more name to add to my ever expanding list of speakers. The list now is Mr Andrew WONG, Mr Michael CHENG and Mr CHAN Ying-lun.

MR ANDREW WONG (in Cantonese): I would like to speak in support of the Honourable Martin LEE's motion. My support is a considered one, and is a decision made after weighing the merits and demerits of this motion against the revised motion of the Honourable Mrs Selina CHOW, which is tabled before us, and the revised motion which the Honourable PANG Chun-hoi proposes to put forward.

In all fairness, Mrs CHOW's revised motion does have two points worthy of note. First, she replaces the word "agreement" used in Mr LEE's motion with the word "understanding". This may be more accurate, as the Chinese and British sides may not necessarily sign an agreement. But an "understanding" must be something which has been agreed upon by both parties. So it is an agreement which has not been and

need not be signed, and if the two parties exchange memoranda to confirm the content of their understanding, then it has become an agreement. So there is no material difference between the two. Many people think there is a difference between the two, but I find the difference insignificant. Secondly, Mrs Selina CHOW's revised motion deletes the specific content of Mr Martin LEE's motion contained in (a) and (b), and replaces it with a sentence on general principle, "the power to take decisions over the affairs of Hong Kong rests with the Hong Kong Government," which is roughly the same as the content of (c) in Mr LEE's motion. Its merit lies in greatly increasing the negotiation flexibility of the Hong Kong and the British Governments during the process of consultation with China. Undoubtedly, councils are not the proper arena for handling diplomatic negotiations and we cannot pass a council resolution on diplomatic actions to be taken. Public consultations and even referenda are not appropriate for handling diplomatic issues. But I wish to point out that councils (and this Council is one of them) have the responsibility to advise, and the Government has even the greater responsibility of listening to councils' advice, in order that the result of diplomacy may comply, as much as possible, with the will of the people as represented by a representative institution.

Sir, the above two points are not the main reasons for my not being able to support Mrs Selina CHOW's revised motion. In my opinion, Mrs CHOW's revised motion has one major error, that is, the principle she mentioned only relates to the Hong Kong Government governing Hong Kong before 1997, without any mentioning of the Hong Kong Special Administrative Region Government set up on 1 July 1997 to govern Hong Kong for 50 years thereafter. These two Governments are similarly responsible for Hong Kong's internal affairs before and after 1997 within the scope of a high degree of autonomy. This principle must be implemented thoroughly, and it is also the spirit of the Joint Declaration.

Sir, I think the question under the present circumstances is who should have the power to take decisions over the affairs of Hong Kong, not only in the case of the Hong Kong Government under British sovereignty (or British rule) but also in the case of the Hong Kong Special Administrative Region Government under Chinese sovereignty, which fall within the scope of a high degree of autonomy. The principle is that China or Britain should not be allowed to intervene and take these decisions in their position as the central government for Hong Kong. Therefore, I do not support Mrs CHOW's revised motion. Although I understand that to talk about the situation after 1997 is somewhat overstepping the scope of today's debate, yet it is the Joint Declaration we are talking about, and the question of principle must therefore be adhered to.

Sir, the high degree of autonomy before and after 1997 is a promise made to the people of Hong Kong by both China and Britain in their Joint Declaration, and there must be no deviation from this principle for a moment. Sir, the Joint Declaration, signed by the Governments of China and Britain on Hong Kong, is not something that can be changed lightly for diplomatic expediency in the private give-and-take dealings of the two countries. But this does not mean that I can support the revised motion of the Honourable PANG Chun-hoi.

Sir, Mr PANG's revised motion is praiseworthy in spirit, but in my view, is totally wrong in its orientation. First, I think diplomatic issues cannot be solved by means of megaphone politics, as just mentioned by the Honourable James TIEN. When I discussed Mrs Selina CHOW's revised motion, I also commented that this was not the proper way. What I want to say is that the louder megaphone politics becomes, the less chance there will be for an exchange of views and standpoints in a calm and reasoned manner, and the greater will be the impact on and blow to the stability and prosperity of Hong Kong and the Hong Kong Special Administrative Region.

Sir, secondly, I think that most of the Hong Kong people will agree that there has never been the question in Hong Kong of self-determination for the Hong Kong people. Even if some people did consider Hong Kong people should have the right of self-determination, that right vanished with the initialing and signing of the Joint Declaration in 1984, with the exchange of documents of ratification between China and Britain in 1985, and with the general approval of the Hong Kong people obtained in consultation. The promise made mutually between China and Britain in their Joint Declaration and made to Hong Kong people, as specified in the Joint Declaration, is that Hong Kong people shall run Hong Kong with a high degree of autonomy. The crux of the question is not whether Hong Kong people accept, support or welcome the substance of any agreement or understanding between China and Britain on the airport, port, reserves, loans, taxation and debt-obligations, but whether the specific arrangements made on the basis of agreement and understanding between the two sovereign states of Hong Kong before and after 1997 are a departure from the high degree of autonomy promised in the Joint Declaration. The latter is the crux of the question. I do not believe Mr PANG Chun-hoi could say that the Joint Declaration could be disregarded and that what was required was only to meet the wishes of most of the people in Hong Kong when he put forward his revised motion. I believe this is not what he meant. However, his revised motion is pointing to this wrong direction, albeit unintentionally. What the people of Hong Kong, Councillors and the Government

must do is to hold aloft the script which is the Joint Declaration and insist on "keeping to the script", insist on both the Governments of China and Britain "keeping to the script".

Sir, being Members of this Council, we are not aware of the specific content of the recent Sino-British negotiations in Beijing, not to mention any understanding or agreement which might have been reached, or any issues still under negotiation. But according to reports from the media and grapevine, the content of negotiations is wide ranging, which includes the port, the selection of site for the new airport, timing, scale, the management authority, the advisory committee, financial reserves, raising of loans, taxation, and, behind all these issues, even the so-called concept of straddling 1997 and China's power of scrutiny and approval of all matters involved in straddling 1997.

Sir, I propose we have a look at the script of the Joint Declaration to see what has been said. The term "shenyi" originally appears in Annex II of the Sino-British Joint Declaration concerning the Sino-British Joint Liaison Group. The two characters "shenyi" are first used in Section 4, and again used for the same meaning in Section 5. (In the English version, the word "consideration" is used.) The two characters "xixun" have never appeared in the Chinese or English version. For the word "consultation" in the English version, the Chinese version only uses the term "cuoshang". The meaning of the term "shenyi" used in Sections 4 and 5 only relates to the scope of consultation, discussion, study and responsibilities of the Sino-British Liaison Group, and not the "power of scrutiny" of the Chinese side or the British side. Let us see the wording used. Section 4 says, "Matters for consideration during the first half of the period between the establishment of the Joint Liaison Group and 1 July 1997 shall include (a) and (b)." I will not go into the details. Section 5 says, "The two Governments have agreed that in the second half of the period between the establishment of the Joint Liaison Group and 1 July 1997 there will be need for closer co-operation, which will therefore be intensified during that period. Matters for consideration during this second period shall include" also (a) and (b). I will not go into details for the time being.

Sir, the question of what the issues straddling 1997 are is not at all within the purview of the Joint Liaison Group's consideration. That which may have a slight relationship with the vague concept of straddling 1997 is subsection (a) of Section 5 which says, "procedures to be adopted for the smooth transition in 1997". The issue of "smooth transition" is also mentioned in Sections 1 and 3. The intention is

obviously to limit China's power of scrutiny to matters relating to the smooth transfer, and it does not mean that the Joint Liaison Group is empowered to scrutinize all matters straddling 1997 but falling within the scope of internal affairs of Hong Kong in the context of high degree of autonomy. Otherwise, matters like the Appropriation Bill of the financial budget for the year starting 1 April 1997, or the appointment of permanent civil servants and judges, or the building of a branch line of Mass Transit Railway to Junk Bay, or, for example, the building of feeder railways of the Kowloon-Canton Railway to Kwai Chung or the Hong Kong Island, and internal matters of this kind, must they be submitted to the Joint Liaison Group, or the Chinese side or British side for examination, and implemented only after their approval has been given?

Sir, the wording of Annex II of the Joint Declaration is clear. Mr Martin LEE has just pointed out that Section 6 says, "The Joint Liaison Group shall be an organ for liaison and not an organ of power. It shall play no part in the administration of Hong Kong or the Hong Kong Special Administrative Region. Nor shall it have any supervisory role over that administration." Sections 2 and 3 stipulate the objectives and terms of reference of the Group: "2. In order to meet the requirements for liaison, consultation and the exchange of information, the two Governments have agreed to set up a Joint Liaison Group. 3. The functions of the Joint Liaison Group shall be: (a) to conduct consultations on the implementation of the Joint Declaration; (b) to discuss matters relating to the smooth transfer of government in 1997; (c) to exchange information and conduct consultations on such subjects as may be agreed by the two sides." There is some problem with subsection (c). Both sides may raise subjects, but if the issue is against the original spirit, any side may refuse to discuss. We now seem to be in the situation mentioned by Section 3 which says, "Matters on which there is disagreement in the Joint Liaison Group shall be referred to the two Governments for solution through consultation." But both the Chinese and British sides must remember Section 1 of Annex II which makes clear from the beginning its purpose by laying down a major premise. It says, "In furtherance of their common aim and in order to ensure a smooth transfer of government in 1997, the Government of the United Kingdom and the Government of the People's Republic of China have agreed to continue their discussion in a friendly spirit and to develop the co-operative relationship which already exists between the two Governments over Hong Kong with a view to the effective implementation of the Joint Declaration." This is the spirit of the Joint Declaration.

Sir, we must insist on "keeping to the script" and this is where the spirit of

Mr Martin LEE's motion is.

Sir, since Mr LEE put forward his motion, there have been attacks from quite a few Members of this Council labelling the motion confrontational, creating obstacles and conveying a wrong message. Though I have argued with Mr LEE a number of times before, I would say that his motion conveys no wrong message at all; it is the most unfrontational motion. I have not yet analysed the reasons of my accepting (a) and (b). I want to point out that Mr Martin LEE wrote these two items (a) and (b) only after deep thinking and careful consideration though he did not discuss with me beforehand. Please note the part of (a) which says, "..... refuse to allow PRC Government-nominated representative" . It specifies "Government-nominated representatives". Once there are representatives of the Chinese Government in any executive institutions or advisory bodies of Hong Kong, then these organizations will become diplomatic forums which will be improper for the internal administration by the Hong Kong Government. So the wording used is noteworthy. I believe Mr LEE is not against the participation of certain pro-China personages in order to increase understanding. Please note the wording used in (b). There is a bit of wording Mr James TIEN did not mention a moment ago. The English version is, "set aside any portion of the Hong Kong's fiscal reserves in trust." The term "in trust" is noteworthy. The Chinese version is, " ". Once a sum is specified as reserves in trust, the financial flexibility will be lost. As a matter of fact, under the Joint Declaration, a reserve has been set up for the Special Administrative Region Government and that is the Land Fund. Starting from 1984, half of the proceeds from the sale of land goes to the Land Fund. Thus starting from 1984 the Hong Kong Government's financial resource coming from land sale has been cut by half. In view of reasons mentioned above, I think people may have some misunderstanding of Mr Martin LEE. Although I am not a member of the United Democrats of Hong Kong, nor am I prepared to join it, I consider this is the most sensible motion. Members may not accept his motion, perhaps because of his unique style in putting forward his views. But it may be advisable for them to tone down their diatribes.

Sir, with these remarks, I support the motion of the Honourable Martin LEE.

MR MICHAEL CHENG (in Cantonese): Sir, the original motion and the revised motion have one point in common, that is, the demand that the content of any agreement must be disclosed. This also reflects the wish of the general public and it is something I cannot agree with more. Details of the motion have been discussed at length by

many Honourable Members, and because of the pressure of time, I do not intend to repeat them.

The Honourable Martin LEE's motion mainly consists of two points, that is, (a) and (b). Let me discuss (b) first. Point (b) is extremely important, as the proposal not to set aside any reserves for use by the Special Administrative Region Government after 1997 is a crucial point. This is also the bone of contention. In fact we may ask if by 1997 there are no reserves, or only a small amount of reserve is left, then will the public's confidence be affected now? I believe it will certainly be a blow to confidence. Another question is how the pension of the 200 000 serving civil servants shall be dealt with. Will there be sufficient money to pay? As civil servants are important in maintaining the stable operation of the Government and play a significant role in stabilizing the society of Hong Kong, what will become of their confidence? These must be taken into consideration.

Another point is whether the Hong Kong currency will get support? To illustrate the point with an example of a bank, will its credibility be in doubt if there is no reserve held? Even if Hong Kong has a land fund, but if its reserves are depleted, then what will be the support to the currency? Will foreign investors' confidence in it suffer a heavy blow? These are all important questions.

Everyone knows that most of the Hong Kong people will remain in Hong Kong after 1997, and only a minority will leave. Those remaining very much need a reserve which will bring them confidence and be available for use by the future Government. I doubt very much whether the people who make and support this motion today will still be in Hong Kong in 1997. I consider this motion not to be in the basic interest of the people of Hong Kong.

With regard to point (a), that is, refusing representatives of the PRC Government joining any advisory organizations as members, including the Airport Authority, I do not think there is much problem in this point because it is only an advisory body and the representatives only account for a very small minority, and the representatives appointed will probably be people like bank chief managers who have professional knowledge of airports or are knowledgeable about finance and technical skills and may give advice of technical substance. Since the building of the airport involves China's participation after 1997, what harm can be done by accepting one or two members for advisory purposes? In fact, the power of decision rests entirely with the Hong Kong Government, and they are only advisory members; so I do not think

there is a problem in this.

Let me come back to point (b) especially mentioned by Mr Martin LEE, that is, not to set aside reserves for 1997. It sounds like asking the Chinese Government not to support the building of the airport, because everyone knows the crucial point is the reserves. Although we have limited knowledge of disclosed information, but through reports in the media, people are generally aware of the gist of the matter and understand the importance of the building of the airport to Hong Kong. China and Britain have carried out painstaking negotiations on the airport issue, and until this day there is no conclusion, nor has it been called off. If it is declared now that no reserves will be set aside, it would be tantamount to putting an end to the negotiations.

Both the Chinese and British sides have expressed that reserves must be set aside for 1997. Here, I would appeal to social leaders not to mislead the public, as they should comply with the interests of Hong Kong people.

Finally, I would like to talk about the revised motion of the Honourable Mrs Selina CHOW. She said, "..... the power to take decision over the affairs of Hong Kong until 1997 rests with the Hong Kong Government." This is an important point which both the Chinese Foreign Minister and the British Foreign Secretary have mentioned. Based on the reasons mentioned above, I disagree with the original motion of Mr Martin LEE and support the revised motion of Mrs Selina CHOW. Thank you, Sir.

MR CHAN (in Cantonese): Sir, I feel as if we were playing the game of "blind men feeling the elephant", with some Members touching instead "those blind men", (thus at the second remove from the "elephant"). I had participated in the debate on the Sino-British Joint Declaration and recommended it to the people of Hong Kong. Therefore I fully support Mr Martin LEE's motion -- to make public all the details of any agreement and to "ensure that consultation with the PRC Government does not mean giving the power of veto to the PRC Government on any matter relating to the internal affairs of Hong Kong." I could also agree to sub-paragraphs (a) and (b) that PRC-nominated representative should not be allowed to sit on any executive or advisory body. But there might be other possibilities: say, if a representative of the Bank of China is appointed to sit on any one of the above bodies, will he or she then be regarded as a representative of the PRC Government? This point perhaps will never be clarified.

I also agree to sub-paragraph (b) that we should not place part of our fiscal reserves in trust. But is it that Hong Kong should formulate its own fiscal reserve strategy? As pointed out by the Hong Kong Democratic Foundation a fiscal reserve strategy is necessary and we must set aside a certain portion of our reserves for the future. Does the term "in trust" go against Hong Kong people's demand for setting aside our reserves for payment of civil servants' pensions? I do not think I can clarify this point with Mr LEE. So I would decline to support sub-paragraphs (a) and (b). Moreover, should the British Government adopt that position when parleying across the negotiating table, they had better not talk because no agreement could be reached. But if we were not to build the new airport, it would be against the position adopted by the Hong Kong Democratic Foundation because we always urge that the airport should be built as soon as possible.

As regards Mrs Selina CHOW's motion, I have talked to her about it. I am more inclined to take Mr PANG's motion, that is, to disclose the details of the negotiation before an agreement is reached. In so doing, the situation of "blind men feeling an elephant" can be avoided. I have also asked Mrs CHOW about this point and she has said that there is also such an implication in her motion. Given that the word "understanding" refers to the progress of the negotiation up to date, I think the details should be disclosed. If what she told me before lunch was true, I think I would support her motion. But I do not think I can clarify this with her now. I do hope that if Members want to move motions, they should give advance copies of their speeches earlier, so that other Members can have more time to clarify the motions with them.

Thank you, Sir.

MR SIT (in Cantonese): Thank you, Sir. When I was handing in the slip to you, the Honourable Jimmy MCGREGOR at my side held my hand to restrain me, for fear that I would speak too long. So when he knew that I was going to speak, he immediately left, hoping that I would finish quickly. I promised him that I would speak for only three minutes, and I think my perseverance can last only that long.

Having heard the speeches of Honourable Members on the several motions under debate today, if one would care to make a thorough analysis, one would find that the motions are in fact based on two worries. The first is that we are worried that from now to the transition, China would interfere with the internal affairs of Hong Kong,

and raise the question of the right to veto. Secondly, the people and Honourable Members are worried whether the Hong Kong Government or the British Government would betray the interests of Hong Kong people, which worry was triggered by the proposal to build the new airport. I feel that it is difficult to say whether such worries really exist. Allow me to quote a story from the Bible. Jesus was betrayed by Judas in the Garden of Gethsemani for a few tens of pieces of silver. At that time none knew that Judas would betray Jesus. He even had the last supper with Jesus. After the supper he even truckled to Jesus with all pretensions. The question is therefore: if the Hong Kong Government or the British Government were really going to betray the interests of Hong Kong people would it tell us? I believe neither one, like Judas, would tell us. Possibly she (if I may personify either) would come to us, embrace us and say, "My child, do not be afraid. I shall protect you. Do not worry." Similarly if we are worried that China might try at the present stage to interfere on the pretext of the airport, or try to acquire the right of veto over Hong Kong's internal affairs, then does this worry justify laying the blame on China? I believe it is difficult to arrive at a conclusion.

As a matter of fact, looking back on the whole course of the incident, that is, from the very beginning, what is the prime cause of all this? It is none other than the proposed construction of the new airport. Is the building of the new airport not a good thing? Yes, it should have been, but its development now may turn it into a bad thing. Where does the harm lie? It is because Hong Kong people, including Members of the Legislative Council, are not aware of the definite financial arrangements in respect of the airport project. Do we really have the funds to construct the new airport? If so, I suggest it would be better to pass a motion to this effect: "Sir, you need not take the tiring journey to Beijing to say so much, because we have the money to build and have the ability to build." If so, I believe there is no reason for China to worry also. The crux of the matter should therefore be to frankly explain the Hong Kong Government's financial arrangements for the new airport project. I trust that if the methods for funding the airport project are feasible, all the six million Hong Kong people would be prepared, for the sake of the future generation, to exercise the utmost economy to take up this responsibility, and accept the consequences -- be they good or bad -- of building the new airport. However the question now is that we know nothing of the definite financing arrangements. Would it be just as China had said "If there is not enough money, she would be held to be the guarantor." I believe that all Honourable Members here and the six million Hong Kong people would like our Government to be an efficient and responsible government, and do not wish to see a lame duck government. If this is

the case, then the most important issue at present is to make public the financial arrangements concerning the airport project.

Thank you, Sir.

HIS EXCELLENCY THE PRESIDENT: I now put the question and that is that the amendment moved by Mrs Selina CHOW be made to Mr Martin LEE's motion. Since it is some time since we last visited the amendment, it might be helpful if I read out what the amended motion would be. It would be as follows:

"That this Council urges the Government to make public all the details of any understanding reached with the PRC Government concerning the proposed Port and Airport Development Strategy; and to ensure that in any such understanding the power to take decisions over the affairs of Hong Kong until 1997 rests with the Hong Kong Government."

Question on Mrs Chow's amendment put.

Voice votes taken.

The President said he thought the Ayes have it.

MR MARTIN LEE: Sir, may I respectfully ask for a division?

HIS EXCELLENCY THE PRESIDENT: I have the choice of whether to ask Members to support my hearing of the voices or to call a division. I propose to call a division. I will ask the Clerk to read the names of Members of the Council. Each Member should answer "Aye" if he or she supports the amendment proposed by Mrs Selina CHOW, "No" if he or she is against the amendment or a Member may abstain.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mr Stephen CHEONG, Mr CHEUNG Yan-lung, Mrs Selina CHOW, Miss Maria TAM, Mr CHAN Ying-lun, Mr CHENG Hon-kwan, the Secretary for Home Affairs, Mr CHUNG Pui-lam, the Secretary for Planning, Environment and Lands, Mr HUI Yin-fat, Mr NGAI Shiu-kit, Mr POON Chi-fai, the Secretary for Transport, Prof. POON Chung-kwong, the Secretary for

Security, Mrs Rosanna TAM, Mr TAM Yiu-chung, Dr Daniel TSE, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mr Michael CHENG, Mr David CHEUNG, Mrs Nellie FONG, Mrs Peggy LAM, Mrs Miriam LAU, the Secretary for Education and Manpower, Mr W.S. LAU, Miss LEUNG Wai-tung, Mrs SO CHAU Yim-ping, Mr James TIEN, Mrs Elsie TU and Mr Peter WONG voted for the amendment. Mr Martin LEE, Mr PANG Chun-hoi, Mr SZETO Wah, Mr Andrew WONG, Mr Ronald CHOW, Dr C.H. LEONG and Mr J.D. MCGREGOR voted against the amendment. Mr TAI Chin-wah and Mr Kingsley SIT abstained.

The President announced that 37 Members voted for Mrs CHOW's amendment, seven against it and two abstained. The President declared that Mrs CHOW's amendment was carried.

HIS EXCELLENCY THE PRESIDENT: As Mrs Selina CHOW's amendment has been agreed, we now debate the motion as amended, that is, Mr Martin LEE's original motion as amended by Mrs Selina CHOW's amendment. Having just read out that amended version, I will not read it out again. Does any Member who has not spoken so far, that is, either to Mr Martin LEE's original motion or to Mrs Selina CHOW's amendment wish to speak? Could they please hold up their hands?

MR PANG (in Cantonese): Sir, first of all, may I respectfully ask for permission to retract my original amendment to Mr Martin LEE's motion as his motion has already been amended? Could I ask, Sir, whether I can now propose an amendment to Mrs Selina CHOW's amended motion?

HIS EXCELLENCY THE PRESIDENT: Mr PANG, would you please sit down for one moment. You may put forward an amendment. I will then have to consider whether that amendment is in order. But I cannot do that until you have put forward a proposed amendment. I will then decide whether or not it is in order and whether I will give permission for it to be debated at this minimum notice. So if you would like to put forward your amended wording and speak to it, I will then make a ruling whether it should be debated.

MR PANG (in Cantonese): Sir, could I circulate my new amendment to Members for consideration as I think it may be helpful for them to have the amendment printed in words?

8.53 pm

HIS EXCELLENCY THE PRESIDENT: Mr PANG, I understand that you have a written version of that amendment. I propose that you should circulate it. I will look at it. I will decide whether or not it can be debated and we will then continue. For that purpose and because we have been sitting here for some time, I propose that the Council should take a break for 10 minutes.

9.03 pm

HIS EXCELLENCY THE PRESIDENT: The Council will now resume. Mr PANG, I have considered the wording of the amendment which you now wish to put forward to the amended motion. I notice that you have added a little bit to the end but otherwise it follows almost exactly your original amendment. Since with the negating of the original motion, you have lost your opportunity to put forward your original amendment, I will now allow without notice this new amendment. You may speak to the amended motion by Mrs Selina CHOW and you may propose your amendment if you wish.

MR PANG (in Cantonese): First of all, may I thank you, Sir, for allowing me to propose a new amendment and now I would like to put forward my amendment to Mrs Selina CHOW's motion concerning the Port and Airport Development Strategy. The amended version is the same as that printed in the paper circulated to Members.

The amended motion reads: "That this Council urges the Government to make public all the details of any proposed agreement with the PRC Government in negotiations concerning the Port and Airport Development Strategy and to solicit the views of Hong Kong people before an agreement is finalized and to ensure the effective administration of Hong Kong before 30 June 1997."

As we all know, the airport negotiations have come to a deadlock. What are the reasons? What exactly are the main differences between China and Britain over the airport project? What harsh terms has China put forward? Recently, there have been divergent views about the issue both inside and outside this Council, making Hong Kong people feel much perturbed. Since the whole negotiation process has been kept in strict confidentiality by both China and Britain, no one knows what has really happened.

Indeed, how the Chinese and British Governments make decisions at the negotiation table on the handling of the hard-earned savings of Hong Kong people will have much bearing on our future well-being. Unfortunately, Hong Kong people have been kept in the dark and I consider such arrangement extremely unfair and detrimental to our interests. As this is a major issue which directly affects Hong Kong people, I suggest that the Government should make public all the details of the negotiations and solicit the views of Hong Kong people before an agreement is finalized. What is in question could perhaps be said to be one of the most important events in the history of Hong Kong. If I may put it metaphorically, the airport project is going to be the marriage of the people of Hong Kong. Arranged marriages are no longer the order of the day. We must decide our destiny and not let others choose who we are going to marry. Would it be fair to marry us to a blind man? What age are we living in? The motion by Mr Martin LEE and the amendment of Mrs Selina CHOW can in fact be summarized in a few words, namely, to make public all the details concerning the Port and Airport Development Strategy before any agreement or understanding on the airport negotiations is reached by the Chinese and the British Governments. The Honourable Andrew WONG said a few moments ago that he wanted very much to support my motion. The Sino-British Joint Declaration has given recognition to the administrative rights of Britain over Hong Kong before 30 June 1997, but we may still not forget the incident a few years ago when the Hong Kong Government was accused of breaking promises and failing to act in accordance with the text (of the Joint Declaration) in its administration of Hong Kong. Now what we are asking is nothing particular but only to follow the agreement as laid down in the Joint Declaration.

Since the Joint Declaration has recognized Britain's administrative rights over Hong Kong before 30 June 1997, I would like to urge the Hong Kong Government to guarantee that it will remain responsible for the effective administration of Hong Kong until 1997. However, if the Government wants to uphold its administrative authority, it must make public all major policies and regularly seek and respect the views of Hong Kong people so as to drum up full public support and avoid being a lame duck government.

The amendment I have just circulated to Members is in fact very simple and is not much different from Mr Martin LEE's and Mrs Selina CHOW's motions. But one very important point is that Mr LEE and Mrs CHOW both urge the Government to make public details of any agreement reached in the airport talks while I demand a disclosure of the details of the negotiations. Some people say that the airport talks are

diplomatic negotiations and the details involved are beyond laymen's comprehension. If this were so, would it be true to say that we will never be able to express our views on the project.

I would therefore like to ask my honourable colleagues of their positions on whether or not we need to be informed of the details of the talks. If the answer is negative, then, as the Honourable SZETO Wah said a while ago, we need not have addressed the whole question and spent so much time discussing the airport project in a motion debate which is still going on after 9 pm. It is only because I still have doubts as to whether or not we should participate in the project that I raise this motion. Finally, may I thank you, Sir, again for allowing me to put forward my new amendment. Thank you.

HIS EXCELLENCY THE PRESIDENT: I now propose the question and that is that the amendment moved by Mr PANG to Mr Martin LEE's motion as amended by Mrs Selina CHOW's amendment should be made. It might be helpful again if I read out what the effect of that amendment would be. The motion, if amended as proposed by Mr PANG, would read as follows:

"That this Council urges the Government to make public all the details of any proposed agreement with the PRC Government in negotiations concerning the Port and Airport Development Strategy and to solicit the views of Hong Kong people before an agreement is finalized and to ensure the effective administration of Hong Kong before 30 June 1997".

Does any Member wish to speak to that amendment and Members can speak to the amendment even though they have spoken before. Would Members who wish to speak kindly keep their hands raised for one moment? Thank you. I have the names of Mr Stephen CHEONG, Mrs Selina CHOW and Mr Edward HO.

MR CHEONG: Thank you, Sir. I rise to oppose Mr PANG's motion to amend Mr LEE's motion as amended by Mrs Selina CHOW. The most important thing we have to consider in the point that Mr PANG has raised is that before any agreement is reached views of the Hong Kong people should be solicited. I oppose it because it is impracticable and it is unimplementable if this particular suggestion is followed; because by doing so, it will create a very bad precedent for all the necessary executive decisions

that we have to make and before any decisions are made, we have to ask all the people of Hong Kong. Now, how are we going to ask the people of Hong Kong? Referendum? Do we have to go to the polls for referendum every time because that is the previous form of seeking the views of the people of Hong Kong?

Based on practical aspects, I oppose the motion.

MRS CHOW: Sir, I oppose Mr PANG's motion for the following three reasons, and I hope I can convince my colleagues to agree with me and to oppose his motion likewise.

First of all, I would like to draw Members' attention to the assumption in Mr PANG's amendment that there shall be a proposed agreement, and that it would not require the Government to disclose any details should the "no agreement" scenario arise.

As for soliciting views, I agree with most of what my colleague Mr Stephen CHEONG has said; I also oppose this proposal for the same reason that has been put forward in some detail by Mr Andrew WONG earlier, in that one cannot conduct a negotiation that way, by consulting the public and then putting it back on the negotiating table. And also, from Mr PANG's speech it seems unclear to me how he is proposing to collect and use those views.

Thirdly, I do not disagree that of course we should try and urge the Government to ensure the effective administration of Hong Kong before 30 June 1997. However, I think I have the better proposal, that is, I actually propose how we can achieve that by saying that the Hong Kong Government must assert the power of decision making in order to get there, to ensure effective administration.

So I think I have the better motion and I urge Members to support me. Thank you.

MR EDWARD HO: Sir, I shall be very brief because my views have already been expressed by Mr Stephen CHEONG and Mrs Selina CHOW and, to a certain extent, by Mr Andrew WONG earlier. In Mr PANG's amended motion, there are two essential points. One is to consult the people of Hong Kong first. In the process of negotiation I think that is, as Mr Stephen CHEONG said, very impractical and almost impossible and it is certainly not a way to run a diplomatic negotiation. And secondly, Mr PANG also mentioned about effective administration. To me, an effective government is one that

makes decisions heeding the views of the people, but not a government that has to consult and solicit views of the people before it makes a decision every time.

So from those two points of view, I do not think I can support that amendment.

Question on Mr PANG's amendment put and negatived.

CHIEF SECRETARY: Sir, may I reassure Members that it is the Government's position that if an understanding on the airport project can be reached with the Chinese Government we would wish to tell this Council and the people of Hong Kong exactly what it contains.

A good deal has been said in this debate about the contents of the talks being made public. We for our part are not in any way frightened by that prospect, but as with most discussions between governments, both sides have agreed that whilst the talks are in progress the contents should be kept confidential. This is for the simple reason that, if at each stage the differences still outstanding between the two sides were to be publicized, it would obviously make the prospect of reaching a satisfactory solution much more difficult.

Many Members have referred to a lack of information on the airport project. We have, of course, made available a large amount of information including a number of consultancy reports to the Legislative Council group chaired by Mr Stephen CHEONG. We have fully briefed that group on a number of occasions. We have had a full scale debate in this Chamber which resulted in overwhelming support for the airport project. We have participated in numerous public seminars for businessmen, district board members, engineers and other professionals. We will continue to expand our information programme on the project and already we have in preparation a library of PADS information which would be open to anyone in Hong Kong.

Some Members have suggested that Hong Kong has had little or no influence on the course of the negotiations on the airport which have been taking place in Peking. I would like to make it clear that in fact the Administration and the Executive Council have been fully consulted and involved at each stage of the negotiations.

I turn now to the principles we have been adopting in these discussions on the airport issue and I would like to refer to remarks made by the Secretary of State

during his recent visit to Peking. He said that it is reasonable and right that we provide China with full information on important matters straddling 1997. We welcome Chinese views and shall take account of them where we can. But he also stressed that it is important that the Hong Kong Government remain in full and effective control of decision-taking over the affairs of Hong Kong until 1997. I can assure Members that we will continue to be guided by these principles in reaching any understanding with the Chinese Government.

May I conclude by responding to the accusation made by a few Members that decisions made by so-called "colonial officials" can in no way reflect the views of Hong Kong people. Those of us who have devoted our lives to Hong Kong and whose only loyalty is to the people of Hong Kong, for whom we work long and hard, strongly resent the insinuation that we do not have Hong Kong's people's interests at heart. Secondly, it is demeaning to suggest that Members of this Council, and the Executive Council, have no influence over decisions taken by the Hong Kong Government. Can anyone really believe that officials would ignore the advice of Members of the Executive Council or the majority view of this Council? Comments made by these few Members can only serve to try and drive a wedge between the Government and the people of Hong Kong and I ask them to consider very carefully whether this would be in the long-term interests of stability and prosperity of Hong Kong, which we are all trying so hard to maintain in the difficult years ahead. Sir, I support the amended motion.

HIS EXCELLENCY THE PRESIDENT: I now put the question to you and that is that the motion moved by Mr Martin LEE as amended by Mrs Selina CHOW's amendment be approved and, once again, I will read out what that wording is. It is: "That this Council urges the Government to make public all the details of any understanding reached with the PRC Government concerning the proposed Port and Airport Development Strategy and to ensure that in any such understanding the power to take decisions over the affairs of Hong Kong until 1997 rests with the Hong Kong Government."

Question on Mr Martin LEE's motion as amended by Mrs Selina CHOW's amendment put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: I understand that at least one Member of the Council

has already left to make use of the existing airport. (Laughter) I congratulate other Members of the Council or all the Members of the Council on their patience in getting through the difficulties of amendments and staying here till 9.25 pm. And now, in accordance with Standing Orders, I adjourn the Council until 2.30 pm on Wednesday, 24 April 1991.

Adjourned accordingly at twenty-six minutes past Nine o' clock.

Note: The short titles of the Bills/motions listed in the Hansard, with the exception of the Appropriation Bill 1991, have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.