

1 HONG KONG LEGISLATIVE COUNCIL -- 6 November 1991

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OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 6 November 1991

The Council met at half-past Two o'clock

PRESENT

THE DEPUTY PRESIDENT

THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., Q.C., J.P.

THE CHIEF SECRETARY

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

THE FINANCIAL SECRETARY

THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, J.P.

THE ATTORNEY GENERAL

THE HONOURABLE JAMES KERR FINDLAY, O.B.E., Q.C., 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 MRS SELINA CHOW LIANG SHUK-YEE, O.B.E., J.P.

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

THE HONOURABLE HUI YIN-FAT, O.B.E., 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 SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

THE HONOURABLE ANDREW WONG WANG-FAT, O.B.E., J.P.

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

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 MRS PEGGY LAM, M.B.E., 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 JAMES DAVID MCGREGOR, O.B.E., I.S.O., J.P.

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

THE HONOURABLE PETER WONG HONG-YUEN, J.P.

THE HONOURABLE ALBERT CHAN WAI-YIP

PROF THE HONOURABLE EDWARD CHEN KWAN-YIU

THE HONOURABLE VINCENT CHENG HOI-CHUEN

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE TIMOTHY HA WING-HO, M.B.E., J.P.

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE MISS EMILY LAU WAI-HING

THE HONOURABLE GILBERT LEUNG KAM-HO

THE HONOURABLE ERIC LI KA-CHEUNG

THE HONOURABLE FRED LI WAH-MING

PROF THE HONOURABLE FELICE LIEH MAK, O.B.E., J.P.

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE NG MING-YUM

THE HONOURABLE STEVEN POON KWOK-LIM

THE HONOURABLE HENRY TANG YING-YEN

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

DR THE HONOURABLE SAMUEL WONG PING-WAI, M.B.E., J.P.

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG

ABSENT

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

THE HONOURABLE SIMON IP SIK-ON

THE HONOURABLE LEE WING-TAT

IN ATTENDANCE

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

MR DAVID ALAN CHALLONER NENDICK, C.B.E., J.P.
SECRETARY FOR MONETARY AFFAIRS

THE HONOURABLE EDWARD BARRIE WIGGHAM, C.B.E., J.P.

SECRETARY FOR THE CIVIL SERVICE

MR MICHAEL LEUNG MAN-KIN, J.P.
SECRETARY FOR TRANSPORT

MR JOHN CHAN CHO-CHAK, L.V.O., O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

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

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

MR CHAU TAK-HAY, J.P.
SECRETARY FOR TRADE AND INDUSTRY

MR JAMES SO YIU-CHO, O.B.E., J.P.
SECRETARY FOR RECREATION AND CULTURE

MR RONALD JAMES BLAKE
SECRETARY FOR WORKS

MR MICHAEL SZE CHO-CHEUNG, I.S.O., J.P.
SECRETARY FOR CONSTITUTIONAL AFFAIRS

THE CLERK TO THE LEGISLATIVE COUNCIL
MR LAW KAM-SANG

Oath

Mr James Kerr FINDLAY took the Oath of Allegiance.

Papers

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

Subject

Subsidiary Legislation L.N. No.

Clubs (Safety of Premises) (Appeal Board) Regulations.....	391/91
Clubs (Safety of Premises) (Fees) Regulations.....	392/91
Clubs (Safety of Premises) Ordinance 1991 (Commencement) Notice 1991.....	393/91
Immigration (Vietnamese Refugee Centres) (Designation) (No. 2) Order 1991.....	394/91
Immigration (Vietnamese Refugee Centres) (Open Centre) (Amendment) (No. 3) Rules 1991.....	395/91
Tax Reserve Certificates (Rate of Interest)	

(No. 6) Notice 1991.....
396/91

Sessional Paper 1991-92

No. 15 -- Protection of Wages on Insolvency Fund Board
Annual Report for the year 1 April 1990 to 31 March 1991

No. 16 -- Pneumoconiosis Compensation Fund Board
Annual Report 1990

Written answers to questions

Verification of professional qualifications

1. MR PANG CHUN-HOI asked: In view of the recent queries about the professional qualifications of some people who practise under Hong Kong laws, resulting in the local people's confidence in those professionals being affected, will Government inform this Council:

(a) which organizations are responsible for verifying the qualifications of people practising as legal practitioners, accountants, engineers, architects, surveyors and doctors under Hong Kong laws;

(b) in the past five years, how many such people have been queried about their professional qualifications, and how many of them have as a consequence been disqualified; and

(c) whether the Government plans to take effective measures to assist those organizations responsible for verifying the aforesaid people's professional qualifications to discharge their duties?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, the organizations responsible for verifying professional qualifications fall into two categories; those which verify qualifications to practise in Hong Kong, and those which verify

qualifications to register and/or perform statutory functions.

The organizations responsible for verifying the qualifications of people practising as accountants, legal practitioners and doctors under Hong Kong law are as follows:

(i) The Hong Kong Society of Accountants (HKSA) -- under the Professional Accountants Ordinance (Cap. 50);

(ii) The Law Society (for Solicitors) and The Bar Association (for Barristers) -- under the Legal Practitioners Ordinance (Cap 159); and

(iii) The Medical Council -- under the Medical Registration Ordinance (Cap. 161).

There is no legal requirement to obtain a licence to practise in Hong Kong on the part of engineers, architects and surveyors. However, if they are to perform statutory functions, they must be appropriately qualified and registered with the registering or licensing body for each particular Ordinance, a list of which is annexed for information.

The Annex also includes information on legislation which has been enacted recently to register professional engineers, architects and surveyors. It is intended that, when the register is well established, registered status will be applicable to the statutory functions. Registration requires professional qualifications plus relevant experience in Hong Kong, continuing competence to practise, and current residence in Hong Kong. All three professions have professional bodies in Hong Kong which, in awarding membership, impose a professional training requirement in addition to academic qualifications.

As regards the second part of Mr PANG's question, information is as follows:

Profession	Investigated	Disqualified	Remarks
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Doctors	0	0	--
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Legal practitioners			
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Solicitor	1	0	Based on information from the Law Society
Barrister	0	0	Based on information from the Bar Association
Accountants	0	0	Based on information from the Hong Kong Society of Accountants
Engineers	1	1	--
Architects	3	1	Of the three cases investigated, two are still currently under investigation
Surveyors	0	0	--

As regards the third part of Mr PANG's question, the Government adopts the principle that the professions should be self-regulatory. It would be for those organizations, therefore, to examine their own internal procedures. The peer judgement system is considered to be the most effective approach to qualifying and no intervention or assistance from Government is required.

In respect of the new Registration Boards for engineers, architects and surveyors, the appointment of a government representative on each Board is provided for in the legislation.

Annex

Hong Kong laws relevant to Engineers, Architects and Surveyors

1. Statutory functions

Registering

Ordinance Statutory role organization or body

Buildings Ordinance Authorized Person: Building Authority
Cap 123 List I -- Architects (on advice of statutory
List II -- Engineers registration committee)
List III -- Surveyors
Registered Structural
Engineer

Education Ordinance Authorized Architect Building Authority
Cap 279

Lifts and Escalators Authorized Architect Building Authority (Safety)
Ordinance
Cap 327

Air Pollution Control Authorized architect, Building Authority
Ordinance Cap 311 Qualified engineer Building Authority

Electricity Ordinance Grade C Electrical Director of EMSD
Cap 406* Worker

2. Non statutory functions

Ordinance Statutory status Registering body

Architect Registration Registered Architect Architects Registration
Ordinance Cap 408* Board

Engineers Registration Registered Professional Engineers Registration
Ordinance Cap 409* Engineer Board

Surveyors Registration Registered Professional Surveyors Registration
Ordinance Cap 417* Surveyor Board

* Cap Nos not yet published

Tuen Mun River

2. MR NG MING-YUM asked: Will Government inform this Council

(a) what changes have taken place in the water quality of Tuen Mun River in each of the past 10 years;

(b) whether the river has been polluted during the past decade; and if so, what is the degree of and reason for the pollution;

(c) what measures have been taken and what resources have been used to improve the water quality of the river; what measures and resources are and will be employed now and in the foreseeable future to improve the water quality of the river; and

(e) whether consideration would be given to taking further steps to improve the water quality of the river at source; if so, what are they?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the Environmental Protection Department has been monitoring Tuen Mun River water quality since 1985. According to the department's water quality index for watercourses in Hong Kong, the upper reaches of the river have improved from "very bad" in 1985 to "fair" in 1991. No significant changes have been observed in the middle and lower reaches, which have been rated "bad" during these years.

These monitoring results confirm that the river suffered from pollution. The major cause of pollution in the upper reaches has been livestock waste, and in the middle and lower reaches industrial discharges and domestic sewage add to the pollution.

Under the Livestock Waste Control Scheme, with effect from June 1988, all livestock keeping activities were banned in Tuen Mun new town, and enforcement action is taken against any illegal livestock keeping. The environs of Tuen Mun new town

became part of the livestock waste control areas on 1 January 1990. Since then some 90% of the active livestock farms in these areas have applied for an ex gratia allowance and ceased operation. This has resulted in the recent improvement of water quality in the upper reaches of the river. From time to time certain sections of the river have been dredged, resulting in some temporary improvement.

The Livestock Waste Control Scheme will continue to be enforced. Sewage and industrial wastes discharging into the river will be subject to controls under the Water Pollution Control Ordinance after the North Western Water Control Zone is declared during the next few months. Further dredging of mud from the river channel will start when arrangements have been agreed on an environmentally acceptable manner for the disposal of the heavily contaminated mud.

A sewerage masterplan study for the Tuen Mun area will shortly commence. This will review the adequacy of existing sewerage and advise on the capacity and engineering arrangements for new sewers. Construction works would then follow, subject to funds being available. These measures, together with the full implementation of the Livestock Waste Control Scheme and the Water Pollution Control Ordinance, will improve the water quality of Tuen Mun River.

Bus franchise

3. MR LEE WING-TAT asked: Will Government inform this Council --

(a) What is the policy now adopted by the Government when it considers awarding a franchise to a bus operator to operate a bus route;

(b) following the decision to award the franchise to Citybus to run the MacDonnell Road to Central bus route in August this year, does the Government intend to further invite tenders for the operation of other bus routes; if not, what are the reasons;

(c) unlike other franchised bus routes, the bus route mentioned in (b) above is excluded from the profit control scheme which guarantees earnings of a bus operator at a percentage of the fixed assets of the operation; will Government consider retaining such exclusion when awarding future franchises to operate new bus routes; if not, what are the reasons;

(d) every year, when Government consults the district boards on the five-year development plan for bus routes, will consideration be given to also inviting bus operators, other than the China Motor Bus Company and the Kowloon Motor Bus Company, to submit their development plans?

SECRETARY FOR TRANSPORT: Mr Deputy President,

(a) The allocation of new routes to existing franchised bus operators is done through the annually rolled-forward five-year development plans. These plans are finalized after taking into account factors including district needs, economies of scale, the extent of cross subsidization needed to keep socially desirable but financially not-viable routes, and integration with other modes of public transport.

To further improve efficiency and quality and to give commuters a wider choice, we have recently awarded a new bus route between Central and MacDonnell Road through competitive open tender as a pilot scheme. This is intended to provide up-market services for commuters who may otherwise use taxis or private cars.

(b) In line with the current policy and depending on the success of the pilot scheme referred to in (a), Government will keep open options for offering selected bus routes to the market through competitive tender.

(c) It is not intended to apply the profit control scheme to future bus routes that might be tendered out on a competitive basis, as in the case of the bus route recently awarded to Citybus Limited.

(d) All four franchised bus companies including the New Lantao Bus Company and Citybus Limited are required to submit a five-year development plan for Government scrutiny and approval each year. As is the current practice, these plans would be put to the relevant district boards for discussion before they are finalized.

Scheme of control agreement for China Light and Power

4. MR LAU CHIN-SHEK asked: Will the Government inform this Council:

(1) of the latest development in its negotiations with the China Light and Power

Company Limited on the latter's franchise and scheme of control agreement; and

(2) whether it has agreed in principle that the scheme of control agreement for the CLP will be extended for 15 years?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, the current Scheme of Control Agreement (SCA) between Government and China Light and Power Company Limited Exxon Energy Limited and their Generating Companies (the Companies) expires on 30 September 1993. Under clause 7(3) of that SCA "during the three years prior to 1 October 1993 the Companies and Government will institute discussions regarding revision and extension of the Scheme of Control to embody such terms and conditions as are then found to be mutually acceptable."

In accordance with this provision discussions to revise and extend the SCA commenced with the Companies in January this year. There was some degree of urgency in the discussions, as without a new SCA in place the Companies will find it difficult to raise the necessary private finance needed to construct the proposed new power station at Black Point. The first generating units at Black Point must be operational during the latter half of this decade, if consumers are to continue to receive an efficient and reliable electricity supply.

The discussions with the Companies are now reaching a final stage and the Governor in Council has approved in principle the terms under which the SCA may be extended for a further 15 years. In accordance with arrangements which have been agreed in the Sino-British Joint Liaison Group the Chinese side will now be given an opportunity to express their views on the terms of the new SCA. Members of the OMELCO Economic Services and Public Utilities Panel will be briefed on the agreement by the Administration early next week. It is the Government's hope that the terms of the new SCA can be finalized by the end of this year.

Incorrect administering of injections

5. MISS EMILY LAU asked: Regarding recent reports of allegedly incorrect administering of injections at the Prince of Wales Hospital, will Government inform this Council whether the incident is now under investigation and if so, when the investigation will be completed; whether the results of such investigation will be

made known to this Council; whether similar incidents have occurred in government hospitals in the past and if so, whether the victims have been compensated?

SECRETARY FOR HEALTH AND WELFARE: Yes, the Director of Hospital Services is conducting a full-scale investigation into the matter. This is expected to be completed shortly. The results will be made public upon conclusion of investigations.

Such incidents are extremely rare. According to our record, there was a similar incident in 1982. The victim's family was compensated by Government.

Bill of Rights Ordinance's bearing on law enforcement

6. MISS EMILY LAU asked: Will Government inform this Council whether training courses have been organized for disciplined forces to help them understand how the Bill of Rights Ordinance would affect their law enforcing duties; whether any complaints have been received from the disciplined forces or other civil servants on the uncertainty caused by the Ordinance in the performance of their duties and if so, what actions have been or will be taken by the Administration?

SECRETARY FOR SECURITY: Mr Deputy President, the Government is aware of the need to ensure that civil servants are aware of the implications of the Bill of Rights Ordinance for their work. The disciplined services have taken action in this regard.

The Royal Hong Kong Police Force has set up a working party to examine the full implications of the Bill of Rights Ordinance for police work. The police have issued circulars and organized briefings and training sessions for the officers concerned on recent court rulings affecting existing legislation or police law enforcement procedures. Similarly, the other disciplined services have taken steps to include sessions on the Bill of Rights Ordinance in their recruit training, to send senior officers to attend a conference on the Bill of Rights Ordinance organized by the University of Hong Kong in June this year, and other officers on one-day seminars on the same subject organized by the Legal Department.

So far, no specific complaints have been received from civil servants on uncertainty caused by the Bill of Rights Ordinance in the performance of their duties.

We are aware of the views expressed by the Junior Police Officers' Association recently. We believe, however, that the measures being taken by the police are addressing their concerns.

Motions

LOANS ORDINANCE

THE SECRETARY FOR MONETARY AFFAIRS moved the following motion:

"That the Government be authorized to borrow a sum or sums not exceeding in total \$5,000,000,000 for the purposes of the Capital Works Reserve Fund or the Capital Investment Fund established by resolutions passed under section 29 of the Public Finance Ordinance (Cap. 2)."

He said: Mr Deputy President, I move the first motion standing in my name on the Order Paper.

The purpose of the resolution is to provide Government with authority to borrow in Hong Kong for the purposes of the Capital Works Reserve Fund or the Capital Investment Fund sums not exceeding HK\$5 billion in total.

On 6 March 1991, the Financial Secretary mentioned in his Budget speech for 1991-92 that a well structured and managed borrowing programme through the issue of short-term government bonds would be appropriate for Hong Kong. He also mentioned that the proceeds of the borrowing programme would be used only for capital projects. Details of the programme have now been worked out and these are described in the Information Memorandum already circulated to Members.

The Director of the Office of the Exchange Fund will be the issuing agent of government bonds. Initially, around HK\$500 million of two-year bonds will be issued four times a year through open tenders on a bid-price basis. In addition, bonds up to HK\$100 million per issue may be made available to the Office of the Exchange Fund for the purposes of last resort supply to market makers. The bond programme will, therefore, build up to HK\$4.8 billion, or say, HK\$5 billion, in two years time comprising eight issues of HK\$600 million each.

In order to maintain a liquid secondary market, a number of authorized institutions under the supervision of the Commissioner of Banking will be appointed as market makers which will quote bid and offer prices for the bonds. To further enhance liquidity of the market, market makers will be allowed to run short positions in any issue of bonds subject to their compliance with the risk management measures specified by the Director of the Office of the Exchange Fund. A liquid secondary market will help to enhance the attractiveness of the bond programme to investors and reduce the borrowing cost of Government.

The bonds will qualify as liquefiable assets under the Banking Ordinance. Interest income as well as the profits on sale of the bonds will be exempt from profits tax and their trading in the secondary market will be exempt from stamp duty.

In order to avoid any suggestion that the bond proceeds are not being applied exclusively to capital expenditure, I propose that bond proceeds should be credited directly to the Capital Works Reserve Fund and the Capital Investment Fund and that payments of interest and servicing costs arising from the bond issue, and redemption of the bonds, should be made from the Funds.

Mr Deputy President, I beg to move.

Question on the motion proposed, put and agreed to.

PUBLIC FINANCE ORDINANCE

THE SECRETARY FOR MONETARY AFFAIRS moved the following motion:

"With respect to the Capital Works Reserve Fund that the resolution made and passed by the Legislative Council on 15 May 1985 and published as Legal Notice No. 131 of 1985 be amended, with effect from 8 November 1991, --

(a) by repealing paragraph (e) and substituting -

"(e) there be credited to the reserve account -

(i) such appropriations from general revenue as may be approved by the Legislative Council; and

(ii) sums borrowed under section 3 of the Loans Ordinance (Cap. 61) where the resolution of the Legislative Council approving the borrowing so stipulates,"; and

(b) by adding after paragraph (k)(ii) -

"(iii) repay or, where appropriate, pay from the reserve account the principal and interest of and expenses incurred in relation to sums borrowed under section 3 of the Loans Ordinance (Cap. 61) where the sums have been credited to the reserve account;".

He said: Mr Deputy President, I move the second motion standing in my name on the Order Paper.

In moving the previous resolution I said that in order to avoid any suggestion that the bond proceeds are not being applied exclusively to capital expenditure I propose that bond proceeds be credited directly to the Capital Works Reserve Fund and the Capital Investment Fund. I also propose that payments of interest and servicing costs and redemption of the bonds should be made from the Funds.

This resolution is made under section 29 of the Public Finance Ordinance to amend a resolution of this Council under that Ordinance on 15 May 1985 to replace earlier resolutions to establish the Capital Works Reserve Fund.

The amendments proposed will allow for the accounting for the bond issues to be done through the reserve account of this Fund.

These arrangements will ensure that the proceeds of the bond issue will be applied for the intended purpose and so will assure lenders that the borrowing programme is clearly for capital expenditure purposes.

Sir, I beg to move.

Question on the motion proposed, put and agreed to.

PUBLIC FINANCE ORDINANCE

THE SECRETARY FOR MONETARY AFFAIRS moved the following motion:

"With respect to the Capital Investment Fund that the resolution made and passed by the Legislative Council on 14 March 1990 and published as Legal Notice No. 80 of 1990 be amended, with effect from 8 November 1991, --

(a) by adding after paragraph 3(j) -

"(k) sums borrowed under section 3 of the Loans Ordinance (Cap. 61) where the resolution of the Legislative Council approving the borrowing so stipulates;"

(b) by repealing "and" at the end of paragraph 5(a);

(c) by adding "or" at the end of paragraph 5(b); and

(d) by adding after paragraph 5(b) -

"(c) repaying or, where appropriate, paying the principal and interest of and expenses incurred in relation to sums borrowed under section 3 of the Loans Ordinance (Cap. 61) where the sums have been credited to the Fund;".

He said: Mr Deputy President, I move the third motion standing in my name on the Order Paper.

This resolution is made under section 29 of the Public Finance Ordinance to amend a resolution made by this Council under that Ordinance on 14 March 1990 to establish the Capital Investment Fund.

The amendments proposed will allow for the accounting for the bond issues to be done through this Fund.

These arrangements will ensure that the proceeds of the bond issue will be applied for the intended purpose and so will assure lenders that the borrowing programme is clearly for capital expenditure purposes.

Mr Deputy President, I beg to move.

Question on the motion proposed, put and agreed to.

First Reading of Bill

PEAK TRAMWAY (AMENDMENT) BILL 1991

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

Second Reading of Bill

PEAK TRAMWAY (AMENDMENT) BILL 1991

THE SECRETARY FOR TRANSPORT moved the Second Reading of: "A Bill to amend the Peak Tramway Ordinance".

He said: Mr Deputy President, I move that the Peak Tramway (Amendment) Bill 1991 be read the Second time.

The primary objective of the Bill is to give flexibility to the Tramway Company in operating a modernized peak tramway.

The peak tramway has now become mainly a tourist and recreational facility and less than 10% of the passengers are regular commuters. For this reason, the fares were deregulated in 1985 so that the Company can respond more readily to market changes.

In 1989, the peak tramway underwent a major modernization programme, bringing the system to the latest international standards of funicular railways. Substantial improvements were made to the tramcar design, the haulage equipment and the signalling system, resulting in greater efficiency and passenger comfort.

The Peak Tramway (Amendment) Ordinance 1989 stipulating the safety requirements of the modernized tramway was enacted on 8 July 1989 to provide an up-dated legal framework for the new system.

Since then, further revisions to the Ordinance have been found necessary to give

more flexibility for operation. Hence the provisions of this Bill.

In 1988, the Company was granted the right to operate the peak tramway until 31 December 2003, but with no provision to apply for renewal. Clause 2 stipulates that the Company may request an extension to its current operating right not less than one year before the expiry date. This will give the Company the chance to apply for renewal in the light of its future investments. However, this provision will not commit the Government to considering the application favourably nor preclude others from applying for the same operating right.

Clauses 3 and 4 give more general descriptions of the engineering works authorized to be constructed and maintained by the Company. These replace the existing technical terms to avoid the need for a detailed description of the system and the risk of any omissions.

Clause 5 empowers the Company to enter lands adjoining the peak tramway to carry out any necessary repair or accident prevention works, and provides for any aggrieved party to claim compensation.

Clauses 6 and 7 stipulate that the approval of the Governor in Council will not be required for the sale or lease of properties which are not necessary for the efficient maintenance and working of the peak tramway. However, assignment of land granted by private treaty will still be subject to the prior approval of the Governor in Council. This will facilitate the Company disposing of any obsolete rolling stock or other non-essential assets, which, under the existing Ordinance, are subject to the approval of the Governor in Council.

Mr Deputy President, I move that the debate on this motion be now adjourned.

Question on the adjournment proposed, put and agreed to.

Members' motions

MOTION OF THANKS

Resumption of debate on motion which was moved on 30 October 1991

CHIEF SECRETARY: Mr Deputy President, may I first thank all Members of this Council

for their contributions to this debate. We have heard a wide variety of views on an extensive range of subjects and you have given the Administration plenty to think about. All of us were struck by the frankness and sincerity of Members' speeches. We will try to respond in kind.

One of the main themes of the Governor's address to this Council on 9 October was constitutional development. Most Members have taken up this theme during the debate. It is a particularly important and complex issue. It is also an issue that needs to be well understood if our work in this Council is to be effective.

So let me start with our constitutional arrangements. Some Members have suggested that the Legislative Council has no real power and that it is unable to influence important decisions. Such an assertion is clearly wide of the mark.

Hong Kong's constitutional arrangements are, I accept, unusual. They are neither tidy nor conventional by the standards of sovereign states. But this should not surprise anyone because Hong Kong is not and never will be a sovereign state. But the fundamental concept of an appointed Executive, working through an apolitical Civil Service, balanced by an elected Legislature is a fair and workable system, provided everyone involved is committed to making it work in the interests of Hong Kong people.

That in turn means the Executive Council and the Administration and the Legislative Council understanding their roles, their responsibilities, their power and the limitations to that power. Policy making will continue to rest with the Administration working within guidelines established by the Governor on the advice of the Executive Council. But the Administration cannot go it alone. It needs the comfort of knowing that its policies and actions have the wholehearted support of the Executive Council and are likely to prove acceptable to a majority of Members of this Council. We in the Administration recognize that such support will not be forthcoming as a matter of course. It will only be achieved by involving Members of the Executive Council more in the business of policy formulation. We intend to do this by consulting the Executive Council at an early stage of our thinking about new policies and at that time to seek Members' views on the principles involved. Thereafter Policy Secretaries will work closely with Members of the Executive Council to develop the policy ideas into firm proposals which can be put to the Council for advice. As a result individual Executive Council Members may well develop an interest in particular programme areas and consequently find it useful to establish

a close working relationship with the appropriate Policy Secretary. By involving The Executive Council at an earlier stage Members will have a greater role to play in policy formulation and thus be in a better position to explain publicly the thinking behind the decisions which have been taken.

We recognize too that we will need to be more forthcoming in our dealings with this Council. We expect Policy Secretaries to establish a close relationship with the new committees of this Council, and for the time being Omelco panels, and be ready to provide detailed briefings on legislation and matters of current interest. All the Policy Secretaries recognize that we have to work closely with both Councils to make the system work and are committed to doing just that.

Let me turn now to the role of this Council. Clearly the Legislative Council has real power. Firstly the power to pass, amend, reject and under certain conditions introduce legislative proposals.

The second major power is the right to approve or reject the Government's expenditure proposals. The Government cannot spend the taxpayer's money without the approval of this Council.

This is unquestionably real power. It has to be used responsibly. But at the end of the day these are the powers which only you, the Members of this Council, can exercise and no one else. These are not constitutional niceties but vital powers affecting the actions of the Government and the daily lives of the people of Hong Kong.

So when the Governor referred to the need for partnership between the Administration, the Executive Council and the Legislative Council it was not a sign of weakness, not a signal that this Government has lost the will to govern or that it does not know where it is going, as some Members have suggested. It is simply recognition of the constitutional reality which applies now, and which is inherent in the system which will come into effect under the Basic Law, recognition that the partnership between the Administration, the Executive and the Legislative Councils must be made to work if Hong Kong is to continue to be governed effectively.

I would like to say something about the position of the Administration in the changing political environment which we are all witnessing. It will continue to be important that the Civil Service remains apolitical. But as I have explained we do

need political support, firstly from the Executive Council and subsequently from this Council. We all recognize that it may not always be easy to gain the support of a majority of Members of this Council because under our system there is no organized party support for the Government in this Council, or in the media or in the community as a whole. Under other constitutional arrangements a government can expect the comfort of knowing that its party of supporters will rally round both on sunny days and more importantly in stormy times also.

This Government however does not have that luxury. It has no political party annual conference, nor a manifesto, from which to develop and propagate policy. Nor can our policies be tested in elections because we have no political candidates to field. In this Chamber we have no party machine or whip system to give us the guaranteed majorities that support governments in more developed democracies. Nor do we have elected ministers to provide a popular -- and sometimes unpopular -- public face.

We must be careful therefore not to drift into a series of situations in which the Government is isolated because it has no built-in support. There is a real danger of this because there is a perception in Hong Kong that, to be popular, a politician must sometimes be seen to be openly critical of the Administration. Moreover, because under our system, governments do not change, those politicians, who may regard themselves as acting as the opposition to the government, are not restrained by the knowledge that one day they, as a group, may have to assume real government responsibility.

In the media too, it is a fact of life (both in Hong Kong and overseas) that critics of the government generate far more frequent and interesting headlines than do bureaucrats.

Furthermore in the community at large, businessmen and community leaders, who may appear supportive of the Government in private, seem reluctant to enter the fray. Some also prefer to criticize rather than join constructive debate.

If there were to be a lack of identifiable support it could lead to a situation in which the Government was reluctant to take difficult decisions which might prove to be unpopular amongst some Members of this Council, in the press and in the community. I am sure that will not happen because we know only too well that leadership is about taking tough decisions and convincing people that those decisions are right even if

sometimes it takes months or years to do so; about saying what you stand for, as well as what you stand against.

My colleagues and I recognize the challenges we face.

We must demonstrate leadership in developing new policies which meet the aspirations of our community. We must show pragmatism when those policies are debated publicly and passed through the new committee structures. And at the top levels of the Civil Service we must all be judged by how we perform publicly as well as how we work behind the scenes.

We will try to be more open and explain ourselves better to you and to the media. This will not always be easy but we are now busily examining how to improve our ways of operating and of communicating our policies -- and our problems -- in the coming years.

All this may sound a daunting prospect but as I look around me on these benches I see no gloomy faces, no trepidation and no uncertainty. Certainly we on the government benches do not feel like lame ducks, sheltering in the bunker waiting for the sun to go down as some Members would have you believe.

On the contrary, we are looking forward to the challenges ahead. If we were a government party we believe we would have a pretty good manifesto to take to the people of Hong Kong.

We might campaign under the slogan "Vote for the Government that delivers the goods".

We have delivered on the Economy transforming Hong Kong from a third world to a first world society. We put our faith in free markets, low taxes, enterprise and lean government and we got it right.

We have delivered on social programmes, housing, health and education all built, and now heavily subsidized, through revenue generated by growth in our economy rather than high taxes.

We have delivered on infrastructure with our transport and communication systems the envy of the world.

And every one of my colleagues on these benches can, and, in the course of this debate, I hope will, point to existing new programmes stretching into the next century in each of their policy areas.

Of course much more remains to be done and there are blemishes on our physical and social landscape. But so much has been achieved. Look around you. The community is truly proud of those achievements and Members should not belittle them as some have done in the Council.

But we should not be influenced too much by the prophets of doom in our midst. Certainly Hong Kong people are not gloomy about this place or indeed about their Government. Opinion polls carried out over the last six months, suggest that consistently 80% of the people of Hong Kong are satisfied with the general situation in Hong Kong and that over 50% are satisfied with the performance of the Government and that only 32% are dissatisfied. By any standards these figures indicate a confidence most governments in the world would envy.

I am not suggesting, of course, that everything we do is right. All governments make mistakes including this one and I hope if we make mistakes we would have the courage to admit it. But we get plenty right too and if this Government is to carry on the administration of this territory with the vigour which the community expects, we will need the support of people who are prepared to judge issues on their merits and speak out on our behalf when we get things right. When we have to take difficult decisions and there are going to be some, the Government is certainly going to need the understanding and support of the Executive Council, of Members of this Council and of the community too.

Popular decisions are easy, everyone will be pleased to take credit for them. But we need support also for decisions which although unpopular are nevertheless correct and which are just as essential to keep Hong Kong stable and prosperous as the popular ones. And that support must be upfront, in public, from all those who have the courage of their convictions. It will not be easy. There will be a great temptation to run for cover when the going gets tough politically.

We do not expect that support to be unquestioning. We expect to have to earn it. We expect to have your questioning and your criticisms and we welcome both. But I hope that your criticism will not be based on mistrust of our motives and that we can start on common ground, that is that civil servants and Members of this Council

are well motivated people whose prime interest is to do their best for the people of Hong Kong.

Mr Deputy President, I support the motion.

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr Deputy President, I would like to join the Chief Secretary in thanking all Members who have spoken on those subjects for which I am responsible. I will however confine my remarks to:

- the Joint Liaison Group;
- the Court of Final Appeal; and
- Electoral and constitutional developments

The Joint Liaison Group

As the Governor has highlighted in his address to this Council on 9 October 1991, the management of our relations with China is crucial to achieving a smooth and successful transfer of sovereignty in 1997. That more than half of the Members of this Council spoke on this theme attests to the clear recognition of its importance now and in the next six years. I am happy that, with my recent appointment as the Secretary for Constitutional Affairs, I shall be able to contribute to this worthwhile goal.

Hong Kong is a pluralistic society. It is entirely natural that different people have different views, and express their own views forcefully, on something so important to our future as how to manage that relationship with our future sovereign power. But I cannot help noticing, both from Members' speeches as well as from public and media comments they generated, a broad consensus, namely that relationship must be based on mutual understanding and co-operation, grounded on the provisions of the Joint Declaration. The Prime Minister's recent visit to China, and the signing of the Memorandum of Understanding on the Airport, underscores the key points of that relationship: intensification of co-operation and consultation, and reaffirmation of the determination to implement the Joint Declaration, in letter and spirit. Surely, no lasting relationship can be founded on mutual suspicion and mistrust; if they exist then we must do all we can to break them down. We must take care to explain our views tactfully but firmly; at the same time we must listen to the other side with understanding and patience. The stakes are too high for us to do otherwise.

The Joint Liaison Group (JLG) plays a key role in our consultation with China on the implementation of the Joint Declaration. Yet I fear that its role is sometimes misunderstood. In the words of the Joint Declaration, it is 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." There is no question of the JLG being a Sino-British condominium government: the administration of Hong Kong is firmly in the hands of the Hong Kong Government.

It has sometimes been alleged that Britain and China have concluded agreements on Hong Kong's future in the Joint Liaison Group behind our backs. This is patently untrue. Hong Kong has a direct line to these consultations both through its Hong Kong membership on the Joint Liaison Group and through the Executive Council. The Executive Council is fully consulted on the preparation of the British side's objective and at every stage of the discussions.

The Governor's recent appointments to the Executive Council should be seen in this context. In making his new appointments the Governor was anxious to strengthen the links between the Executive and Legislative Councils. All of his new appointees are Members of this council. All will play their part in representing the views of the Hong Kong people on vital issues affecting Hong Kong's future.

Court of Final Appeal

It is perhaps appropriate at this stage that I refer to the concerns raised by Members of this Council, both before and during this debate, on the Court of Final Appeal. We are conscious of the strong views expressed so far; this is understandable because the continuation of an independent judicial system is one of the important safeguards for the future. But I think we now need to stand back a little and reflect.

Public comments have so far focussed on the composition of the court. This is unfortunate. The composition of the court is only one aspect of a highly valuable agreement. We have sought in discussions with China to achieve maximum continuity of an independent judicial system, including the vesting of the power of final judgment in Hong Kong, across 1997. This is of vital importance for confidence, for the people of Hong Kong no less than for the business community. The agreement reached in the JLG enables us now to proceed with the legislative, administrative

and practical arrangements for establishing the Court of Final Appeal. It has thus secured for us the key objective of having the court up and running well before 1997, so that it can have maximum opportunity to gain experience and establish its reputation and authority. Furthermore if the court we establish is to give confidence for the future, there must be no room for doubt that it will be able to continue after 1997. We must not lose sight of that.

I should also say that the establishment of the Court of Final Appeal is a complex matter involving the enactment of legislation both in Hong Kong and in the United Kingdom. While we aim to establish the court early, we are still some way off being in a position to introduce the necessary Bill into this Council and finalize the practical arrangements. More work is being done on it, and we are acutely aware of the need for there to be sufficient safeguards on the independence and prestige of the court. We will in due course share our ideas with Members of this Council and representatives of the legal profession.

But there is at least one lesson to be learnt from experience in the past few weeks: there is clearly a need to find some means of enabling Members to understand better, and earlier, what goes into propositions to be put to this Council for the enactment of law or the voting of funds necessary to put into effect agreements reached in the Joint Liaison Group. In exploring such means we must, of course, respect the provisions in the Joint Declaration that "proceedings of the JLG shall remain confidential unless otherwise agreed between the two sides". I also firmly believe that the first duty to explain such matters to this Council rests with the Hong Kong Government. After all, they are proposals to which we have given our agreement; it behoves us to justify them.

Electoral and constitutional developments

1991 has witnessed the successful elections to the district boards and municipal councils, culminating in the first direct election to this Council on 15 September. The significance of this development lies not just in the creation of directly elected seats in this Council but also in the fact that the electoral arrangements have stood the test of events well. I would like to take this opportunity to pay tribute to all those involved, including candidates and voters for the remarkably smooth and orderly elections.

However given the pace of our constitutional development no sooner have we completed the 1991 elections than we have to begin our planning for the next. The

Governor has informed this Council that to prepare for 1995 a review of the entire electoral system is being undertaken and it should be completed by the middle of 1992.

Many Members have spoken eloquently on this review, on the items they would like to see included, and the outcome they expect. Others have asked rhetorical questions and reminded us forcefully of the need for consultation with this Council. All these I have taken note of.

The review has indeed commenced and over the next few months we shall be devoting ourselves to a thorough examination of the issues arising from our experience of the 1991 elections. These include :

- (a) the establishment of an independent commission to demarcate constituency boundaries;
- (b) the need for an independent body to organize and oversee elections;
- (c) the system of voting in geographic constituencies;
- (d) the minimum voting age;
- (e) the mechanism for voter registration;
- (f) the administrative arrangements for the conduct of the elections;
- (g) the regulation of campaign activities;
- (h) the qualifications of voters in the existing functional constituencies including multiple voting rights in geographical and functional constituencies;
- (i) the enforcement of electoral provisions; and
- (j) the possible consolidation of existing electoral provisions into a single set of legislation.

None of the above issues are simple but the task is urgent. The next election cycle begins with the district board elections in September 1994. Thus the recommendations of the review must be implemented by the end of 1993. Law drafting to implement these

recommendations has to be completed much earlier. The timetable is therefore extremely tight. But I am confident that with the help of this Council this can be achieved.

Until the review is done I cannot even attempt to answer some of the very relevant questions raised by Members during this debate. I believe that it is Members' intention to set up a select committee to study these questions. The Administration looks forward to working closely with this committee, with the aim of finding the best answers that will meet the aspirations of the community.

In addition to the review of electoral arrangements some Members also spoke on the need to tackle constitutional issues such as details on the setting up of an Election Committee, and the election of the President of this Council, his qualifications and powers. These are issues directly relating to convergence with the arrangements for the first legislature of the Hong Kong Special Administrative Region set out in the Basic Law. Satisfactory arrangements for these and other provisions are crucial for a smooth transition. Obviously these are issues on which Members will have a keen interest. However given the tight timetable I have just outlined for the review of electoral arrangements, the detailed consideration of these issues will have to be addressed at a later stage.

Many Members argued that there should be more than 20 directly elected seats in 1995. Ministers have made clear that the British Government will raise with the Chinese Government before the 1995 elections the pace of democratic development in Hong Kong, at the time and in the manner which they judge most likely to be successful. During his visit here in September, the Prime Minister confirmed the importance he attaches to the views of OMELCO Members on this issue.

Thank you, Mr Deputy President.

FINANCIAL SECRETARY: Mr Deputy President, inflation is clearly the key concern of this Council, and of the wider community. I therefore propose to devote most of my speech to this topic.

But I want to take this opportunity to reassure the community about our commitment both to our major social and other programmes, and to the basic free market approach which has served us so well.

OUR CONTINUING COMMITMENT

Our basic approach is clear. We believe in the merits of a market economy and of competition; in low tax and minimum red tape; in combining effective protection of the public's interests with maximum opportunity for economic growth. This approach has brought us rising standards of living and full employment over a long period of time.

We believe strongly in encouraging competition. Competition in the delivery of public services will, in particular, continue to be encouraged. The benefits include increased productivity, innovation and better quality. In public transport, for example, competition already exists between different transport modes. But we have continued to increase competition in this area -- for example, by competitive tenders for bus routes.

We also believe in privatization, that is, handing over to the private sector activities best run by entrepreneurs rather than civil servants. We are already ahead of many other economies in the number of services provided by the private sector or by statutory corporations rather than by the Administration itself. The privatization of tunnels is a good example. We intend to do more in this area.

CONTROL OF PUBLIC SPENDING

However successful we are in spreading privatization, and in promoting competition, we will also need to exercise restraint in public spending, as a number of Members stressed in the debate.

It is vital, as the Governor said in his Address, that we take seriously the main budgetary guideline. Overall growth in public spending must be kept in line with the overall growth rate for the economy. This ensures that we do not crowd out the private sector, which generates the wealth that raises our standard of living.

This guideline is not applied inflexibly. As some Members have pointed out, public spending has grown relatively fast in recent years. The fact is that when economic growth slows, it is difficult to slow down public spending simultaneously. Indeed, it would be wrong to apply the brakes too abruptly -- to avoid a stop-go effect on our programmes. Reserves help in this adjustment. That said, we have been experiencing much slower growth, and we have to take this into account in our spending

plans. In the second half of the 1980s, the average annual growth rate of GDP was 7.8%. This slowed down to 2.7% in 1989 and 2.8% in 1990. In contrast, the share of public sector spending in GDP increased rather rapidly, from 14.5% in 1987-88 to 17.4% in 1990-91. This year (1991-92), the share is likely to rise even further, to 19%. Plainly government spending has to be brought into line with lower GDP growth prospects.

In current circumstances -- particularly with high inflation -- it is all the more important that we rein in public expenditure. But reports about "cutbacks" in recurrent expenditure may have caused unnecessary alarm. In overall terms, we are actually planning for a significant real increase in expenditure. Why the confusion?

The misunderstanding may arise from the fact that, whilst spending more every year, we still look for greater efficiency in government spending. We must bring pressure to bear on departments to use their funding more efficiently, to find ways to cut costs. Some of these savings are then ploughed back into our existing programmes; into the expansion of services to which we have a continuing commitment because of past policy decisions; and to new services. These economies, together with the real increase in recurrent spending we are planning for, fund a considerable package of measures to meet the community's rising aspirations, including:

First, new policy initiatives that the Government has announced in recent years. These include the expansion of tertiary education, better standards of schooling generally, and the phased implementation of the Environmental White Paper and the White Paper on Social Welfare;

Secondly, exceptionally large spending commitments represented by the Hospital Authority's takeover of government and subvented hospitals;

Thirdly, additional and unavoidable spending commitments such as increased purchases of water from China. We should not forget also that many benefits in the social welfare field are indexed to inflation, so automatic increases in expenditure result; and

Fourthly, the start up of new schools, clinics and hospitals.

The likely impact of budgetary restraint on the social services has also been the subject of some confusion. There is no doubt that the need for budgetary

restraint presents us with hard choices. We cannot have a low tax policy unless we also ensure that subsidies are kept to a minimum, and fees and charges move in line with costs. But in making these choices, I would like to emphasize the continuing priority being given to social services. On present plans, recurrent expenditure on education, social welfare and health will show significant real growth over the medium term. These programmes must continue to take high priority to ensure that we protect the disadvantaged in times of inflation and to ensure that no one shall be deprived of education or hospital care because of a lack of means.

INFLATION

Background

Turning now to inflation, the background against which this problem of inflation needs to be addressed is generally better than a year ago. Hong Kong has room for cautious optimism. Following two years of modest growth, the economy has started to gather strength. The growth in our re-exports has been particularly robust. Investment in plant and equipment has been growing strongly. This trend is encouraging. It reflects improved confidence among investors and it also raises our capacity for growth in the future. In August, we raised our estimate for GDP growth this year to 4%; we expect this upward trend to continue. This should give us, for planning purposes, a growth rate of 5% up to 1995-96.

The agreement with China on the airport related projects has been a key element in the generally more upbeat atmosphere in Hong Kong. We have also continued to benefit from the increasingly integrated and successful economic hinterland including the Pearl River delta, whose progress has been far more spectacular than could have been imagined back in 1979 when China began opening up. Hong Kong investors are now very much at home about operating in Guangdong Province. They have contributed to the creation of a flourishing manufacturing base there and to the modernization of the infrastructure. All of which is a very encouraging pointer to the future.

Despite this generally more positive picture, we have a major problem, inflation. Concern over inflation in the community -- and in this Council -- is entirely understandable and appropriate. The Government shares this anxiety. True, recently inflation has eased, trending somewhat hesitantly down from the peak of 13.9% in April to 11.5% in September. However, inflation undoubtedly remains a serious

problem.

Economic growth and inflation are not mere abstractions; they both have a concrete effect on people's well-being. Growth results in rising income and standards of living; inflation affects us through higher transport fares, higher housing costs, higher shopping bills, depletion of savings, and so on. In general, the less well-off feel the pinch of inflation the most severely. An overall economic growth rate of around 4% would in most places be very respectable. But inflation of around 11% to 12% is distinctly uncomfortable. Our ambition must be to do all we can to raise growth and reduce inflation; but we must also be honest about the limitations on our ability to do either.

Inflation is a complex problem, which no government has found easy to solve. Many of the remedies tried out by other industrialized economies are not available here in Hong Kong, where the Government does not control investment or foreign trade; where the Government does not manage retail markets or regulate the process of wage determination; and where we are committed to free market principles.

Hong Kong has to find its own formula for dealing with inflation. The Government's analysis of the situation has benefitted from a number of the speeches in this debate. Indeed, in formulating our own views I have drawn not only on my colleagues' wisdom, but also on an informal dialogue with some of our leading private sector economists.

This dialogue has been sufficiently fruitful to convince me we should formalize it. We would then have a permanent forum in which to discuss with private sector experts, not only inflation, but other key economic issues -- the implications of structural change, for example, and how to facilitate higher growth. We need to mobilize Hong Kong's best economic minds. To this end, a new Economic Advisory Committee will be established, chaired by myself. Its membership will include prominent Hong Kong economists, and its terms of reference will be broad enough to enable strategic issues confronting our economy to be discussed.

The problem

I would now like to focus on the essence of the problem of inflation. The main elements of this complex and unique situation are as follows:

First, Hong Kong has succeeded in achieving a major structural change. There has been a shift from manufacturing to the service sector, coupled with a transfer of the more labour intensive manufacturing to southern China, together with new investments from Hong Kong. This has been a welcome change, and we have achieved a major upgrading of our economy without significant unemployment -- an unusual feat.

Secondly, this structural change has had a varying effect on our price structure. On the one hand, the expansion of our industry into southern China in turn stimulates the demand for services in Hong Kong, but unfortunately it also pushes up prices. On the other hand, our restructured industry has been able to keep its prices down, through a combination of increased productivity and having some processing done in China. As a result, we have a situation where our local consumer prices have been rising too fast for comfort, but where our export prices have remained broadly competitive. This kind of differential between the rate of domestic price inflation and export price inflation is unusual in a market economy.

Thirdly, and most serious of all, the severe shortage of land and labour aggravates the pressure on consumer prices and restrains growth. Let us not forget that the labour shortage is relatively new, stemming from the ending of free immigration from China -- the "touch-base policy" -- in 1980. And accentuated by emigration. The additional demand created for our goods and services by the growth in overseas orders and our expanded role in southern China would have been far less inflationary had our land and labour not been in short supply.

We must look calmly and carefully at what economic, fiscal or monetary measures are at our disposal to ease the situation. In so doing we must be careful not to cause adverse side effects. The effort to analyze the problem and look for measures which might moderate inflation has been spearheaded by the Task Force on Inflation.

Economic measures -- general

As far as economic measures are concerned, our open economy and our very success in southern China means that it is extremely difficult to influence total demand for our resources. Moreover, to do so would reduce our economic growth. We are, in many ways, the victims of our own success. Our thriving investments in Guangdong and our successful export connections around the world generate a constant flow of new business. Which means new pressures on our resources, and new pressure on prices. Hence, our emphasis on easing the supply side -- the availability of labour and of

land.

Economic measures -- labour supply

Since 1989, we have introduced a number of schemes for the selective importation of workers from outside Hong Kong. To date, some 14 000 workers have been brought in under these experimental schemes. There have been some problems with them, in terms of complex procedures and some abuses, and these must be addressed and resolved. But these schemes do have the potential to relieve the worst manpower shortfalls in bottleneck areas.

To decide what numbers to import is a complex matter. Despite the existing schemes, there are still some 70 000 reported job vacancies. This gives some idea of the size of the unsatisfied demand. Moreover, if the performance of our economy continues to improve in the coming year, as we predict it will, the demand for manpower will rise further. Even at historically low growth rates it has easily absorbed the huge shake-out of manufacturing labour, and that supply must diminish as the sector shrinks. Economists both inside and outside this Council have generally argued -- persuasively in my view -- that the severe shortage of labour at a time of high demand has been a major cause of inflation, though by no means the only cause. In view of this, and of the need to remove a real constraint on economic growth, it is important that we further augment our manpower supply from outside sources, on a selective basis.

To some extent, we can do this internally -- through investment in better equipment and higher productivity. But this strategy cannot be the whole solution. We also need more workers to respond to new orders and staff new projects. We have therefore decided that an increase is required in the number of imported workers. But we will want to consult carefully before deciding on a final figure.

There is no question of wanting to "blame labour" for inflation; our workers have performed extremely well, and over the years have rightly been rewarded by increased incomes and a rising standard of living. But our labour supply is simply growing too slowly.

At the same time, we recognize the genuine concerns of the work force, repeatedly expressed during this debate. The Government has no intention of undercutting wages or reducing earnings. There will be no mass, indiscriminate importation of labour.

Our approach will continue to be selective, targetting those job categories for which the numbers and skills are in short supply in Hong Kong. The number of workers to be imported will be carefully controlled, in the light of conditions in the labour market, and the legitimate prior claims of the local work force on available job opportunities. But by reducing the constraint imposed by the shortage of labour on our productive capacity, we can reasonably expect to contain the rate of inflation, and to achieve higher growth. In short, we will enhance the prosperity of all members of the community. My colleague, the Secretary for Education and Manpower, will be expanding on this particular theme.

Economic measures -- land supply and property prices

Turning now to the property market, many Members have argued forcefully that speculative buying and selling of flats has contributed significantly to the present high prices of residential property. The point is made that this has not only taken flats out of the reach of genuine home buyers, but also added to inflation.

I am persuaded by these arguments. In the first nine months of this year, the average price of residential property as recorded by actual transactions has risen by well over 40%. An upsurge in housing prices of such magnitude will manifest itself in higher rents, and this in turn will push up the consumer price indices.

We already took some measures in December last year, and again in August this year, to deter excessive speculative activities in the sale of uncompleted residential flats, and to prevent disorder at such sales. But clearly further measures are needed. In the case of property, I believe rampant speculation, aggravated by malpractices, is not letting the market mechanism work properly. The Secretary for Planning, Environment and Lands will explain later on in this debate a series of additional measures to encourage a more orderly market.

An important measure to stabilize the property market in the long term is to ensure a reasonable supply of residential units to meet demand. Contrary to popular belief, the supply of residential units has increased faster than the increase in households, and is forecast to continue to do so. Of course, we have also to recognize rising aspirations for more or better home ownership brought about by increased affluence. Nevertheless, there should be sufficient land to meet demand. I would like to acknowledge here the co-operation of the Land Commission in recently agreeing to add some six hectares of land for private residential use to this year's Land Disposal

Programme. This demonstrates the flexibility of the system.

The banking industry also has a role to play here. Prudent bankers do not seek to fuel inflationary speculation. The banking industry is fully aware of our views on this subject, and the Secretary for Monetary Affairs will be elaborating on this issue later in the debate.

The measures I have described will have some effect in dampening down the rate of price increase and enabling the market mechanism to work better, but we must now tackle the speculators directly. Property speculators have created an artificial market, profiting from the public's understandable fears of mounting prices. These speculators have created a chain of profitable transactions at the expense of the unfortunate end user. The solution is to deter the speculator by cutting into his profit margin at each stage of the chain. The most effective weapon to do this is a change in the way stamp duty is charged.

At present, stamp duty is payable on assignment of a property; in other words, on completion of the document by which the property is legally transferred to the purchaser. But it is not payable on sale and purchase arrangements entered into before the assignment. We have now decided that all such arrangements must be covered by sale and purchase agreements, and to charge stamp duty on such agreements. An assignment will then only attract nominal duty. The duty on the assignment will be nominal because duty will already have been paid on the relevant sale and purchase agreement. The rate of stamp duty is not being changed. An exception will be made for the Home Ownership Scheme, where there is little or no scope for speculative buying and selling.

The imposition of stamp duty on each and every sale and purchase agreement will greatly erode the profits from speculative transactions. The larger the number of transactions, the greater the erosion of speculative profits. Given this, speculators will think much harder before they enter the market. If they do, they will face an increased risk of being unable to off-load their purchases at a profit. This disincentive should therefore deter speculative activities and reduce the scope for the artificial inflation of prices. The result should be more stable prices, which will benefit genuine home buyers. I should emphasize that where no intermediaries intervene, the stamp duty payable by a genuine home buyer will be the same as at present.

I will no doubt be accused of introducing this change in order to increase revenue. This is most definitely not the case, but it is an accusation I am prepared to face to help genuine home buyers and to restore realism to the market. I should also make it clear that our prime concern is over residential property speculation. However, it is difficult to distinguish legally and administratively between different kinds of property. Furthermore, the way in which a property is used can change. Thus the legislation may have to cover property generally, unless solutions to these problems can be found.

We have already made progress in drafting the legislation required, and intend to introduce it into this Council next month. In the meantime we have put speculators on notice.

I believe there is also scope for increasing the role of the Consumer Council in this important area. The Council was established by the Government to help protect the consumer, and has established itself as an effective watchdog. This role is particularly important at times of inflation. The Consumer Council has already begun to be involved in such matters as the purchase of homes, mortgage and insurance arrangements, and unfair terms in tenancy agreements. However, it has been inhibited because it is not clear whether property falls within the Council's terms of reference. To ensure that the Consumer Council can continue -- and indeed intensify -- its efforts in this vital area, a Consumer Council (Amendment) Bill will be put before Members later this month. The Bill will put it beyond doubt that property, along with goods and services, is within the purview of the Council.

I am confident that the Consumer Council will help to create a more informed public in their dealings with developers, estate agents, finance houses or corporate landlords, where the individual consumer is often in a weaker bargaining position. This should in turn contribute to a healthier property market.

Fiscal measures -- restraining public sector demand

Mr Deputy President, having dealt with measures to ease the supply of labour and of land, I turn now to fiscal measures. I referred earlier to the need to restrain the growth in public expenditure. Public expenditure in many other parts of the world has been a major source of inflation. This is not the case here in Hong Kong, but we must nevertheless ensure that government spending does not aggravate inflationary pressures.

The starting point in planning public sector spending for the next few years is the likely growth of the economy. We assume this will be 5%. Hence the growth rate in total government spending over the forecast period should also not exceed 5%. This gives us our overall ceiling for public spending, and I have every intention of ensuring that it will be observed.

Monetary measures

I distinguished earlier between economic, fiscal and monetary measures to deal with inflation. I move now to the last of these three, monetary options. Other governments have used monetary measures to attack inflation, with varying degrees of success. However, these remedies are not really open to us. The increase in unemployment and reduced growth which drastic anti-inflationary measures imply would not be readily acceptable. But more importantly, in our particular circumstances, I believe our monetary policy has to give overwhelming priority to ensuring a stable currency. Hong Kong has in the past few years been subject to a number of shocks, and it has been remarkable how well these shocks have been absorbed, with no damage to confidence in our currency. The exchange rate has remained stable throughout.

I take this opportunity, in my first major speech in this Council, to state unequivocally my support for the present linked rate. The link to the US dollar, supplemented by the monetary arrangements put in place more recently, has served us well. I should make very clear my firm intention that it will continue. I derive some comfort from the fact that most of the business community and much expert opinion support preservation of the link.

Summary

In conclusion, inflation confronts us with difficult problems. There are no easy answers. But I have outlined measures to increase our labour supply selectively; to curb property speculation; to expand the remit of the Consumer Council; to establish a new Economic Advisory Committee; and to exercise effective control over public spending whilst still funding key community programmes. Taken together these measures will exert useful downward pressure on inflation. But this cannot be the end of the story. We will need to monitor events closely, particularly in the property area, and be alert to what changes are needed. But we need to take the action I have described now if inflation is not to worsen.

On growth we see encouraging signs, and labour importation will help to push it higher. But for the time being Government must practise budgetary restraint and we fully intend to do so, although not at the expense of developing our infrastructure -- one of the engines of growth -- or at the expense of the poor and disadvantaged in our community.

Mr Deputy President, with these remarks, I support the motion.

SECRETARY FOR MONETARY AFFAIRS: Mr Deputy President, we will continue to ensure that our regulatory standards match up to those expected of a major international financial centre. We need a regulatory framework which provides investors with an adequate measure of protection and ensures the integrity of our financial markets. But we are conscious of the need to avoid over-regulation as that would stifle the entrepreneurial spirit which is so important to Hong Kong.

Regulation of financial services

In the course of this debate a Member of this Council has expressed concern over the powers vested in the Securities and Futures Commission which enable it when necessary to impose reform on market bodies. I can assure Members that it is not the intention of the Commission to exercise those powers other than in exceptional circumstances. Furthermore, in the very unlikely event that SFC were to seek to use its powers arbitrarily or oppressively, there are ample checks and balances built into the legislative framework to prevent any such abuse. Members of this Council examined these carefully, and indeed supplemented them, in the course of the passage of the legislation through this Chamber. Powers similar to those available to the Commission are available to the comparable regulatory bodies in other centres in the region such as Malaysia, Singapore and Thailand and are also to be found in both the United Kingdom and the United States. Such powers are widely considered the necessary complement to an effective self-regulatory system and I firmly believe that they are appropriate in the case of Hong Kong.

The Member also expressed the view that the Securities and Futures Commission should not unnecessarily investigate matters relating to the securities markets, leaving that instead to the market bodies themselves. In those fields where such bodies exist this is indeed the present position, with the Commission mainly confining

itself to a supervisory role. However, I think that it is right and proper that the Commission, in common with regulators elsewhere, should exercise its own investigatory powers where this is appropriate and necessary.

Members will, I am sure, be as pleased as I am to note that the Securities and Futures Commission and the Stock Exchange of Hong Kong have reached agreement on a reform package for the Exchange and that this has been endorsed by the Governor in Council. The reforms are designed to produce a more representative management structure for the Exchange and ensure that the interests of all who use our market are taken into account in its day to day affairs and in planning its future strategy. With the reforms in place, the structure of our stock market will bear favourable comparison with that in other major centres.

In this respect I would like to bear tribute to Sir Q W LEE who as Chairman of the Stock Exchange of Hong Kong has worked tirelessly during his period of leadership to restore the reputation and standing of the Stock Exchange following the events in October 1987. When he retires at the end of this year he can do so with the satisfaction of a job well done. His contribution to the securities industries was internationally acknowledged in the course of the conference of the Federation Internationale des Bourses de Valeurs held in Hong Kong last month.

On the banking front, we shall be continuing the ongoing task of reviewing the legislative provisions in the light of operational experience and developments. We intend to introduce amendments to the Banking Ordinance during the current Session which, amongst other things, will strengthen co-operation between auditors and the Commissioner of Banking. This will enhance the monitoring of banks' internal controls and thus enable the early detection of any problems. Some technical amendments identified as desirable in the light of the problems which were associated with the closure of the Bank of Credit and Commerce Hong Kong Limited will also be included.

Bank of Credit and Commerce Hong Kong Limited

Turning specifically to the subject of BCCHK, I should reiterate that the problems resulted from events outside Hong Kong and should not be seen as detracting from the soundness of our banking system. The Hong Kong Chinese Bank has completed its due diligence review and has made proposals for the takeover of the banking business of BCCHK. These proposals are under careful consideration by the Official Receiver.

As negotiations are still in progress, it would be unwise to speculate on their chances of success. Any terms that might be provisionally agreed by the Provisional Liquidator would require the sanction of the court, and the depositors and other creditors would also need to be consulted.

Deposit insurance

This brings me to the subject of whether Hong Kong should have some form of deposit insurance scheme. We are working hard on drafting a public consultation paper which we hope can be published by the end of this year. The issue is a complex one which needs careful research. We are drawing upon the experience of other centres as well as evaluating the impact a deposit insurance scheme would have for our depositors and banking system. It would be imprudent to rush into hasty decisions on this issue and we will be taking careful account of the views both of the general public and of the banking sector in the course of the consultation process.

Property market

The Financial Secretary has already identified our concern that speculation in the residential property market should not be fuelled by too liberal a lending policy of banks. Similar concern was expressed in the debate by other Members of this Council. The Financial Secretary has mentioned some of the steps which have been taken in this regard. I shall elaborate further. Results of a recent survey conducted by the Commissioner of Banking are encouraging. They reveal that, in response to the rapid rise in lending for residential property purposes to which the Commissioner had drawn the banking sector's attention in May, banks have tightened their lending policies. Measures taken vary somewhat from bank to bank but include reducing the loan-to-valuation and the loan-to-income ratios, more conservative property valuations and a reduction in the maximum term for which loans will be granted.

Whilst these measures may already be having a positive effect in restraining rises in property prices, the September monetary statistics on bank lending reveal that loans to purchase residential property are still growing at a significant pace. It is important therefore that banks remain vigilant in this regard and the Commissioner will be writing to authorized institutions shortly asking for a critical review of

lending criteria. He will also continue to monitor the situation closely.

Insurance industry

As regards the insurance industry, we shall continue our regular review to ensure that provisions of the Insurance Companies Ordinance are up-to-date in the light of operational experience and market developments. To this end, the Insurance Companies (Amendment) Bill 1991 will be introduced into this Council next week. Its main purpose is to extend the grounds on which the Insurance Authority may take interventionary action in the interests of the insuring public. There will also be provisions enabling the Insurance Authority to strengthen its supervision over problem insurers, and giving auditors and actuaries a greater role in the reporting of suspected fraud.

The lack of any regulation of insurance agents and brokers has been an area of concern. We fully accept that this is unsatisfactory and that steps must be taken to remedy the situation. Both the Administration and the industry believe that the answer lies in a system of self-regulation within a framework of supportive legislation. Working groups have been formed by the industry to draw up proposals and there has been useful dialogue with the Insurance Authority. In parallel, legislative proposals are being formulated to increase the responsibility of insurers for the actions of their agents and to enhance the transparency of the principal/agent relationship.

Prudential regulation of retirement schemes

Finally, Mr Deputy President, the need for prudential regulation of private retirement schemes to ensure that retirement benefits are paid when they fall due has received wide public support. We introduced the Occupational Retirement Schemes Bill into this Council in May. There was general support for the principles enshrined in the Bill from market and professional bodies. The Legislative Council ad hoc group which studied the Bill endorsed the need for regulation on these lines but expressed concern over the complexity of the Bill. Given the limited time available for its scrutiny, it was agreed that the Administration would restructure and simplify the Bill before re-presenting it to the Council in the current Session.

We are in the course of redrafting the Bill in close consultation with the market and concerned professional bodies. The revised Bill will retain all the basic principles namely, separation of assets of the retirement scheme from those of the

employer's business; provision of adequate funding; disclosure of relevant information to members of the retirement scheme; and annual independent audits. Improvements will, however, be made to the provisions governing funding arrangements and the registration of pooled schemes, and minor procedural matters will be dealt with by way of subsidiary legislation. We envisage that the redrafting process will be completed by the end of this year.

Thank you, Mr Deputy President.

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, Hong Kong owes a large part of its economic success to its free trade policy. We maintain no tariffs and are open to any trading partner who wishes to trade with us. For over 40 years we have followed the multilateral route towards the lowering of tariffs and the removal of trade barriers, using the General Agreement on Tariffs and Trade (GATT) as the cornerstone of our external trade policy.

With 103 members, the GATT provides the multilateral framework within which nearly 90% of world trade takes place. One of its fundamental principles is the Most Favoured Nation (MFN) rule. This means that, through the GATT, we are assured of market access on equal terms with our competitors in almost all major world markets. And we have done very well under the GATT.

The GATT is of course not a perfect instrument. That was why at a Ministerial Meeting held in Uruguay in 1986 the GATT contracting parties decided to embark upon a major round of multilateral trade negotiations to update and strengthen the GATT.

The Uruguay Round's major aims are to strengthen the rules of the existing GATT, to integrate two very important sectors of trade -- agriculture and textiles -- into the GATT system, to remove non-tariff barriers, to lower tariffs, and to establish new multilateral rules for trade in services and trade related intellectual property protection. Hong Kong participates very actively in the Round.

Unfortunately the Round has run into problems which are not of our making. It was to have been concluded last December in Brussels. The Brussels Ministerial failed principally because of a deadlock over agriculture, an area in which Hong Kong has no influence for obvious reasons.

In recent weeks, in Geneva, the Director-General of the GATT has been trying very hard to force the pace of the negotiations. Hong Kong negotiators have been working hard in almost all areas of the Round, both to fight for our own interests and to contribute towards the general effort to bring the Round to a successful conclusion. Regrettably, there has been little progress so far. The stumbling block is again agriculture.

We are now at the eleventh hour of the Uruguay Round. It is time for the major players -- the European Community and the United States -- to summon up the necessary political will in order to achieve a breakthrough in agriculture. If that can be done in the next few weeks, then we can look forward to a successful outcome.

In spite of our preference for multilateral solutions to trade problems, we are not unaware of the potential benefits of closer regional economic co-operation. Whilst we do not subscribe to the idea of protectionist trade blocs, we are interested in participating in international forums which seek to promote global trade liberalization and to strengthen regional economic links.

Hong Kong is already a member of the Pacific Economic Co-operation Conference. At a ministerial meeting to be held next week in Seoul, Hong Kong will become a participant in the important forum known as Asia Pacific Economic Co-operation (APEC). Since 78% of Hong Kong's trade is with economies in the Asia Pacific and, being the eleventh largest trading entity in the world, Hong Kong obviously has a significant role to play in APEC.

Given Hong Kong's dependence on trade, it is unfortunate that trade protectionism manifests itself in many forms. Abuse of the GATT's anti-dumping procedures is a recent example.

We are tackling this in four broad ways. First, bilaterally with importing countries where we believe that Hong Kong manufacturers are being treated unfairly. Secondly, multilaterally through the GATT to challenge the practices of individual countries where we feel that GATT rules have been breached. Thirdly, in the Uruguay Round our negotiators are actively pressing for changes to the existing anti-dumping rules in an attempt to reduce opportunities for anti-dumping to be used as a protectionist measure. Finally, in Hong Kong, the Trade Department is doing its best to assist manufacturers and exporters to understand the procedures involved and to advise them in general terms on how best to prepare their own defences. These four approaches constitute a major commitment on the Government's part.

About 70% of Chinese exports to the United States are re-exported through Hong Kong. Hong Kong industrialists have extensive investments in China. It is natural that we should be an interested third party in trade relations between the United States and China.

In May this year, President Bush announced his decision to extend China's MFN status without conditions for another year. This was welcome news for Hong Kong. The Hong Kong Government, together with the business community both in Hong Kong and in the United States, have done much to convey to decision makers in the United States Administration and the United States Congress the harmful effects on Hong Kong if China's MFN status was not renewed.

MFN renewal however is an annual exercise and there are two Bills still outstanding in the United States Congress which seek to impose conditions on the renewal of China's MFN status. Conditional renewal will also be damaging to Hong Kong because the threat of MFN suspension can have an immediate impact on investment and business confidence.

We are maintaining our vigilance and there will be redoubled efforts by the Government to ensure that Hong Kong's situation is fully understood in the United States. This we shall do through our offices in the United States and our contacts with United States political leaders, government officials and business groups. As in the past we also expect our trade and industrial organizations, our businessmen, individually or in groups, and the American business community in Hong Kong to continue to exert their influence in conjunction with the business community in the United States.

There are other tensions in trade relations between the United States and China. Consultations are going on between the two on the so-called "Special 301" case which concerns intellectual property protection in China, and "Section 301" regarding market access in China. The issues involved are too complicated for me to go into them here. It is sufficient to say that, because such a large proportion of China's exports to the United States come through Hong Kong, any United States 301 action against Chinese products can have adverse consequences for Hong Kong's trade.

The Hong Kong Government is naturally extremely concerned about this situation. And yet this is essentially a bilateral dispute between the United States and China

in which there is little scope for our involvement. We have nevertheless expressed our concern to members of the United States Administration at various levels in the belief that our trade and economic interests should be taken into account.

Some Members have proposed the establishment of a formal mechanism for economic co-operation between Hong Kong and south China. As the Governor indicated in his address, trade and investment links between the two places are already very extensive. They have grown up naturally and rapidly as our traders and manufacturers have explored and taken advantage of business opportunities over the border. The Hong Kong Trade Development Council has done much to facilitate this process. Given south China's immense economic potential, I believe that economic links will continue to expand and flourish without the need for any formal government-led mechanism for promoting or co-ordinating overall development.

Indeed, such a mechanism would run counter to our basic philosophy that business decisions are best left to businessmen. We also need to keep in mind the importance of maintaining Hong Kong's status as a separate customs territory and a separate economic and trade entity beyond 1997, as laid down in the Joint Declaration and on which Hong Kong's GATT membership depends. But I can assure Members that the Hong Kong Government maintains regular contacts with the Chinese authorities on a whole range of individual matters of mutual concern. These contacts can be expected to continue and increase with the growing interdependence between our economy and that in southern China.

A number of Members have spoken in support of the Government's philosophy of minimum intervention in the free play of the market forces. That was music to my ears. But some others have argued that the Government should draw up a comprehensive strategy to shape Hong Kong's future industrial development.

Our view remains that we should leave the private sector free to manage its own affairs. Hong Kong owes its economic success to the astute decisions of its businessmen. I believe it would be quite wrong for civil servants to seek to take decisions about the direction of industrial development. That should be the preserve of our entrepreneurs.

But minimum intervention should not be equated with lack of support for industry. On the contrary, the Government is doing a great deal. It has invested substantially in creating an environment in which private enterprise can flourish, and we will

continue to do so.

The facilities and services we offer include education and training to meet the economy's needs; the provision of industrial land; services to help industry to upgrade its productivity and quality; and activities to promote inward investment in manufacturing in Hong Kong.

Our industrial support programme is very much geared towards helping industry to improve its technological capability. Many of the places on offer in the tertiary education and training establishments are in science and technology subjects. The Hong Kong University of Science and Technology has just opened its doors to its first intake of students. The Hong Kong Productivity Council is active in acquiring and disseminating new technologies. Our industrial estates cater for high technology industries; and the estate at Tai Po has land specially earmarked for very high technology applications. Work has started on the formation of a new industrial estate -- the third one -- at Tseung Kwan O. We are building an industrial technology centre to provide space and facilities for new technology-based companies. And our inward investment programme encourages technology transfer from overseas.

In addition, we intend to break new ground for Hong Kong by introducing a new scheme of assistance for applied research and development (R&D). The aim is to encourage industry to invest more in applied R&D. With that additional investment, we should see industry becoming more sophisticated technologically -- and, in the longer term, more competitive in our export markets. Under the scheme, the Government will invest jointly with industry in worthwhile applied R&D; and will reap its share of the benefits of successful projects. We shall shortly be putting proposals to the Finance Committee of this Council for the funding of the scheme.

We are concerned that the support we offer should be effective and well-focussed. That is why we have decided to establish an Industry and Technology Development Council, as the Governor announced in his address. The new Council, which will start work next January, will take over from the Industry Development Board and the Committee on Science and Technology to give a single channel of advice to the Government on the development of industry and technology in Hong Kong. I am confident that the new Council will help the Government to be more responsive to the rapidly changing needs of industry -- including those stemming from the challenges of new technology -- and to ensure that the services we provide are better co-ordinated.

Thank you, Mr Deputy President.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, by the end of the 1970s many of us thought that we would solve most of the main physical development problems of Hong Kong within the next decade. We were following in our own way with considerable success a general pattern of decentralization to balanced new towns supported by industry, the design and higher standards in which were providing increasing members of our population with better living and working conditions, and a considerably improved environment. This policy would perhaps have continued to be one fundamental solution it seemed if we had remained an essentially manufacturing economy. But as the bread and butter function of Hong Kong has continued to change from manufacturing to services industry and as links with China have become increasingly important, our infrastructural needs have also changed, and, with their change, has come a need to change much of the direction of our planning. It was in this context that we had to plan for a much greater port and airport capacity and in which we have to give a much higher priority to our physical transport links to the Mainland upon which much of the future prosperity of Hong Kong will depend.

It was also within this context that we decided that the port and airport should be sited to the west of Hong Kong. In our relatively small territory, this was an important strategic decision as it has set up the major pattern of future infrastructural development. The pattern is simple: the west, south and north of the territory will be the areas in which we will principally expand our economy; the metropolitan areas on the east will be where we will primarily aim to meet our residential and recreational needs. It is not of course as simple as that, but this remains basically the strategy.

Others have addressed you and will address you on the airport. I will concentrate on port development. We were and maybe still are the biggest container port in the world because of the expansion of industry in southern China, for which Hong Kong is and should be the main port. If we are going to remain foremost in the service industries then we must make it our aim that Hong Kong should continue to be the port for southern China. This is what our port development strategy aims to achieve. Our policy is to ensure that port facilities, and especially high capacity container terminals continue to be provided to meet our own and southern China's needs and to maximize the cost effectiveness of the location and investment. The Port and Airport Development Strategy was based on 1987 projections; these are outdated and the

strategy is being reviewed to bring them up to needs as seen today. The Port Development Board formed last year will produce a revised development plan and programme by December this year.

Meanwhile progress on the planning and construction of port projects has been good. The first berth of Container Terminal 8 on Stonecutters Island will be operational by October 1993. The southeast Tsing Yi Development Study was completed in August this year. Planning for a river trade terminal at Tuen Mun Area 38 is well in hand for the development of 56 hectares of cargo handling facilities for river craft from the Pearl River Delta region. An additional 60 hectares of land will also be developed to accommodate special industries requiring deep water sites. These facilities will be operational in the latter half of the 1990s and will largely be financed by the private sector. Various port development studies have also commenced. The more significant are on the North Lantau Port Peninsula and Western Harbour, both of which will be completed by the end of next year. These, together with other studies in Tuen Mun, Tseung Kwan O and Kai Tak, will take the development of our port well into the next century.

The Territorial Development Strategy is, as one would expect, the main basis of Hong Kong's development programme. The change in the economic scene, of which I have spoken, has dictated its revision, but need for revision has also been enhanced by our realization of its shortcomings, particularly with regard to the environment. The basic policy of decentralization which we pursued in common with most of the other major metropolises in the world, although it provided better living conditions and environment in the new areas, contributed to those in the older areas only to the extent that it helped to thin out the population and cleared the squatter areas. And, as has happened in so many other big cities, the older areas, bereft of many of the more economically active families, have been left with many of the older, and, in some cases, poorer, people living within the same crowded streets, and in many cases, in buildings now some 20 and 30 years old, with little hope of serious maintenance. So when we started to prepare the sub-regional planning statement of the metropolitan areas, we decided that it should be a plan which aimed at the kind of standards of development which we were already achieving in the new towns, and that we should have as one of its main goals the improvement of the urban living environment. This was not, is not, a forlorn hope. We had already in train a programme for the redevelopment of public housing estates which affects nearly one third of the population of the metropolitan areas, and we already had in place the Land Development Corporation, which could lead in the redevelopment of the decayed and decaying areas of the city.

What was needed was a plan which would co-ordinate the new infrastructural developments and reclamations with the redevelopment of the older city. This is what the Metroplan, which is to be published later this month, is intended to achieve. We have consulted very widely on the preparation of this plan and the comments we have received have been very useful and have guided much of the thinking in the final plan. It too will doubtless draw out its critics, but we believe that the Metroplan will be accepted as helping the proper development of the metropolitan areas. It will be the structural and philosophical framework of the next stage of the planning process, which is the preparation of development statements for different parts of the urban areas. These statements will define the practical realities of the changes and principles outlined in the Metroplan as they affect each area. The first development statement will be for the Kowloon West districts, which will seek to co-ordinate the planning and development of the Kowloon West reclamations with the progressive redevelopment of Yau Ma Tei, Tai Kok Tsui, Mong Kok and Sham Shui Po, followed by statements for Tsuen Wan, Kwai Tsing District and South East Kowloon.

Mr Deputy President, in areas where you are clearing all private interests and developing a green field site a little statutory planning goes a long way. But the more that development impinges on private interests and disturbs people, the greater is the need for a statutorily defined relationship between those planning, their plans and those, as it were, being planned or at least affected by the planning. In 1989 we extended statutory planning into the rural areas through a special amendment Ordinance, to cover the virtually uncontrolled use of private agricultural lands, but this and the increasing complications of urban redevelopment have underlined the urgency for a more complete review. The Administration's consultation document on the review of the Town Planning Ordinance has been out for public consultation since July and a special committee has been studying the problems of compensation and betterment. The strong interest shown by professional institutions and the real estate industry in this review and in the compensation and betterment issues have led us to prolong the consultation period until 11 January next year. This exercise is important, because Hong Kong will need a system of statutory town planning which is efficient, fair and affordable to the community if any major progress is to be made in urban renewal and in tackling the problems of orderly development in the rural areas.

Land and property

Many Members have expressed concern about rising property prices and pointed to

the need to curb property speculation. Various measures have been suggested.

Hong Kong's prosperity is primarily founded on a free market economy. The property sector is a key element of this economy. Property-related activities constitute 14% of our Gross Domestic Product. For many, buying property is one of the most important decisions in their lifetime. Some may see it as buying their home, others buy flats as an investment and a hedge against inflation. Any attempt to intervene in the property market should not lose sight of these factors.

For one thing we would not contemplate government control of property prices, because that would be the end of the market. But we are very conscious of the need to protect the interest of genuine home buyers. The measures we introduced in December last year and August this year were aimed at curbing excessive speculation in uncompleted flats with the associated problems of public disorder during the sales. By and large they have achieved their intended purpose.

But we also believe there is further room to improve their effectiveness. First, we see the need to require disclosure of information on all intermediary sales of equitable interests in property. The information disclosed will facilitate better record keeping, and is useful for tax or stamp duty purposes. The Administration has recently reached accord with the Real Estate Developers Association on this measure and the terms are being finalized for incorporation in the Registrar General (Land Officer's) Consent Scheme for implementation within this month.

Second, the Administration has reached agreement with the Association on measures to regulate the re-sale of privately allocated uncompleted flats. To begin with not more than 50% of the residential flats for which consent has been granted may be earmarked by developers for private or bulk allocation. For parties allocated one single unit through private placement, no re-sale will be allowed before the occupation permit for the property is issued. For parties allocated two or more units through private placement, there will be no re-sale within three months from the signing of the formal sale and purchase agreement. Thereafter and before issue of the occupation permit, bulk re-sale, that is, the re-sale of all the units which have been bought privately to a single purchaser will be allowed. However, any other form of re-sale will be subject to further conditions imposed by the Registrar General (Land Officer).

The measures governing the re-sale of properties acquired through internal or

private allocation are aimed at preventing the creation of a secondary market. The terms are now being finalized up by the Registrar General (Land Officer) in consultation with the Real Estate Developers Association with a view to implementation as soon as practicable.

There will also be some refinements to the Consent Conditions already in operation. With immediate effect, all deposits for the purchase of uncompleted flats have to be made in bank drafts and no cheques will be accepted. This should plug a loophole whereby some people simply register with a cheque without sufficient money in their bank account and deposit the necessary money only if they become successful in the ballot for selecting flats. By making it mandatory that only bank drafts are accepted, it will deter frivolous registration or multiple registrations.

There have also been reports that the balloting requirement is being circumvented by people selling the successful chips to others. I must warn any developer who is found to be in collusion with such an arrangement, but I must also warn any potential buyer of the risk which he will face. The Consent Scheme allows only the same person whose name and identity card number have been registered with the developer the right to select the flat and to conclude the sale and purchase agreement. Even if he purports to have sold his chip this person is under no obligation to sell off his flat to the person who has bought the chip, nor is there any guarantee that he will not sell it to another higher bidder or indeed to a number of bidders. So to trust one's money to those selling successful chips is very dangerous. We have secured developers' agreement to publicize this fact both at their sale offices and in their public announcements.

Many Members have pointed out the need to increase the supply of residential land to enable more flats to be put on the market. Mr Deputy President, the aims of our housing policy are to ensure that adequate housing at an affordable price or rent is available to all households, and to promote and satisfy the growing demand for home ownership. Hence a major priority in Government's land policy is to make sufficient land available to meet housing needs. In the past five years, an average of over 100 hectares of land was made available for housing each year and over 390 000 new flats were produced. During the same period the number of households increased by only 130 000. Thus at most one-third of the new flats in both public and private sectors would have been sufficient to meet the needs of new households and at least two-thirds were available to meet the demands for improved housing as well as investment opportunities.

Looking ahead too, there will be no shortage of residential land. Taking into account the formation of new households and the needs of the inadequately housed, balanced against additional housing generated by redevelopments, we forecast a housing demand of some 66 000 flats per year for the period 1994-95 to 1998-99. Allowing time for the flats to be built and therefore looking at the land supply position in 1991-92 and 1995-96, there should be more than enough land to meet this demand. Furthermore most of the land to be made available for residential use will be for high density development. In sum the housing supply situation has improved over the years and will continue to improve.

Another matter of public concern has been the role played by estate agents. Estate agents undoubtedly help many people to obtain the flats which they want. Government has recently received the Consumer Council's report on estate agents and has put it before the Land and Buildings Advisory Committee. The committee considered that we should aim at enhancing professional ethics through self-regulation and, if necessary, legislation. The industry purports to agree, and it is encouraging to note that it is making efforts to establish a framework for self-regulation. The Administration will follow developments closely and continue our dialogue with the trade and other interested parties to see whether and what legislative controls are required. But we would wish to avoid them if possible, as legislative controls would be a further extension of bureaucracy and would need staff and other valuable public resources to make them work.

Public housing

I would now like to make a few points on public housing. Some Members said that the sale prices of home ownership flats should not be linked to private sector prices. But this link is very flexible and the discount has been pegged variously to suit the needs and affordability of those for whom the flats are intended. The Housing Authority will review the home ownership limits again next March and will also consider proposals to assist those caught between the income limits of the Home Ownership Scheme and public rental housing.

The Housing Authority recognizes the increasing demand for more public sector housing for sale and intends to increase the supply of HOS flats. But it will not ignore the needs of those requiring rental housing and indeed has plans for providing more accommodation for single and elderly persons. Measures will include the

upgrading of units released by casual vacation as self-contained accommodation for long-term occupation; to increase the number of new one-person flats by constructing annex wings -- an extra 2 000 such flats can be produced in the years between 1993-1995, and conversion of a block in Tung Tau for use by predominantly small households. The Authority thinks these measures should go a long way to meeting committed demand, provided tenants are reasonably flexible about the choice of location.

Building safety

When we have a roof above us, the roof should be a safe one. Government has always taken action against buildings found to be in a dangerous condition, but in October 1989 the Buildings Ordinance Office additionally launched a comprehensive survey on all private buildings to assess and categorize their physical conditions and to identify the actions which it should take to assure their safety. All pre-war buildings have now been inspected, and the staff have moved on to post-war buildings without management organizations. But the total number of post-war buildings is about 54 000. They are mostly multi-storey with many units in each building and a full inspection of all of them will not be completed until the end of this century if we rely on existing resources. More important, as a matter of principle, owners of private buildings should face up to their responsibility of ensuring that their buildings are properly maintained and prepared. The Administration is therefore putting in hand amendments to the Buildings Ordinance to empower the Building Authority to require owners themselves to have surveys done in buildings found to be in a suspect condition. We do not under-estimate the problems which will confront small owners and owners corporations resulting from additional statutory responsibilities, but they must appreciate that many of the buildings where they are living are too large and complicated to be acquired for early redevelopment and that their structures will have to be maintained to last a long time.

Environment

In mid-year we published a review of the White Paper on Pollution. I believe this is the first time the Administration has ever carried out such a self-monitoring exercise on a White Paper. The review confirmed that although many tight deadlines were set, targets in most areas were met. We were particularly encouraged by the success of efforts to reduce air and noise pollution, and in the progress in implementing our essential Waste Disposal Plan.

Disposal of our waste has always been a major problem for Hong Kong, aggravated by the lack of a long-term planning and by our realization that our incinerators, like those in so many other cities were sited too near to our residential areas and caused more pollution problems than they solved. In Hong Kong the solution must lie in sanitary landfills as long as we can find them and in bulk transfer of refuse from the urban areas. Our plans give us 12-15 years of security, provided we can find a better solution to the problem of construction waste, but they do require a considerable capital outlay to prepare the sites and to construct the landfills in a way which will not itself pollute our environment. The provision of funds for this purpose is my highest environment priority and will be found.

In this period of financial restraint, it is no surprise if some works have to be delayed. Several Members raised their concern over funding of the major works of the sewerage strategy. I understand their concern. This is a strategy which Hong Kong needs, and it must go ahead.

But we must prepare ourselves for the fact that it will take longer than we had hoped to bring our plans to fruition. In the present climate of financial stringency it will not be easy to finance the whole of this strategy in the normal way through the public works programme. We are currently examining various ways by which it might be financed by other means, in the meanwhile keeping up the studies necessary to complete the programme of works on target. In this respect good progress was achieved during a recent visit of the officials from the State Oceanic Administration of China without whose co-operation this scheme involving an outfall well within Chinese waters cannot proceed. And whether or not sewage charges are levied to help recoup the capital expenditure consultations with China will also be necessary if a significant financial liability of the works extends beyond 1997.

So I cannot pretend that it will be an easy task to bring the whole of this scheme to fruition. But our commitment to it, to reducing pollution, and to the environment generally, remains as strong as ever. And there is no question of shelving the sewage strategy.

Meanwhile \$4 billion worth of sewage projects are currently (and literally) in the pipeline. We are still pressing ahead to improve the sewerage systems, especially in Kowloon, where the worst problems are, and on the south side of Hong Kong Island, where some of the most popular beaches are. We will gradually carry out improvements to the worst areas by implementing works arising from our sewerage

master plans, as funds become available and by forging ahead on many different anti-pollution fronts during the coming year. In addition to the \$8 billion worth of sewerage and solid waste projects already mentioned, there are many other measures, we will be aiming to achieve during the coming Session. These include:

(a) Introducing new legislation to further reduce air, noise and water pollution. They cover controls of hand held percussion breakers; increases in penalties and improvements in the procedure for abatement notices to air pollution offences; controls on the use of asbestos; controls on the use and maintenance of waste treatment plants, provision to direct property owners to discharge wastes into public sewers; for a system of charging for treating of industrial effluent to specified quality and regulations to control the disposal of chemical waste and charge for it.

(b) Introducing new and very stringent international emission standards for all vehicles both diesel and petrol-engined imported into Hong Kong from 1 January 1992.

(c) An upgrading of the smoky vehicle scheme enabling vehicle emission checks to be undertaken by about 18 private garages, with a fee being charged for such inspections.

(d) Producing recommendations on a policy for energy efficiency around the end of this year. It will recommend how we can save more energy in both new and existing buildings, and how we can better educate the public in ways to save energy -- subject to the availability of funds.

(e) Seeking to save staff by introducing less manpower-intensive control measures, including privatization of waste disposal facilities, smoky vehicle inspections and collection and disposal of marine refuse.

(f) Pursuing further recycling initiatives. Some examples are examining the recycling potential of solid wastes, especially construction materials, paper and plastic; the development of copper recovery systems by the Hong Kong Productivity Council; and exploring further opportunities for waste minimization.

Conclusion

Mr Deputy President, in conclusion I would wish to stress that many of the issues on which I have spoken look well into the future. Our development waste and sewage

strategies all set up machinery which will last well into the next century. The Metroplan is a long-term framework for development and the changes in legislation proposed for building maintenance and the environment all set up patterns of behaviour which must change for ever. Many of our present problems, especially environmental problems have arisen because we did not look to the inevitable environmental consequences of what we were doing. At the time we either did not know or did not care enough about them. In development also we have exhausted most of the easier solutions and will not achieve our goals unless we are prepared to plan for the future of Hong Kong and its environment and accept some of the restraints and the costs of so doing. But we must also beware of excessive rigidity and be prepared first to balance sanely and flexibly the advantages and costs of different solutions to our problems, and, secondly to accept that not everything can be done at one time. In this way, Mr Deputy President, the development we need to ensure our prosperity and the environment which we need to ensure the acceptable quality of life will be assured.

SECRETARY FOR WORKS: Mr Deputy President, I am pleased to inform the Council that the Public Works Programme continues to grow, keeping pace with the increasing prosperity of the territory. There are over 2 000 projects currently in the Programme, and expenditure has increased at an average of 15% in real terms over the past five years.

Expenditure for the next three financial years is forecast to reach \$18.7 billion, \$21.2 billion and \$24.2 billion respectively, excluding expenditure on public housing.

Not only has much been achieved in terms of the size and speeding up the Programme, we have also made great progress in terms of quality. If we only look at our third generation new towns, Tseung Kwan O and Tin Shui Wai, and another world class project the Pamela Youde Hospital, all of which are proceeding on programme, we can be rightly proud of these examples of our achievements.

Members however have expressed concern that the Airport Core Programme may be crowding out other deserving public works projects. I would like therefore to clarify the situation.

As the Governor said in his policy address, the Airport and the Airport Core Programme, consisting of 10 projects in total, will absorb only about one quarter

of our total capital expenditure during the six years needed for construction. The programme will in part be funded by the private sector, while other parts, for example the West Kowloon Reclamation and the West Kowloon Expressway, are not exclusively transport-airport-related projects and in the normal way would have been funded through the Public Works Programme. They are in fact an integral part of the territory-wide development programme, further opening up the western part of the territory.

Given our policy of capping total capital expenditure as a percentage of projected GDP growth, it is inevitable that some projects have been rephased. The discipline of projects competing for limited resources is not new, and has a salutary effect in controlling public sector expenditure. Nevertheless, the overall development of the territory's infrastructure is proceeding at a rate that outsiders continue to admire.

Review of structure and establishment of the Works Group of Departments

Members have drawn attention to the need to pursue vigorously public sector reform. I agree with the objective that can be construed from their recommendations, and I can inform the Council that Works Branch sometime ago initiated action on a number of fronts. As an example, we are on track towards the formal establishment of interdepartmental charging in the vehicle repair and maintenance workshop, in the Electrical and Mechanical Services Department, by 1 April 1992. This is an essential step towards trading fund operations by that Department, which will be formalized in 1993. Assessment studies and a business plan have demonstrated that the scheme is viable. In the meantime, new staff incentives have been introduced, productivity has increased by 22%, and savings of \$54 million have been achieved. Fully computerized spare parts inventory control, and a new accounting system, have been put in place.

Water Supplies Department has been mentioned as suitable for privatization. Water however is an essential commodity; consumers have no viable alternative, and public interest must be safeguarded. Exploratory talks were held last year, following an approach by an international firm interested in privatization. These were useful but inconclusive. It was decided not to pursue privatization further at that time. The Director of Water Supplies has recently been asked to review all options for the future operation of his department.

Three other departments within the Works Group are conducting top down strategic reviews of their functions, structure and establishment. Of these, Architectural Services Department and the Territory Development Department have submitted preliminary reports which are being examined by my Branch. Civil Engineering Department has just started the process.

Employment of consultants

It has been suggested by a speaker that inflationary trends arise from the high cost of consultants on public works projects. I can assure you that consultants are engaged when the expertise or the required staff resources are not available inhouse. The workload, number and level of experience of inhouse staff is carefully reviewed, before any decision is made to employ consultants. Central to the reviews of the works departments which I have just mentioned, is a comparison of the cost and benefits of using inhouse staff resources rather than hiring consultants. Studies in this regard are being conducted by several departments for a diversity of projects. The Works Branch will shortly be submitting such a comparison for three drainage projects, to members of the Public Works Sub-Committee.

We have recently introduced a new procedure for the selection of engineering consultants, that requires a lump sum fee to be submitted, and which is an important criterion alongside technical expertise leading to their engagement.

Technology transfer

The important need to continuously improve technological skills is recognized as essential to the efficiency of our construction industry.

An example in the larger sense is the use for the first time in Hong Kong on a government contract of a tunnel boring machine which is driving through rock and lining with concrete a 3.8 metre diameter tunnel, regularly completing over 30 metres each working day.

The use of Computer Aided Draughting is at the other extreme, enabling drawings to be produced and complex service runs to be better co-ordinated, resulting in a higher quality installation and a significant reduction in operational defects.

Computer aided estimating and programming is also being introduced by the works departments, which will lead to improvement in the cost and time aspects of their

works agency responsibilities.

Construction industry

May I end this speech by pointing to the accomplishments of the construction industry over the past decade. The construction industry represents 5% of our Gross Domestic Product, and together with the real estate sector which it serves, the contribution to GDP is as much as 14%. The construction industry employs over 100 000 workers (including some 63 500 manual workers), representing in total 3.6% of the labour force.

With the Government's new initiatives on the airport and port development works, and the environmental programme, the Public Works Programme is being refocussed from the new town infrastructure developments of the past decade. The construction industry will be called upon to meet greater challenges, with ever increasing need for exacting time and budget constraints. Exciting times are ahead: we are looking forward to the challenge.

Thank you, Mr Deputy President.

SECRETARY FOR TRANSPORT: Mr Deputy President, traffic congestion is a common feature of every major city in the world. Each city has its own methods in dealing with the problem. There is no single solution, nor is there any panacea.

Over the past five years I have attended several international conferences on transport policies and planning and have visited major cities in North America, Europe and Asia to look at their transport problems and systems. In all these cities, while each has its own methods and particular problems, they generally share three common approaches in tackling traffic congestion. First, building more roads and railways. Second, improving public transport. Third, introducing better traffic management policies and methods.

These broad principles are indeed the essence of our transport policy in Hong Kong as embodied in the 1990 White Paper.

Our objective is to allow people and goods to move at a reasonable speed and to minimize traffic congestion as far as possible. But there are limitations. Hong Kong is a small place. It has the highest density of cars per km in the world. The

total number of vehicles now stands at 377 000, an increase of 30% over the past 10 years. This number is likely to grow to 470 000 by 1996 and 750 000 by 2011.

We have been told that building more roads and railways is the answer. Although this is not the only solution, our record in infrastructure development is unparalleled. Over the past 10 years, we have built a Mass Transit Railway, electrified and modernized the Kowloon-Canton Railway, built six tunnels, introduced a modern Light Rail Transit system, and added over 300 km of roads throughout the territory.

Over the last five years, we have spent \$15 billion on our roads. On average, this represents about 20% of total public works expenditure.

Despite the high density of vehicles, we manage to maintain an average traffic speed of about 24 km per hour in the urban area. This is comparable with most major cities.

All of this has been achieved through heavy investment in road and rail infrastructure. As a matter of priority, we are looking into the timing to build the Country Park Sector of Route 3 to relieve Tuen Mun Road and to provide a direct link between the northwest New Territories and the urban area. This project might be privatized, and a study is under way to consider how best to take it further.

In the meantime, several major projects are in hand to bring some relief to the northwest New Territories and the urban centre. Next year further sections of the New Territories Circular Road will be completed. The new Yuen Long/Tuen Mun Eastern Corridor will open in 1993. Work will begin next year on the Yuen Long Southern Bypass and plans are in hand to improve sections of Castle Peak Road.

We are also giving priority to further railway development. The new Airport Railway will not only serve Chek Lap Kok but will also provide relief for the overcrowded MTR Nathan Road Corridor. Other railway developments and their timing and priorities will be examined in the Railway Development Study to be completed next year. These will include a proposed rail link from Tsuen Wan to the northwest New Territories and a possible freight line from the container port to the border.

Over 90% of our citizens use public transport daily. Hong Kong is proud to have such a wide range of public transport services at different degrees of speed, comfort

and convenience. These are provided without government subsidy, and at reasonable fares. For example, a 5-km bus ride in Hong Kong costs only \$1.70 compared with \$2.50 in Singapore. The average MTR fare is much cheaper than for comparable systems in Tokyo, London or New York.

Our system now carries 9.7 million passengers per day. This is forecast to rise to 11.7 million in five years time. Our MTR is one of the most heavily used urban railway systems in the world. The KMB is the largest privately owned bus fleet in terms of carrying capacity.

Our system of operating franchised buses on commercial principles provides an efficient and comprehensive service. The majority of bus routes are in fact financially non-viable but socially desirable. These are subsidized by other routes. The present system enables investors to have the confidence to provide long-term capital investments with some assurance of reasonable return. On the other hand, customers are able to have some say in the route development plans of these services through discussion at district boards each year. Furthermore customer liaison groups have been established in two public transport companies and we hope to see this extended to all other operators in the next few months.

Service improvement and expansion is an on-going process to meet demand. Our aim is to provide greater choice through more healthy competition, better quality services and continued expansion in capacity. During the past year, 49 new bus routes have been introduced to serve new housing areas. About 10% of the 4 000 buses are now air-conditioned. Four hundred more will be added over the next two years. We have recently awarded a franchised bus route by open tender. This may point the way to future development of public bus services.

The franchised bus routes are supplemented by various other services. For example, the number of residential coach services has increased from 350 to 500 in the past year. Twenty-four new green minibus routes have been added. The KCR has expanded its fleet from 99 carriages to 117. By 1992, its passenger carrying capacity will have increased by 50% compared with 1989. The LRT in the northwest New Territories is being expanded by stages. The first extension from Yau Oi to Tuen Mun Ferry Pier was opened last Sunday. Another two extensions should be ready by February next year, adding in total an extra 5 km of track. The 2.1-km Tin Shui Wai link will be commissioned in early 1993. Thirty new light rail vehicles are being delivered. \$50 million will be spent on improving air-conditioning in the existing

light rail vehicles. All of this clearly demonstrates a thriving public transport system responsive to the changing needs of the community.

Last but not least, we must manage our limited road space efficiently. The ever increasing demand for road space will never be satisfied no matter how much we invest in our infrastructure. The simple truth is that once a new road or tunnel is open, it will in no time release suppressed demand. A case in point is the opening in June this year of the Kwun Tong Bypass and Tate's Cairn Tunnel. Since then, the daily patronage of the Eastern Harbour Crossing has increased to 60 000 vehicles. Despite this, serious congestion still persists at the Cross Harbour Tunnel.

Hence we must continue to manage our road space, to give priority to the most efficient carriers and to introduce modern techniques to improve traffic flow.

The existing Area Traffic Control system on Hong Kong Island and part of Kowloon has been successful in reducing journey times by 30%. Work will begin next year on a major upgrading of the system in Kowloon and extending it to Tsuen Wan at a cost of \$160 million. In addition, we will continue to implement local traffic engineering schemes with the advice and support of the district boards. We are also seeking to test the effectiveness of other new technology. Early next year, we shall be trying out an automatic toll collection system at the Aberdeen Tunnel to improve traffic flow and reduce manpower for toll collection. Depending on its success, the autotoll system may be extended to other road tunnels. We will also install electronic parking meters on a trial basis early next year. In the longer term, we are considering the possibility of using automatic information display systems on expressways to give motorists advance warning of traffic diversions and congestion.

Finally on road safety, we have achieved much success over the past 10 years. Our accident rate has fallen from 3.6 per million vehicle kilometres to 1.8. The casualty rate reduced from 4.7 per million vehicle kilometres to 2.4. But there is no ground for complacency. Our efforts must be redoubled. Various measures are being examined to further improve road safety, particularly the need to tighten control on the overloading of goods vehicles.

In my experience, transport planning and management is both an art and a science. While planning needs professional expertise using scientific tools, implementation of such plans is an art. I hope and I believe it is an art of the possible. The fact is that there is, and always will be, a conflict between demand and what can

realistically be services. We have a high concentration of population in a small territory. We have a wide range of public transport services. We have a sustained investment programme for new infrastructure. We must continue to manage our system in the fairest and most efficient way. It is the community that benefits from this system. And it is the community's understanding and co-operation that we need.

Thank you, Mr Deputy President.

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, I sat through the first two days of this debate and listened attentively. More than two-thirds of Members have made comments pertinent to my programme areas, ranging from a few sentences to entire speeches. I am grateful for their interest and concern.

EDUCATION

Most societies attach importance to education, but few do so as much as Hong Kong. Members clearly underlined this when they voiced their concerns about the adequacy of resources and the quality of education.

Resources

Let me first address the question of resources. I should like to make three points.

First, among all the Government's programme areas, education consumes the largest share of public expenditure. That is not the whole story. Organizations such as school sponsoring bodies and the Jockey Club have invested substantial funds, particularly in capital projects. So, too, have many individual and corporate donors. Beyond Secondary III, students or their parents also contribute through fees, although places are heavily subsidized and there are fee remission and other assistance schemes to ensure that no one is denied access to education through lack of means. Thus, the financial resources devoted by the community as a whole to education are considerably greater than can be discerned from the Government's expenditure estimates.

Secondly, the quality of education is not determined by the amount of resources alone. True, most educational improvements cost money, and substantial amounts at

that. But some improvements do not cost that much. The School Management Initiative, which seeks to improve school management by giving schools more authority and responsibility for the use of resources and by involving teachers in decision making, is a good example. Greater co-operation between parents and teachers is another.

Thirdly, the same amount of money can be made to produce more results through better management. Given that resources are always limited, it behoves all managers to seek to achieve the best value for money. Thanks mainly to the most capable assistance of the Director of Education, to whom I am deeply grateful, my Branch has found significant savings from our baseline expenditure -- over \$1 billion in the next three years -- to allow important measures to be taken to improve the quality of our school education.

Strategy

Improving the quality of school education is one of the twin pillars supporting our education strategy for the 1990s. The other is the expansion of tertiary education.

School education

Twenty years ago we had just achieved the provision of a primary school place for every child. Today we can provide all children with nine years of free education. Over 90% of Secondary III leavers can join a senior secondary course or a full-time basic craft course. Over 35% of Secondary V leavers can continue in full-time education, either in the Sixth Form, in a technical institute or in a college of education. 18% of the relevant age group can proceed to degree or sub-degree courses in tertiary institutions.

Indeed our present education provision starts even before primary school. Although kindergartens remain outside the public sector, some government funding has been provided as recommended in the Education Commission's Second Report. Over the past two years we have more than tripled the funds provided for fee remission. As predicted, this has led to substantially higher salaries for kindergarten staff, improved recruitment and retention of teachers and more applications for teacher training.

Having achieved our quantitative provision targets or very nearly done so, our

sights are now firmly set on improving the quality of our school education. Of the elements underpinning quality, two stand out as the most important: the curriculum and the teachers.

(a) Curriculum

With regard to the curriculum, the important recommendations in the Education Commission's Fourth Report have been accepted by the Government, and are being implemented.

First, a new Curriculum Development Institute will be set up by April next year; and a system of attainment targets and target related assessments in the core subjects of Chinese, English and Mathematics will be introduced by 1994.

Secondly, a package of measures is being developed to encourage mother tongue teaching in secondary schools, while ensuring that those receiving an English-medium education have the linguistic ability to benefit from it.

Thirdly, guidance and counselling services in schools are being strengthened and more attention is being given to pupils with special needs.

Finally, arising out of earlier reports of the Education Commission, the curriculum at the Sixth Form level is being broadened. From next September all those entering the Sixth Form will take a standard two-year course which, in addition to Advanced Level subjects, will initially provide a choice of 17 subjects at the new Advanced Supplementary level. Meanwhile, the expansion of Sixth Form places and the new admission system introduced this year have increased enrolment by about 3 000 compared with last year.

These measures, in particular the new framework for curriculum development and the introduction of attainment targets and related assessments, will have far-reaching effects on the quality of instruction in our schools. These effects should become evident towards the end of the decade. We are convinced that they will be beneficial.

(b) Teachers

The teaching profession has an absolutely pivotal role to play in bringing about

and seeing through qualitative improvements to our schools. If our teachers are to be equipped for this role, we must provide them with the right mix of pre-service teacher education, induction support and in-service training. The Education Commission is now taking a fundamental look at all aspects of teacher preparation, training and professional development. Obviously I cannot anticipate the Commission's recommendations. But I can say that good progress is being made, that the Commission has listened to many views and that, as in the past, there will be widespread public consultation on the Commission's report when it is completed.

Tertiary education

I turn now to the tertiary sector, where a breathtaking expansion programme is in train. Several Members have drawn attention to the need for the expansion to be closely monitored and carefully managed, and for maintaining the balance of development at different levels of the education system. They have assured me that, in doing so, they were not querying the need for expanding our tertiary education provision as such. I am grateful for their advice and support.

To a large extent, the tertiary expansion programme is a natural consequence of the expansion in school places over the past 20 years. At the same time, our manpower forecast clearly shows the need for a greatly increased output of university graduates by 1996 and beyond, if we are to enjoy sustained economic growth.

Our tertiary expansion targets have been worked out with the expert advice of the University and Polytechnic Grants Committee (UPGC), and in close consultation with the tertiary institutions. We believe they are entirely realistic. For example, the target of 15 000 first-year first-degree places by 1994-95 represents just 84% of the projected number of matriculants in that year. The fact that the number of matriculants qualifying through this year's A-Level examination was within 2% of the forecast we made two years ago suggests that our planning has a sound statistical basis.

I accept that circumstances may change. That is why my Branch and the UPGC are keeping a close eye on all relevant factors, including revised population projections based on the latest census and the planned expansion of Sixth Form places, so that we can steer the expansion sensibly. In 1993-94 the UPGC will conduct a major review of progress and advise on the next steps.

This year the seven UPGC-funded institutions filled about 10 500 first-year first-degree places, compared with 8 500 places last year. Preliminary reports from the institutions show that all these places have been filled with qualified applicants.

Some of the public concern about the possibility of over-rapid expansion appears to be based on a perception of falling standards. I suggest that, for too long, we have had too much competition for tertiary places. Greater accessibility has now enabled the tertiary institutions to accept candidates who are less over-qualified than before, but nevertheless well qualified, for the courses they seek to undertake.

No one can be more concerned than the tertiary institutions themselves about maintaining the quality of their graduates, which is internationally recognized. All the institutions have well established quality control mechanisms through their networks of external examiners. Degree courses at the non-university institutions are in addition validated by the Hong Kong Council for Academic Accreditation.

MANPOWER TRAINING

I should like next to comment on manpower training. One major consequence of the tertiary expansion programme is the transfer from the polytechnics to the Vocational Training Council (VTC) of most sub-degree work at diploma and higher diploma level. A new technical college is being built at Tsing Yi to accommodate up to 3 400 full time equivalent places from 1993. The Chai Wan Technical Institute is also being converted into a technical college with a similar capacity. The remaining seven technical institutes are being modified and expanded to accommodate courses displaced from Chai Wan, and a new industry training centre complex at Pokfulam will accommodate craft courses displaced from the technical institutes.

These projects will augment a vocational training programme that has undergone impressive growth and development over the past nine years. That period has seen rapid structural change in the economy and a consequent need for changed emphases in the training programme. For example, the increasing importance of training in new technologies has been addressed by setting up, under the VTC, special schemes for training in the design of Application Specific Integrated Circuits and in precision sheet metal technology; and for helping engineering graduates meet the training requirements of their professional bodies. We will soon be launching a New Technology Training Scheme, which will provide matching grants to help managers and

technologists acquire new technologies useful to the further development of their industries.

MANPOWER SUPPLY

Vocational training is one way of bringing the supply of manpower in line with the demand. Another way is to attract to Hong Kong the kinds of skills we need, but which are in short supply locally.

We have a long-standing and, I believe, universally supported policy of attracting overseas companies to set up in Hong Kong. About 100 companies do so each year. We allow them to import key managerial and technical staff. This will continue, as will the policy of supporting the provision to the children of these overseas residents of the sort of education they would expect in their home countries.

In a further move to attract talent from overseas, including former Hong Kong residents, the Government and the Hong Kong Institute of Personnel Management have set up a joint venture to provide information on employment opportunities in Hong Kong. We hope to open an office in Toronto by the end of the year and, if the project proves successful, to extend it to other appropriate cities over time.

Importation of workers

These initiatives are aimed largely at people at managerial and professional level. But we also have severe manpower shortages at other levels which, if not alleviated, would hinder our economic growth. Therefore, as the Financial Secretary said a while ago, we have decided that an increase in our manpower supply from outside is required, but we will want to consult carefully before deciding on a final figure. Our approach will remain highly selective and will be targetted at areas where shortages are particularly severe, as reflected by, for example, high vacancy rates.

We intend also to take steps to tighten the system of importation so as to minimize the scope for abuse by unscrupulous employers. We have in mind substantial increases in penalties for malpractices, as well as specific measures to prevent unlawful deductions of wages.

Many Members have pointed in this debate to the need for retraining programmes to upgrade the skills of local workers and to help them adapt to sectors with a strong

demand for skills. We welcome these suggestions and will pursue them with those concerned, particularly the Vocational Training Council. Among other things, we are considering setting up a special fund for such retraining, financed by a reasonable levy to be paid by those employers given permission to import workers under any new importation scheme.

We shall be consulting the relevant bodies, including in particular the OMELCO Manpower Panel and the Labour Advisory Board, before coming to final conclusions on these matters. The consultations will begin soon.

EMPLOYMENT LEGISLATION

I turn now to our programme of labour legislation. The steady progress we have made over the past 15 years or so has been maintained in the past year, with improvements in severance payments and employees' compensation. In the coming Session, as the Governor said, we shall bring forward Bills to improve long service payments for younger workers, to introduce compensation for noise-induced hearing loss, and to improve safety in container handling, among others.

Health and safety at work is a crucial matter, not just for individual employees but for their families as well. The Secretary for Health and Welfare and I have set up a joint steering committee to review our present laws and practices in this area, and to identify inadequacies. We aim to report by the end of the year. Members of this Council will be able to study the report, and I look forward to working with them to bring about any necessary improvements.

RETIREMENT PROTECTION

Finally, a word about retirement protection. As Members are already aware, the Governor in Council has concluded that, while the Government should maintain its position in not supporting the establishment of a Central Provident Fund, there is a greater need for community-wide retirement schemes and that, in principle, these should include various forms of compulsory retirement schemes, which should now be examined by the Administration. Accordingly I have set up a working group, initially at official level and under my chairmanship, to study all the possibilities. The group will start work very shortly. We would welcome advice and proposals from all sources, and I intend to consult widely once the working group has identified some feasible options.

Thank you, Mr Deputy President.

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I would like to join the Chief Secretary in thanking Honourable Members for their comments generally and specifically on my area of work. I was particularly struck by Members' directness. No punches pulled, as it were. I shall be equally plain-speaking. To share a common vision, we need to see through a pane of clear glass, without refraction, without distortion and definitely not rose-tinted.

On health and welfare, what my colleagues and I are trying to do, in plain language, is to keep people happy and healthy. First and foremost, our priority must be to look after the old, the sick, the poor, the handicapped and the needy. We must endeavour to make their lives better.

Let me briefly describe just where we are, where we want to go; how we want to get there; and what problems we face.

First, on public expenditure, both recurrent and capital, the share of the cake for the welfare programme rose from 5.9% in 1987-88 to 6.1% in 1990-91. The corresponding figures for the health programme were 9.3% and 9.8% respectively. The average annual real growth for the welfare programme over the same period was 8.1% while that for the health programme, 8.35%. The corresponding figure for all government departments was 5.2%. The total operating expenditure for health and welfare more than doubled from \$7.2 billion in 1987-88 to \$16.6 billion this year. No mean feat for health and welfare!

But yearly expansion? Of this magnitude? The question is : can we afford it? Or can we afford the consequences of not having it? The question also is with the changing needs of society, how do we cater to these needs? With the changes in demography, what are our priorities? What are the alternatives? Where are the opportunities?

PRIORITY FOCUS

Child care

Let me begin with our priority area of child care. Government's child care policy is to help parents provide a suitable home environment for the physical, emotional and social well-being of the child. Our intention is to improve and expand child care services and to adopt new approaches to meet changing needs.

For the first time in Hong Kong and with effect from last Friday, a special supplement of \$185 per month per child is payable to Public Assistance recipients to enhance their family income. They can now spare more for their children's recreational activities.

In this legislative session, we shall be proposing amendments to the Protection of Women and Juveniles Ordinance (Cap 213) to better define both the circumstances for child protection and the powers of the Director of Social Welfare. Amendments will also be proposed to the Child Care Centres Ordinance (Cap 243) to prohibit unsuitable persons from acting as childminders.

As regards child care facilities, there are at present 1 000 subsidized day creche places and some 21 000 subsidized nursery places. We plan to provide an additional 1 400 nursery places annually. For low-income families with social needs, a fee assistance scheme is in place to help them. It is clear from all this that many look to Government for assistance. Some go for private nurseries. Others look to themselves. Some neighbourhood and women groups are helping each other and one another. This is a welcome sign of the community coming together and networking to meet their needs.

Turning now to the health care for children. Hong Kong ranks amongst the best on health indices by world standards. Infant mortality rate is 5.9 per 1 000 live births: better than that of the United Kingdom or the United States. We are not complacent. We plan to introduce a new health record system and to provide dental health counselling to parents. We will revamp the Student Medical Service to emphasize disease prevention and health promotion. Health teams comprising doctors and nurses will visit schools for immunization, medical examination and health education. We also aim to strengthen the School Dental Service. As they say, be true to your teeth lest they be false to you. We will teach our children well. We will build on good foundation. We hope to achieve health for all and all for health by the year 2000.

Care for the elderly persons

Now, from the very young to the not-so-young! Another key priority is care for our senior citizens. Population census tells us that in Hong Kong average life expectancy for men is 75, for women, 81. Our policy is to help the elderly through direct financial assistance and an umbrella of community and residential services.

There are a number of new initiatives. To name just a few:

-- The minimum eligible age for Old Age Allowance was extended progressively downwards since 1988 from 70 years of age to 65 on a means tested basis. This extension was completed in April this year.

-- We have been for some time now concerned about elderly street sleepers and the so-called "caged men". We have just started a new scheme for single elderly persons who are in need of housing, particularly street sleepers and bedspace apartment lodgers. The hostels will provide accommodation pending more permanent housing. These hostels will be set up in various urban districts and run on a self-financing basis. Seed money for this has been generously donated by the Royal Hong Kong Jockey Club.

-- In order that there will be acceptable standards to look after elderly persons in institutions, a Bill will soon be introduced to provide for licensing of these homes so that adequate service standards can be maintained.

-- We will also focus our attention on improved health care for our senior citizens.

-- Health education programmes will advise on self care, diabetes, cardiac problems and so on. Health screening for the elderly will be introduced on a pilot basis.

-- We hope to establish more geriatric day hospitals and to expand infirmaries and other services including domiciliary occupational therapy and community nursing services.

These are but a few examples.

As in any mature society, the proportion of elderly people is increasing, due

in part to the reduction in birth rate and an increased average life expectancy. Hong Kong will be no exception. Thus I intend to reconvene the Central Committee on Services for the Elderly in the near future in order to reassess the gravity of our present situation and devise new strategies, if necessary.

Rehabilitation

The coming year will also see the publication of a Green Paper on Rehabilitation. We will define the goals of our rehabilitation services for the next decade and beyond. The twin themes of the Green Paper will be equal opportunities and full participation. We hope to knock down any remaining walls of prejudice and build the right physical and social foundation. Our aim is to help disabled persons to develop their talent and potential, and to participate as equal partners in regular community activities as fully as possible.

Quo Vadis

Mr Deputy President, it is clear that progress has created demands for better service, for greater choice and for higher quality. And quite rightly so! This is particularly pronounced in the medical field. New technology makes it possible to administer new cure. New consciousness awakens new aspirations. For example, there are calls for shorter waiting list; better environment; better community medicine, including occupational medicine and so on. To do the things we want to do, we need resources. Quality care demands quality staff.

The familiarity of the current position must not blind us to its inadequacy and inefficiency. We need to put reforms in place to achieve at once a public health system which is more productive, efficient and cost-effective. This reminds me of a well-known saying that there are no free lunches in the world. This is perhaps mirrored in the equally apt Chinese saying that a woman, however capable, cannot cook a good meal with no rice. (Never mind a free meal!) A dilemma thus exists between achieving equal access to services or free services for all. We must find a way forward. We are not alone in our journey. We know that at least 18 out of 24 OECD countries are preoccupied with health reform measures.

Here in Hong Kong, the genesis of reform has already begun. Last year we established the Hospital Authority. Next month, it will take over the management of all public hospitals. This is a major milestone to deliver better medical services. The Authority will enjoy considerable financial autonomy and operational flexibility. The public will expect it to be both efficient and effective. The way is now open for substantial improvements to be made and felt. Concurrently, our aim is to develop a sound primary health care system and a healthier community still. The years ahead will see many positive changes.

The initiatives and reforms I have just mentioned are the components of a co-ordinated strategy to improve the quality of life here in Hong Kong. They are attainable. But it would be self-deceiving to pretend that this can be achieved without cost. We must face up to reality. Alternatives will have to be found to spread this cost more equitably. Those members of our community who can afford it must be prepared to pay their fair share. And still, there must always be a viable "safety net". For public consultation, we will put the various options available to us in a Green Paper on health funding.

These rounds of reforms that must be fought are not beyond our strength. The challenge of achieving progress is not beyond our fortitude. Honourable Members, I look to you all for your participation and partnership.

Thank you, Mr Deputy President.

SECRETARY FOR RECREATION AND CULTURE: Mr Deputy President, the Governor in his address has referred to the importance of improving the quality of life of our community. I would like to speak on two areas raised by some Members in this Council which would have a significant impact on our quality of life. These are broadcasting and culture.

Broadcasting

Contrary to what our critics say, the Government does have a very clear broadcasting policy. The cornerstone of this policy, laid down after extensive public consultation in the Broadcasting Review Board's report published in 1985, is to provide the widest possible choice of television and radio programmes at a high standard for public information and entertainment. We have steadfastly pursued this policy and have made impressive progress this year.

In radio broadcasting, more choices are now offered after a second commercial radio service was launched in July, operating three channels. This brings the total number of local radio channels available to 15, with many broadcasting in FM stereo.

In the field of television, we have also made good progress. In December 1990, a Pan-Asian regional satellite TV service based in Hong Kong was licensed. This service provides four 24-hour channels, broadcasting music, sports, news and current affairs, and Mandarin programmes. This increase in the choice of programmes is matched by improvement in the quality of transmission when in July this year multi-channel sound TV broadcasting was introduced. By using the new technology, commonly called NICAM, viewers can now receive excellent high fidelity stereo sound effects, or a choice of up to three languages on a multi-lingual programme.

In spite of this progress, however, doubts still seem to exist in the public mind that the Administration is not moving ahead because it has not yet licensed a subscription TV service after the demise in November last year of the company which was given a licence in 1989 to provide and operate a cable TV system. To understand why the Administration has taken some time in undertaking its current review, we must go back to basics.

In Hong Kong, we have identified three main types of TV broadcasters. First is the terrestrial TV broadcasters using UHF frequencies for transmission and offering programmes for mass entertainment and information for the local audience. They provide a free service, relying solely on advertising revenue to fund their operation. Secondly, there is satellite television, which provides a regional broadcasting service with a target audience much wider than Hong Kong and offers little or no local programming. It too relies mainly on advertising revenue although much of this is expected to come from advertisers in the region covered by the satellite's footprint and not from Hong Kong alone. The third type is subscription TV which is the subject of our present review. This could be brought to the viewers by a number of different technologies; for example, by cable, by MMDS (Multi-channel Multi-point Distribution System) or by SMATV (Satellite Master Antenna Television). But no matter what technology is used, this type of TV broadcaster aims to provide a multi-channel service covering a wide choice to meet the interests and tastes of different sectors of the community. It relies mainly on subscription charges to fund its operation.

In drawing up a regulatory framework for the licensing of TV broadcasters, the

Administration on the sound advice of the Broadcasting Authority must have regard to the different natures of these TV broadcasters and must create an environment in which they could co-exist in healthy competition.

The licence issued in December last year to the satellite broadcaster must therefore be viewed against this background. We see the satellite broadcaster as providing a pan-Asian, rather than a local Hong Kong service. The licensing conditions, including the restriction against Cantonese programmes being broadcast for three years, are designed to ensure that a fair and healthy competitive environment is maintained. Only in this way should the best interest of the TV viewing public be served.

The SMATV licensing system introduced in June has also been designed with the principle of healthy competition in mind. There are now over 60 SMATV operators licensed to install and maintain systems, and building owners are strongly advised to shop around to find the best terms before installing a satellite dish to receive programmes.

Our task now is to license a subscription TV service as soon as possible. Since the demise last November of the company licensed to provide and operate a cable TV network for Hong Kong, we have been actively reviewing the licensing framework for subscription TV in the light of this background and taking full account of recent advances in technology in this field. We are unable to publicly disclose details of our deliberations because the contents could be very commercially sensitive, and early and piecemeal disclosure would not be conducive to a fair tendering exercise later.

When we last invited proposals for subscription TV, we required bidders to offer a territory-wide cable network. On this occasion, we favour a technology neutral approach, allowing those interested to make their own judgement on the relative merits of the various delivery systems. Proposals will be assessed primarily on a broadcasting standpoint, but it will be open to include telecommunication services if they so wish. Such proposals would be assessed on their own merits in the light of Government's overall telecommunication policy aims.

I am pleased to say that this review is now in its final stage and I hope to be able to announce details on the licensing framework for subscription TV by the end of the year with a view to issuing licences by the summer of 1992.

RTHK corporatization

I would now like to say a few words on the exercise to turn Radio Television Hong Kong into a public corporation. We are making good progress and once details are finalized, and all interested parties consulted, we intend to present a Bill to this Council to set up the Radio Television Hong Kong Corporation. Two management consultancies have carried out studies on the organization structure and staffing of the future RTHKC. These studies have a most useful input and we could expect the new RTHKC to be a much slimmer and more efficient organization, offering more latitude for its staff to exercise their creativity operating in an environment outside the strict confines of the Civil Service. Of course, the proposed corporation would still be required to provide an effective and comprehensive sound and TV broadcasting service responsive to the needs and aspirations of the community, with programmes that are balanced and objective as well as being informative, educational and entertaining.

Culture

Let me turn to the subject of culture. The Administration's policy in this field is to provide the right environment for the development of culture and the arts in Hong Kong that would cultivate talents and enhance the freedom of artistic expression. Thus we see our role firstly as a co-ordinator, bringing all interested parties together and channelling their efforts into a concerted and cohesive direction for the promotion of the arts; secondly, as a provider of the necessary facilities for artists to pursue their work; and finally as a promoter, providing, where necessary, financial or other assistance to nurture budding artists or new art forms.

Significant achievements have been made in the field of the performing arts in the past decade, thanks to the combined efforts of the municipal councils, private organizations such as the Arts Centre, the Hong Kong Arts Festival Society, the many performing groups and, of course, the Government. Artists and performing groups both locally and overseas can now perform in first class venues, and these performances together with the many arts festivals staged throughout the year have greatly enriched the cultural life of our community.

Training opportunities for young talents too are not lacking. Besides the arts courses offered by the tertiary institutions, the Hong Kong Academy for the Performing

Arts now provides formal training to some 500 full-time students in its dance, drama, music, film and TV, and technical arts courses with an additional 700 junior students doing part-time courses in music and dance. Next year, the Academy hopes to have degree courses in music, drama, dance and the technical arts, thus offering further opportunities for local talents to pursue higher studies

But development of the arts is a community affair. The Government can only act as a catalyst. Without the appreciation and active support of the community, the arts cannot flourish. Happily, there is a growing recognition of the way in which business sponsorship can help the arts. The Council for the Performing Arts is encouraging this movement by introducing a Matching Grant Scheme, whereby a performing art group is able to obtain a grant up to a ceiling of \$100,000 from the Council for a project on a matching, dollar for dollar basis, for any business sponsorship obtained. The business community too has responded most encouragingly by setting up a Foundation for Business Sponsorship of the Arts last year to help bring about a closer partnership between businesses and the arts.

There have, however, been some criticisms that the Administration has been neglecting the visual arts. This is not true. The development of the visual arts does not require the same degree of collective and institutional support as the performing arts. The Government, the municipal councils, and the private sector have already done a great deal in providing the right environment for the visual arts to flourish. Excellent exhibition facilities are readily available and both the municipal councils as well as local arts societies regularly staged arts exhibitions throughout the territory. With the opening of the Museum of Art later this month, we shall have a first class facility for art exhibitions. This will not only provide more exhibition space for art displays, but will be certain to arouse a greater awareness and interest in the visual arts.

To encourage active creativity of our young artists and to give due recognition to their works, the two municipal councils have run annual or biennial award schemes in painting, sculpture, writing and other art forms. In addition, the Urban Council will open early next year a Visual Arts Centre. This centre will provide local artists with an excellent facility for practising and developing their skills, and will certainly help to encourage creativity.

It is true that there is no central co-ordinating body in the visual arts field. In the absence of such a body, I accept that co-ordination is loose at times. But

my Branch is currently reviewing this policy. Our aim is to draw up a coherent policy and organizational structure whereby the efforts of the Government, the municipal councils, the private sector, and the artists themselves could be co-ordinated and developed more effectively, to provide an environment that best help the development of the arts, and at the same time encourage freedom of artistic expression. One of the options we would be exploring is the setting up of an Arts Council to replace the existing Council for the Performing Arts to provide for an all embracing policy advisory and co-ordinating body, to help focus the efforts of all interested parties in the right direction and to deploy the limited resources available in the most fruitful way.

Thank you, Mr Deputy President.

SECRETARY FOR SECURITY: Mr Deputy President, I should like to speak on two subjects this afternoon -- law and order, and Vietnamese migrants.

Law and order

Dealing first with law and order; I make no apologies for repeating that, in comparison with almost any other city of a similar size, Hong Kong's crime rate is very low. In saying this, I am anxious not to give an impression of complacency. The last two to three years have seen a worrying increase in crimes of violence, in particular robberies with real or imitation firearms. We are determined to tackle and reverse this trend. We shall do so by increasing the police presence on the streets; by ensuring that the police are properly equipped for their task; by in-depth investigations of the gangs responsible for the crimes to disrupt their activities, and to apprehend and bring to justice those responsible; and by increasing co-operation with China to stem cross-border crime.

There is, I believe, a direct relationship between Hong Kong's generally low crime rate and its high ratio of police to population. We intend to ensure that the police presence on the streets is maintained and improved. The search for savings in recurrent expenditure through increased productivity and efficiency should not affect this. On the contrary, it should lead to more effective staff deployment and hence more resources, not less, devoted directly to the fight against crime. And there will be no cutback in police recruitment. Recruitment at the junior police officer level has been improving since late last year when the pay improvements were

announced. In the last two months, recruitment has exceeded wastage, and we are optimistic that this will continue. Last month, for the first time in three years, the Police Training School had a full intake of junior police officers.

By any standards, our police force is well equipped, and it will remain so. There is a dedicated section in the Police Force to undertake research into new equipment and new technology, and there has been very substantial investment in recent years in sophisticated equipment to improve efficiency and the ability of the police to perform their job. For example, some \$125 million has been invested in a new computer-aided command and control system, improving communications, response time to incidents, and co-ordination of operations. Over \$300 million is being spent on six new marine police command launches and over \$20 million will be spent this year on equipment for the Police Tactical Unit.

The police have targetted organized crime, and in particular robbery gangs. Inevitably, lengthy investigations are often necessary before they bear fruit. But there have been several recent successful operations leading to the breaking up of gangs, the arrest of culprits and the seizure of firearms and ammunition. This crackdown on organized crime will continue, as will the efforts directed against smuggling. We are well aware that we cannot afford to relax our vigilance, and that those involved in smuggling have developed new methods in response to the very successful operations of the Anti-Smuggling Task Force earlier this year, -- a success made possible by the legislation passed by this Council in April. We are developing new proposals to make the fight against smuggling more effective, and I expect to introduce further amendments to the law to this end later in this Session.

A significant factor in crime in Hong Kong today is cross-border crime. Co-operation with China is essential in our fight against this sort of crime. The police and our other law enforcement agencies have developed a good system of contacts with the Chinese authorities through Interpol, through day-to-day liaison at the operational level, and through regular contacts at a more senior level. We intend to expand on this co-operation and exchange of information, which has already achieved results, not only against smuggling but also against other serious crime.

Before leaving the subject of law and order, I should like to thank Members who have spoken in support of the Organized Crime Bill. The proposals in the White Bill which we have published for public consultation are complex and in some respects controversial. It has received general support from the district boards who have

so far considered it. I look forward to hearing Members' views when the proposals are debated in this Council next month. We shall aim to revise the proposals as necessary in the light of views expressed and comments received, and to introduce the Bill into this Council early in 1992.

Vietnamese migrants

I now turn to the long-standing problem of Vietnamese migrants. The great burden which this problem has placed on Hong Kong for so many years has been the result of one fundamental failing: the absence of arrangements for the repatriation of non-refugees, in the same way as for other illegal immigrants throughout the world. Without such arrangements, we have been unable to exercise any effective control over the numbers arriving, the numbers remaining, the numbers leaving. In short, we lost control of immigration from Vietnam.

The solution to this problem has long been recognized; indeed it is enshrined in the Comprehensive Plan of Action adopted in 1989. All the main elements of that plan -- asylum, screening, resettlement, repatriation -- are mutually self-supporting. If one element is missing, the other elements are at risk. If there are no arrangements for repatriation of non-refugees, this places under threat the arrangements necessary for the protection of refugees. It is greatly to Hong Kong's credit that despite the unfair burden of the non-refugees which we have borne for so long we have fully honoured our obligations under the CPA.

I believe we now have in place at last the hitherto missing element which permits full implementation of the Comprehensive Plan of Action. The most recent agreement which we have reached with the Vietnamese Government provides for the repatriation of all Vietnamese illegal immigrants, with guarantees as to their safety and treatment after they return home. This provides the means to resolve this human tragedy; and to resolve it in a way which is in the best interests of those who have been its victims, those who have been induced to leave Vietnam by the false hope of resettlement. The holding out of this false hope has done them no kindness. It is far better that the uncertainty as to their future should be removed, and that they should be given the necessary assistance to return home and re-establish a normal life for themselves and their families.

Much remains to be done. The programme of returns will need to be phased over the next few years. We are though, I believe, beginning to see the way ahead. The

numbers returning voluntarily have increased dramatically in recent months. This is a trend which we shall do everything possible to encourage. The numbers arriving have fallen from an average of 100 per day in September to an average of only two per day in the past few weeks. The net effect has been a drop of over 1,000 in the overall population in October, a reversal of the upward trend which we have seen since the beginning of the year. If we can sustain this into next year, we shall soon see the results: lower camp populations, and the gradual closure of camps; the disengagement of the police from management of the detention centres, and the consequent return of several hundred policemen to their proper duties; relief also for the Correctional Services, the auxiliary and volunteer services and all the other government departments and non-government agencies who have coped so magnificently in difficult circumstances over many years.

Thank you, Mr Deputy President.

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, it falls to me to be the final speaker from the team of officials this afternoon. There is no particular significance in this: it is simply that the cookie crumbled that way. I am in no sense winding up the debate for the Administration: the speeches by my official colleagues stand on their own; and it is not, fortunately, my job to try and summarize or draw threads together.

Indeed, some may be surprised to see me on my feet at all since no one can pretend that the Civil Service has featured very prominently in the debate. As Secretary for the Civil Service, I see this as a mixed blessing: on the one hand, it must mean that the Civil Service is not high on Members' priority lists of areas of complaint or radical reform. I am tempted to go further and interpret the lack of critical comment as hidden praise: this would accord with my own, albeit biased, conclusion that most people in Hong Kong are satisfied with the performance of our Civil Service -- at least most of the time.

On the other hand, I trust that the absence of comment does not mean that in Members' eyes the Civil Service is unimportant. In terms of numbers alone, civil servants together with family members must represent a not insignificant proportion of our total population. And of course it is a fact that the services provided by civil servants, across a vast range of activities, have an effect one way or another on every single member of the community.

It is obviously vital, therefore, that we have the best Civil Service possible; and I was pleased to hear the occasional explicit word of praise recognizing that we do have, if I may quote, a "dedicated and loyal Civil Service, the envy of many". But we must keep it that way. This entails making sure that, as an employer, the Government can compete in the market and continue to attract and retain fully qualified and committed individuals. It also means recognizing and acknowledging the important role played by civil servants. When it appears that everything around is "all change", one of the constants is the Civil Service. This, I suggest, represents to many a welcome symbol of stability and continuity. After all, whatever the political developments we are witnessing; whatever policy decisions are taken; whatever funds are voted by this Council; whatever legislation is put in place - - at the end of the day, implementation depends on civil servants.

One Member, I am glad to say, did recognize the pressures on the Civil Service that changes bring: changes in public attitudes and expectations; structural changes introduced as part of the transition; political changes manifested above all in this Chamber. Against that background civil servants need reassurance. It is not that they expect to be loved -- but they do need to be appreciated; they do need to have their role and their contribution to Hong Kong's success recognized; and they do need to be reassured that the systems that provide the civil service framework -- systems of appointment, promotion, reward and so on -- will, as the Joint Declaration promises, "be maintained".

Of course, in common with other members of the community, civil servants worry about the future. As part of the Administration, some have particular concerns. And we who are responsible for civil service management must address those concerns. In that we need the support of this Council. Unfortunately, I fear there may be no instant magic-wand solutions.

Part of the challenge, as some Members pointed out, is to motivate. The last comprehensive salary structure review, completed last year, ensures that we are up to date, and competitive as an employer as regards pay.

We continue to take advantage of new ideas, methods and equipment to motivate staff and ensure improved productivity. Motivation applies to all levels: for instance our Staff Suggestions Scheme, which encourages individuals to review their own field of work, appeals to the "creativity" which one Member referred to. Over

the years, relatively junior civil servants have made practical and in some cases ingenious suggestions leading to improved work methods and considerable savings to their departments. Recently for instance I handed out an award to a transport operations officer for a scheme relating to the traffic flow at Lion Rock Tunnel; another award related to a suggestion by a fireman that led to enhanced safety and efficiency of breathing apparatus equipment. Recognizing the need to encourage such suggestions, we have just increased the maximum cash award under the Scheme from \$2,000 to \$12,500.

The Scheme is based on the principle that those in the front line are often in a better position to judge how best to carry out their work. On the same principle we are increasingly devolving authority from the centre to departments, again as part of our efforts towards greater productivity. With more decision-making authority, managers can respond more directly and effectively to the needs of their staff and departments. They are also in a better position to set priorities. Hand in hand with this goes acceptance of responsibility and accountability. At the same time, devolution serves to simplify and speed up procedures by reducing the need for constant referrals to the centre.

Areas where we have made progress in delegating authority to departments include discipline, the administration of certain conditions of service, professional training, and appointments and promotions. Members may not be aware that some 99% of civil service posts are now handled by departments themselves, with the advice of the Public Service Commission where appropriate, without the need to involve Civil Service Branch.

Incidentally, on the subject of posts, may I clarify two points made by Members. The first was that senior posts are being created at the expense of junior posts. The position is that non-directorate posts are created under authority delegated to departments, and do not come to this Council; whereas directorate, that is senior, posts require the approval of this Council. This may have given a misleading impression. In fact, of the 3 100 posts created last financial year, fewer than 30 were at the directorate level.

The second point was a suggestion for promotion to be on the basis of merit rather than seniority. This is already the practice. Selection of officers for promotion is decided on the criteria of ability, character, any qualifications prescribed for the promotion posts, and experience. Only when on this basis no candidate stands

out clearly as the most suitable, will seniority be given due weight. And we have the Public Service Commission to ensure that that policy is carried out in practice.

As part of improving the flow between departments and the centre, I recently reorganized my own Branch along the lines of departmental teams, so as to provide a one-stop personalized point of contact for departments. This has been welcomed by all concerned, and has made a modest contribution to removing unnecessary layers of bureaucracy.

Another initiative has been to review the grade structure and role of Executive Officers, the resource and office managers of the Civil Service. The review recommends, among other things, ways in which Executive Officers can be better employed to strengthen management in departments.

More can be done. In his Budget statement in March, the Financial Secretary described a package of management reforms aimed at improving civil service efficiency. The pilot projects have been successful, and have led to changes in the way we work. I have mentioned greater delegation of authority to departmental managers. In addition, an improved resource allocation system, to encourage Policy Secretaries to make savings and redeploy resources; and the adoption of private sector management and accounting systems have also helped to improve productivity in the Civil Service.

We are now ready to move on to the next stage. We shall establish next year a new "Efficiency Unit" working directly to the Chief Secretary and the Financial Secretary. The unit will consist of Management Services staff together with the team working on Public Sector Reform. We also intend to take up the offer of help by the private sector by putting business people with experience of management reforms on to a new Steering Committee, to be chaired by the Chief Secretary, which will give impetus to the work of the unit.

Mr Deputy President, the Governor spoke of the need to establish a harmonious and effective partnership with counterparts at all levels in China; and our intention to ensure that this closer and more practical relationship is reflected all the way through the Government.

We are very aware of the need for civil servants at various levels to acquire greater knowledge of China. In response to that need we have expanded our China Studies Programme. A China Studies element has been included in some of our

established management training activities, such as the Oxford course for Administrative Officers, the Berkeley Course for departmental officers, and the Senior Command Course for the disciplined services. In parallel we have organized in Hong Kong a range of China seminars catering for groups of Branch Secretaries and department heads, directorate officers, and Administrative Officers. In addition, starting this year, we have embarked on a familiarization visit programme to China designed to enable participants to acquire a first-hand understanding of various aspects of life and government in China. We are also training civil servants in Putonghua, and the use of written Chinese in official writing. Our efforts in all these areas will continue.

The Governor also referred to the need for civil servants to work closely with Members. Notwithstanding my earlier comments on the effects of the pressures of change on the Civil Service, civil servants have again and again proved their adaptability. We have as a bureaucracy responded to the changes brought about at all levels by the development of representative government. That response, that adaptability, that willingness to serve is ever more crucial. I believe this afternoon my official colleagues have fully demonstrated that responsiveness. I know that we are ready, even eager to play our part in establishing the partnership that will be central to the smooth operation of this Council, in deliberating and deciding issues in the interests of the whole of Hong Kong.

Thank you, Mr Deputy President.

Question on the motion put.

Voice votes taken.

The Deputy President said he thought the Ayes had it.

MR YEUNG SUM (in Cantonese): Mr Deputy President, could I ask for a division?

6.15 pm

DEPUTY PRESIDENT: I am now obliged under Standing Orders to order a division. As this is the first time the electronic voting system will be used I propose to rise

for 10 minutes to enable Members to familiarize themselves with the routine once again. When I return in exactly 10 minutes, the division bell will sound for three minutes and the division will take place immediately afterwards.

6.25 pm

DEPUTY PRESIDENT: Council will now resume with the sounding of the division bell. Please have my assurance that it is chiming outside this Chamber. Under Standing Orders we are obliged to wait until the ringing stops in three minutes.

DEPUTY PRESIDENT: The three minutes have expired and I will for Members' benefit just recapitulate the procedure for operating the electronic voting system. The Clerk will switch on the system. Members will have 30 seconds to vote; when the "Present" indicator on your voting unit flashes, you should press the "Present" button to register your presence. As soon as the "Present" indicator goes out, the indicators for the "Yes", "No" and "Abstain" buttons will flash. You may then vote by pressing only one of the "Yes", "No" or "Abstain" buttons. The indicator of the pressed button will then become illuminated and the other two will go out. You may change your vote during the 30-second voting period. Only your vote registered by the electronic voting system at the end of the period will be counted for the purpose of the division. At the end of the voting period, all voting buttons on your unit will be disabled and no further changes can be made. Now the Council will divide and you will have 30 seconds within which to vote.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mr Stephen CHEONG, Mrs Rita FAN, Mr NGAI Shiu-kit, Mr TAM Yiu-chung, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr Jimmy MCGREGOR, Mrs Elsie TU, Mr Peter WONG, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHIM Pui-chung, Mr Frederick FUNG, Mr Timothy HA, Dr LAM Kui-chun, Mr Gilbert LEUNG, Mr Eric LI, Mr LI Wah-ming, Prof Felice LIEH MAK, Mr Steven POON, Mr Henry TANG, Mr TIK Chi-yuen, Dr Samuel WONG, Dr Philip WONG and Mr Howard YOUNG voted for the motion.

Mr LAU Chin-shek and Miss Emily LAU voted against the motion.

Mr PANG Chun-hoi, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Michael

HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr MAN Sai-cheong, Mr NG Ming-yum, Mr James TO and Dr YEUNG Sum abstained.

THE DEPUTY PRESIDENT announced that there were 34 votes for the motion, two votes against it and 11 abstentions. He declared that the motion was carried.

DEPUTY PRESIDENT: A printout of the voting result will be circulated to Members for their information and will be available to the press.

MR ANDREW WONG: Mr Deputy President, I have forgotten to vote. I forgot to press the button.

DEPUTY PRESIDENT: Mr WONG, I am afraid under Standing Orders we can only go by the result displayed. (Laughter) Order please.

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR ALBERT CHAN moved the following motion:

"That in relation to the Noise Control Ordinance (Exemption from Section 6(1) and (2) (Chek Lap Kok)) Order 1991 and the Noise Control Ordinance (Exemption from Section 6(1) and (2) (Lantau Fixed Crossing) Order 1991 published as Legal Notices Nos. 358 and 362 of 1991 respectively and laid on the table of the Legislative Council on 9 October 1991, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance for amending subsidiary legislation be extended under section 34(4) of that Ordinance until 27 November 1991."

MR ALBERT CHAN (in Cantonese): Mr Deputy President, I move the motion standing in my name on the Order Paper. This motion relates to two Orders which seek to exempt the site development and construction work of the new airport and the Lantau Fixed Crossing from the purview of section 6 of the Noise Control Ordinance which provides for controls on noise. The ad hoc group set up to examine these Orders has raised a number of questions as to what noise-reducing measures should be taken, their

effectiveness and what kind of consultation the authority concerned has had with the affected residents. The purpose of this motion is to extend the time limit by amending the Orders mentioned above so that the ad hoc group can further discuss with the Administration on these matters.

Mr Deputy President, with these remarks, I beg to move.

Question on the motion proposed, put and agreed to.

Adjournment and next sitting

DEPUTY PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 13 November 1991.

Adjourned accordingly at twenty-five minutes to Seven o'clock.

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