

1 HONG KONG LEGISLATIVE COUNCIL -- 11 December 1991

HONG KONG LEGISLATIVE COUNCIL -- 11 December 1991 1

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 11 December 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 JEREMY FELL MATHEWS, C.M.G., J.P.

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

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

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

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

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

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

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

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, J.P.

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, J.P.

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

THE HONOURABLE SIMON IP SIK-ON, J.P.

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 LEE WING-TAT

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

THE HONOURABLE FRED LI WAH-MING

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

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

THE HONOURABLE HENRY TANG YING-YEN, J.P.

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

THE HONOURABLE ZACHARY WONG WAI-YIN

ABSENT

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

THE HONOURABLE GILBERT LEUNG KAM-HO

THE HONOURABLE NG MING-YUM

IN ATTENDANCE

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

MR YEUNG KAI-YIN, J.P.
SECRETARY FOR THE TREASURY

MR JOHN CHAN CHO-CHAK, L.V.O., O.B.E., J.P.

SECRETARY FOR EDUCATION AND MANPOWER

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 RONALD JAMES BLAKE
SECRETARY FOR WORKS

MR IAN ROBERT STRACHAN, J.P.
SECRETARY FOR SECURITY

THE CLERK TO THE LEGISLATIVE COUNCIL
MR LAW KAM-SANG

Papers

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

Subject

Subsidiary Legislation L.N. No.

Dangerous Drugs (Amendment of Fourth Schedule)

Order 1991.....
432/91

Regional Council Financial (Amendment)

By-laws 1991.....
433/91

Sessional Paper 1991-92

No. 24 -- Hong Kong Housing Authority

Annual Accounts for the year ended 31 March 1991 and
Balance Sheet as at that date

No. 25 -- Report by the Trustee of the
Police Children's Education Trust
Police Education and Welfare Trust
for the period 1 April 1990 - 31 March 1991

No. 26 -- Vocational Training Council
Annual Report 1990-91

Affirmation

MR WONG WAI-YIN made the Legislative Council Affirmation.

Address by Member

Vocational Training Council Annual Report 1990-91

MR STEPHEN CHEONG: Mr Deputy President, laid on the table before this Council is the Report on the Vocational Training Council.

The Council in its past year has done quite a lot of work, especially in relation to the completion of the Vocational Training Tower. We are also to undertake, in relation to His Excellency's pronouncement on the expansion of the tertiary educational sector, to have some of the courses transferred from the polytechnics to the Vocational Training Council in respect of the higher diploma degree studies. For that particular reason, we are going to erect a building in Pok Fu Lam and also we are expanding and renovating the Chai Wan college premises for the new task. We expect to be able to complete the task in conjunction with the polytechnics and therefore help to have the tertiary educational objective achieved by 1994.

Mr Deputy President, definitely there is a place for vocational training in Hong Kong, not only that we are facing a structural change in our economy. The Vocational Training Council is also undertaking to look into the prospects of offering retraining facilities to our existing workforce. We are also mindful of the task that lies in front of us; we are also mindful of the fact that public expenditure has got to be kept at a reasonable level so that other allocation of resources can take priority.

To that extent, the Council as well as the executive staff of the Council would certainly look into every possible means of having a cost-effective operation so as to achieve the twin objective of delivering the training target that we have for the community and doing it in the most cost-effective manner.

I would like to take this opportunity to thank all the Vocational Training Council members as well as the staff of the Council for the wonderful work they have done in the past year.

Thank you, Mr Deputy President.

Oral answers to questions

Control of lead content in drawing paint

1. DR LEONG CHE-HUNG asked: Will the Administration inform this Council whether Government has a safety standard on the percentage of lead content in drawing paint commonly used by school children and whether there is any plan by Government to introduce some appropriate measures to protect the public, the school children in particular, from the use of drawing paint with a dangerously high lead content?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, there is at present no statutory safety standard in respect of lead content in drawing paint used by school children.

A Toys and Children's Products Safety Bill is at an advanced stage of drafting. The Bill will set safety standards for toys and children's products offered for sale in Hong Kong, which will include the level of lead permissible in paints used by children. Subject to the Executive Council's advice, I hope to be able to introduce into this Council this Bill, later this Session.

I should add, Mr Deputy President, since the question is with particular reference to school children, that the Education Department, as well as schools, are very concerned about safety precautions in schools, including precautions during art activities. Measures taken by the Education Department on the promotion of safety in art activities include the issue of guidelines to all schools in which safety

precautions in handling toxic materials, including paints, are emphasized.

Following a warning recently issued by the Consumer Council on the high lead content found in a certain brand of powder paint, the Education Department is revising the safety guidelines to strengthen the part on the proper handling of toxic art materials. It is also planning to organize a seminar for art teachers on the subject.

DR LEONG CHE-HUNG: Mr Deputy President, can the Administration inform this Council if there are statistics on lead poisoning in Hong Kong; and, if yes, how many of the instances of poisoning are the result of over-use of unsafe, high lead content paint?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, I am afraid that there are no separate statistics on poisoning from lead. I understand that the records of the Department of Health show that over the past 10 years one child was killed because of chemical poisoning, and that is the only statistic that we have. But we cannot tell from the records of the Department of Health the source of that chemical poisoning.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, will the Administration inform this Council if there has been any survey on the lead content of paints available in the market? And will the Administration make arrangements to ensure that school teachers know what the symptoms of chronic lead poisoning are so that they can detect them as early as possible if any of their pupils are suffering from the condition and refer them for hospital treatment?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, acting on a complaint, the Consumer Council recently conducted a test on powder paints which included a particular brand which was found to have exceeded the British standards for lead content. As regards the dissemination of information to school teachers, as I said earlier in my original reply, the Education Department takes this matter very seriously and there are various measures adopted by the Department, including the issuing of guidelines on safety in art activities to all primary and secondary schools and organizing annual seminars on safety precautions for primary and secondary school art teachers; toxicity in paint is one of the topics discussed in these seminars.

The Education Department also issues circulars at the beginning of each school year to remind schools of safety precautions in conducting art activities. The Education Department also advises art teachers during school visits and inspections to teach children the importance of personal hygiene and not to use paints identified as hazardous to health.

PROF FELICE LIEH MAK: Mr Deputy President, in addition to having the Consumer Council monitor and test the materials used by children, will the Administration inform this Council of any further means by which the Government can monitor the lead content of toys and related materials?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, at present, in the absence of legislation, we are relying mainly on the regular testing done by the Consumer Council. But as I said in my original reply, I hope to be able to introduce into this Council later this Session a Bill on the safety aspects of toys and children's products; under that Bill, if it becomes legislation, the Government will be able to require manufacturers or suppliers to recall products which are unsafe for children.

MR JIMMY MCGREGOR: Mr Deputy President, would the Government confirm that Hong Kong has had problems with lead in paint on toys made here and exported to other countries since the early 1960s and that the Government has operated a protective system of checking and testing for such toys since the early 1970s? And will the Government extend this system in due course to tests on paints used on toys sold in Hong Kong, both made here and imported from abroad? And will there be legal penalties for offenders?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, I can confirm that testing is done in Hong Kong on the lead content in paint used in toys. Under the proposals now being considered within the Administration, we do not intend to require the testing of all toys; we would rather be acting on a complaint basis and on the basis of spot checks so that we could conduct tests in cases where there are complaints.

DR LAM KUI-CHUN: Mr Deputy President, the level of lead toxicity in a given individual or population, such as children, can be easily checked by testing for its urine level. Has the Government any plans to test for this, just to make sure that our population of children is not yet affected by lead poisoning?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, I am afraid that I am not in a position to answer that question, but perhaps my colleague, the Secretary for Health and Welfare, might be in a better position to do that.

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, no.

DR LEONG CHE-HUNG: Mr Deputy President, is the Administration aware of two studies commissioned by a group known as The Friends of the Earth in 1988 and 1990? The first study showed that 5% of Hong Kong children tested had high levels of lead in their milk-teeth, and the second study showed that certain children's water-colours and poster paints have unsafe lead content. Has any action been taken by the Administration?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, I am afraid that I personally do not have any knowledge of those reports. But I am sure that the Administration must have knowledge of those reports and I will try and seek the assistance of the relevant colleague of mine who is dealing with the subject to provide a written reply. (Annex I)

Reduction of welfare expenditure

2. MR FRED LI asked (in Cantonese): Mr Deputy President, in the light of the Secretary for Health and Welfare's advice to the OMELCO Panel on Welfare Services that welfare expenditure will be reduced by 1% to 2.6% in the next three years, will the Government inform this Council:

(a) what the reasons for the proposed reduction and the criteria adopted in determining the scope of the proposed reduction are;

(b) whether there are plans to reduce any specific areas of welfare expenditure; and

(c) whether the welfare sector will be consulted on any revisions to the commitment in the White Paper on Social Welfare regarding welfare expenditure?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the fundamental principle governing the planning and control of public expenditure is that, over a period of time, the growth rate should be no greater than the trend growth rate of the economy, as measured by the Gross Domestic Product (GDP). The forecast trend growth rate of GDP has been revised from 5.5% to 5%. Accordingly, the guideline growth rates in real terms for recurrent and capital expenditure have been adjusted from 4.5% p.a. and 7.5% p.a. to 4% p.a. and 7% p.a. respectively for the next few years.

This, quite clearly, does not mean that overall there are "cuts". The Government is planning for real growth in public expenditure. Recurrent expenditure on social welfare is expected to increase in real terms by about 16% over the next four years. However, Branch Secretaries have been asked to identify modest savings on existing services so that more funds can be made available for new services. The savings targets are 1%, 2.2% and 2.6% of the total baseline of the individual Policy Secretaries' programme areas for 1992-93, 1993-94, 1994-95 and 1995-96 respectively. The main criterion used in identifying savings in my programme area is to effect economies in the way services are delivered, but not to withdraw services which are provided in accordance with existing policies.

As regards the second part of the question on savings, for 1992-93 we will no longer recognize, for subvention purposes, one post in each children and youth centre or community centre with a study/reading room. Additionally, corresponding measures will be taken to delete one post from each of Social Welfare Department's Group Work Units. There are other incidental savings arising from minor managerial adjustments.

As regards the third part of the question, the Social Welfare Advisory Committee will be consulted on any revisions to the policies implicit in the White Paper on Social Welfare into the 1990s and Beyond.

MR FRED LI (in Cantonese): The Secretary has mentioned in her reply that the savings will be used for new services. But it has been the normal practice that social welfare expenditure on new services is planned and budgeted for in the five-year forecast. Moreover the annual expenditure on social welfare services should be reflected in the Budget Estimates. Therefore I do not understand why from 1992 onwards, cuts will be made each year to make funds available for the so-called new services.

DEPUTY PRESIDENT: Would you like to put that in the form of a question, Mr LI?

MR FRED LI (in Cantonese): My question is why from 1992 onwards, cuts on existing services will be made annually to finance new services. I do not understand why this procedure is adopted since new services were in the past provided for in the Budget Estimates.

DEPUTY PRESIDENT Mr LI, you have stated your state of knowledge but you have not asked a question.

MR FRED LI (in Cantonese): Why is it that there is a change in the way funds are allocated?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, perhaps I should explain that hitherto and perennially every year, the Director of Social Welfare, as with other department heads, has been asked to identify areas where economies can be made. But so far, except for this year, the department has borne the brunt of the savings measures and this is the first time that the subvented sector has not been cushioned from the savings effect. The Administration is firmly of the view that in this particular case whether a centre cum study reading room is run by 9 or 11 or 13 people is basically a question of achieving economies. It is a management and utilization of resources issue and it does not alter either the funding mechanism or the policy that such a centre should provide counselling and outreaching services. The decision on how to adjust to the reduction in subvention for the centres in question is basically one for the operating agencies, and they have a number of options, including

greater flexibility, integration of service, redeployment of manpower elsewhere. And I need to stress, in this particular case, that there will be continued subvention on rent and rates and on clerical assistant posts for the study and reading room. And in the consultation process the Director of Social Welfare will be happy to discuss with individual agencies any practical areas where there might be some advice needed on achieving savings.

MR ERIC LI: Mr Deputy President, the Financial Secretary has stated in successive Budget speeches that the effectiveness of public expenditure should be measured by the value for money. Clearly, value for money implies an assessment of the quality and the effectiveness of services delivered, as well as services delivered in quantity terms. In the present reply, the main criterion used is simply to effect economies. Can the Administration inform this Council whether or not it still regards the quality and effectiveness of services as the key criteria in considering public expenditure?

SECRETARY FOR HEALTH AND WELFARE: In my main reply I did use the words "main criterion". Of course there are other associated criteria, such as the maintenance of the energy of service, and the quality of service.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, the Secretary has just mentioned in her reply that savings from the cuts in welfare expenditure will be used to finance new services. Will the Administration inform this Council what new services will benefit from these savings in the next three years?

SECRETARY FOR HEALTH AND WELFARE: Yes, Mr Deputy President. In contrast to the saving of some \$15 million, we have been given -- so I understand from the Secretary for the Treasury -- \$44.3 million in 1992-93 to meet partly the operating costs of new projects, with a full-year extension effect of about \$89 million in provision. Amongst the new services to be provided the major ones include -- if I might just rattle off some of the major ones:

- 1 400 day nursery places,
- 80 foster care places,
- eight home help teams,

six small group homes,
527 residential places for the elderly,
seven social centres for the elderly,
one multi-service centre for the elderly,
nine youth centres,
eight children's centres,
60 early education and training places,
640 sheltered workshop places,
420 day activity centre places,
457 hostel places for the disabled.

And that is only for 1992-93; we have yet to confirm the figures for the ensuing years.

MISS EMILY LAU (in Cantonese): Mr Deputy President, in the third paragraph of her main reply, the Secretary mentioned that decision had been made to delete one post from each of the Social Welfare Department's Group Work Units. Could I ask whether voluntary agencies had been consulted before the decision was made? If not, has this set a precedent whereby consultation with voluntary agencies will, under whatever circumstances, no longer be necessary in the future?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, there appears to be considerable confusion about consultation, or the lack of it, in this particular case. I wish to point out that the Social Welfare Department first initiated consultation with the Hong Kong Council of Social Service and the non-governmental organizations. It is, I understand, as a result of this consultation that we have had the expressions of unhappiness from the non-governmental organizations, and hence this question in this Council today. Non-governmental organizations are therefore consulted over practicalities of the savings measure. In the consultation process, the Director of Social Welfare has, I understand, offered to discuss with individual agencies, and offered assistance on areas of practicalities in the savings measure.

I should also add that we intend to discuss the subject with the newly formed Social Welfare Advisory Committee at the first available opportunity which is next Monday. Earlier consultation with the newly formed Social Welfare Advisory Committee was neither practicable nor opportune.

DR YEUNG SUM (in Cantonese): Mr Deputy President, the Secretary mentioned that the Government's annual savings target was 1%. That would include all government departments. Would the Secretary not agree to the view that the overall savings should be used to finance social welfare services, the provision of which is basically for the lower stratum of our society?

SECRETARY FOR HEALTH AND WELFARE: My heart is, of course, with the social welfare services. But I must say that in accordance with the savings target of 1%, 2.2%, and 2.6% on the baseline figure, as I mentioned in the main reply, in respect of the social welfare and health programme sector, we are a long way away from fulfilling the savings target. So it is a continuing exercise and I am still trying. But one of my main criteria, which I have hitherto adopted, is not to affect the delivery of service to the extent that it might cause reduction in service, as I so put it in my main reply.

REV FUNG CHI-WOOD (in Cantonese): Mr Deputy President, could the Secretary inform this Council of the criteria in determining the types of social welfare services where economies can be made either in terms of staffing or other operation costs? Why the target this time is youth centres instead of other services?

SECRETARY FOR HEALTH AND WELFARE: I do not pretend, Mr Deputy President, to have any monopoly over ideas and I would welcome any fresh ideas as regards savings. But with regard to the question as to why we single out the study room within the student youth centres, I think it can briefly be said that we regard that as the least painful and the most cost effective; and it also lends flexibility to the deployment of staff so that the study rooms can continue to be serviced, although people probably have to be redeployed and reschedule their jobs. But if there is any difficulty with regard to implementation, or the practical aspects of implementation, the Director of Social Welfare will be very happy to discuss it.

MR PETER WONG: Mr Deputy President, will the Secretary inform this Council what steps are taken in the Social Welfare Department and the welfare agencies that waste and inefficiencies are kept to a minimum; and whether those who make economies are

recognized or rewarded?

SECRETARY FOR HEALTH AND WELFARE: We leave it very much to the ingenuity and also the goodwill of the agencies themselves. In accordance with the White Paper on social welfare, we work in good partnership. A partnership means give and take; there may be moments of ups and downs but at least one is given the freedom of operation, as reflected in the White Paper on Social Welfare into the 1990s and Beyond. Turning to the relevant page in the White Paper, I would like to share with Members the paragraph on the manner of operation by agencies. It says, on page 41, under Support Services, Subvention and the Financial Arrangement for Social Welfare, that the policy in principle is:

"Government will provide adequate financial support to certain non-governmental organizations for the implementation of identified social welfare services."

But it is up to the non-governmental organizations to ensure that they have freedom of movement so they are

"free to supplement subventions from other sources and have a degree of flexibility in the deployment of resources."

Budgeting for capital works projects

3. MR DAVID LI asked: Will the Administration inform this Council if it will consider implementing fixed-cost budgeting, or lump-sum contracts on a turn-key basis, for the Government's Capital Works Projects?

SECRETARY FOR WORKS: Mr Deputy President, a fixed-price contract that is to say, a contract that has no provision for price fluctuations, allows the Government to fix the cost of the project at the time when work begins. A lump-sum contract similarly allows the fixing of cost at the time of award but in this case against a clearly defined scope of works. Fixed-price lump-sum contracts therefore allow a greater degree of certainty in budgeting, and for this reason we are using this type of contract for the major component projects of the Airport Core Programme. These projects involve very large contract values and very demanding work schedules. By

awarding such contracts we will improve financial certainty, and enable the Government to have available the strongest possible means to ensure that contractors achieve completion by the contractual dates.

Government's Capital Works Projects involving contracts of 12 months or less are also fixed-price. Those which are of a civil engineering nature are usually remeasured, and not lump-sum, because of the nature of the works. Architectural contracts have less unknowns, and are often more standardized, and are usually let on a lump-sum basis. Provision can be made for varying the scope of lump-sum or remeasurement contracts.

Capital Works Projects involving contracts longer than 12 months are usually inflation linked with the payment of index-related price fluctuations. They may be remeasured or lump-sum, as the circumstances in each case best demand. Inflation consideration is balanced against the lesser contract values involved.

Turn-key contracts or, more exactly, Design and Build contracts, are used when circumstances clearly show that contractors' methods of construction taken into account during design of the permanent works, will be cost advantageous to Government. Design and Build contracts are awarded on a lump-sum basis, and may also be fixed-price.

In summary, Mr Deputy President, the adoption of contracts incorporating provision for fixed-price, lump-sum or Design and Build, is given consideration on an individual basis. There are no hard and fast rules. The practice is that the Government will, depending on the nature, size and timing of the project, determine the type of contract that will achieve the best value for the public money spent.

MR DAVID LI: Mr Deputy President, what legal recourse will the Government have should a contractor attempt to default on a fixed-price contract awarded on a lump-sum basis?

SECRETARY FOR WORKS: Mr Deputy President, there exists the same legal recourse as applies to any contract, whether it is fixed-price lump-sum. There are provisions inside each contract document, by way of binding obligations, which are of a legal basis.

MR STEVEN POON: Mr Deputy President, I am referring to the third paragraph of the Secretary's reply. Can the Administration tell us what these project price indices are; who the authority is who fixes these indices; and how they are fixed?

SECRETARY FOR WORKS: The indices, Mr Deputy President, are gathered by government departments and are fed back and then inserted into a formula which has been decided by Government and has been used for many years on price related government contracts. The indices are kept up to date on a monthly basis by way of information that is gathered from the various construction projects themselves, fed back, and inserted into the indices. The indices are then available when the contracts are tendered for and the relevant index for each tender is set at the time of award of the contract. Any subsequent fluctuation calculations are then made by reference back to that index.

DR SAMUEL WONG: Mr Deputy President, as the new airport at Chek Lap Kok and its 10 core projects are principally civil engineering in nature, which according to the Secretary for Works are usually remeasured, why then does Government now contemplate adopting fixed-price contracts, since tenderers will invariably overestimate in their bids and it will cost the Government, and hence the taxpayer, more than it should?

SECRETARY FOR WORKS: Mr Deputy President, the basis or the reason for the decision to use lump-sum fixed-price contracts for the airport projects has been explained on many occasions thus far; it is a lengthy subject. However, the primary reason is that the fixed-price and lump-sum gives the certainty of cost at the time of award. So far as lump-sum and remeasurement is concerned, this depends very much upon the nature of the works, and there are indeed some of the projects within the airport core programme that will be remeasured to varying extents. The actual extent will depend upon the nature of the work for each contract.

MR ERIC LI: Mr Deputy President, it seems to me that contractors working under fixed-price contracts are more prone to failure or default. This is because they lack flexibility in negotiating for price in the case of bad management or bad planning. Can the Government inform this Council what measure it will take to safeguard the public interest in the event that that happens?

SECRETARY FOR WORKS: Mr Deputy President, the use of fixed-price contracts and/or lump-sum is not unusual in Hong Kong. It has been commonly employed on many large projects in the private sector, without contractors going into default. The contractors that we are asking to price on this basis have all been very carefully selected through a prequalification exercise. The Government is satisfied that within their estimating capabilities they have the necessary expertise to determine the risks that they are taking and to make proper allowances for that inside their tendered price. It also goes without saying that during the post-tender receipt and the analysis of tenders, our professionals within the Administration will give due consideration to the manner in which the pricing is put together; and if there is any suggestion that areas have been underpriced that will put the subsequent contract at risk, these are brought to the attention of that particular tenderer at the time, and they will be taken into account before the final award of each contract.

MR ALBERT CHAN (in Cantonese): Mr Deputy President, will the Administration inform this Council whether it will take into account the views of the contractors before deciding on a fixed-price contract? What measures will the Administration take should international construction companies launch a boycott against the projects; and will the price and progress of the large-scale projects be affected if such companies really go for a boycott?

DEPUTY PRESIDENT: There are two hypotheses there, Secretary for Works. If you feel you are not able to answer with precision, I will not put the question to you.

SECRETARY FOR WORKS: Thank you, Mr Deputy President. But perhaps from my background and from contacts, I can give the necessary assurance that we have been in contact with the Hong Kong Construction Association and we have given a reasoned explanation which has been accepted by them. We are quite sure that we will get satisfactory tenders for the projects when they are up for bids.

MR JIMMY MCGREGOR: Mr Deputy President, are the criteria used in determining which projects are appropriate for fixed-priced contracts set out in a standardized form?

If not, at what level is the discretion to decide on one type or another?

SECRETARY FOR WORKS: Mr Deputy President, so far as the airport core projects are concerned, this is at the very highest level of Directors or above. As far as other contracts within the ordinary Public Works Programme are concerned it would still be made at the Director level, if necessary in consultation with my Branch.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, in formulating the construction programme, has the Government considered adopting the international construction standard ISO 9000 as the basic criterion which all contractors are expected to meet? If yes, will the adoption of such a criterion push up the cost and make government's budgetting more difficult?

SECRETARY FOR WORKS: Mr Deputy President, ISO 9000 of course is a document which determines how quality control measures should be applied to any production process. So far as our contracts are concerned, we do have very detailed specifications which apply to each contract. During the actual contract process the supervisory teams also require the contractor to submit detailed method statements for approval before the actual implementation of the works. And of course there is also a very rigorous regime of testing of the basic materials -- concrete, reinforcement and the like. All of this is generally in accord with the highest standards of ISO 9000. We have not mentioned ISO 9000 in the specification because, as I have said, most of the basic requirements are already covered. Independently, my Branch are examining ISO 9000 and its further application throughout the whole of the design process.

MR STEPHEN CHEONG: Mr Deputy President, can the Administration assure this Council that it does not take the decision lightly to implement a fixed-price contract, and that the decision, whatever way it is taken, has been taken not just by the Administration itself but also together with professional input of the highest calibre from consultants?

SECRETARY FOR WORKS: I can give that assurance, Mr Deputy President. The Administration takes these decisions only when a full professional team has evaluated

the circumstances and the risks involved.

Written answers to questions

Conformity of draft Bills with Hong Kong Bill of Rights Ordinance

4. MR JIMMY MCGREGOR asked: Will the Government ensure that all Bills introduced into the Legislative Council, and all draft Bills published for public consultation have been prepared to conform fully with the provisions of the Hong Kong Bill of Rights Ordinance and will the Government attach a statement to each Bill to this effect?

ATTORNEY GENERAL: The Government already endeavours to ensure that all Bills introduced into the Legislative Council, and all draft Bills published for public consultation, have been prepared to conform fully with the provisions of the International Covenant on Civil and Political Rights as applied to Hong Kong as required by the amended Letters Patent in Article VII (3).

It is not considered appropriate to attach a statement to each Bill stating that it has been prepared to conform fully with the provisions of the Covenant.

The Letters Patent specifically require that all legislation must comply with the Covenant. This is a provision of general application in Hong Kong. When a Bill is introduced into the Legislative Council it necessarily follows that the Administration is satisfied that it complies with the Covenant.

Volume of new legislation

5. MR MARTIN BARROW asked: In the light of the need to regulate the volume of new legislation for introduction into the Legislative Council, will the Government inform this Council:

(a) how many pieces of new legislation are being drafted;

(b) how many existing Ordinances are under review for possible amendment;

(c) how many of the above new pieces of legislation and amendments are to be

submitted to the Legislative Council by July 1992; and

(d) how many proposals for new legislation have been approved and rejected by the Chief Secretary's vetting committee since its inception?

CHIEF SECRETARY:

(a) Thirty-one new legislative proposals (that is, new Ordinances) are at various stages of drafting. The majority of them are intended to be introduced into the Legislative Council during the 1991-92 Session.

(b) It is not possible to give a precise number of the existing Ordinances under review for possible amendment because the proposals are at different stages of processing and some of them have yet to be given policy clearance. However, a useful indicative figure would be the number of Amendment Bills being drafted and the figure is 142.

(c) A total of 89 legislative proposals (that is, new Bills and Amendment Bills) have so far been given priority by the Legislative Priorities Committee for introduction into the Legislative Council in the 1991-92 Session. Twenty-one Bills have already been introduced into the Council. The actual total number of Bills that will be submitted to the Council by July 1992 will depend on the drafting progress of the Bills and whether there are any urgent legislative proposals outside the approved programme that may need to be introduced into the Council within this Session.

(d) So far about 50 legislative proposals have not yet obtained priority for introduction into the Legislative Council in the 1991-92 Session, having regard to their urgency and stage of processing. They will be reconsidered for introduction in the next (that is, 1992-93) Session, or when there is a vacant slot in the current Session's programme. The Legislative Priorities Committee will monitor the drafting programme and will adjust it where necessary to ensure an even flow of legislation into the Legislative Council.

Allocation policy of Housing Authority

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

(a) whether it has any knowledge of the Housing Authority's plan to convert Block 22 of Tung Tau Estate into one/two person flats, and what its details are;

(b) whether it will ask the Housing Authority to stop moving elderly or single persons and two-person families into such old buildings with inadequate facilities; and

(c) whether it will ask the Housing Authority to increase the proportion of one/two person flats in newly built public housing estates (currently accounting for only 7% of total production)?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, I am advised that the refurbishment of Block 22 at Tung Tau Estate is one of several options currently under consideration by the Housing Authority to meet the demand for accommodation for small households. This follows an in-depth assessment of the supply and demand for such accommodation in the middle of this year. I am further advised that the proposal to retain this block for this particular purpose will be considered by the Authority's Building Committee this month. The various ways of increasing the supply of small household accommodation, including the possible retention of this block, are still under consideration.

As regards the second part of the question, the flats in the block all have self-contained facilities; and subject to a decision to proceed, they will be suitably upgraded to provide satisfactory accommodation. The Authority would not move elderly, one or two-person families into buildings with inadequate facilities.

Concerning the third part of the question, the Authority is also studying ways to increase the supply of self-contained, one-person flats in its new production. This will be one of the measures to be considered in the next two months. I hope it will be appreciated that the Authority has a responsibility to use all its stock in an effective manner, both new and old.

Provision of public housing in Tai Po and North Districts

7. REV FUNG CHI-WOOD asked: Will the Government inform this Council:

(a) whether the Administration has drawn up any programmes for the construction of public housing and home ownership estates in Tai Po and North Districts in the coming six years; if so, whether details of the dates of completion and occupation as well as the number of residents to be housed in these estates could be provided; and

(b) whether the Administration has any plans to cater for the needs of the increasing population in these areas with regard to transport, medical services, education, and other necessary facilities?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the Housing Authority's public housing development programme will provide, between 1991-92 and 1996-97, a total of 24 301 flats in Tai Po and North Districts, of which 8 514 are for rental and 15 787 for home ownership. They provide housing for about 74 600 people. Details of their estimated project completion dates are annexed. Normally, population intake upon project handover takes about two to six months to complete.

The provision of transport and community facilities and services for Tai Po and North Districts has been generally based on the population growth forecast and implemented according to a development programme that is compatible with the overall growth of the economy.

The major highways projects in Tai Po and North Districts are basically complete. With the opening of the Tate's Cairn Tunnel and the entire Route 6 (between the Tolo Highway and the Eastern Harbour Crossing) earlier this year, the road links now in place should be adequate to meet demand for traffic between Northeast New Territories and the metropolitan areas up to the last quarter of the 1990s. The section of the New Territories Circular Road linking Sheung Shui with Yuen Long is near completion. Its planned opening in mid 1992 will improve traffic flow between Northeast New Territories and Northwest New Territories. Internal roads within these two districts will continue to be built to cope with development needs.

The KCRC has invested heavily on additional train carriages since 1988 in order to cope with anticipated population growth in areas served by the Kowloon-Canton Railway. Since June this year, all KCR trains carry 12 carriages. By September 1993,

the KCR fleet will have expanded its carrying capacity by 53% relative to 1989. For the longer term, a comprehensive review of the signalling system is being conducted to explore ways for improving operating efficiency and to further enhance capacity.

The Kowloon Motor Bus Company's latest five-year plan will see the number of buses serving Tai Po and North Districts being increased from some 280 vehicles to about 330 vehicles between 1991 and 1996, and the wider use of high-capacity three-axle double-deckers. Details regarding bus service development will be the subject of an annual district board consultation exercise.

With regard to medical facilities, Secretary for Health and Welfare gave a detailed reply to a question relating to the provision of medical and health services in Tai Po and North Districts in this Council on 17 October 1991 and I have nothing to add.

Provision of education facilities has been following the School Building Programme prepared by the Education Department. Two primary and four secondary schools have been completed in the last few months. Three primary and six secondary schools will be built in the coming six years.

Welfare and community facilities planned for the coming six years include one neighbourhood community centre, one rural centre, three day nurseries, one small group home, one children and youth centre, two family services centres, one early education and training centre, one special centre for the elderly, two day care centres for the elderly, one multi-service centre for the elderly, one home cum care and attention unit for the elderly, one day activity centre for the mentally handicapped and two hostels for the disabled.

Projects for other necessary services such as police station, fire stations and ambulance services have basically been completed. Regarding recreation and cultural facilities for the coming six years, a cultural complex has been planned for in Tai Po. There will also be seven district open space projects in the North District, and five in Tai Po. A number of local open space projects will be implemented in various parts of the districts. In brief, both Tai Po and North Districts will be self-sufficient in all necessary facilities and services upon the completion of the planned development projects.

Area 7)

3.	Tai Po area 17 (Yee Nga Court)	1 750 (5 040)				
4.	Tai Po Area 6 (King Nga Court)	700 (2 044)				
5.	Fanling Area 46 (Yan Shing Court)	2 450 (7 056)				
6.	Fanling Area 18 (Site A)	1 780 (5 055)				
7.	Fanling Area 39A Phase 2	2 432 (6 908)				
8.	Fanling Area 47B Phase 1 Phase 2	681 (1 910) 1 824 (5 106)				
9.	Fanling Area 18 (Site B)	1 300 (3 640)				
	Total	6 586 (20 865)	6 532 (19 518)	4 212 (11 963)	1 804 (6 869)	5 167 (15 383)

() population

* position as at September 1991; programme subject to change

Telecommunications policy

8. DR SAMUEL WONG asked: Will the Government inform this Council of the present position regarding the review of telecommunications policy, including the target date for completion of the review and whether the public will be consulted, and if so, at what stage?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, I expect the current review of telecommunications policy to reach conclusions in the early part of next year. Our aim is to establish a sound regulatory framework in which a diverse range of telecommunications services can develop at competitive prices -- both in the interests of domestic and business consumers and in order to support Hong Kong's role as a major regional and international centre of trade and finance.

It is the intention to seek the views of Legislative Councillors before final decisions are taken on the outcome of the review.

Scheme of Control Agreement of Hong Kong Telephone

9. MR STEVEN POON asked: It is understood that the Scheme of Control Agreement of the Hong Kong Telephone Company expired on 31 March 1991 and a replacement scheme is not yet in place. Will the Administration inform this Council:

(a) how the interests of telephone users in Hong Kong are protected in the absence of a Scheme of Control Agreement with the Telephone Company;

(b) whether the Telephone Company is now under any control at all other than the provisions of the Telephone Ordinance; and

(c) whether the Government intends to conclude a new Scheme of Control Agreement with the Telephone Company; and if so, what the time scale is?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, the absence of a Scheme of Control Agreement does not mean that Hong Kong Telephone Company tariffs are no longer subject to control. Under section 26 of the Telephone Ordinance the maximum charge

for services provided by the Company can only be increased by resolution of the Legislative Council to amend the Schedule to the Telephone Ordinance. The Administration will not support amendments to the Schedule unless it is satisfied that these are fully justified.

The interests of telephone users are also protected in other ways. For example, under section 22 of the Telephone Ordinance, the Telecommunications Authority (the Postmaster General) is empowered to ensure that the Company maintains a good and efficient service. Section 4A of the Ordinance provides for the appointment of two government directors to the board of the Company who have a statutory obligation to represent Government, and hence the public interest.

The Hong Kong Telephone Company declined to renew the previous Scheme of Control Agreement when it expired in March 1991, and made clear that it would favour price-capping rather than profit control as a replacement. This option is one of a number of regulatory issues being considered in the context of the current review of telecommunications policy, I expect to reach conclusions early in the new year.

Expansion programme for Kai Tak Airport

10. MR LAU WONG-FAT asked: In view of the fact that the expansion programme for Kai Tak Airport will cost more than \$1 billion and a replacement airport will be in place in a few years's time, will the Government inform this Council:

(i) whether the Administration, in carrying out the above expansion programme, will give consideration to the use of less costly materials and designs on condition that the operational safety of the airport will not be affected, so as to avoid stretching the resources of Hong Kong; and

(ii) whether the Administration will carry out a review to assess the need to scale down or cancel certain projects of the original expansion programme?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, the purpose of the programme of improvements to facilities at Kai Tak is to ensure that our airport can cope with the expected continuing growth in passenger and cargo traffic up to the opening of the new airport at Chek Lap Kok. On present estimates, passenger throughput is

expected to increase by 10% per annum and cargo by 8% per annum.

Since its inception in 1988 the programme has been reviewed regularly in the course of the annual resource allocation exercise. As a result, some less essential projects have been deleted or their scope reduced. The present package of measures includes only those projects considered absolutely necessary to ensure the continuing efficient operation of the airport bearing in mind its limited life. These include: the extension of the airport apron area to provide more aircraft parking bays, improvements to the terminal building, construction of a taxiway bridge to facilitate aircraft movement on the apron area and improvements to road access leading to the airport.

The design and specifications of individual projects have also been examined critically to ensure that the most cost-effective designs and materials are utilized without compromising standards of operational safety. This approach has already led to substantial reductions in the estimated cost of some items.

Payment of wages to imported workers

11. MR LAU CHIN-SHEK asked: Regarding the Administration's recent proposal that employers engaging foreign workers under the 1989 and 1990 Importation Schemes should, as a standard practice, effect payment of wages by autopay, will Government inform this Council:

(a) how many employers have so far accepted this proposal, and what concrete measures will be taken to ensure that it will be accepted by all companies employing workers from overseas;

(b) what other practicable measures will be adopted to ensure that the wages of foreign workers will not be deducted if some employers still refuse to effect payment of wages by autopay; and

(c) what measures will be taken by the Government to prevent employers from deducting the wages of foreign workers after autopay?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, the Administration's

recent proposal is to make the payment of wages by autopay a condition for importing workers under any new scheme which might be introduced. Such a condition did not apply under the 1989 and 1990 Importation Schemes. However, the Labour Department has been taking steps to persuade and encourage employers who have imported workers under the 1989 and 1990 Schemes to effect payments of wages by autopay on a voluntary basis.

The answers to Mr LAU's specific questions are as follows:

(a) As at 9 December 1991, 2 084 employers were employing imported workers under the 1989 and 1990 Schemes. During the three months September to November 1991, 1 664 of these establishments were inspected by the Labour Department and 338 (that is, 20.3%) were making payment of wages through banks.

(b) The Labour Department has advised the other employers orally and in writing to pay wages by autopay. Where there are reasons to suspect that an employer may have deducted workers' wages unlawfully, enforcement action will be taken under existing law. Consideration will also be given to debarring those employers who have been found to have deducted wages unlawfully from participating in future labour importation schemes. At the time of application for visa extension for imported workers (upon completion of one year's service), the Director of Immigration will require employers to certify that wages as stipulated in the employment contracts are being paid. Provision of false information is liable to a maximum fine of \$50,000 or 14 years' imprisonment under the Immigration Ordinance. Action is also in hand to increase the penalties for unlawful deduction or underpayment of wages under the Employment Ordinance.

(c) Enforcement action is taken under existing legislation to ensure that the wages of foreign workers are not unlawfully deducted at any point in time. The Labour Department will continue to step up inspections made to places of employment and living quarters of the imported workers. Imported workers are given every encouragement and assistance to report malpractices, including any deduction of wages which is not provided for in the employment contract.

Enrolment qualifications for colleges of education

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

(1) of the minimum qualifications required of the applicants for enrolment in the Colleges of Education in the past decade; the rationale for setting such qualifications as the entry requirements;

(2) of the total number of underqualified candidates admitted into the Colleges during the said period, if any;

(3) of the number of available places in the Colleges of Education as compared with the actual enrolment of new students in the said period; the attempt, if any, that the Government has made to find out the cause of the under-enrolment; if so, the details of the findings;

(4) of the drop-out figure and drop-out rate in the current school year as at the end of November 1991;

(5) of the course of action, if any, that the Government has taken to analyse the causes of these drop-out cases; if so, the details of the findings; if not, the reasons for not conducting such an analysis; and

(6) whether the Government will take any measures to promote greater interest among students to enter and to complete their training courses in these colleges without lowering the entry requirements of these colleges? If so, what are the details?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, the answers to Mr NG's questions are as follows:

(1) The existing two-year and three-year courses were introduced in 1980 in line with the policy laid down in the 1978 White Paper on Senior Secondary and Tertiary Education. The minimum entry qualifications specified for these courses in the years 1980, 1984 and 1991 are detailed in the Appendix. There were no significant changes to the entry qualifications in the intervening years.

The rationale for setting minimum academic requirements is to ensure that students admitted to the courses have the capability to complete their training and become qualified teachers.

(2) No under-qualified candidates have been admitted in the past 10 years. All candidates admitted had met or had exceeded the minimum entry qualifications.

(3) Each year there is a target intake of first year students in the Colleges of Education. These, compared to the actual enrolment of new students in the past ten years, are as follows --

Year	No. of target intake	students enrolled
1982-83	689	700
1983-84	1 046	1 034
1984-85	1 249	1 240
1985-86	911	916
1986-87	1 182	1 108
1987-88	1 001	982
1988-89	1 021	1 028
1989-90	1 071	1 082
1990-91	1 367	1 346
1991-92	860	846

In view of the very low under enrolment (ranging from 0.7% to 6.3% in six of the last 10 years), no studies have been carried out into the causes. However, the whole question of teacher training, including enrolment levels at the Colleges of Education, is being examined in depth by the Education Commission.

(4) As at the end of November 1991, the number of first year students who had withdrawn from the courses (both two-year and three-year) was 134, or 15.8% of the total intake in September 1991.

(5) An analysis of the reasons for first year students withdrawing from the courses has been conducted and the findings are as follows --

Reason	No. of students 2-year Course	3-year Course	Total (%)
--------	----------------------------------	---------------	-----------

To pursue degree course	45	3	48 (35.8%)
To pursue sub-degree course	6	13	19 (14.2%)
To emigrate	1	0	1 (0.7%)
To take up employment	2	4	6 (4.5%)
Others/no reasons given	48	12	60 (44.8%)
Total number of first year students withdrawn	102	32	134 (100%)
Number of students originally enrolled	517	329	846

(6) The Government recognizes the importance of having adequately trained teachers. The question of attracting young people into the teaching profession is a complex one which is being examined in detail by the Education Commission in the context of its fifth report. The Commission will include consideration of the status of the Colleges and the teaching profession and is expected to propose measures to enhance both. The aim will be to make teaching as a career a more attractive option for school leavers. In the meantime there are no plans to lower the entry requirements for the Colleges, although consideration is being given to applying the minimum entry qualifications more flexibly in individual cases.

Appendix

Minimum qualifications required of applicants for enrolment in the Colleges of Education

1980-81 1984-85 1991-92

General
Requirements

General
Requirements

General

Requirements

Two-year
Completed 2 years of
Full-time
education beyond the
education beyond the
Course
level of Form 5 in an
Secondary 5

Anglo-Chinese school;
school;
school;

(i) Completed 2 years of
education beyond the

level of Form 5 in

an Anglo-Chinese
school;

(i)

level of

in a secondary

(ii) Have taken 6 different
attained at

subjects in public
examination, with
Grade E or above at
A-Level in at least 2
subjects, plus at
least Grade D in 1
other subject at
HKCEE level, plus

at least Grade E in
another 3 subjects at
HKCEE level, including
Chinese Language and
English Language.

other subject at
HKCEE level.

(ii) Have attained at

least Grade E in 6
different subjects
at HKCEE level in
one sitting,
including Chinese
Language and English
Language;

(iii) Have attained Grade
E or above in at
least 2 subjects at
A-Level, plus at
least Grade D in one
other subject at
HKCEE level;

(ii) Have

least Grade E in 6
different subjects at
HKCEE level in one
sitting, including
Chinese Language
and English

(iii) Have attained
Grade E or above
in at least 2 subjects
at A-Level, plus at
least Grade D in one

(iv) Have attained at

least Grade E in
Syllabus B or at
least Grade C in
Syllabus A in
English Language.

1980-81 1984-85 1991-92

Elective Subject Elective Subject Elective Subject
Requirement Requirement Requirement

Two-Year (i) Major Elective Subject Normally Grade E at Normally
Grade E at
Full-time A-Level in the subject A-Level in the subject
Course Normally Grade E at
A-Level in the subject;

(ii) Minor Elective Subject

Normally Grade D at
HKCEE in the subject.

1980-81 1984-85 1991-92

General General General Requirements
Requirements Requirements

Three- (i) Completed secondary (i) Completed secondary (i) Completed 5 years of
Year Full- education in an Anglo- education in an Anglo-
education in a
Time Chinese/Chinese Chinese/Chinese secondary school;
Course Middle School; Middle School;
(English/
Chinese) (ii) Have taken 6 different (ii) Have attained at least (ii)
Have attained at least subjects at the HKCEE Grade E in 6
different Grade E in 6
level, with Grade C or subjects at HKCEE different subjects at
above in 2 subjects, level in one sitting, HKCEE level
plus Grade D or above including Chinese including Chinese
in one other subject, Language and English Language and

English

plus Grade E or above in another 3 subjects, including Chinese	Language with at least Grade C in 2 subjects, plus at least Grade D in	Language with at least Grade C in 2 subjects, plus
--	--	--

at

Language and English Language.	one other subject. one other subject.	least Grade D in
-----------------------------------	--	------------------

1980-81

1984-85

1991-92

Elective Subject
Requirement

Elective Subject
Requirement

Elective Subject
Requirement

Elective Subject

Three- (i) Major Elective Subject

Year Full-

time

Normally Grade C at
HKCEE level in
the subject;

Normally Grade C in
that subject at
HKCEE level.

Normally Grade C
in that subject at
HKCEE level.

Course

(English/
Chinese)

(ii) Minor Elective Subject

Normally Grade D at
HKCEE in the subject.

Note: (i) A-Level -- Hong Kong Advanced Level Examination

HKCEE -- Hong Kong Certificate of Education Examination

(ii) From 1980-81 to 1983-84, students were required to take two major elective subjects and one minor elective subject, in addition to the core curriculum programme. Since 1984-85, they are required to take two elective subjects only.

Establishment of a "Discount Window"

13. MR DAVID LI asked: Will the Administration inform this Council if it will consider

establishing a fully functioning "Discount Window" to serve as "lender of last resort"?

SECRETARY FOR MONETARY AFFAIRS: The Office of the Exchange Fund keeps the liquidity of the inter-bank market as a whole and the liquidity needs of solvent individual banks under regular review. There is currently an arrangement whereby the Office of the Exchange Fund in effect acts as the lender of last resort, providing late overnight liquidity assistance after the close of the local interbank market. Over the past 11 months, the Office has provided such assistance on 11 occasions. The total sums provided amount to HK\$2.4 billion. This arrangement serves the function which in other monetary systems is provided by what is called a discount window.

Some have recently expressed a wish for Government's lender of last resort policy to be clarified. Others have called for the present arrangement to provide late overnight liquidity assistance to be formalized, so that licensed banks would have a better opportunity to manage their liquidity positions effectively. This matter is now under review by the Office of the Exchange Fund. There will be full consultation with those concerned, in particular with the Exchange Fund Advisory Committee and the Hong Kong Association of Banks, should changes be considered necessary and desirable.

Sale of government stake in Cross Harbour Tunnel Company Limited

14. MR FRED LI asked: In the light of the recent sale by the Government, through a financial consultant, of its 24.3% of the shares of the Cross Harbour Tunnel Company Limited to Wharf (Holdings) Limited, the consortia which previously held ownership interest in the franchise to operate the tunnel, will the Government inform this Council of:

(a) the reasons for the sale;

(b) the reasons for selling the shares at a substantial discount rate (16%); and

(c) the changes in the percentage of its holdings and the annual rate of return since the Government held these shares, and the capital appreciation of these shares with a breakdown of the relevant figures on a yearly basis?

SECRETARY FOR MONETARY AFFAIRS: Mr Deputy President,

(a) As the Director of the Office of the Exchange Fund has announced, the sale was in accordance with Government's long declared intention that the Exchange Fund should dispose of the whole of its equity stake in The Cross-Harbour Tunnel Co., Ltd. ("CHTC"), on the grounds that this was not an appropriate asset for the Fund. It was not a liquid investment and also there was a potential for conflicts of interest to arise where the Government was both regulator and a significant shareholder. In 1986, Sir John BREMRIDGE, the then Financial Secretary, announced in his Budget Speech that it had been decided to dispose of the Exchange Fund's equity holdings in Hong Kong as and when appropriate and that the deals should be "at arm's length on the strength of impartial outside advice".

(b) The price at which the CHTC shares were sold (\$12.035 per share) was determined on the basis of several factors, including a "net asset" valuation of CHTC and a "net present value" valuation of expected future dividends (having regard to the franchise period of CHTC's tunnel), the absence of a more competitive offer from an interested party in Hong Kong, the conditional requirements of other bidders of the shares for Transport Branch assurances on various relevant aspects of transport policy which the Exchange Fund was not in a position to provide. The discount of 15.2% to the market price of \$14.20 at the time of the sale was considered by the Fund's financial advisers Hambro Pacific Limited to be acceptable for a large private placement and for a sale of this type. The offer was recommended by them to the Exchange Fund and the decision to sell was taken on the basis of that recommendation.

(c) The Exchange Fund acquired the CHTC shares from the Development Loan Fund in September 1983. The purchase price of approximately \$318 million (or \$10.34 per share) was based on the valuation prepared by independent professional accountants. Since that time, the following dividends have been received:

Per Share

1983 (6 months)	\$0.580
1984	\$1.140
1985	\$1.140
1986	\$1.250

1987	\$1.310
1988	\$1.435
1989	\$1.465
1990	\$1.465
1991 (6 months)	\$0.670

The sale to the Wharf Group realized total proceeds of \$370 million, resulting in a capital gain of \$52 million. The overall return of both dividends and capital value to the Exchange Fund since the acquisition of the shares in 1983 represents an Internal Rate of Return of 14.39% per annum.

Policy on public bus priority

15. MR LEE WING-TAT asked: In relation to the policy on public bus priority measures, will Government inform this Council of the following:

(i) the criteria under which the policy is applied to roads;

(ii) the number of roads in the territory where bus priority measures are applied at present and the general effects of such priority measures;

(iii) whether Government will consider imposing restrictions on vehicles other than public buses from using some extremely congested roads during certain periods, for example, morning peak hours; and

(iv) given the serious traffic congestions on Tsing Yi South Bridge and Tsuen Wan Road during the morning peak hours, will Government consider applying or extending public bus priority measures to these road sections during that period?

SECRETARY FOR TRANSPORT: Mr Deputy President,

(i) In deciding whether to introduce bus priority schemes, consideration is given to the extent to which bus services are being delayed as a result of traffic congestion and also to any adverse effects that such schemes may have on other road users.

(ii) At present there are 98 bus priority schemes in existence, comprising 77 bus only lanes, 11 bus gates, and 10 bus only turnings. These measures have been successful in saving travelling time for bus passengers and reducing the operating costs of bus services.

(iii) To impose restrictions on vehicles other than public buses from using congested roads at peak hours would be an extreme measure to be considered only where no better alternatives were available. Such an arrangement could obviously interfere with the activities of other essential road users. So far, a bus only system has been introduced in parts of mid-levels at certain times of the day and with some success.

(iv) Two bus priority measures have been introduced at Tsing Yi South Bridge. These are the bus-only right-hand turn from the bridge into Tsing Yi Heung Sze Wui Road northbound, and the bus-only right-hand turn from Tsing Yi Road northbound onto the bridge. These arrangements operate from 7 am to 7 pm daily, except Sundays and public holidays. There are no plans to introduce further bus priority schemes at Tsing Yi South Bridge and Tsuen Wan Road for the time being. However, the Transport Department is considering other traffic management measures aimed at improving conditions for all vehicles, including buses, at these locations.

Juvenile delinquency in Tai Po and North Districts

16. REV FUNG CHI-WOOD asked: In view of the worsening problem of juvenile delinquency in Tai Po and North Districts, particularly in certain public housing estates where the juvenile crime rate continues to increase and a great number of young people are seen loitering around in gangs till midnight, will the Government inform this Council:

(1) when an outreaching social work team will be provided to Tai Po and North Districts;

(2) how the outreaching social work teams are deployed throughout the territory; and

(3) what criteria the Government has adopted in determining the provision of an outreaching team for a particular district?

SECRETARY FOR HEALTH AND WELFARE: The provision of outreaching social work teams is determined by the Steering Group on Outreaching Social Work, which consists of representatives of the Social Welfare Department and the Hong Kong Council of Social Service. Priorities are set by the Steering Group, and there is no plan to provide an outreaching social work team to Tai Po and North Districts.

At present, there are 24 outreaching social work teams in the following districts:

District	Number of Teams	
Kwun Tong	4	
Wong Tai Sin	2	
Kowloon City	2	
Yau Ma Tei/Tsim Sha Tsui		1
Mong Kok	1	
Sham Shui Po	2	
Tsuen Wan/Kwai Tsing		3
Tuen Mun	2	
Yuen Long	1	
Sha Tin	2	
Central & Western		1
Wan Chai	1	
Eastern	1	
Southern	1	-----
Total :	24	

The criteria for the deployment of an outreaching social work team to a district are:

(a) High juvenile crime rate, as indicated by the actual number of cases

prosecuted and the number of young people supervised under the Superintendent Discretionary Scheme of the Royal Hong Kong Police Force;

(b) Relative percentage of youth population; and

(c) High population density, having regard to the availability of other forms of relevant services for young people in that district.

Prince of Wales Hospital

17. MISS EMILY LAU asked:

(a) What was the Prince of Wales Hospital's (PWH) original targetted population and what is the present actual population served;

(b) what is the Government's total budget allocated to hospital services for the year 1990-91 and the percentage of this budget that has been allocated to the PWH; and why Government considers that such percentage represents a fair allocation to the PWH taking into account the population it has to serve;

(c) what the present hospital bed/population ratios are for the territory as a whole and for New Territories East specifically; whether the ratio for New Territories East compares favourably with that for the territory; if not, what improvement measures will be taken by the Government; and

(d) what is the failure rate of the CT scanner in the PWH in the past 12 months; whether there are any contingency plans to close down the emergency neuro-surgical unit at the PWH in case the CT scanner fails completely; if so, how would this affect patient care; and when would money be allocated to buy a new scanner?

SECRETARY FOR HEALTH AND WELFARE: Seriatim, the answers are as follows.

(a) The Prince of Wales Hospital (PWH), with 1 380 beds, was designed to serve a population of 700 000. It is the regional hospital for New Territories (East) which has a population of 1.03 million. In this connection, it should be noted that in addition to PWH, the New Territories East Region is also served by Fanling Hospital

(98 beds), Shatin Cheshire Home (246 beds), Haven of Hope Hospital (271 beds), St John's Hospital (97 beds), 16 out-patient clinics and a range of other medical and health facilities.

(b) The actual operating expenditure for hospital services in 1990-91 (including subventions) was \$6.56 billion. Of this amount, \$687.8 million, or 10.5%, was spent on PWH. Taking into account the current information available on the various factors that affect the utilization of hospital services in the New Territories (East) Region, such as the relatively young population, the hospital utilization rate and the availability of physical facilities, the allocation to PWH is considered fair.

(c) The New Territories East Region now has 2.07 beds per 1 000 population. This compares with 4.28 beds per 1 000 population for the territory as a whole. The Shatin Cheshire Home and Shatin Infirmary and Convalescent Hospital are two new hospitals opened in 1991 to serve the New Territories (East) population. Plans are also in the pipeline to improve the provision of hospital beds in the Region. These include the expansion works at the Fanling Hospital, expansion and improvement works at the Prince of Wales Hospital, relocation of the Nethersole Hospital at Tai Po, redevelopment of the Haven of Hope Hospital and building of the new Tai Po Infirmary and Convalescent Hospital.

(d) Over the past 12 months, the CT scanner in PWH was out of service for 214.1 hours. This represents a downtime rate of 2.4%. The main reason for this was the need for major repairs in July and September 1991, which accounted for 150.5 hours, or 70% of the total downtime during the year. Since then, however, the machine-time has been restored to over 90% of the operating capacity.

In case of failure of the CT scanner, a contingency plan does exist in PWH for the transfer of emergency cases to Queen Elizabeth Hospital and for rescheduling examination of non-emergency cases. With efficient patient management, the impact on service is minimized. Meanwhile, consideration is given to the provision of necessary equipment to meet patient needs.

British Nationality Scheme

18. MR EDWARD HO asked: Will the Government inform this council of the circumstances under which authorization has been, or will be, given for the identity and personal

data of the applicants under the British Nationality Scheme to be disclosed to other governments?

SECRETARY FOR SECURITY: Mr Deputy President, Hong Kong Government has not given, nor envisages giving, authorization for the disclosure of the identity and personal data of applicants under the British Nationality Scheme. Such information is protected with strict confidence. Records on unsuccessful applicants will be destroyed, and those on successful applicants will be kept by the British Government.

Security of personal data kept in government departments

19. MR EDWARD HO asked: Will the Government inform this Council of the safeguards which are available to prevent improper or unauthorized access to personal data kept in different government departments and to ensure that such data are not used for purposes other than what they are required for?

SECRETARY FOR SECURITY: Mr Deputy President, all government servants are required by Hong Kong Government Security Regulations and other government regulations to protect official information, which includes personal data held in government departments. They are specifically prohibited from passing to persons any such information unless those persons are authorized to have access to it. These regulations are comprehensive and precise. They cover the handling, protection and storage of all classified data, no matter in what form such data is stored, that is, whether the data be stored in conventional files or on computer systems media.

Recognizing the special needs for protecting personal data stored in computer systems, a Working Group on Data Protection Legislation, reporting to the Secretary for Home Affairs and drawing on electronic data processing expertise both in the private sector and within Government, established data protection principles and guidelines which were issued to government departments in March 1988. These principles were based on those which had been adopted in the United Kingdom under the Data Protection Act 1984.

The data protection guidelines issued to government departments set out data management responsibilities specify the parameters for the collection of personal

data and lay down requirements for protection of these data against unauthorized access.

A recent survey of data protection practices in government departments carried out by the Working Group shows that, within the parameters set, the Government's record on personal data protection is satisfactory. Although it is left to the discretion of Heads of Departments to plan and pursue a course of action to observe the data protection principles, the survey shows that most government departments have specific policies and procedures drawn up for the protection of personal data stored in their computer systems. Many have a senior member of staff or committee to oversee the security of personal data stored in their computer systems.

Management of community halls and community centres

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

(1) what the reasons for handing over the management of some community halls and community centres from the City and New Territories Administration to Voluntary Agencies are;

(2) whether the Government has assessed the effect of this exercise; if so, what the findings are;

(3) what measures the Government will take to ensure the previous level of service is maintained?

SECRETARY FOR HOME AFFAIRS: Mr Deputy President, before I reply to the main question raised by the Honourable Member, I should like to stress that CNTA will continue to be fully responsible for the management and operation of all its 69 community halls and centres. In this regard, approval has recently been given for the employment of part-time staff to assist in the operation of community facilities. It is not the intention for CNTA to give up management responsibility at this stage.

However, CNTA is carrying out a limited three-year trial in four community halls to determine whether or not community facilities can be operated in a manner which is more responsive to community needs. The objective is to promote utilization of

community halls and at the same time achieve the most effective use of resources.

Under the trial, we have carefully selected four voluntary agencies to be responsible for the day to day operation of the hall and to promote the use of the hall among the local community. The voluntary agencies are required to open and close the hall, set up, dismantle and store any equipment provided, as well as to monitor the general cleanliness and security of the premises during opening hours. The relevant CNTA District Office will still be responsible for the overall management of the centre, including the booking arrangements and the supervision of maintenance and cleansing contractors.

The four community halls included in the scheme and the Voluntary Agencies concerned are as follows:

Community Hall	Effective Organizations	Date
Tsing Yi) Children's Club	May 1991
Cheung Hang) New Hall Pok Oi Hospital	October 1991
Kin Sang) Yan Oi Tong Tenancy agreement being processed	
Kwai Fong - existing Culture and Arts Co-ordinating Association Ltd.	Kwai Chung and hall Tsing Yi District	"

The performance of the organizations involved in the pilot scheme will be closely monitored over the next three years. So far, initial reports are positive.

Turning to the Honourable Member's last question: I can assure him that not only will CNTA work to ensure that the level of service provided at community facilities is maintained under the trial, but also strive to ensure that services generally are improved. This, after all, is the reason we have embarked upon this trial.

My staff are working closely with the Voluntary Agencies, the Hong Kong Council of Social Service and other government departments to identify problems, to work out realistic solutions to these and to consider ways further to improve the management of community facilities. Measures being considered in addition to those which form part of the trial scheme include: improvements to the physical security of community facilities; introduction of more frequent cleansing to improve the environment in these facilities; and the adoption of more flexible block booking arrangements which should benefit regular users.

Motions

EMPLOYEES' COMPENSATION ORDINANCE

THE SECRETARY FOR EDUCATION AND MANPOWER moved the following motion:

"That, with effect from 1 January 1992, the Ordinance be amended as follows:

(a) in section 6 -

(i) by repealing "\$424,000" in the three places where it occurs in subsection (1) and substituting in each case "\$542,000";

(ii) by repealing "\$143,000" in subsection (2) and substituting "\$183,000";
and

(iii) by repealing "\$8,000" in subsection (5) and substituting "\$10,000";

(b) in section 7 -

(i) by repealing "\$485,000" in the three places where it occurs in subsection (1) and substituting in each case "\$620,000"; and

(ii) by repealing "\$162,000" in subsection (2) and substituting "\$207,000";

(c) in section 8(4) by repealing "\$194,000" and substituting "\$248,000";

(d) in section 11(5) by repealing "\$1,040" in the two places where it occurs and substituting in each case "\$1,450";

(e) in section 13(3) by repealing "\$20,000" and substituting "\$28,000";

(f) in section 16A(10) -

(i) by repealing "\$200" in paragraph (a) and substituting "\$300"; and

(ii) by repealing "\$400" in paragraph (b) and substituting "\$600";

(g) in section 17A(1) -

(i) by repealing "\$200" in paragraph (a) and substituting "\$300"; and

(ii) by repealing "\$400" in paragraph (b) and substituting "\$600";

(h) in section 36C by repealing "\$16,000" and substituting "\$20,000";

(i) in section 36J by repealing "\$50,000" and substituting "\$62,000"; and

(j) in the Third Schedule by repealing "\$70" in paragraphs 1(b), 2(b) and 3 and substituting in each case "\$90".

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, I move the motion standing in my name on the Order Paper.

The purpose of this resolution is to revise the levels of compensation and certain compensation-related items under the Employees' Compensation Ordinance. That Ordinance provides for payment of compensation by employers to employees who are injured or killed as a result of employment-related accidents. Our policy since 1978 has been to review the levels of compensation every two years to take account of wage movements, inflation and other changes. Existing levels of compensation have been in force since 1 January 1990 and are now due for revision. Concurrently, the ceiling on advance payment and the surcharge for late payment of compensation should also be revised. It is proposed that the revised rates should be effective as from 1 January 1992.

Taking into consideration the projected rate of wage increase for the period from January 1990 to December 1991 and the slight under-estimation of the increase in nominal wages in the last review, we propose to increase the existing levels of

compensation arising from death, permanent total incapacity and requirement for constant attention by 27.8%. The maximum amounts of compensation for death will be raised from \$424,000 to \$542,000, and for permanent total incapacity from \$485,000 to \$620,000. At the same time the minimum amounts will be raised from \$143,000 to \$183,000 and from \$162,000 to \$207,000 respectively. The maximum amount of compensation for constant attention will also be raised from \$194,000 to \$248,000.

The ceiling on three other forms of compensation are to be adjusted to take account of inflation since their last revision in 1990. The proposed changes include: increasing the maximum amount of compensation for burial and medical expenses where the deceased employee leaves no dependants from \$8,000 to \$10,000; increasing the maximum daily reimbursements of medical expenses from \$70 to \$90; and increasing the maximum payments to be made by an employer towards the costs of supplying and fitting a prosthesis or a surgical appliance, and for their repair or renewal from the present amounts of \$16,000 and \$50,000 respectively to \$20,000 and \$62,000 respectively.

We also propose to raise the amount that is deemed to be minimum earnings per month for the purpose of calculating compensation from \$1,040 to \$1,450. The proposed increase serves to keep the deemed minimum earnings of an injured employee broadly in line with the existing rate in respect of public assistance.

Finally, we propose to increase the levels of two other compensation-related items which were last revised in 1988. First, we propose to adjust the ceiling for advance payment of compensation from \$20,000 to \$28,000 to take account of inflation since July 1988. Second, we propose that for the late payment of compensation, the minimum amount of surcharge imposed upon expiry of the payment period be increased from \$200 to \$300 and the minimum additional surcharge imposed three months later be increased from \$400 to \$600. The proposed increases are in line with the rate of increase in the maximum levels of compensation for death and permanent total incapacity since the surcharges were last revised in 1988.

These proposals have been endorsed by the Labour Advisory Board and I recommend them to this Council for approval.

Mr Deputy President, I beg to move.

Question on the motion proposed, put and agreed to.

PNEUMOCONIOSIS (COMPENSATION) ORDINANCE

THE SECRETARY FOR EDUCATION AND MANPOWER moved the following motion:

"That, with effect from 1 January 1992, the Ordinance be amended as follows:

(a) in the First Schedule -

(i) in Part I -

(A) by repealing "\$424,000" in paragraphs 1, 2 and 3 and substituting in each case "\$542,000";

(B) by repealing "\$143,000" in paragraph 4 and substituting "\$183,000"; and

(C) by repealing "\$8,000" in paragraph 5 and substituting "\$10,000";

(ii) in Part II -

(A) by repealing "\$485,000" in paragraphs 1, 2 and 3 and substituting in each case "\$620,000"; and

(B) by repealing "\$162,000" in paragraph 4 and substituting "\$207,000"; and

(iii) in Part IV by repealing "\$194,000" in paragraph 4 and substituting "\$248,000"; and

(b) in the Second Schedule by repealing "\$70" in paragraphs 1(b), 2(b) and 3 and substituting in each case "\$90".

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, I move the second motion standing in my name on the Order Paper.

The purpose of this resolution is to revise the levels of compensation for certain awards under the Pneumoconiosis (Compensation) Ordinance, which provides for payment of compensation by the Pneumoconiosis Compensation Fund Board to persons who are incapacitated by, or die as a result of, pneumoconiosis. These awards are in respect of death, permanent total incapacity, constant attention and burial and medical expenses. The levels of these awards have always been identical to those specified in the Employees' Compensation Ordinance. As the latter have just been raised by a resolution of this Council, I propose that they be similarly raised.

Mr Deputy President, I beg to move.

Question on the motion proposed, put and agreed to.

First Reading of Bills

INSURANCE COMPANIES (AMENDMENT) (NO. 2) BILL 1991

NOISE CONTROL (AMENDMENT) BILL 1991

DANGEROUS DRUGS (AMENDMENT) (NO. 2) BILL 1991

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

Second Reading of Bills

INSURANCE COMPANIES (AMENDMENT) (NO. 2) BILL 1991

THE SECRETARY FOR MONETARY AFFAIRS moved the Second Reading of: "A Bill to amend the Insurance Companies Ordinance."

He said: Mr Deputy President, I move that the Insurance Companies (Amendment) (No. 2) Bill 1991 be read a Second time.

The main purpose of the Bill is to empower the Insurance Authority when this proves necessary to appoint a person to advise an insurer on the management of its affairs,

business and property and, if so required, appoint a manager to assume such management functions.

The Insurance Companies Ordinance gives the Insurance Authority certain powers to intervene in the operations of an insurer. However, past experience has shown that these powers are inadequate if the Insurance Authority is to be able to ensure that the business of an insurer which is in serious difficulties will be prudently managed. An insurer in serious difficulties may expose the insuring public to serious risk of loss. The absence of prudent management could result in even greater damage to policy holders. It could also damage the general reputation of the insurance market in Hong Kong.

To overcome the present inadequacy of the Insurance Authority's powers of intervention and in the interest of the insuring public, we propose that the Authority should be given the additional interventionary power of being able to appoint an advisor or a manager in respect of an insurer where the exercise of his other interventionary powers would not provide adequate safeguards.

I should emphasize that this power will only be exercised as a last resort in circumstances where all the other interventionary powers of the Insurance Authority would not be sufficient to protect the interests of policy holders. A right of appeal against the exercise of these powers lies to the Financial Secretary. Moreover, exercise of the power may be subjected to review by the Courts. I can assure Members that the power will be exercised within the bounds of legal reasonableness which, amongst other things, takes into account the relevance of the action. In other words, the Insurance Authority will, as a matter of course, satisfy itself before taking any action that the decision is such as to be justifiable were it to be reviewed by the Courts. The specific powers of the manager are prescribed in the Bill.

Where an insurer which is in serious difficulties is incorporated outside Hong Kong, we propose that the remit of the advisor or manager will only extend to that part of the insurer's business which is carried on, or managed, in or from Hong Kong as well as the property of such an insurer which is located in, or managed from, Hong Kong.

We also propose that a further ground should be added to the Ordinance for the Insurance Authority to exercise his interventionary powers. Similar to the provision in the Banking Ordinance, the further ground would allow the Insurance

Authority to intervene where it appeared to him that an insurer is carrying on its business in a manner detrimental to the interests of its policy holders.

Finally, the opportunity is taken to amend the Ordinance so that the existing provision which prohibits insurers carrying on long-term business from being wound up without the approval of the Courts is extended to insurers carrying on general business. This will ensure that the Insurance Authority has prior notice of a proposal for the voluntary winding up of a general business insurer, as is presently the case for an insurer writing long-term business.

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

Question on the adjournment proposed, put and agreed to.

NOISE CONTROL (AMENDMENT) BILL 1991

THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS moved the Second Reading of: "A Bill to amend the Noise Control Ordinance."

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

The main provisions of the Noise Control Ordinance were fully implemented in November 1989, leading to much better control over noisy construction practices. However, we need to further tighten controls on noise from individual noisy products and the White Paper on Pollution stated that regulations would be made under the Ordinance to effect control over such products. Hand-held percussive breakers and air compressors used for construction and demolition works are the first group of equipment to be brought under the jurisdiction of Part III of the Ordinance. The new regulations stipulate acceptable noise emission standards and set out methods of testing and labelling, and control the sale and import of unacceptable products.

We also take this opportunity to make the wording of certain provisions better reflect the original intent of the legislation. General traffic noise -- noise generated by a vehicle was never intended to be controlled under sections 4 and 5 of the Ordinance, where enforcement is by way of police summons action upon complaints. These sections were intended to cater for situations where people were making

excessive noise, not for situations where people were operating in a routine way causing only unavoidable noise. Clause 2 will provide a new section to clarify that such general traffic noise is not subject to control by way of police summons action upon complaints.

Similarly, it has never been the policy intent to control operational noise from one industrial or commercial premises affecting another industrial or commercial premises as it does not affect the general public. The amendment to section 13(1)(a), as included in clause 3, will clarify that such noise is not included in this section.

The proposal to introduce control on hand-held percussive breakers and air compressors has been discussed with and is supported by the construction industry. The majority of the breakers and compressors available now in the new equipment market are in fact silenced types and there should be no difficulties for the industry to comply with the control scheme.

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

Question on the adjournment proposed, put and agreed to.

DANGEROUS DRUGS (AMENDMENT) (NO. 2) BILL 1991

THE SECRETARY FOR HEALTH AND WELFARE moved the Second Reading of: "A Bill to amend the Dangerous Drugs Ordinance."

She said: Mr Deputy President, I move that the Dangerous Drugs (Amendment) (No. 2) Bill 1991 be read the Second time.

The Bill seeks to provide the Director of Health with the discretion to permit unregistrable medical practitioners, who practise in exempted clinics, to supply, possess and procure certain benzodiazepine drugs for the treatment of their patients.

These practitioners hold qualifications not registrable in Hong Kong. In 1963, the then Medical and Health Department held a one-off assessment panel through which all unregistrable medical practitioners' qualifications were assessed one by one. Those who passed the assessment were allowed to practise in exempted clinics. Their number has been decreasing steadily, through retirement or death, from over 400 in 1963 to 165 now. For the past three decades, these practitioners have been providing

a valuable service to the community.

Under the present provision of the Dangerous Drugs Ordinance, such practitioners are not permitted to use dangerous drugs in the course of their practice. Recently, Part I of the First Schedule to this Ordinance has been amended to include all benzodiazepine drugs as dangerous drugs. These practitioners will thereby no longer have access to such drugs and will have difficulty in maintaining the standard of their service to the public. This Bill therefore seeks to enable them to continue to have the use of certain benzodiazepine drugs as specified by the Director of Health for the purpose of treating their patients.

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

Question on the adjournment proposed, put and agreed to.

PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) (NO. 2) BILL 1991

Resumption of debate on Second Reading which was moved on 20 November 1991

Question on Second Reading proposed.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, the Employees' Compensation and the Pneumoconiosis (Compensation) Ordinances are two Ordinances that are closely related to the labour sector, particularly manual workers. Labour bodies have consistently been petitioning OMELCO for improvements to the Ordinances especially in respect of the present assessment system and the method of calculating compensation, so that better protection will be provided for workers injured in the course of their employment. After this Bill was introduced into the Legislative Council, we received representations from a number of labour organizations, calling for a review of other aspects in the relevant Ordinances while the Bill was being scrutinized. In this connexion, a 12-member ad hoc group was formed to study the Bill.

Since the ad hoc group was formed on 8 November 1991, a total of three meetings were held, including one with the Administration and two with interested labour organizations, to discuss the provisions of the Bill and the related adjustment package. Other subjects covered included certain compensation-related provisions under the two Ordinances as follows:

(1) the three-day waiting period requirement for periodical payments should be cancelled;

(2) calculation of compensation for permanent incapacity should be based on actual wages;

(3) assessment of incapacity should take into account individual merits and special circumstances of an injured employee;

(4) the two-year limit for periodical payment should be relaxed; and

(5) the rate of medical expenses should tie in with actual medical charges of government hospital.

While the ad hoc group was aware that these issues were outside the scope of the Bill and the related adjustment package, I was pleased to find that the Administration was willing to exchange views on the issues with the ad hoc group. The group had been advised by the Administration that a comprehensive review was being conducted on occupational health and related legislation on employees' compensation. Some of the issues raised by the labour organizations were already subjects of the review. It was also the Administration's intention to introduce to the Legislative Council a series of legislative amendments to the Employees' Compensation Ordinance before the end of the current Session. Members of the ad hoc group hoped that these amendments could be introduced to this Council according to schedule.

The ad hoc group recognizes that the Bill and a series of resolutions concerning the review of compensation levels introduced into the Legislative Council today are part of a regular exercise done every two years, taking into account wage movements, inflation and other changes. To this the group gives its full support.

Mr Deputy President, as a labour representative in the Legislative Council, I would of course like to see the Government and the employers do more on industrial safety and occupational health and also make improvements on these aspects with a view to reducing the incidence of industrial accidents. In the event of industrial accident, however, the only thing we can do is to assist injured employees to recuperate their health as soon as possible and to obtain any compensation due.

When this Council held a motion debate on "occupational health" on 1 May 1991, the Secretary for Education and Manpower undertook to conduct a comprehensive review on the subject. I am looking forward to receiving a review report from him very soon.

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

DR LEONG CHE-HUNG: Mr Deputy President, I rise to support this Bill and the related adjustment package as it seeks to raise the level of compensation in the light of wage increase and inflation. The Bill should also be passed as soon as possible so that the improvement could be made and take effect by 1 January 1992. In supporting this Bill, the medical profession feels that the Administration should also take note of the need for a comprehensive review on all occupation health all the way from prevention to compensation including introduction of relevant legislation. Some of these are long overdue, such as noise induced deafness and death or disability from falling from height, the incidence of which Hong Kong can claim to be amongst the highest in the world.

With these remarks, Mr Deputy President, I support the Bill.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, pneumoconiosis is a very common occupational disease in Hong Kong. Construction workers can easily contract it. According to the statistics of the Labour Department, more than 4 000 cases of pneumoconiosis were reported between 1958 and 1990. The Pneumoconiosis (Compensation) Ordinance provides that patients will be compensated according to the degree of damage done to their lungs. Even though the upper limit of compensation has been raised, given inadequate legislation, many workers who have been suffering from the disease still fail to get reasonable compensation. Here, in particular, I would like to point out two problems and hope the departments concerned will review them. First of all, as regards compensation for permanent loss of working ability, in accordance with the existing Ordinance, patients can choose to be compensated either once or twice. However, they will not be given additional compensation if their lungs are further debilitated after they have been compensated. But in fact, it has been discovered that the conditions of most pneumoconiosis patients will only further worsen and they have little chance to recover and work again. They will not be given additional compensation after they have received a flat sum even though their lungs

further weakens. This loophole has been an object of public denunciation for years and this is very unfair to the workers.

Recently, the Government has proposed to amend this Ordinance. Compensation for workers who have contracted the disease from their work shall be payable on a monthly basis and the degree of damage done to their lungs shall also be regularly assessed so as to adjust the compensation amount. It was estimated that 2000-plus workers had already received a lump sum of compensation before the Pneumoconiosis Compensation Fund was established in 1981. However, they still fail to gain benefit from this. They had indeed worked hard for Hong Kong when they were young. Employers' neglect and the Government's indifference then to industrial safety were the reasons why they had contracted the disease. Today, it is tragic to see that they have been mercilessly excluded from the new compensation method.

Therefore, the Government should not only consider amending legislation to protect workers in the future, but also give additional compensation to those who have not been reasonably compensated as a result of inadequate legislative protection.

On the other hand, when we discussed improving the compensation level, we had also considered a problem, that is, prevention is far better than compensation. Workers suffering from pneumoconiosis are all construction workers and most of them work in caissons. They have to excavate to enable caissons to be sunk several or tens of feet under the ground. During the process of excavation, pneumatic or percussive drills keep producing powder and dust and because of poor ventilation and confined working environment, workers always inhale a large quantity of powder and dust. The Government therefore needs to control the process of manual caisson excavation which should be done by machines. At the same time, the Government should make it a law that construction workers, when they join the industry, shall receive regular check-ups, so that they will be given appropriate treatment if they have been found to have contracted the disease at the incipient stage.

Mr Deputy President, Christmas is coming in two weeks' time. I have received many Christmas cards and the most inspiring one bears the words: "Please do think of those suffering from pneumoconiosis" and it was signed by "a group of people without future".

I have seen many pneumoconiosis patients who regard themselves as "people without future". They always pant and have difficulty in breathing. Complications easily

develop, in particular tuberculosis. The patient's conditions will worsen day by day. Mr Deputy President, whenever we amend Ordinances, we will probably say we had better quickly pass them because some improvement is better than none. But we have never thought that those without future will most likely be in Heaven when we amend this Ordinance next time. By then, we shall not have to worry about them.

I think Christmas is the time to bring hope to the underprivileged and the needy. I hope we will be considerate and listen to their proposals. This morning, they came to us and presented a proposed compromise. I support their proposals and hope we can really help them.

Mr Deputy President, this is my submission.

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, in moving the Second Reading of this Bill on 20 November 1991, I explained that the purpose of this Bill was to raise the ceiling for advance payment of compensation from \$20,000 to \$28,000 to eligible employees or their dependants with effect from 1 January 1992. The maximum amount of advance payment of compensation payable under the Pneumoconiosis Compensation Ordinance is identical to that under the Employees' Compensation Ordinance in respect of which this Council has passed a resolution a moment ago.

I am grateful to Mr PANG Chun-hoi, and the ad hoc group of which he was the convenor, for their careful study of the Bill and the two related resolutions under the Employees' Compensation and Pneumoconiosis Compensation Ordinances. I can reiterate the assurance the Administration has given to the ad hoc group that a comprehensive review of occupational health and safety is very much in hand and that it remains the Administration's intention to make continuing improvements in this regard.

My Deputy President, I recommend this Bill to the Council.

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

Bill read the Second time.

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

Committee stage of Bill

PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) (NO. 2) BILL 1991

Clauses 1 and 2 were agreed to.

Council then resumed.

Third Reading of Bill

THE ATTORNEY GENERAL reported that the

PNEUMOCONIOSIS (COMPENSATION) (AMENDMENT) (NO. 2) BILL 1991

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

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

Bill read the Third time and passed.

Member's motions

Retirement protection scheme

MR TAM YIU-CHUNG moved the following motion:

"That this Council welcomes the decision by Government to introduce legislation for the implementation of a compulsory retirement protection scheme and urges Government to draw up expeditiously, after widely seeking and fully taking into account the views of the public, a plan for solving effectively the livelihood problem of retired and elderly people."

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, I move the motion standing in my name on the Order Paper. This is my second time this year to move a motion on retirement benefits in this Council. The motion that I moved in July this year was "That this Council urges the Government to take immediate steps to re-examine the

setting up of a Central Provident Fund or other forms of compulsory retirement schemes in order that workers in Hong Kong are provided with comprehensive retirement protection." The motion was negatived as all official Members voted against it. In less than four months' time, the Government made a hundred-and-eighty degree change in its stance towards the issue, declaring that it has decided in principle to set up a compulsory retirement protection scheme. The labour sector naturally welcomes the Government's back-tracking act. They are glad that the scheme which has long been vigorously sought after can finally see the light. However, much to my regret and indignation, the retirement scheme, which should aim at "providing for a rainy day", has now somewhat become a measure to "mending the fold after a sheep is lost". In particular, the Government's change of heart in this issue all the more shows that the reasons it previously gave for opposing the setting up of a retirement scheme were merely excuses. How many old people have their rights to retirement protection been denied or delayed by this unjustifiable way of policy making? How is the Government going to be accountable to elderly people such as Mr CHAN and Mrs CHAN whom I mentioned in my last speech on this issue? Even though their losses cannot be made good now, they warrant to be recorded so that the same mistake will not be repeated.

Now that the Government has decided to set up a compulsory retirement protection scheme, what tops our agenda is to devise a scheme that best meets our social needs. A number of models have been proposed for discussion. Before a choice is made, I think that we should firstly set down some basic principles that are commonly accepted. Then, basing on these principles, we can devise a scheme that addresses our real needs. I think that the principles should include the following points:

Firstly, the immediate livelihood problems of elderly people must be addressed. At present, there are over 700 000 people in Hong Kong aged over 60. To them, even if a Central Provident Fund or a compulsory contributory provident fund scheme is to be implemented immediately, it will come too late. Similarly, housewives and those who, for special reasons, do not have a permanent job or a steady income over a long period of time cannot be benefited from a self-help provident fund scheme. As to those middle-aged workers who are now in their forties or fifties and those low income workers, the provident fund scheme may not solve all their livelihood problems upon retirement. In devising the scheme, we must accord top priority to meeting the needs of this great number of people.

Secondly, the Government must play an active role and must not shirk its

responsibility. Without the involvement of the Government, it is impossible to safeguard the post-retirement livelihood of everyone. This is why up till now only one-third of the employees in Hong Kong enjoy provident fund or retirement benefits. The involvement of the Government must involve the following elements:

- (1) to legislate for the setting up of a retirement scheme by every enterprise;
- (2) to legislate for the monitoring of each retirement scheme;
- (3) to take up the co-ordinative management work of the retirement or provident fund scheme; and
- (4) to shoulder some of the contributions to the schemes.

In the light of the first basic principle that I have just outlined, other than introducing legislation to set up compulsory retirement schemes, the Government must also make financial commitments. Such a commitment must not be less than the current public expenditure on public assistance and old age allowance. It must be pointed out that the Government must not, by legislating the setting up of compulsory retirement schemes, "pass the buck". As the Government has wavered its policy on the issue of retirement benefits, the labour sector worry that the Government has an ulterior motive of evading its responsibility behind its apparent gesture of generosity. Of course, I absolutely hope that such worries are uncalled for. As regard to how and how much financial commitment should be made, further discussion will be needed.

Thirdly, there must be the spirit of providing for a rainy day and people sailing in the same boat to help each other. At present, there are mainly two models regarding the setting up of retirement schemes. The first model is pay as you go and the second model is fully funded. The tripartite contributory scheme proposed by the Social Security Society belongs to the first category while the Central Provident Fund belongs to the latter category.

Regarding the first model, it is basically built on the concept of the young providing for the elderly, when the young people of today retire, they will be provided by the next generation. The weakness of this model is that people are not "storing up grain against the famine" and so it has a lot of uncertainties and risks. For example, we cannot guarantee that the future economy of Hong Kong will enjoy a steady

growth and that the general public will have an improved standard of living. Thus, it is highly uncertain whether the next generation can support for the future retirees. This is particularly so when the rate of contribution will have to be raised in response to the rapidly ageing population. The change in ratio between the contributors and the beneficiaries will make the scheme all the more unstable. Therefore a saving plan that provides for a rainy day is both necessary and desirable. It can not only lower the risks inherent in the arrangement of the younger generation to provide for the older generation, but also lessen the future commitment to be undertaken by the society of Hong Kong.

However, we cannot, at the same time, rely solely on a self-help contributory saving scheme. On the one hand, such a scheme fails to safeguard the post-retirement life of those with special needs, as mentioned in my first point, and on the other, it does not allow the full play of the spirit of mutual assistance and the function of wealth redistribution, both of which are the characteristics of a social security system. In the present society, the spirit of sailing in the same boat should be advocated. Furthermore, retirement problem is not just an individual issue, it should naturally be solved with joint communal efforts.

Based on the above mentioned factors, I propose that the future retirement protection scheme should incorporate the two models of social security and contributory saving. Such a mixed model will reduce the burden on the future society, redistribute wealth and provide for the post retirement life of workers presently in their middle or old age as well as those without work. It is thus worthy of consideration by all parties concerned. In fact, such a mixed model has a proven record of effectiveness elsewhere.

Fourthly, different sectors should be encouraged to set up an improved retirement scheme. At the moment, the retirement schemes to be introduced by the Government will, I believe, merely set the minimum standard and cannot replace the schemes implemented in different trades and industries. In fact, every enterprise and trade has its own characteristics. It is naturally the obligation of employers and employees to devise a retirement scheme that best meets their needs in the light of these characteristics. I also think that it is very important to set up a mechanism of negotiation so that employers and employees can join hands to formulate a retirement scheme that are tailor-made to their needs.

The above principles must be taken into consideration when formulating the

retirement scheme. The Government must not work behind closed doors and must understand that it is very important to allow the public to participate in making decisions which are closely related to their interests. The Administration must not close its doors to the public just to avoid trouble. Since the Government has now set up an inter-departmental working group to study the issue, I suggest that a consultative body, comprising representatives from employees and employers, professionals and other public representatives, should also be set up to take in public opinions so that the devised scheme will not become a target of criticisms.

Mr Deputy President, I know that the Honourable Henry TANG will move an amendment to my motion. If employers of Hong Kong had, like the Honourable Henry TANG, agreed to set up a Central Provident Fund years ago, and had not obstructed the execution of the proposal made by the labour sector, I believe I need not move this motion today. This sudden change in attitude of the Honourable Henry TANG cannot help but put people into speculation. As we all know, the labour sector and I have been demanding for the establishment of a Central Provident Fund. However, the Government has repeatedly refused this proposal. On the other hand, the Executive Council announced a month ago that it had decided to put forth legislation for the implementation of compulsory retirement protection. Besides, the Government has formed a working group, comprising three policy branches and four departments, to hold meetings every week to examine a protection scheme. It has also undertaken to submit the proposal for a protection scheme within a year. If we should ask them to shelve their work now and reconsider a Central Provident Fund, I am afraid we would be giving the Government or some employer's organizations the excuse to delay or oppose the formulation of a scheme that otherwise could have effectively resolved the livelihood problem of the retired workers and the elderly. If we still quibble over this technical problem which is not of the most importance, I am afraid that the general public will have to wait a long time before they can enjoy their right of getting retirement benefits. At present, it is most important to make the first step forward so that the elderly and the workers of Hong Kong can practically enjoy retirement benefits. My motion does not rule out any concrete models. It only states some demands in principle. I hope that such demands can gain the consensus of all Members of this Council.

Lastly, no matter what results are derived from today's debate, I hope that the Government can fulfill its promise of devising a retirement scheme within a year and will make no delays.

Mr Deputy President, I so move and oppose the amendment motion moved by the Honourable Henry TANG.

Question on the motion proposed.

DEPUTY PRESIDENT: The Clerk has received notices of amendments to Mr TAM Yiu-chung's motion from Mr LAU Chin-shek and Mr Henry TANG. The two amendments are in fact identical and only one of them should proceed. I understand that Mr LAU Chin-shek has agreed that the amendment be moved by Mr Henry TANG. His amendment has been printed in the Order Paper and circulated to Members. I propose to call on Mr Henry TANG to move his amendment now so that Members may debate the motion and the amendment together.

MR HENRY TANG moved an amendment to Mr TAM Yiu-chung's motion:

"To replace the words between "welcomes" and "urges Government" by the following:

"urges Government to reconsider a Central Provident Fund before deciding on the introduction of legislation for the implementation of a compulsory retirement protection scheme, and""

MR HENRY TANG: Mr Deputy President, I am asking the Administration to reconsider a Central Provident Fund in its deliberation of a compulsory retirement scheme; it means exactly just that, to reconsider. In other words not to rule out the possibility of a Central Provident Fund or a retirement scheme with government participation in preference to a compulsory retirement at such an early stage of a study by the working party set up by the Education and Manpower Branch. I am asking for an open mind. I for one cannot really decide at this early point in time, without further study and analysis, whether a central fund is preferable to a compulsory retirement scheme or vice versa. I am not advocating the implementation of a Central Provident Fund nor am I advocating a delay in the consideration of a retirement scheme. However, since this scheme will affect every single wage earner of Hong Kong, it is my belief that it is our responsibility to the citizens of Hong Kong to exhaust all possibilities in securing the best value for money on our contributions to a retirement scheme. Private retirement funds managed by banks, insurance companies, actuaries and the like, may in certain circumstances be more effective and accrue better earnings but

sometimes may also be illusory in practice, particularly when it involves such a large sum of money. Hong Kong's three major sectors, namely, the manufacturing, finance/banking and the service sectors employ around 1.9 million people and made a total payroll of approximately \$39.6 billion, in the first quarter of this year. Annualized payroll will be around \$158 billion. Even at 5% per year it will amount to nearly \$8 billion, regardless of whether it is a central scheme or an aggregate of compulsory schemes. This enormous amount of money, if allowed to move in the market without a centralized co-ordinating and /or monitoring mechanism, could easily create disruption to our financial market.

Carefully drafted legislation may in some way assist in the implementation of the proposed compulsory retirement scheme; however, many technicalities and enforcement procedures would have to be carefully devised before the scheme should be given the actual green light. It matters not so much whether the retirement scheme is one imposed by law on the private sector or if it is one administered centrally with government participation. The underlying principle is that it is intended as a retirement fund and should be a retirement fund, no more and no less. Withdrawals from the fund for any other purposes should not be allowed until or unless the worker reaches the stipulated retirement age, dies or emigrates permanently. (Retirement benefits in the form of a pension or a lump sum payment will be deliberated at a later stage by the working party.)

When we talk about a retirement fund we are thinking of old age; we think of financial security at a time when we are not allowed to work or to produce income. If our fund is managed by the private sector, banks, insurance companies or actuaries and the like, will the bank or actuary still be around by the time we are about to collect our funds? Will the Government now give us a guarantee that if we entrust our hard earned money to reputable private fund managers, we would definitely be able to get it back years from now? Is it reasonable for us to expect a guarantee from the Government that such actuaries would remain intact or still operating in Hong Kong 10 or 20 years down the road? And who is ultimately responsible for compensating the pensioners when an insurance company or actuary defaults or goes into liquidation? Does the ultimate liability of a mismanaged fund then fall back onto the employer? And if so which employer: the last employer, the intermediate or all employers along the line of a person's working life, and how do we trace them? Is it conscionable to boomerang the responsibility back to the employers after they have discharged their duties with care and in due diligence and good faith? I say not. Or is the Government going to tell us that it would just let these poor people who have slogged away all

their lives and made contributions month by month, year on year only to find that at the end of it all, their hard earned cash may vanish through no fault of theirs? Again, I say not. Can we rightfully call this security? Surely these would be fundamental questions we need to address if we were to opt for a heterogeneous compulsory retirement fund.

Facilitation of a retirement scheme true to its name requires transferability from one scheme to another and poses a wide array of management as well as technical problems. Under private schemes, employers and employees are free to decide on issues ranging from selection of actuaries, the percentage of contributions to be made by both parties, subject to statutory minimums, to the quantum of contributions receivable on the employer's contribution in the event of resignation or change of job. When an employee changes employment, an area of contention could arise: is he/she entitled to the employer's portion on top of a statutory minimum or a percentage of the contribution since he/she has not served the required number of years? And during this period of transfer, a time gap is most likely to occur resulting in the yield loss. The burden for the cost of managing such transfers will surely be borne by either the employer or employee or both, further adding to the burdens of the parties.

Currently, Hong Kong has already in force several pieces of employment legislation to ensure the well being of our workforce by stipulating various compensation schemes. Such legislation is continually adjusted and enforced with diligence by the Labour Department. The implementation of a retirement scheme will create some irregularities such as overlapping benefits or double payments being made by the employer. I believe we should amend our employment legislation to prevent overlapping benefits subject to a transitional period to iron out these irregularities.

Whilst the proposed scheme is intended to be a compulsory arrangement enforced by law, we should consider a possibility where the employees could be given the option to decide if they wish to join any particular retirement scheme recommended by the employer. Employees could have the right not to join any retirement scheme if they do not want to. And, by the same token, employers should not be forced to make a one-sided contribution to the retirement funds.

I would like to point out that in our free market environment, fund managers anxious to attract more business would invariably try their best to gain higher

returns by investing in higher yield products. The higher the yield the greater the risk. Not to mention the effect of such a large sum of money flowing into the financial market, are our pensioners sufficiently guaranteed under the vagaries of competition? What measures does the Government have to ensure the proper handling of our workers without disruption to the financial markets, and yet at the same time not to stifle the operations of the fund managers? Are we unfairly asking the Government to juggle too many eggs in the air without breaking any? These and other uncertainties are some of the issues we need to scrutinize and consider exhaustively if we were to turn down the notion of establishing a Central Provident Fund or a government participation scheme for a compulsory private retirement scheme.

There are many ramifications and repercussions which the Government may have to deal with in time if a compulsory retirement scheme is to be imposed. I therefore urge that the Government in considering a compulsory retirement scheme should at the same time reconsider a centrally administered retirement fund or a form of retirement scheme with government participation.

Mr Deputy President, with these remarks, I move the amendment.

Question on the amendment proposed.

CHIEF SECRETARY: I should like to comment briefly on the amendment moved by Mr Henry TANG to Mr TAM Yiu-chung's motion. The Secretary for Education and Manpower will be speaking at the end of the debate, setting out the Government's position on Mr TAM's motion.

The amendment urges the Government to reconsider the establishment of a Central Provident Fund before deciding on the introduction of legislation for the implementation of a compulsory retirement protection scheme. Members will know that the question of a Central Provident Fund has been examined very carefully in the past. It has been thoroughly debated in this Council on several occasions; the last time that it constituted the subject of a motion debate was on 10 July 1991, referred to by Mr TAM. On that occasion the Secretary for Education and Manpower explained in some detail the reasons for which the Government did not favour a Central Provident Fund. I do not want to go over the ground in detail again, since the arguments are fully documented in Hansard, but I would like to make it clear that the Government's position has not changed; we continue to have major reservations about a Central Provident Fund. These include, in particular, the following points:

Firstly, the creation of a Central Provident Fund would promote state enterprise at the expense of private enterprise. That does not sit comfortably with Hong Kong's way of doing things; nor, I might say to Mr TANG, with the businessman's way of doing things.

Secondly, a Central Provident Fund would be a single institutional investor of enormous size and power. Its effect upon the financial markets and upon the economy would be unsettling at best, and dangerous at worst.

Thirdly, the existence of a large source of funds to meet government borrowing could generate pressures for a less responsible fiscal policy.

Mr Deputy President, given these fundamental points of principle, I do not see what further purpose would be served by reconsidering a Central Provident Fund. The issues involved in setting one up are immensely complicated and could take many additional months to carry out. I am not doubting Mr TANG's motives in introducing the amendment. I am sure he is not intending this to be a way of delaying the introduction of retirement protection. But whether he is or he is not, that would certainly be the effect of accepting his amendment. I believe it would be a much more meaningful and profitable way of using everybody's time to get on with the examination of other practicable means of achieving the community-wide protection that we need as soon as possible.

Mr Deputy President, my official colleagues and I cannot support the amendment moved by Mr TANG.

MR HUI YIN-FAT (in Cantonese): Mr Deputy President, I am sure you all must have noticed that the media have generally described as a "dramatic" turnabout the Executive Council's decision in October to accept in principle the Government's proposal to implement the compulsory retirement scheme. This dramatic move embodies a political decision made in view of the vote of this Council. I have contacted the social work sector, in particular social workers and labour representatives on the front-line through various channels to hear their views and initial response to the matter. What impressed me most was they thought that we should not slacken the future monitoring work because Executive Council's agreement in principle could be extremely flexible and a lot of uncertainties and intangible elements were involved. Moreover, the

Government had a past record of eating its own words, especially when social welfare was concerned.

Nevertheless, I am of the view that Hong Kong people should stop speculating on the Government's motive behind relinquishing the position it had maintained for over 20 years, or wasting any more time in arguing over whether or not to set up a retirement scheme. The fact is our political and economic development will not allow the issue to drag on any longer. The research report I forwarded to Honourable Members recently has already given a detailed analysis of the situation and I will not repeat it here. Rather, I would appeal to this Council and members of the public to closely monitor the formulation of the social security scheme by the Government to ensure that such a scheme will adequately take care of the retirement life of all employees in Hong Kong.

I think the success of the future compulsory retirement scheme, in whatever form it may be, will hinge on the endorsement and support from employers and employees. The Government should therefore take into full consideration the following principles in determining the details of the scheme:

(1) The scheme which is meant to benefit all employees should be made compulsory through legislation. All companies regardless of size, and all self-employed and employees regardless of their income levels should be required to join.

(2) In order not to affect the mobility and self-adjustability of the labour market, the scheme should be transferable to ensure that pensions can only be claimed upon retirement or total incapacity.

(3) Since average employees will lead quite a long retirement life, if the Government should consider introducing a contributory scheme, the rates of contribution for employers and employees at the initial stage should not be lower than 5% of the employee's salary. Otherwise, the scheme will not be able to achieve the purpose of providing adequate retirement protection. Also, there should be a higher contribution rate for long service employees near the age of retirement.

(4) For lower-income workers barely above the poverty line their contributions should be paid by the employers on their behalf. I suggest that employees earning less than \$4,000 a month should fall within this category.

(5) In future, whether the massive fund accumulated under the scheme is to be

entrusted to the Government, or to be managed by any recognized and reputable banks or insurance companies, it should be the responsibility of the Government to guarantee that the employees can receive the pensions due to them upon retirement because the employees have virtually no choice in the matter but to trust the Government.

(6) A management board comprising representatives from the Government, employers, employees and professionals in related fields should be set up upon the implementation of the scheme to monitor and manage its overall operation, including investments of the fund. The board should have the status of a statutory body and be required to present reports regularly to this Council.

(7) The six principles above can only take care of the productive employees. For those who are born disabled or incapacitated because of accidents, or people who do not have a stable income, it is the incumbent duty of the Government to look after them. The Government should not try to replace existing social security programmes or abolish the Protection of Wages on Insolvency Fund and the Long Service Payment with the introduction of the retirement scheme because each of these schemes serves a distinctly different purpose.

(8) In order that future policies on the retirement scheme can command the support of the public, I propose that the Administration should set up as soon as possible a provisional consultative council comprising representatives of the Government and civic organizations and should report regularly to relevant OMELCO panels on the progress of the matter. It would be necessary to publish a Green Paper to solicit the views of the public before a final decision is made. But all these should be done on the condition that the introduction of the retirement scheme would not be procrastinated.

Mr Deputy President, as I pointed out earlier, both the social work and labour sectors have expressed doubt about the determination and sincerity of the Government in implementing the scheme. Some people are also worried that the stalemate over the Central Provident Fund issue will give the Government yet another excuse for rejecting or delaying the introduction of a retirement scheme. I believe that the only way to dispel such worries is to translate words into action as soon as possible to avoid further complications. Although I have been a persistent advocator of the more desirable Central Provident Fund scheme, I am now prepared to accept the Government's decision to implement a compulsory retirement scheme, having taken into account the urgency of the matter and the reality that the Central Provident Fund

scheme has already been rejected by the Government. As a matter of fact, the initial findings of my recent questionnaire survey also showed that the majority of social workers supported such a view. For the above reasons, I maintain that the original motion is more desirable.

All in all, the Hong Kong Government's administration during the transitional period, especially its commitment in social welfare, is causing more and more anxieties. On the other hand, there will be less and less opportunities for the Government to recover its credibility and show concern to the general public before the handing over of sovereignty. The introduction of the compulsory retirement scheme will provide such an opportunity. I hope the Government will grasp it well. Such a scheme is urgently needed now both from the political and economic points of view. The Government should take prompt actions to implement the compulsory retirement scheme as soon as possible and put an end to a 20-year-long debate.

Mr Deputy President, with these remarks, I support the Honourable TAM Yiu-chung's motion.

MR NGAI SHUI-KIT (in Cantonese): Mr Deputy President, the livelihood problem of the elderly that we are facing is in fact an issue on social welfare. The arguments for the Government in the provision of this kind of social welfare being it has to fulfil its minimum obligation of providing a safety net for the disadvantaged elderly. As for offering protection to employees after retirement, the employees should plan for the future themselves either through savings or joining the provident fund schemes. It must be pointed out that all these matters are irrelevant to the system of social welfare, and the provident fund scheme should come under the labour policy. The Government should never attempt to blend the issues of social welfare policy together with that of labour policy, unless the Government intends to set up a comprehensive social security system, which should be considered as a separate issue then. However, so far the Government has not yet indicated that it will launch such scheme.

Mr Deputy President, judging from this perspective, the motion put forth by the Honourable TAM Yiu-chung would only confuse these two questions. A convoluted argument would only bring about convoluted results. I have to point out that such convoluted situations would only result in two dangerous consequences:

(1) The Government would not seriously and in great depth review the present policy for the elderly. Instead, it will rely on a compulsory retirement scheme to solve the present problems. It is in fact a self-deceptive way to evade from the reality;

(2) The Government implement the compulsory retirement scheme in order to solve the pressing problem of livelihood of the elderly. Then, a large number of workforce will be deprived of their autonomy in planning for the retirement life.

As a matter of fact, ever since we were hastily informed in the Legislative Council In-house meeting held on 1 November 1991 by the Government that the Executive Council has agreed in principle on the implementation of compulsory retirement scheme, the Government did not reveal any details concerning the retirement scheme, not to mention the further disclosure of more specific particulars about the scheme. Obviously, since the Government fails to provide us with the contents of the so-called compulsory retirement scheme, how can we debate on this subject now and voice our opinion with grounds and justifications? Some people say that to have a debate on the unannounced compulsory retirement scheme at present is parallel to groping an elephant by a blind person. In my view, there is no existence of an elephant, maybe there is a tiger before us. Under such circumstances, it would be too dangerous. Thus, before we have any specific information about the options, I do not think it is the right time to debate now.

Mr Deputy President, because of the said reasons, I oppose to the motion moved by the Honourable TAM Yiu-chung. As for some people who hold that we should reconsider the setting up of Central Provident Fund Scheme, Mr Deputy President, I am not speaking against the Government's efforts in the encouragement of individual private provident fund scheme but all along I have been opposing the setting up of a compulsory provident fund. The reasons are manifold and I do not intend to reiterate here so as not to waste the time.

With these remarks, I oppose the amendment motion moved by the Honourable Henry TANG.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, first of all, I would like to declare my stance. I support the setting up of a Central Provident Fund to be managed centrally by the Government and funded by contributions from the Government,

employers and employees. On top of retirement benefits, the scheme should be expanded to provide comprehensive social security such as medical benefits.

I learn that a number of my honourable colleagues from the commercial and industrial sectors have changed their mind and are now prepared to support the idea of a Central Provident Fund. My feelings are mixed. Representatives of the labour sector have undergone a hard time stating their case in this Council again and again, trying to change the heart of the employers. Today, their arduously efforts finally bear some little fruit. I would not try to speculate on the reasons behind this sudden change of mind. On the premise of securing greater benefits for the Hong Kong people, I must say that I welcome this change for the better. I welcome this kind of "back pedalling".

I am happy that the Government has finally admitted its mistakes and is now willing to legislate for a compulsory retirement benefits scheme. But this is far from laudable because the Government is still clinging to a conservative approach and intends to pass all the responsibility to the employers and employees. There has not been any breakthrough at all. However, to be pragmatic, I welcome the introduction of a compulsory retirement scheme as an interim measure, and would like to make the following suggestions.

The success or otherwise of the compulsory provident fund scheme hinges on the role played by the Government. The Government is therefore duty-bound to participate, co-ordinate and monitor the operation of the scheme. This will help reduce the administrative and management costs to be borne by medium and small enterprises and will strengthen the employees' trust in the credibility of the scheme.

Since it will probably take more than a year for the compulsory retirement benefits scheme to be worked out and put into force, special attention should be paid to the cases of retired employees and those who are about to retire to ensure that these people will also be able to benefit from the scheme. Moreover, the Government should reconsider introducing legislative amendments regarding the controversial issue of lowering the qualifying age for Long Service Payment from 65 to 60.

Turning now to contributions, in order not to over-burden the lower-income group, I suggest that the rates of contribution should vary according to employees' income levels. Those earning an income below the personal tax allowance level should not be required to contribute. Their shares of contribution should be paid by the

Government on their behalf. Consideration should also be given to requiring employers to pay a bigger contribution for employees with longer years of service.

Mr Deputy President, although I represent the labour sector, I also support the argument that "the compulsory retirement benefits scheme should be agreed to and supported by both the employers and employees". I would like to remind Honourable Members that while free competition in Hong Kong has brought out the best potential of our workforce, employers should reward employees who have contributed their youth and talents with some form of encouragement and consolation on top of their remuneration. I believe that this is in the interest of Hong Kong's long-term economic development.

Employers should appreciate that an employee is not just a "priced commodity" which draws a pay. In fact, the best deal should be one in which services with a human touch are offered.

I appeal to Honourable Members representing the interests of the employers to join hands with us to overcome the practical or emotional obstacles to the implementation of the compulsory retirement scheme.

Mr Deputy President, I must say that "compulsory" is not a good word to use here. In an advanced and civilized city like ours, what we would like to see is a social security system formulated on the initiative and with the support of both the employers and employees. Of course, I shall be all the more delighted to see the central government, being the biggest employer, taking up its share of the responsibility.

Mr Deputy President, what I would like to advocate is a "capitalistic system of dignity". I am worried about the amendment motion moved by the Honourable Henry TANG. When the amendment motion was being drafted, voices against the introduction of a compulsory retirement protection scheme were still loud in this Council. Many people cited some arguments against the introduction of a Central Provident Fund in each and every adjournment debate. But I am puzzled now that these same arguments are used in today's amendment motion to advocate a Central Provident Fund. I did propose to the colleagues concerned that the word "before" in "..... urges the Government to reconsider a Central Provident Fund before" be amended as "after". But given the two days' notice specified by Standing Orders, I cannot move a further amendment.

Mr Deputy President, I support that the feasibility of a Central Provident Fund be given further consideration after a compulsory retirement protection scheme is implemented by the Government. I do not wish to see that the introduction of a compulsory retirement protection scheme should be delayed, or shelved.

Mr Deputy President, as a "mouthpiece" for the people, I have to be careful with every word I use in my speech in this Council as I have to be accountable to the people for my every word and deed.

Mr Deputy President, with these remarks, I support the Honourable TAM Yiu-chung's motion.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, I was at one time overjoyed to learn that the Executive Council had decided in principle to establish a compulsory system of retirement protection. It struck me as a relatively positive outcome in the strenuous fight for retirement protection in which the labour sector had engaged itself for many years, although up till now we are as yet unable to tell why such a decision had been made all of a sudden. However, when we do have time to study it in depth, I cannot refrain from expressing disappointment that concurrent with its decision to implement a compulsory retirement protection scheme the Government has attempted to shift responsibility by insisting on not considering setting up a central provident fund system. To launch an overall protection scheme, government participation is very important and its responsibilities cannot be shifted away. Today, I propose to discuss the Government's role in the implementation of a retirement protection scheme. First of all, I must settle accounts with the Hong Kong Government!

Retirement protection repeatedly voted down

According to the latest 1991 census, 482 040 people, representing 8.7% of our population, are aged 65 or above. 68 000 of these people, representing 14%, are still gainfully employed. Of this number which is close to 70 000, 48 000 are men. In other words, if we simply count the male population of 65 years of age or above, 25% of them are still in employment. The aging population further intensifies the need for retirement protection. If the problem is still unresolved, there will soon be social crises. Some are of the opinion that the prompt implementation of a compulsory

provident fund scheme as from now cannot solve the problem of livelihood facing those soon to retire or already at retirement age. The 60 000-plus old people who still have to work for their living will give a bitter laugh at the provident fund scheme. Yes, this is indeed true. But I have to ask why the Government delayed time and again the establishment of a retirement protection scheme, with the result that our old workers and those nearing retirement age cannot have the protection they need after retirement.

The proposal to set up a "contributory retirement protection" scheme emerged in society more than 20 years ago. The Government however ruled out the proposal once, twice and thrice and hence indirectly allowed the ripening of today's bitter fruit!

In 1967, an interdepartmental working group completed the study of social security and proposed to the Government the implementation of public assistance and social insurance schemes. The group pointed out saying: "Some have argued that the system of social security should not be implemented in Hong Kong because it is a system that requires enormous financial backing and results in everyone enjoying the living luxuries provided by the welfare state. We cannot accept such. Similarly, we think it is equally unacceptable to say that funds needed for the implementation of a social insurance system will be too expensive for society. On the contrary, the price for the absence of a social insurance system will be high because the problem deteriorates with time and the cost can be expected to rise day after day. If there is no contributory social insurance system, there will be no other way than utilizing public funds to pay for all necessary expenditure in the future."

The report of the working group clearly pointed out the necessity for establishing public assistance and contributory social insurance schemes. Unfortunately, the Government only accepted half of the group's recommendations. In 1971, the Government set up a public assistance scheme but nothing came of the proposal for social insurance. The reason given was that the people of Hong Kong would not welcome a compulsory and contributory scheme and in any case the administrative cost would be too high.

In 1977, the Government released a Green Paper: Help for those least able to help themselves -- A Programme of Social Security Development. The paper mentioned a semi-voluntary contributory welfare scheme to cover injuries, illnesses and deaths. As what had happened ten years before, the Government again vetoed the "contributory" protection scheme.

The Hong Kong Christian Industrial Committee to which I belong started studying social security as early as 1977. Various feasible methods were researched into and a survey was conducted from 1976 to 1977. 500 workers were interviewed on their opinions of a contributory scheme. 84% indicated willingness to join; one-third indicated willingness to put in 5% or more of their income as contribution. In the early 1980s, the Christian Industrial Committee formally proposed a central provident fund scheme drafted jointly by employers and union leaders.

In or around 1987, there was wide concern within society over the question of setting up a central provident fund. Again, the Government vetoed the proposal for the establishment of a compulsory provident fund scheme and opted, in response to public request, for a supervision system for private provident funds, improvements on social security and amendments to the long service payment scheme.

The reserved attitude of the Government more than 20 years before towards compulsory, contributory social security schemes in effect allowed the problem to intensify more and more. Today, one may say that dawn has broken.

The question before us now is how to put together as soon as possible a scheme that will give effective retirement protection. I think this scheme should at least cover three kinds of protection.

First, security protection. The Government should stand guarantee for the investment of the contributed funds and the liabilities arising therefrom.

Second, transfer protection. When an employee changes to a new job, the contribution (including that paid by the employer and the Government) should be transferable and there should not be any loss resulting from change of jobs.

Third, retired life protection. Employees should have the protection that upon retirement those with pay below the median figure will get not less than 45% of the median figure as monthly pension. As for those with pay above the median figure, they should receive 30% to 35% of their original pay as monthly pension. The above is the standard practised in developing countries. The higher of the two should be adopted to ensure that the quality of life in one's retired years is maintained. There is no doubt that government participation and commitment will be essential to successful implementation of the above. Perhaps, in more concrete terms, I think the Government must be committed to the following five aspects of work:

First, the prompt enactment of legislation for the implementation of compulsory retirement protection and promulgation of details such as contribution rate, eligibility, and so on;

Second, the establishment of a machinery to supervise the participation of companies and employees;

Third, the furnishing of guarantee for the investment of contributed funds and liabilities;

Fourth, paying part or all of the contributions for low income persons;

Fifth, the continued provision and improvement of other social security schemes, whether by way of social insurance or otherwise, to protect the needs of low income people, those with no steady jobs and those with poor working abilities in their old age.

Throughout the world, developed and developing countries have taken to the implementation of compulsory contributory retirement protection schemes and their governments have always played the leading role, offering the commitment needed.

Take Asia as an example. In Taiwan's social insurance system, government contribution equals to 2.8% of the income of self-employed people plus administration costs. A joint committee of the government, employees and employers is the authority to instruct the Taiwan Labour Insurance Department in its implementation of the scheme. In Singapore, a central provident fund was set up in 1953 and its protection has gradually been extended to cover new areas. During the process, the government has always taken a leading role. As for the management of the fund, a joint committee of the government, employers and employees is in charge. The social insurance system of the Philippines fixes the rate of contribution according to a graduated scale based on 13 pay brackets and the government pays part of the contributions. In South Korea and Japan, the government shoulders administrative costs for the relevant schemes.

In general, after taking reference from the experience of foreign countries and analyzing our local situation, we can be certain that no effective implementation of any retirement protection scheme is possible without the strong participation and commitment of the Government. I believe employers and employees alike hope that the

Government will not shift its responsibilities of standing guarantee for the investment and liabilities of the contributed funds as well as paying the contributions for low income people. On government contribution, the Hong Kong Trade Unions Council suggested that the Government should pay all the contributions expected from people not yet liable to income tax and share on a graduated scale 2% to 4% of the contributions expected of people just drawn into the income tax net but earning below the median figure of pay. I think the proposal warrants study.

Summing up the above, I would like to state my strong objection to the Government's vetoing a central provident fund in order to reduce its commitment and responsibilities and I object to its unwillingness to stand guarantee for the investment and liabilities of the contributed funds. A central provident fund, as one of the feasible modes of a compulsory retirement protection scheme, is technically more advantageous to retired persons (in terms of the transfer of contributions upon change of jobs and in terms of investment protection which means less risks). At this stage, it should be one of the proposed schemes under consideration.

Let me reiterate that implementation of a compulsory retirement protection scheme is a huge debt the Government has owed the people of Hong Kong for many years. There is no case for procrastination any longer. The entire community of Hong Kong should buckle down to putting together the best package for the benefit of our employees to be implemented with the enactment of enabling legislation at full speed. To ensure that we move ahead at speed, I think there is need for us to draw up a time-table as a target for society to work towards. I suggest we allow a year within which to enact legislation for implementation of our compulsory retirement protection scheme. In other words, I look forward to deliberations on and the passing of the relevant legislation when the Legislative Council opens next session. In order to meet the one-year target, I think we need to set up a joint working group comprising government officials and Members of this Council. We also need to publish within half a year a paper outlining a substantive package for the purpose of consultation so that the views of all sectors may be collected. The consultation period may be set at three months and the views gathered will be incorporated into the final package and a Bill will be drafted and introduced to this Council for passage. I believe one year's timing is practicable. Please do not forget discussions on retirement protection have been going on for years. It is nothing new.

Mr Deputy President, I so submit.

MRS PEGGY LAM (in Cantonese): Mr Deputy President, a comprehensive scheme of retirement benefits would serve to stabilize society, improve people's livelihood and groom talents. Therefore, I support the setting up of such a scheme in Hong Kong. However, before we legislate for a compulsory scheme of retirement benefits which would be provided by employers, we have to define the respective roles and responsibilities of the Government, employers and employees concerned and delineate the benefits they obtain. It is only through such means that we can formulate an ideal proposal in line with the interests of the whole community and the spirit of the legislation.

Role of the Government

I have all along opposed the setting up of a Central Provident Fund, or a centrally funded scheme of retirement benefits, lest taxpayers would be saddled with vast sums of contribution and administrative fees. Moreover, if the Government is responsible for directing all the contributions for investment, then in the event of negative returns, the employers, employees and taxpayers will suffer. Such will also blur the roles of the Government in the two different areas, namely social welfare and labour relations.

Undoubtedly, the Government is responsible for helping elderly people who are unemployed. However, that falls within the scope of social security and is not included in our discussion today. On the issue of retirement benefits, I believe that the role played by the Government should be legislative rather than accepting unnecessary responsibilities. Such would avoid interfering with the employers and employees, who should be free to handle their own matters, or unwisely taking up a heavy financial burden which would waste taxpayers' money. As a matter of fact, a sound retirement benefits scheme would benefit both the employees and employers. What the Government should provide is not financial support but adequate education, encouragement and monitoring.

Role of the employers

It is necessary for employers to change their negative stance on retirement benefits as if that would increase labour costs and erode competitiveness. Instead, the scheme should be viewed as a form of manpower investment. In fact, a retirement benefits scheme would cultivate among the employees a sense of belonging and lower

staff wastage, and make employees treat their work as their career and develop a spirit of professionalism. Nowadays, the factor of human resources is crucial to both the service and manufacturing industries. As such, offering retirement benefits would not erode but enhance the competitiveness of our products.

From this perspective, the financial costs paid by employers for a retirement benefits scheme is, basically, an integral part of the total employment package provided for the employees. As a form of manpower investment, the percentage of contribution from the employers should increase with the years of service of the employees under a sound retirement benefits scheme. Besides, employers should share the administrative costs of the scheme with their employees.

Role of the employees

Employees are the most direct beneficiaries of the whole scheme of retirement benefits. So they should treat their monthly contribution as a long-term investment, and should not mind the slight decrease in their monthly take-home pay and the need to shoulder the administrative costs. Probably what is more important is that the scheme would encourage the employees to concentrate and devote themselves to the job they choose, gradually establishing their professional status and continually improving their level of expertise and quality of service. In this respect, in order to make the employees devoted to developing their career instead of aiming at short-term gains, the scheme should operate on a progressive scale. That is, the longer the years of service of the employees, the higher the rate of payout should be upon their leaving.

Conclusion

Various sectors of the community have recently put forward a number of proposals on retirement benefits for reference by the Government. While each of the proposals has its merits and demerits, the Government could weight them up and then formulate a comprehensive scheme. However, before making its decision, the Government should conduct extensive and thorough discussions and consultations with both the employers and employees. After the decision, it should also provide adequate explanation, lobbying and education for the employers and employees concerned on the benefits of such a scheme.

We have to understand that, though enforcement of the scheme would be

compulsory, its success is to be built upon comprehensive and voluntary co-operation between employers and employees. Otherwise, the scheme would deal a blow on our labour relations, productivity and competitiveness. We should be psychologically well-prepared to face an arduous process of education because it is not easy to convince both the employers and employees to sacrifice for a long-term gain. May I urge hereby colleagues from the labour and commercial sectors in this Council to support the scheme and to convince fellow members of their sectors to follow suit.

Irrespective of the final option chosen by the Government, the scheme should be able to satisfy the objectives and spirit of legislation intended for; that is, to provide practical and effective financial protection for old age pensioners. The ideal of the whole scheme of retirement benefits is, indeed, to ensure that the elderly could retire in dignity without further job seeking.

Mr Deputy President, with these remarks, I support the motion moved by the Honourable TAM Yiu-chung.

DR LEONG CHE-HUNG: Mr Deputy President, three weeks ago, in this Chamber, I moved a motion urging better care of the elderly. During that debate, the problem of old age pension and retirement benefit was specifically singled out with the full knowledge that a debate on those exact issues will be held today.

It is in this direction, therefore, Mr Deputy President, of better care of the elderly that I will be addressing this debate.

I would like to take up four issues:

Firstly, the consensus on the need for retirement provisions;

Secondly, criteria needed to make any retirement protection scheme workable;

Thirdly, whether the installation of retirement provision alone is adequate for the care of the elderly, and I would like to move the Hong Kong Democratic Foundation's proposal on the need for a universal old age pension; and

Finally, the possible impact of the amendment put forward today on the establishment of the retirement protection scheme by the Government.

Consensus for retirement protection schemes

Mr Deputy President, there is a broad consensus in Hong Kong that a major effort is needed by Government to upgrade retirement provisions for the population. This consensus has developed following September's direct elections with most directly elected legislators emphasizing the need for retirement benefits in their platforms. Government then announced, on 1 November, instead of a Central Provident Fund, a conversion to a compulsory retirement scheme. The Hong Kong Democratic Foundation (HKDF) welcomes this change of heart by the Government.

Criteria needed to make a retirement protection scheme work

In relation to a retirement protection scheme, the HKDF would like to make the following recommendations:

Firstly, the scheme should be made compulsory for all employers;

Secondly, Government must launch an information programme to educate the employers to exert their obligation and to employees in relation to their rights;

Thirdly, all retirement benefit schemes should be separately funded and there needs to be a comprehensive regulating system. In view of the size and importance of this fund, we would like to see the establishment of a separate Retirement Benefit Commission to look after the management and security of the retirement funds but as an installation of a compulsory retirement provision adequate for the care of the elderly.

True, there are current Old Age Allowance and Public Assistance that Government is providing. But the sum total provided to the needy people is but a meagre \$1,118 per month (\$393 for Old Age Allowance and \$745 for Public Assistance) or only around 22% of the average labour wage. Furthermore, both schemes are means tested, and many do not want to subject themselves to the indignity of the test and therefore do not claim. Statistics have shown that less than 10% of those over 65 are in receipt of this very modest sum.

Thus whilst the HKDF welcomes Government's announcing its commitment to make retirement fund scheme compulsory for all employers, it must be recognized that such

scheme is only a form of assisted savings for those currently at work and such schemes do virtually nothing to help those who have not contributed to such schemes, such as housewives who are now old unattended ladies. It also categorically excludes all those who are now over 65 of age.

We feel therefore that a universal old age pension is the only remedy for comprehensive care of the elderly and must be taken into consideration with any compulsory provident fund scheme.

Let me now take a little time to dwell on the old age pension proposal of the HKDF which is modelled on the research done by the Hong Kong Social Security Society.

The HKDF's proposal is that an old age pension of approximately 35% of the average wage, or some \$1,800, should be paid to all Hong Kong citizens over 65 years old. Those between the ages of 60 and 65 could live off any long service or provident fund payments available to them, or continue to work. Given the 483 000 over-65s in the territory today the HKDF's proposal would cost approximately \$10.4 billion at 1991 population and wage level.

How could this be paid for? Employers and employees would each make equal contributions of 2% of salary. Government would contribute the money it currently spends on the Old Age Allowance and Public Assistance for the elderly. There would be further net savings from the reduction in the Social Welfare Department manpower currently engaged in means testing. Most importantly, there are no further calls on general government revenue.

To prevent undue hardship among the very low paid, only workers with an income of \$3,000 or more would have to contribute. The self-employed could contribute a flat \$150 (about 3% of the average wage) per month.

The aim would be to bring income and expenditure of the scheme into rough balance over the medium term, to avoid the accumulation of large reserves. It may become necessary to increase the level of contribution in future years as Hong Kong's elderly population increases. However that will depend to some extent on economic growth. A contribution of 2% of wage is in any case very much lower than that in most other countries operating similar schemes.

The intention is that the pension would cover the medium term following the trend

in median earning. The pension should at least be index-linked. It would be desirable to raise the pension level to a higher percentage -- perhaps something like 45% (10% more than we now suggest) of median earnings being the norm in many developed countries. We hope improvements may be possible as social conditions allow.

The old age pension would be administered by the Social Welfare Department. Actual payments to pensioners would be made through post offices, as the Old age Allowance is paid out at present. The administration of the scheme would be relatively simple as no means testing nor evaluation of claimants would be involved.

Collection of contributions would be through present system for collecting taxation. Ideally, contribution from the employees would be deducted from pay monthly, or weekly, and forwarded together with the employers' contribution to the Inland Revenue Department (IRD). The IRD would be able to control receipts through the statutory cessation and commencement of employment form that employers are already required to complete. Collection of contributions should not present particular problems.

The HKDF believes that the above old age pensions scheme will enable Hong Kong's elderly to live in dignity without undue cost to society as a whole. Prosperous Hong Kong owes a debt to its senior and elderly citizens, who during their working lives built the territory into the successful business centre that it is today. The establishment of a universal old age pension is an essential step in Hong Kong's progress towards the status of a developed society.

The possible impact of the amendment motion

Finally, Mr Deputy President, I would like to say a few words pertaining to the proposed amendment to the motion of Mr TAM Yiu-chung. I started off my address today saying that the Administration's change of heart is to avoid the setting up of a Central Provident Fund. Forcing the Government to have a second look at CPF could, even with the best intention, well enable the Administration to stall the move even towards the compulsory retirement protection scheme. It is with this worry, and despite my personal support of a CPF, that I would have to vote against the amendment instead. I would call on my honourable colleagues to push for a retirement scheme first as a start and to move on to CPF when the time is more favourable.

MR JIMMY MCGREGOR: Mr Deputy President, I am happy that the Government has taken this particular initiative although I must confess that I am also surprised that it has come at the present time, after a long period of time when the Government seemed to have set its face against any comprehensive planning to provide retirement benefits for working class people. It does not matter who or what event initiated the proposals by the Government that the motion of Mr TAM Yiu-chung recognizes. What is important is that, at last, the Government is ready to put in place a system of retirement benefits that will cover a very large hole in the fabric of our social security system.

My constituency has many times recommended that a study should be carried out by the Government on the feasibility of establishing an old age pension scheme for all. We wished to see the parameters of such a scheme and the likely order of costs and also where these costs might fall. The Government, until recently, had not responded to this call and instead proceeded with the more limited encouragement of private sector provident fund schemes which were increasingly to be given the protection of the law in their operation.

I need not speak on the details of the study which will now be carried out by the Government, I am sure, with the blessing and co-operation of this Council. Other Councillors have already spoken on these matters and many others will follow. There are two points I wish to emphasize, however. The first is that, whatever scheme is to be examined, it must surely include provision for an old age pension for all qualified citizens in Hong Kong on reaching retirement age, whether they have been in employment or not. The system proposed by the Social Security Society has much to recommend it and I am pleased to see that the Government is also studying this system. It should be possible to come up with proposals that will protect and promote provident fund schemes for workers whilst at the same time ensuring that all our aged people are given an old age pension by right. A restricted extension of private sector provident fund schemes will not provide social security for all our aged people.

Secondly, we have reached a stage in our economic development where we must accept the obligation, indeed the duty, to provide social security of a reasonable standard to all the people of Hong Kong not just to some. In doing so, there must be tripartite responsibility. The Government should organize and protect the system. Employers and employees must take equal responsibility to finance it and make it work not as adversaries but as partners in a great enterprise. I was very surprised to note Mr

Henry TANG's amendment and at first I thought he had an ulterior motive. I talked to him and found that I seemed to be speaking to an industrialist with a social conscience, an allegedly rare breed. I have paid careful attention, on the other hand, to the very direct statement made by the Chief Secretary, which suggests that the Government, no doubt backed by almost the entire business sector, will oppose any question of a central provident fund scheme. But David STONE did not allow our misinterpretation. I would not wish to hold up this very important and constructive study on which the Government may now be embarked. With some regret, therefore, I must disagree with Mr Henry TANG's amendment in order to proceed with the main study. In doing so, I commend his concern for social improvement and his realism in recognizing that employers and employees are all part of a same social system, that we are all contributors to economic progress and that we are all, as human beings, equal.

MR ANDREW WONG (in Cantonese): Mr Deputy President, I rise to speak in support of the motion moved by the Honourable TAM Yiu-chung and against the amendment moved by the Honourable Henry TANG.

Before I address the subject of retirement protection, let us first of all take a look at our social environment. Here and now in Hong Kong, the more fortunate old people are taken care of by their children. I think in days of plenty, children are happy to maintain our long-standing tradition of filial piety. However, in times of an economic downturn when children are themselves struggling for survival, they would go against filial piety in a situation of hopelessness. Not only would old people then have to face complaints from their children but they would also have to face the hard reality of livelihood.

During a period of economic decline, not only will the development of our society be affected, but the conscience of people in caring for their parents will also be eroded. I do not propose to exaggerate that old people are those hardest hit in economic bad times. If anyone says that economic bad times will not come and there is no need to prepare for rainy days, let me say he is lying to himself and to others.

Will old people be adequately provided for through further improvements to our current welfare arrangements? I believe the answer is in the negative. I think we need to search for other and better ways to solve the problem. In times of a weakened economy, welfare allocations from government revenue will mean heavier burdens for

the Government and the people. It is precisely at such a time that people's demand for retirement protection becomes more pressing. We have also before us vociferous calls for the redistribution of wealth. It is imperative for the Government to look squarely at this social as well as political question. I believe the establishment of a provident fund system will go some way towards meeting public demand.

Mr Deputy President, I already expressed my support for a provident fund scheme as a form of retirement protection in the last two debates of this Council on the subject. I refer to the adjournment debate on 13 May 1987 and the debate on a motion moved by the Honourable TAM Yiu-chung on 10 July 1991. I shall not repeat what I said. My stand has all along been support for a compulsory provident fund scheme set up and regulated by legislation, but objection to one centrally set up and managed. Mr Deputy President, in lending support to a compulsory provident fund scheme established by legislation, I think we should consider two points.

First, I really do not understand why many employers are against the measure. In accordance with laws governing long service payment, an employer has to pay an employee leaving after 18 years of service not more than 12 months' salary as long service payment. If we take a provident fund to which the employer and employee each pay a contribution equivalent to 5% of the employee's salary and calculating on an assumed low interest rate of 2.5%, the employee will get 22.7 months of his salary as provident fund after 20 years of service. In other words, the employer is responsible for only 11.35 months' salary. The sum includes the actual amount paid out by the employer over a period of 20 years plus interest on the contribution. It is different from long service payment which is to be paid out in one lump sum in 20 years' time. By comparison, a provident fund should be advantageous both to the employee and the employer.

Second, Mr Deputy President, if it is decided to implement a compulsory system of provident fund, the existing system of long service payment still needs to be maintained, or else workers already at an old age today would be in great hardship. In the likely event that long service payment is abolished with the implementation of retirement protection, workers close to retirement age would suffer rather than benefit from it. If the Government does not make prearrangements for these people, the scheme will bring harm before any good will come of it. I hope the Government will allow the long service payment arrangement to remain for a certain period of time as a transitional arrangement after implementation of the new scheme so that the first batch of employees who retire immediately after implementation of the new

scheme will be the real beneficiaries. Of course, we can consider making long service payment not a kind of retirement protection, but a form of encouragement for long service.

Mr Deputy President, many people have all along suggested that the authorities set up a central provident fund. Not only do I have reservations about it, but I am also, as always, against it. Let me first state a theory in support of a central provident fund. Some say that a centrally managed provident fund will do away with the flaws and risks of fund managing by private organizations. However, I believe further technical improvements on the clauses of the insurance policy and strengthening of the spectrum of protection will remove worries in this regard.

Mr Deputy President, other arguments in favour of a central provident fund are precisely the sort of argument that forever harks back to the theme of a provident fund of a centrally managed nature.

First, some believe a centrally managed central provident fund is the best source of capital for public works. I think this argument is dangerous and even irresponsible.

It is obvious that making the central provident fund a source of government capital will mean a low interest loan to the Government. As such, the enormous sum of our central provident fund will not get the best rate of return possible. To put it in mild terms, I would say it is questionable whether such an arrangement is fair to the contributors. To put it in strong terms, I would say this is cheating.

Secondly, some think that a central provident fund as the one and only provident fund will naturally involve an enormous sum of money and should naturally get higher rates of return. Again, this is an extremely dangerous argument. It could be said to be an irresponsible one. It would be all right if correct investment decisions are made. But if wrong decisions are made, the fund as one block will go bust and there is bound to be great difficulties for it to obtain insurance cover. The fund going bust would mean total loss of protection. If we think the Government should take up the responsibility, then do we hope to see our tax rates rise abruptly all of a sudden?

Mr Deputy President, my conclusion is simple and obvious. We must implement at once a compulsory but not central provident fund system. The amendment moved by the

Honourable Henry TANG does not necessarily lead to a central provident fund, but a review will take time. Are we to wait any longer? Mr Deputy President, I said in 1987 "there is a tomorrow after tomorrow and many more to follow". Let me add to this today -- "my life is bogged down in a myriad of tomorrows and things are forever being put off till no end". Mr Deputy President, reviews concerning this question started in 1966. That was 25 years ago. This year is its silver jubilee. I hope we can celebrate the arrival of a new measure, not go on waiting.

Mr Deputy President, I support the motion by the Honourable TAM Yiu-chung and oppose the amendment moved by the Honourable Henry TANG.

MR PETER WONG: Mr Deputy President, I strongly support the motion before this Council as it now correctly addresses the whole problem of income security for the population of Hong Kong as they grow old and become less fit for further work. Central or compulsory provident funds only deal with those able to work and contribute financially.

Of all the schemes put forward by various groups, I feel that only the one called "A Review of Benefits for the Elderly and a Policy for the Provision of Social Security and Retirement Benefits in Hong Kong" by the Community Affairs Committee of the Business and Professionals Federation of Hong Kong fulfills all the criteria of the motion.

I will not discuss the pros and cons of retirement benefit schemes which will be expounded by my honourable colleagues. Instead, I will concentrate on the practical aspect of the resources needed to effectuate retirement benefit schemes and, in so doing, highlight the need for setting realistic targets. I wish to acknowledge the assistance given to me by two leading firms of actuaries, Wyatt and Company and William M Mercer Limited.

Firstly, the cost of setting up a scheme.

A lawyer who specializes in retirement benefits is sometimes called in to draft the deed constituting the trust or the deed of adherence if a pooled fund is chosen. Fees quoted range from \$20,000 to \$25,000 for the deed of adherence and \$25,000 to \$75,000 for the tailor-made schemes. A great deal depends on the knowledge and sophistication of the enterprises -- some have gone direct to the trustees without

consulting lawyers.

After all is said and done, it may cost a total of \$70,000 to join a pooled scheme and \$170,000 for a tailor-made one. The costs include:

Adviser who may be the auditor or actuary,
Lawyer,
Appointment of trustee,
Appointment of fund manager,
Appointment of auditor,
Processing of personal data of employees joining the scheme,
Cost of consulting and explaining scheme to employees, and
Preparation of handbank for employees and other communications costs.

It is true that \$70,000 is a lot of money, and if an insurance plan is chosen, the insurance company usually charges a nominal fee for setting it up.

I would urge the Government, when setting deadlines for employers to have compulsory schemes in place, to have regard to the availability of expert advisers to prevent unrealistic targets being set. Since a hastily and ill thought out scheme may be money wasted, I urge everyone to consider carefully what resources are needed to set up a scheme before legislation is passed to make such schemes compulsory for all workers.

Secondly, continuing costs.

Bank trustees and insurance companies charge between 0.5% per annum to 1% to 1.5% per annum of the size of the fund for administration costs. The lower fees are for cases when other professionals are involved such as investment managers and actuaries. The higher fees are generally for the insurance companies which guarantees certain minimum returns and the investment risks are absorbed by the insurer.

So much for the costs to employers and employees. What about costs to the Government? Demographic trend shows that Hong Kong's growing aging population will have to be supported by a smaller work force. In this case, income protection for the elderly, the disabled, the chronically ill and the unemployed, has of necessity to fall on the government's shoulder. It is incumbent upon the Administration to work out a comprehensive social security programme that ties in the private sector

retirement benefit schemes with funding plans for public assistance and special needs allowances which are currently financed through the general revenue. There is also the cost of monitoring individual schemes for which a separate authority may be appropriate. The cost for all this is likely to be much bigger than the proposed budget for the Registrar's Office.

Thirdly, the most vexed question of what sort of scheme to choose.

Young employees want substantial growth to combat anticipated inflation so they can get a nice nest-egg. They do not fear downturns in the market because they will have a chance to make up for losses of the bear market in a later bull run. Older employees nearer retirement want absolute security so that their hard earned money will not be lost in another Black Monday in the short time before retirement. Absolute security in the form of guaranteed returns on income and capital has a cost in reduced returns. Statistics show that well managed guaranteed funds return about 12% whilst non-guaranteed funds return 17% over a period of time.

A high return necessarily means higher risks. Some funds have returned over 40% but tend to be invested in high risk areas such as the Philippines or Taiwan and cannot be recommended for retirement schemes as a sole investment. We should look to fund managers who have consistently made higher than average returns without taking undue risks. It will be unrealistic to demand a 17% return in 1990 when most managers who have broken even were considered doing well.

Ultimately, the employer may have to bear the risk for any failures; it means that the choice of proper trustees, an effective trust deed with proper checks and balances for protection, professional fund managers, actuaries and accountants, are not to be hastily decided.

It has been estimated that if there is a compulsory minimum benefit based on, say, an extension of the Long Service Payment Scheme, then the number of actuaries required will need to be increased from the existing 50 to 150. Actuaries are taking up an increasingly crucial role in regulation and monitoring of our financial affairs. It is a small and very professional group of practitioners and I feel that the Administration should now recognize them as a profession and should encourage them towards self-regulation to be formed into an Institute. This new profession is here to stay and should contribute to Hong Kong's well being.

Fourthly, the amount of benefits.

The benefits fall into two broad categories. Defined contributions are schemes that have employees bear the investment risks because they get back what is contributed plus the net investment return. Defined benefit schemes have the fund or ultimately the employer bear the investment risk with benefits based on a multiple of the final salary times the number of years worked.

It is a sad fact of life that the lower paid workers tend to get a raw deal when it comes to the level of benefits. I have been quoted a handy formula for calculating the amount of benefits for defined benefit schemes, being the number of months of final salary times a multiple an employee should get. An executive gets three months, a white collar worker gets two months and a blue collar only gets one month. No one has told me why except that it is based on market economics. For contributory schemes, the executives get 18 to 20% of salary, white collars 12 to 15%, and 5 to 10% for blue collars.

William Mercers did a very interesting survey on the retirement schemes of 97 companies covering 82 000 employees and calculated the lump sum retirement benefit at the retirement age of 60 for all the schemes. The median amount of benefits for all employees was 1.4 months final salary for every year worked.

I understand that the median wage in Hong Kong is now \$5,236 per month. If I assume an employee has worked for 20 years with his employer, he would get only \$157,000 from this retirement fund, surely not something to pin his retirement security upon. If this is all he has on retirement, our worker needs a lot more help from both the employer and the Government so that he can look forward to a reasonably secure old age.

With these remarks, Mr Deputy President, I support Mr TAM's motion.

5.24 pm

DEPUTY PRESIDENT: We shall take a 20-minute break.

5.47 pm

DEPUTY PRESIDENT: Council will resume

PROF EDWARD CHEN (in Cantonese): Mr Deputy President, almost all developed countries implement a certain form of centrally managed retirement protection scheme. Even in developing countries, they usually implement a system of central provident fund. Hong Kong is a newly developed industrial area with the average income at a high level as determined by the World Bank. However, only 5% of our companies have their own retirement protection schemes in one form or another and approximately 20% of our workforce do get some sort of retirement protection. In this respect, Hong Kong is very backward. In fact, viewed from the population structure factor and the economic factor, there is a strong case for the implementation of retirement protection schemes.

The first factor to consider is the population structure, that is to say, the aging of our population. The problem of an aging population is for Hong Kong far more severe than for the other "little dragons" which are our competitors. By 2000, 12% of our population will have attained the age of 65 or above which compares with Taiwan's 8.4%, Singapore's 7.1% and Korea's 6.3%. In a place where there is a fast growing elderly population, care for the elderly and retirement protection not only feature as moral duties, but also involve financial considerations. There is a wrong concept bedevilling a central provident fund or retirement protection scheme and that is that any form of retirement protection, in particular a centrally managed one, will be a heavy burden on the Government and the industrial/commercial sector. In fact this is totally wrong, particularly in the case of a society with an aging population. As we know, the living expenses of old people in their retirement can only come from three sources. First, from savings including their participation in various private provident funds; second, from their children; third, of course, from public assistance provided by the Government or charitable organizations. However, as we know, in the context of Hong Kong, many people in their retired life are no longer able to meet their living expenses purely on the strength of their savings. Along with the changes in social culture, maintenance provided by children is getting scarce. The livelihood of retired people depends largely on care provided by the Government and indeed the expenditure of public assistance is enormous. Statistics reveal that 70% of public assistance at present is paid out to the elderly. By 2006 and at today's prices, public assistance for the elderly will be over \$4 billion. As such, we can see who would be the ones to suffer if the problem is left unaddressed.

The sufferers will be high income people and the industrial/commercial sector because heavy public assistance will have to be paid for and public assistance comes from the Government's general revenue. More to that, the industrial/commercial sector and high income people are shouldering heavier tax burdens. Unless they intend to leave Hong Kong in five years when the aging of the population is expected to be at its height, high income people will be most severely affected in five to six years' time. This is why I fail to understand why the industrial/commercial sector and high income people are so much against a provident fund scheme by way of care for the elderly.

The second is an economic factor. In economic terms, what a person expends for his future enjoyment is invariably less than that for the present. We all say "enjoy today while it lasts". It indicates that we spend a large portion of what we earn on today's expenses and not on savings for the future. In economics, this is called "inefficient inter-temporal allocation of resources". In other words, there is a difference between the allocation of resources for the present and the future. This is an accepted norm in economics, but it means a person is economically unable to meet his own needs after he retires because there is not enough saving. What form of retirement is suitable for us under such circumstances? If we propose to implement a compulsory system of retirement protection, I would like to discuss two points here. One of them is whether to implement a central or private provident fund. I myself feel there is nothing wrong with a central provident fund. Privately managed provident funds would have to be monitored by the Government. Should there be any mishap similar to that which befalls the retirement fund of a subsidiary of a British publishing company, it would be too bad. Even if it is a private-run compulsory retirement protection scheme, the Government should embark on a series of monitoring tasks. Neither monitoring nor putting up of a guarantee will be easy going. Alternatively, if we diversify our investments, there is also every possibility that the rate of return will be lower than that of a central provident fund. Also, it is economically expensive to collect information as to what sort of provident fund scheme will be suitable for an ordinary worker or as to what sort of fund an employer should introduce as the most suitable for his employees. The other question is whether we should set up a pension fund or a provident fund system. I personally feel we should implement the pension system instead of the provident fund system, and we should pay out a certain amount of pension each month to those over 65. The disadvantage of a provident fund is that no one knows how long he can work nor how long he will live. If one must save up for old age, how much should one save? It is not within our ability to decide. For many people, what they earn is not enough

to enable them to contribute in sufficient measure to a provident fund so as to yield them a sufficient return to maintain a minimum level of living after retirement. There is no reallocation process for provident funds because the more one saves, that much more is returned to one. No, I do not endorse robbing the rich to benefit the poor, but, I believe a certain level of reallocation is necessary. A comprehensive pension and social security system should exercise the function of reallocation. It is more reliable too because no matter how long one lives, one gets a certain sum as living expenses until the day one dies. Viewed from this angle, it should have the best effects as far as protecting the livelihood of old people is concerned.

In order to prove that this method will work, let me quote an example which is a form of social security that benefits all and sundry. It is a pension scheme funded by contributions. It is basically a good scheme because the Government does not have to assume obligation. When the system is fully implemented, the Government will not have to pay a single cent. Funds for public assistance can then be saved. The system is fundamentally a self sufficient scheme of protection for the entire population. The Government's role is as guarantor, proposer and co-ordinator. What the Government might have to pay for is the difference caused by variations in actuarial calculations, population count and economic growth. All employers and employees alike would have to make contributions each year and upon retirement of an employee, a sum as pension will be paid each month in accordance with his years of service. This method actually combines the social security scheme and provident fund scheme. Let me give an example: in 1991, the median income of our workforce is around \$5,200. If one starts working at the age of 20, he will have served 45 years by the time he turns 65. If he lives to 85, he can enjoy benefits for 20 years. Assuming the investment return at 3% and the contribution at 6%, of which the employee and employer each shoulder 3%, and calculating at today's prices, in the last 20 years of his life, the employee will get \$3,000 a month. That sum will continue to be paid every month until the day he dies and it is equivalent to 58% of the median income for 1991. It should be sufficient to maintain an elderly person in retirement. A pension figure equivalent of 58% of the median income is, I believe, enough to support one's living. Of course, there is still a hint of reallocation in this. Some high income people may not necessarily have to contribute 3%. We can fix a ceiling, say, contribution of 3% or not more than \$500 or \$600. Such regulation will fulfill the function of reallocation because even if one is very rich, one gets \$3,000 each month only despite having contributed more. Yes, I agree that such a plan smacks of reallocation. I think such a scheme should be put in place as soon as possible. In the beginning, we may not have money to give to all those over 65, and there may be a need to cut

down \$3,000 to \$1,000. The transitional period will be five to 10 years, during which an employer or employee who feels he is already adequately providing or being provided with retirement protection can choose not to participate. At the same time, the Government should encourage them to join private pension schemes because we know the pension system is to answer basic needs only. If one wants to have more enjoyment in one's old age, one can continue to join other private retirement protection schemes so as to enhance one's quality of life.

The Government has said a lot about the disadvantages of a centrally managed provident fund. I would like to try to discuss with the Government on this. First, the Government thinks there will be management difficulties. Maybe the Government has no confidence in its ability. It is not that we do not trust the Government's abilities; in fact, there should not be any problem in having a central unit or an organization like the Office of the Exchange Fund to manage the pension fund. I do not mean that the Government should invest it. Frankly we do not have that kind of confidence. I mean that the Government is to collect the money and then apportion them among private sector fund managers so as to diversify the investment. But the Government is to stand as guarantor and co-ordinator in apportioning the money collected for investment by local and overseas fund managers. This is better than privately managed investment plans without any form of co-ordination. Secondly, I shall turn to the question of the exchange rate and the linked rate. Will collecting such a large sum of money and then investing it abroad affect the linked exchange rate? Will this affect the stability of the exchange rate of the Hong Kong dollar? I do not think so because, basically, our linked exchange rate is maintained by hedging and arbitrage with respect to interest and cash and it has little to do with the coming and going of capital. The foreign exchange market turnover is enormous. I simply do not believe money from provident funds or retirement protection funds will affect the linked rate. Thirdly, money collected for provident funds will not affect the operations of the capital market because some money will be invested here and some elsewhere. The results of a study by a colleague of mine show that if the contribution is 10% -- which means higher than 6% -- then in 50 years the money saved will account for no more than 6% of the money available on the capital market of Hong Kong. Mark this. Twenty-five years' accumulation of 10% contributions will account for only 6% of the local capital market. I trust it will not affect the stability of our capital market. Fourthly, some argue that a central provident fund will induce a rise in production cost and a drop in competitiveness. There is no data to support the argument. We calculate on the input-output analysis method. If the contribution is 10%, the rise in cost will be 1%. This will have very little impact

on our competitiveness overseas. Fifthly, some question whether there will be sufficient protection for the unceasing contributions and whether contributions alone will suffice. In the example I quoted just now, one who starts work at 20, retires at 65 and dies at 85 can have enough to maintain his minimum standard of living in his advanced years. I think having a sum equivalent to 58% of the median income should be sufficient. Such a figure is not too high. If too high it will affect the will to work, cause imbalance and lead people to early retirement. However, if we take the middle road and offer enough protection for a minimum standard of living, I believe on one hand adequate protection for one's livelihood after retirement will be assured and on the other the will to work will not be affected.

Finally, I call on the Government to implement a retirement protection scheme as soon as possible. The later it is implemented, the heavier the burden on the Government and the greater the difficulties will be. This is because the aging of the Hong Kong population will result in a greater dependency rate and more difficulties being encountered in the course of implementation of the scheme. In 1991, 5.38 working persons shoulder the burden of one elderly person. In 2001, only 4.3 working persons can be expected to support an elderly person. With the rise of the dependency rate with our population, our efforts in implementing the scheme will become more and more difficult. Mr Deputy President, I fully support the original motion and the amended motion because I feel their spirit is the same. However, I feel that the original motion has more flexibility. From what I have just said, you will have gathered that I endorse the implementation of a comprehensive pension scheme, not just a central provident fund scheme. I am therefore inclined to support the original motion. Nevertheless, if the amendment is passed, I shall support the motion as amended.

MR VINCENT CHENG: Mr Deputy President, I do not want to speak on the merits of having retirement benefits, which have been well covered. Instead, I just want to concentrate on a couple of areas which I think are important. They are:

- (a) First, whether we could devise a scheme which would allow low income earners a reasonable pension or provident fund at the end of their career lives; and
- (b) The need to ensure that these savings are in safe hands.

My rough calculation shows that if a worker is earning about \$5,000 per month, with a 3% contribution from himself and another 3% from his employer, after 20 years,

and assuming a 7% inflation and a 3% net nil return on the investment income from his savings, he could only receive about \$900 per month for his retirement. Now this is not enough for a decent retirement life and should be supplemented. There have been proposals that the Government should help to contribute, but I disagree with having the Government contribute during the person's working life, because his working life could change quite drastically. Rather, the Government should come in at the end, by providing and continuing its support for the aged in its present form.

At present, in one way or another, Government already provides services which match in kind, if not extent, those provided in the most developed welfare states. We have a non-means-tested old age allowance, we have a comprehensive range of disability allowances, we have homes for the elderly, we have public assistance for the poor -- and that includes free public housing and heavily subsidized medical services. The Government will have to maintain these benefits for those whose incomes do not allow them to save sufficiently for their retirement. Some changes, however, will have to be made to the non-means-tested old age allowance when the retirement schemes are up and running. The resources put aside for this would achieve much greater purpose if they were only channelled to those whose retirement benefits are not sufficient to maintain a decent living.

What the Government should do now is to:

(1) First, establish guidelines for minimum provision of a retirement scheme, but let those companies which already have retirement schemes carry on what they have been doing.

(2) Consider tax concessions for individuals and employers to encourage great take-up.

Mr Henry TANG's concern about the safety of the money put aside by workers and employers should be addressed and we must enact legislation to monitor future fund managers who have to ensure not just a reasonable investment return but also the safety of the funds.

The amendment asks the Government to reconsider the idea of a Central Provident Fund. It is understandable that the newly formed Legislative Council would like to take a fresh look at this concept, but I am not sure what we would gain by reopening a debate which has gone on for years. I, for one, want to see early enactment of

legislation on compulsory retirement benefits so that our workers would benefit, rather than another round of debate on the pros and cons of central provident funds. The means is less important than the end. It is to the credit of this Government to accept the concept of compulsory retirement benefits. It is more essential for us to get on with the real work than having a debate on a well debated subject which is rapidly becoming a regular feature of this Council.

Mr Deputy President, I support the original motion.

MR MARVIN CHEUNG: Mr Deputy President, I rise to support the motion proposed by the Honourable TAM Yiu-chung. The Government's recent announcement that it will abide by its earlier decision not to set up a Central Provident Fund was, in my opinion, a correct one. The setting up of a Central Provident Fund has many inherent problems; these have no doubt been expressed by Members the last time the matter was thoroughly discussed in this Council. Indeed, the Chief Secretary has summarized the key arguments against the establishment of a Central Provident Fund in his address to the Council this afternoon. I personally endorse those arguments.

One of the principal concerns expressed by Mr Henry TANG in moving his amendment to the motion is that employers could be asked to compensate workers for any losses incurred by the trustees of privately managed retirement funds. This fear could be put to rest if the legislation states clearly that the liability of the employer is satisfied when the contributions are handed over to the trustees of the retirement fund. I believe, therefore, that the Government is right to reject repeated calls for the setting up of a Central Provident Fund.

The Government has instead announced that it intends to introduce some form of compulsory retirement scheme. Whilst I support, in principle, any measures to promote savings and the care of the elderly, I would like to take this opportunity to raise a number of issues in this connection, and to make a few suggestions.

First of all, I would like the Government to clarify the reasoning behind this proposal. For years the Government was against a compulsory retirement scheme; what is the justification for one now? Why have they, as it appears, changed their minds? For example, is the scheme envisaged as a form of compulsory saving, or is it a special tax on employers? If it is a form of compulsory saving, how does Government ensure that the compulsory contribution is set at an appropriate level commensurate with

the ability of the worker to save? If it is meant to be a special tax on employers, why should current and future employers shoulder the full burden -- what about past service of workers? And what happens if the workers are unemployed in the future? I should be interested to hear the Government's reasoning on this.

The second issue that I would like the Government to address is the problem of transferability. I understand that the present intention is that transferability will be a feature of the scheme. This implies that it can only be a defined contribution scheme and not a defined benefit scheme, because otherwise it will be impossible to apportion the final cost and collect the appropriate contribution from all the respective employers that a worker might have worked for during his working life. If this is the case, what arrangements will be made for employers who are already operating defined benefit schemes?

In any event, I would like to know how it is envisaged that the benefits accrued will be determined and transferred from one employer to another, bearing in mind that the value of the underlying investments may fluctuate significantly within a short period of time, and also that some of these investments may not be readily realizable.

I also understand that there is an expectation that the contributions collected will be invested to grow in line with inflation. Based on my experience in auditing numerous retirement fund accounts over the years, I have some reservations as to whether this expectation will be fulfilled. The reason for my reservation is not that I do not believe in the ability of fund managers; the difficulty is that fund managers will be required to keep assets in a fairly liquid form to facilitate transfers on changes of employment. Further, fund managers of retirement schemes have a natural tendency to be conservative in their investment strategies. They are unlikely to be willing to take risks in these situations because they could face heavy criticism if losses were incurred. There would be a lot of disappointment and anguish if the value of the retirement funds were substantially eroded by inflation. I would like to hear concrete proposals from the Government as to how these concerns will be addressed and resolved.

Another problem with the proposal is that it does away with any requirement to qualify for retirement benefits. If retirement funds are to be transferable each and every time a person changes jobs, there is no incentive or reward for long-term employment. Is this fair? Has the Government considered what the consequences might be? What will be the added incentive and reward for loyal and long-serving

employees?

Another issue is that of tax deductability of contributions. I would urge the Government to amend the appropriate section of the Inland Revenue Ordinance to enable employers to treat their contributions to any retirement scheme as allowable deduction for profits tax purposes. I would also like to urge the Government to consider amending the Inland Revenue Ordinance to allow employees to deduct their contribution to retirement schemes in computing their salaries tax liabilities.

These measures should encourage more voluntary schemes to be introduced in advance of any compulsory scheme. In any event, all compulsory contributions under any statutory scheme, if and when introduced, should be allowable as deductions for profits tax and salaries tax purposes.

Given that the vast majority of businesses in Hong Kong are small businesses, I would like to know what arrangements will be made to enable them to comply with the new regulations. It will be impractical and uneconomical for small businesses to set up their own separate retirement schemes. Will Government make special arrangements to exempt these employers, or alternatively to encourage insurance companies or banks to set up collective schemes to enable small businesses to comply with the new regulations?

Finally, the Government needs to address the question of overseas companies operating in Hong Kong. No less than one-third of the companies listed in the Stock Exchange of Hong Kong are incorporated overseas. These include many major companies, each employing a large workforce. On the other hand, there are many branches of large and small overseas companies with only a few employees in Hong Kong; some have their own retirement schemes, some do not. Some of the schemes are probably more comprehensive than the ones to be proposed here. The point is that they may not all conform to the compulsory scheme to be introduced; what allowance then will be made for overseas companies in this respect? Will they be forced to set up local schemes and abandon their own schemes? Will several schemes be able to exist side by side? In which case, how will they be regulated? And again, how will transfer of funds be effected when an employee changes his job from an overseas to a local company and vice versa? I therefore urge the Government to widely consult those who have knowledge and expertise in the relevant fields, and to proceed with caution.

For the reasons set out above, I support the motion proposed by Mr TAM and do

not support the amendment proposed by Mr Henry TANG.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, I should like to analyze today's motion. I see there are two material parts to the motion. The first part of the original motion by the Honourable TAM Yiu-chung says "this Council welcomes the decision by the Government to introduce legislation for the implementation of a compulsory retirement protection scheme"; the other part says "and urges the Government to draw up expeditiously, after widely seeking and fully taking in account the views of the public, a plan for solving effectively the livelihood problem of retired and elderly people". In the amendment moved by the Honourable Henry TANG, the first part has been changed to "urges the Government to reconsider a Central Provident Fund before deciding on the introduction of legislation for the implementation of a compulsory retirement protection scheme, and urges the Government to draw up a plan for solving the livelihood problem of retired and elderly people".

I feel that in the original motion as well as the amendment motion, the second part relates to basics and principles, which are what we hope to see achieved. The first part of either motion carries a different proposal. Which of the two proposals can achieve the objectives mentioned in the second part? Perhaps this is what we mean to discuss here today. I feel we need to consider whether there are only two possibilities. Is there a third, a fourth or a fifth alternative? In fact, up to now, I have heard of two other alternatives. One is the old people retirement scheme proposed by Dr LEONG Che-hung, another is the one mentioned by Prof CHEN which is also called old people retirement scheme. I shall speak of a fifth method. In fact, whichever way we choose to solve the livelihood problem of retired and elderly people, a diversified approach admitting of a variety of possibilities can be taken. I think whichever way that incorporates the widest coverage for all old people will be the ideal way. While this may be the ideal method, it does not mean that the others are not ideal and are to be opposed to. With regard to the various possibilities, I do not see the need for a vote to be taken either for or against. Any scheme capable of attaining the objectives given in the second part can in fact be considered and agreed to.

I shall now turn to the subject of today's debate. From the 1980s, our aging population has become a problem we need to face. Statistics reveal that in 1990, old people of Hong Kong above the age of 60 numbered 750 000. By 2001, our elderly population will increase to 1 million which is approximately one-sixth of our total

population. Poverty facing these old people will become an acute problem. A survey by the Social Welfare Department reveals that only 4.5% of old people at 70 years of age rely on their savings for their livelihood. In the year 1987, the ratio of old people in receipt of public assistance vis-a-vis the general populations in receipt of such assistance was five to one and in respect of old people above the age of 70, the ratio was as high as eleven to one. From this, it is evident that there is a pressing need to address the question of retirement protection. I feel that both the motion by Mr TAM Yiu-chung and the amendment proposed by Mr Henry TANG in fact all point in this direction. The difference lies in what role the Government is to play and what management problems might arise. I think there is no basic reason whatsoever to negate or oppose either the motion or the amendment proposed by either Member.

However, I must reiterate that the ultimate target for the establishment of a retirement protection system is to effectively solve the livelihood problem of the retired and elderly. I emphasize the retired and elderly. Not every one of our elderly people worked. Therefore, a retirement protection scheme that has the widest possible coverage to protect and benefit all elderly people will be ideal. By coincidence, my way of thinking is similar to that of Prof CHEN. In fact to a certain degree, I am drawing into discussion the spirit of the trilateral contribution plan formulated by the Hong Kong Social Security Institute. This is to ensure that old people across the board will get protection.

Earlier, the Government decided to implement a compulsory provident fund scheme. Without any doubt, this is a step forward in giving protection to retired people and it indicates that the Government is looking squarely into the livelihood problem of old people. Unfortunately, to achieve the above-mentioned ultimate target, this sort of protection scheme still leaves a lot to be desired.

First, it would seem that the capital of the compulsory or central provident fund will come from the contributions of employers and employees. For there to be sufficient funds to protect the retired life of participants, 10 or 20 years will be needed for accumulation. No good can be done to those who have already retired now or are due to retire soon.

Second, the suggested contribution rate for the compulsory or central provident fund is low. The amount of money a participant in the scheme is to get may not be sufficient to meet his living expenses.

Third, protection from the compulsory or central provident fund only covers people who are in employment. Those who are out of employment for a long period or not gainfully employed, such as housewives, are not covered. What should be done for old people in these categories?

Based on the above three points, I think there is need for the expeditious implementation of a social insurance system in Hong Kong in order to arrive at effective solutions to the livelihood problem of retired and elderly people as mentioned in the motion and the amendment. Although the proposal I venture to give below has yet to gain acceptance in Hong Kong, as I understand it, the spirit and ideal of the proposal are worthy of consideration by this Council and the Government. I am talking of a trilateral contribution comprehensive social insurance system. The main principle of social insurance is for the community at large to share the risks of certain eventualities and to contribute a small sum to a central savings depository regularly so that in case a policy holder meets a crisis, he may draw his entitled sum from the central savings depository to cope with the financial difficulty caused by the crisis.

For actual implementation, I suggest that the employee, employer and government sides should make compulsory contributions and each shoulder one-third of the expenses of social security. All employees between the ages of 15 and 60 should be made to participate in retirement protection in the capacity of an insured person, with their employers or the organizations they work with as the insurers. All members of the workforce with a monthly pay up to a certain level must contribute 2% to be deducted from their pay by their employers and to be turned over to the central savings depository of the Government. Employers should contribute the same amount as their employees each month. On the other hand, the Government should allocate an equivalent amount from the revenue to be combined with contributions from employers and employees to form the annual sum to defray basic pension payments. As for employees whose monthly income is below a certain level, no contribution should be required of them. Contributions by employers and employees should be tax free. The administrative costs, the formulation of social security legislation, supervision and enforcement of the scheme should be taken up by the Government.

There are many merits in such a mode of social insurance. They include:

First, the existing 500 000-plus old people over 65 in our society can be pulled

away from the edge of poverty. They will no longer have to depend on public assistance or members of their families for maintenance. I emphasize again that by old people I mean both those in employment and those not in employment.

Second, the entire workforce in Hong Kong will have to contribute 2% of their monthly income as a guarantee for them to obtain pension of a rate commensurate with international standard until their death.

Third, all of our population, especially housewives, low income workers, disabled persons and the self-employed will be able to enjoy retirement protection.

Fourth, the scheme can be implemented immediately to instantly relieve our 500 000 old people of their present hardship and to lighten the burden on the working population of supporting the elderly.

Fifth, the rate of 2% of pay as contribution by all three parties is relatively easy to accept by the labour side, the employer side and the official side.

Sixth, such a social insurance scheme imports a high degree of soundness and is ideal in terms of feasibility and the benefit it yields.

Last of all, let me once again point out that protection of the livelihood of the retired people is a necessary and urgent matter. I feel that to effectively achieve the target, the Government should set sight on protection for the entire population and implement the social insurance scheme as soon as possible.

Thank you, Mr Deputy President.

MR MICHAEL HO (in Cantonese): Mr Deputy President, as the labour policy spokesman of the United Democrats of Hong Kong (UDHK), I would like to avail myself of this debate to reiterate the UDHK's objectives and principles in regard to labour policy and what principles should be considered in analysing the retirement protection scheme.

Recently, the Executive Council agreed in principle to the introduction of a compulsory retirement protection scheme. This, as we all know, will have major repercussions for most employees in Hong Kong. The UDHK thinks that we should have

reservations about such a scheme unless the Government actively participates in it. Although the Government has rejected the idea of a Central Provident Fund several times, we nevertheless think that a Central Provident Fund is the farthest-reaching, most effective and most suitable solution for the existing problems of aging population and inadequate retirement protection. The argument for this will be presented to this Council later on by Dr YEUNG Sum of the UDHK.

We deeply regret the Government's rash decision this time to abandon the Central Provident Fund scheme and replace it with compulsory retirement protection. Nor do we hear the Government make any specific financial or administrative commitment accompanying the introduction of compulsory retirement protection. Precisely for this reason, we feel that the Government is taking an irresponsible step to avoid committing itself.

The labour sector's contribution to Hong Kong's economic success today must never be overlooked. Therefore, we think that labour should justifiably partake of the fruit of economic development. In the labour market, the leverage possessed by labour and management is certainly not equal. Employers are in a stronger bargaining position compared with employees. Therefore, in labour and manpower policy, the Government should all the more stop relying on the market mechanism but act with initiative to provide better labour protection and to become involved to an extent that is appropriate to the specific social conditions.

Granted that we have gained spectacular accomplishments in economic development today and are reputed to be one of the Four Little Dragons of Asia, still, behind the prosperity, we have a group of people who worked to make Hong Kong economically prosperous but who are not enjoying the harvest of their back-breaking labour. We see in the public assistance cases that more than two-thirds of those seeking help are old people. This shows, in fact, that many old people are now living in poverty. True, many old people are living with family members. But look at the median salary, which is about \$5,200 a month at present. Some low income families may simply find it hard to support their own elderly. It is quite possible that old people in such situations have no choice but to continue working to earn their livelihood. It is precisely for this reason that we all know how badly we need a retirement protection scheme. This, however, is not to say that the idea of a Central Provident Fund should be abandoned in favour of a quick fix. The Chief Secretary said just now that our reconsideration of a Central Provident Fund would take many extra months. Still, I want to ask those officials who will be responding to Member's queries in this debate:

How many extra months will the reconsideration of a Central Provident Fund take, or how much time can be saved if we give up considering a Central Provident Fund? We hope that the "many extra months" as alleged will not frighten Members and deter them from further pursuing a Central Provident Fund.

In fact, apart from the inadequacy of the retirement protection system, the aging of the population is another reality that cannot be ignored. Old people now account for 8.7% of the population of Hong Kong, their number having increased by more than 70 000 since 1987. In the year 2006, old people will be accounting for 12.4% of the population. Meanwhile, the birth rate will decline steadily and life expectancy will lengthen. This means that the number of families supporting their own elderly will decline and that expenses on retired people will rise. The Government has all along been providing Old Age Allowance to eligible old people. I would like to make a particular point here that Old Age Allowance alone accounts for more than 50% of social security disbursements. Because public assistance and Old Age Allowance are paid out instantly without an intervening waiting period, an increase in the elderly population is bound to be followed quickly by an increase in social security disbursements. This result will further inflate the ratio of social security disbursements, which now already stands at 60% of total social welfare disbursements. Perhaps, in the not too distant future, social security disbursements will be accounting for 65%, 70% or more of total social welfare disbursements. Such a situation will cause more resources to be diverted to social security, leaving less and less money for other forms of social welfare such as rehabilitation and youth services. With such a situation, the Government will be unable to increase social welfare disbursements indefinitely. Nor can it go on making commitments indefinitely. Since we do not want to see other social welfare services cut by the Government which will have to cope with social security disbursements for the elderly, we hope that appropriate measures, such as a Central Provident Fund or compulsory retirement protection, will be adopted as soon as possible. Nevertheless, we maintain that a Central Provident Fund is the most effective and farthest-reaching solution for the existing difficult situation. When the Government wishes to draw up a retirement protection scheme, we should consider several important principles:

The first is continuity. We suggest that retirement protection be made transferable with the employee who moves to a new job. Continuity will be an important point for debate. If retirement protection cannot be transferred with the employee who moves to new job, the employee will have to obtain a refund of his contributions every time he changes job. This will deprive retirement protection

of its meaning.

The second is stability. We want to provide a stable, low-risk retirement protection scheme. This is absolutely important. What is involved here is employees' hard-earned money. Investments made by private provident funds may yield higher returns, but they are relatively more risky than the investments made by a Central Provident Fund. Clearly, putting a reliable central body in charge of a fund will increase the fund's stability and reduce employees' risk exposure.

The third is the element of compulsion. This principle makes the protection of the scheme available to all those who work. The Government, for its part, should legislate for the retirement protection scheme, laying down the rules of the scheme and other provisions for all employers and employees to comply with, so as to make sure as far as possible that the scheme will be implemented universally. Only such a scheme can fully, effectively and with binding force cause members of the public to save for their retired years and to take precautionary measures against the problem of aging population.

To sum up, the UDHK wishes to urge the Government to reconsider the introduction of a Central Provident Fund. We think that the Government should play a clear and well-defined role in the scheme for protecting the livelihood of the retired people of Hong Kong. The various points mentioned above are principles for the retirement protection scheme. So we would like to see the Government become involved to some extent and play a role in the scheme. The Honourable LEE Wing-tat of the UDHK will further raise the question of what role we expect the Government to play in the retirement protection scheme.

Finally, I would like to make an appeal to all Members here. Just now, I heard many Members say that they would support a Central Provident Fund. However, after they heard the Chief Secretary say that consideration would take more time, they appeared to want to give up. I hope that Members will wait and not make a choice until they have heard the response from government officials later on, though I wonder if the numbers will not become inflated later on, as they respond.

Mr Deputy President, I support the Honourable Henry TANG's motion for amendment.

DR CONRAD LAM (in Cantonese): Mr Deputy President, I originally did not intend to speak today. However, after listening to the speeches of some of my colleagues, some

thoughts came to mind and I wish to say a few words.

I would like to address the question of confidence in today's motion debate. By confidence, I mean first of all the confidence of Members. I remember that, when I was in the Legislative Council several years ago, we debated the question of a Central Provident Fund. At the time, very few Members approved of the introduction of a Central Provident Fund -- only six or seven and no more. Among the Members who have spoken today, it would seem that all previous supporters of a Central Provident Fund are now having reservations, though for reasons that they very clearly explained. This reminds me of a friend I used to have. At the age of 20, she was the beauty queen of her school: she was a good student and had good looks. She kept telling people of the qualities and attributes she expected her future husband to have. I met her again when she was 30. I knew that she was going steady with someone but that, because she had had many setbacks, she was less confident and less insistent. I met her again when she was 35. From her tone, it appeared that she was ready to marry any man. Hers was a question of confidence. I feel that the conditions which made me support a Central Provident Fund at the time have now ripened even more; one does not feel that the idea has become obsolete.

Secondly, there is the question of the confidence of employees. I have talked to workers in my district about the question of a Central Provident Fund and the question of retirement protection. I asked them, if given the choice, whether they would choose a Central Provident Fund or a private fund to make their contributions to. Many said that they would of course trust the Government, since even big banks might fail. Thus, though we are supposedly talking about retirement protection for employees, yet the employees do not have sufficient confidence in the various plans. So how can we persuade them to participate?

Thirdly, there is the question about the Government. The Government in fact has confidence in itself. It must resist the mentality that since people are calling it "a sunset government", there is more to gain by doing less than by doing more. I hope that the Government will show proper courage by making the commitment. The public certainly will give it its maximum support.

After talking about the question of confidence, I would like to mention the "theory of covert design." Some may wonder why a big employer has suddenly discovered its conscience. Is there really some covert design? As far as covert design is concerned, I, too, have caught a whiff of it. Some members of the public said to

me, "Why did the Executive Council "change tack" in a matter of months? Was it because the venerable old gentlemen in Beijing were solicitous about the old people of Hong Kong and so, by contacting some people through the Sino-British Joint Liaison Group, caused the Government to "change tack"?" Others said, "Is it because the number of old people is increasing steadily in Hong Kong and so the Government is promoting a compulsory retirement protection scheme in order to save future expenses on welfare for the elderly?" Of course, whether it be "covert design" or "overt design," I support Mr Henry TANG's motion for amendment.

MISS EMILY LAU (in Cantonese): Mr Deputy President, not counting the 190 000 civil servants, only one-third of Hong Kong's working population is covered by retirement protection of one kind or another. This is to say that two-thirds are without any kind of protection. I put the blame squarely on the Government for this very unsatisfactory and, one may even say, unforgivable situation.

During our election campaign, we received very clear signals from the public. They very much want Hong Kong to provide retirement protection to all employees. Therefore, I am very glad that the Government has changed its mind and will introduce a compulsory retirement protection scheme. I am also in support of the various points raised just now by the Honourable HUI Yin-fat, the Honourable Jimmy MCGREGOR and the Honourable LEONG Che-hung. So I do not intend to repeat those points.

Colleagues who are accountants or economists have also just now provided a lot of information, which has made me realize how complex the matter is. I believe that many members of the public, too, do not have a clear picture. It is only in principle that they are strongly supporting the course taken by the Government in the matter.

The Government has already set up a working group. It is hoped that the Government will go full speed ahead to seek the opinions of all quarters and then share the information with this Council, thus enhancing the understanding of those colleagues who have no professional expertise in this particular area. I myself may not support a Central Provident Fund. But I am a bit concerned and sceptical about the Government's role and about what the Honourable Michael HO of the United Democrats of Hong Kong has just now referred to as the Government's commitment. I believe that, in its response today, the Government will probably not give a satisfactory answer. Unless I can shed my concerns and suspicions, I can hardly give up supporting a Central Provident Fund scheme.

The Honourable NGAI Shiu-kit said just now that the debate today is inappropriate. However, the fact that so many colleagues have spoken and many have decided on the spur of the moment to join the debate shows that the debate is very appropriate. One thing that he mentioned greatly amazed and perplexed me. He said critically that the Honourable TAM Yiu-chung's motion has mixed social welfare policy with labour policy. In fact, I believe that many colleagues know that these two policies are closely inter-related. The Secretary for Health and Welfare has been listening to the debate for a long time. Though she has not spoken, I believe that her silence is an indication of her recognition that the two matters are closely inter-related. Many colleagues have spoken about such inter-relation. I feel that water afar off cannot put out a fire nearby.

Mr Deputy President, in their speeches just now, many colleagues have said that taking care of the elderly is very important. Even if a compulsory retirement protection scheme or a Central Provident Fund is introduced today, it still will not take care of the 500 000 people who are now 65 or older. Therefore, I very much support the scheme put forth by the Hong Kong Democratic Foundation. Just now, Dr LEONG Che-hung has proposed that scheme. I do not wish to say any more about it here. I hope that the Government, when introducing the compulsory retirement protection scheme, will on no account forget the several hundred thousand old people. So I hope that there will be a parallel scheme like that proposed by the Hong Kong Democratic Foundation. I further hope that the Government will present the draft legislation to this Council for deliberation as soon as possible. The Government says that it hopes that this will be accomplished within one year. I hope that the Government will not try to find an excuse to stretch that time frame.

Mr MCGREGOR said just now that the Honourable Henry TANG is a businessman with a social conscience. I have known Mr TANG for only about three months. I feel that he is a very enlightened businessman. I do not feel that he has an ulterior motive for moving the amendment or a wish to let the entire matter drag on. I hope that, within the next four years, through co-operation with such enlightened businessmen, it will be possible to accomplish a good deed for the general public.

Mr Deputy President, with these remarks, I support Mr Henry TANG's motion for amendment.

MR LEE WING-TAT (in Cantonese): Mr Deputy President, over the issue of retirement protection, the United Democrats of Hong Kong (UDHK) has always insisted on the implementation of a Central Provident Fund system. During the debate on compulsory retirement protection in this Council today, I am, again on behalf of the UDHK, reiterating the hope that the Government will consider the introduction of a Central Provident Fund. The most important difference between a Central Provident Fund and private provident funds lies in the role that the Government plays. A Central Provident Fund means that there is a government commitment. The Government is more deeply involved in an overall Central Provident Fund system than it is in private provident funds. This is conducive to effective retirement protection.

Where government commitment is concerned, the first step is the process of legislation to require that, barring exceptional circumstances, all employers and employees participate in the scheme. I believe that the Government does not have too many scruples about doing this.

The second step is taking part in the management of the overall Central Provident Fund scheme. Some concerned colleagues wonder if the Government's participation in management will not cause a further expansion of the Civil Service and a big increase in the Government's administrative work. I believe that the Government may consider using the management board format for managing a Central Provident Fund; so there is no need to set up a special department. The Government will have the power to appoint and dismiss the principal administrators of the management board and can monitor the board through legislative deliberations, interpellations and debates in this Council. Why do we insist that the Government must participate in and manage a Central Provident Fund? The answer, quite simply, is that the Government's participation and management will be the solution for many of the problems of private provident funds. The objective of introducing provident funds is to solve the problem of retirement protection. In order that this objective may be accomplished, an employee must be able to convert from one provident fund plan to another as he changes his job. The existing provident fund plans arranged by private companies are quite different from one another in respect of the terms of protection, the rate of return and the method of management. When a worker changes his job and must convert from one provident fund plan to another, certain technical difficulties will arise. As far as I know, it now normally takes the Inland Revenue Department three months to one year to process a provident fund plan conversion. In trades with high employee mobility, individuals very frequently have to convert from one provident fund plan to another. This creates a huge burden of administrative expenses. Some suspect

that the administrative cost of central management will be quite high. Yet, based on Singapore's experience of provident fund management over many years, administrative costs take up a mere 2% of contributions. This is similar to the ratio of administrative costs in the case of private provident funds. Central planning, management and settlement of claims will raise operational efficiency and make it easier for the Government to exercise regulatory control.

The second advantage of central planning and management is that the Government has a relative advantage where experience in managing a large fund is concerned. On the assumption of a 10% combined contribution by the employer and the employee, total contributions during the first year will be \$1.66 billion. Adjusted for inflation, a Central Provident Fund, growing with new contributions each year and the rolled-over earnings, will be worth a cumulative total of as much as \$100 billion after six years. How to use and invest such a huge amount of money is a question. However, in view of the experience of the Foreign Exchange Fund Management Board in successfully investing hundreds of billions of dollars during the past years, the Government is the best choice for managing and investing such a huge amount of money of the provident fund. With government planning and management, it is certain that the money of the provident fund will be invested in a variety of financial instruments. The economic benefits of this will be shared by the private financial institutions involved in handling the money.

The next level of government commitment, which we think is the most important, is bearing the consequences of the risks to which the fund is exposed in the course of investment. From the Government's angle, if a private provident fund goes bust because of bad investment and stops paying retirement benefits, the livelihood of the affected retired persons will be in difficulty. They may need public assistance, which will then add to the Government's financial burden. From the employer's angle, many manufacturers willing to introduce provident funds are concerned by questions such as whether insurance schemes are worth investing in and what the risks of investing in them are. We must note in particular that more than 80% of the employers in Hong Kong each employs 20 or fewer people. They are what we call small operators of industrial undertakings or small employers. Many of them may well have been employees themselves until a year ago and joined others in business only during the past year. It is very difficult for these employers to find the right provident fund plan. No matter what law we may make, no matter how specific our provisions for regulatory control may be, stormy incidents like the BCC, which was licensed by the Government, still occur from time to time. Therefore, the worries of operators of

industrial undertakings are understandable. Since the Government must assume responsibility or allocate money to make public assistance disbursements when a provident fund goes bust, why then do we not go a step further? That is, if the Government is willing to bear the consequences of risk exposure, then the problem of guarantee can be solved as in the case of private provident funds.

On certain occasions, I have heard members of the public express their views. They have reservations about a Central Provident Fund. This is because they lack confidence in Beijing. If the Government amasses a huge amount of money, will the Central Government in Beijing take it away with a mere telephone call? They wonder. I think that we should not let extraneous matters distract us in our discussion of the question of a Central Provident Fund but should concentrate on studying how to handle Hong Kong's affairs in accordance with the provisions of the Sino-British Joint Declaration. If we have no confidence in Beijing, then our worry should be that Beijing may take away not only the provident fund but also the Foreign Exchange Fund. Therefore, that is not a proper excuse.

Mr Deputy President, the Government began during the 1980s to reduce gradually its commitment to social and public services and to handle such matters through privatization. Since the launching of the airport project, cut-backs on public and social welfare spendings have multiplied. Popularity and popular support are very important for a transitional government. If the Government, despite having the concerted support of employers and employees, still balks at introducing a Central Provident Fund as desired by the public, what other credibility can it have? What other capability will it have for governing the community? The UDHK wants the Government to resume its responsibility and act like a responsible administration by quickly introducing a Central Provident Fund system as desired by employers and employees.

Mr Deputy President, with these remarks, I support the Honourable Henry TANG's motion for amendment.

MR ERIC LI (in Cantonese): Mr Deputy President, first of all, I express support for the motion to implement a compulsory retirement protection scheme. My reasons are three.

The first is the aging of the population. I have already heard colleagues talk

about this point. At first, I did not want to repeat it. However, some colleagues seem to say that, once this protection scheme is implemented, the problem of the elderly will be immediately solved. That, in fact, will not be the case. While old people now account for only 12% of the population, retirement protection funds take time to become operational and to build up. Only then will they provide effective protection. I believe that the Government must do some clear-headed thinking and not immediately do away with the existing protection plans; it must wait until retirement protection funds have snowballed to a sufficient size. In a different and more positive sense, this means urging the younger people, while still capable of hard work and not yet retired, to save some money for the future, when they will be able to take care of their own needs after retirement and not put financial burdens on their children. Pension schemes are a way of saving on a large scale with the pooling of individual contributions. Many people adopt this method; it has been quite effective.

Secondly, at the beginning of this year, I took part in the consultation work on the White Paper on social welfare. I felt strongly at the time that the public, including the Hong Kong Chamber of Commerce, wanted a continuation of the studies on ways of providing financial support to the elderly. This fact is noted in Paragraph 6 in the foreword of the White Paper.

Thirdly, in September 1988, I moved a debate in the Eastern District Board on the consultation paper concerning the regulation of pension schemes. At the time, I opposed the immediate introduction of compulsory pension schemes or a centrally managed pension scheme. I believed at the time that non-compulsory pension schemes would grow steadily and that therefore there was no urgent need to introduce compulsory provident funds. That year, the total assets of approved pension schemes were worth roughly \$40 billion plus. Now, three years later, the total worth has increased to about \$60 billion. It is therefore a proven fact that growth has not met the best expectation. Therefore, I feel that I am justifiably and legitimately "changing course" when I now voice support for the compulsory retirement protection scheme. At the time, too, I opposed a centrally managed pension fund, my principal argument being that the colossal amount of money in a centrally managed pension fund would concentrate an alarmingly large measure of economic power in the hands of a handful of fund managers. Any move they might make would be enough to affect the Government's economic policy and the entire financial system. This argument of 1988, I believe, is still valid today. Statistics show that there are now 11 000 approved pension schemes, with total combined assets worth about \$60 billion. An estimated

\$300 billion in total employees' remuneration is among those components of Hong Kong's gross domestic product (GDP) which showed increases in 1991. On the assumption of a 10% rate of pension contribution, as much as \$30 billion a year will be infused into a Central Provident Fund. I am aware that many colleagues have cited different figures. I am a bit concerned by such discrepancies. Everybody cites a large figure, but there is no mention of what standards of measurement are used. I hope that the Government will clearly tell us exactly how huge the figure is. If the figure that I used, which is based on the GDP, is right, then this infusion of \$30 billion a year on top of the original amount will cause the fund to grow very fast. These government intakes are different from the other government revenue receipts. The other receipts are taken in by the left hand and paid out by the right hand. But this fund will accumulate and snowball. Proportionally speaking, for instance, the Government's budget layout for 1991-1992 is \$140 billion, an amount that will be equalled by the fund in about three and a half years. In about four years, the fund will equal the total cost of the new airport project. In about 18 years, it will equal Hong Kong's annual GDP. In about 30 years, it will be enough for buying up all the publicly traded shares of Hong Kong companies. Proponents of a Central Provident Fund, whether representing business or labour, know what a heavy responsibility it will be to manage such a huge retirement fund. I feel that, in their minds, they want to place this responsibility on the Government. I believe that, if something should go wrong with the investment of the fund, they would scream that the Government is morally the guarantor. But would a scheme based on such wishful thinking work in so simple a manner? Let me talk about the question of risk insurance first. As the Honourable LEE Wing-tat has said just now, even big banks may fail; even putting money in the bank carries risks. There is certainly risk in investment. Nor can the possibility of fraud at the management level be ruled out. It is really unreasonable to ask the Government to provide unlimited risk protection to the people of Hong Kong. This is because, as we know, the Government and the people are one and the same in that, as the saying goes, "the back of the hand is flesh, so is the palm of the hand." If the Government's guarantor role is advocated simultaneously with the introduction of compulsory provident funds, I can foresee the certainty that civil servants, who do not have a contribution scheme now, will exert pressure in the hope that Government will introduce a universal pension contribution scheme to prevent the limited contributions from being used first to guarantee the pension scheme of private institutions. I believe that having to deal with the civil servants' pension contribution scheme is already giving a big enough headache to the Government. I believe that, if the problem is further enlarged, if the Government is asked to manage and guarantee a private Central Provident Fund, the Government will have no choice

but throw up its hands in surrender. In addition, I would like to talk about the problem of such a fund becoming the second power structure. I believe that any person who has some foresight can see and will agree that, in due course, at some stage in the snowballing of the fund, the financial power of the body managing the fund will expand with the fund and exceed that of the Financial Secretary and even that of the entire Legislative Council. Government expenses will be controlled by tight and healthy regulatory measures as they are now and also by an elected Legislative Council from the side. I wonder who can be found to control a Central Provident Fund on such a huge scale. Will we have to hold a fourth kind of election to elect the members of a management board? How should we exercise regulatory control? Will we have to set up a structure as big as the Financial Branch of the Government Secretariat? More, who will pay the relevant bills? Who will have the competence to exercise regulatory control? Are we to exercise regulatory control in the manner of asking four blind men to describe a camel, as we are doing in the regulatory control of the very complex new airport project? In Singapore, Mr LEE Kuan-yew would rather step down as Prime Minister; he wants to continue being the chairman of the pension fund. Everybody can see from this how important pension funds are. After describing my position, I would like now to make some compromise proposals for consideration by all:

Firstly, the overall size of the funds should be restricted; it should not be allowed to grow too big. I believe that those to receive protection should be limited to middle and low income people. As a matter of fact, there are a large number of self-employed people in Hong Kong, including those who form limited companies to employ themselves or members of their families; there are also many high-income people who, for example, earn annual salaries of \$500,000 or more each. I feel that these people should be allowed to apply for exemption. Because they will have enough financial resources to take care of their own needs in old age; there is no reason to force them to turn over to the funds the power of making choices about how to save. Forcing them to do so makes no sense at all.

Secondly, a limited Central Provident Fund should be introduced. As we all know, when there are many funds in the market, the Government will be unable to shirk its regulatory responsibility. The management of pension funds is highly difficult and highly responsible work. Apart from legislating for the establishment of a management board, I feel that the Government should, as an exception, become the manager of one of the funds and directly participate in its operations. This will enable the Government to acquire practical professional experience, feel the pulse of the profession, know the latest financial situations of the funds and promote

benign competition and service improvement in the profession. Then, it will be possible to say that the Government is exercising effective regulatory control as a professionally qualified party. I believe that this will put the Honourable Henry TANG's mind at ease. I further suggest that the total worth of the assets managed by one fund must not exceed 5% of the total market worth of all funds. If the rules are relaxed to enable the funds to invest in profitable local construction projects, that will provide additional sources of financing for future infrastructure projects and reduce the possibility of capital flight.

Thirdly, concerning the question of risk insurance, the Government cannot unlimitedly insure against risk but can help to scatter risk exposure. First of all, the Government can regulate that the total worth of the assets managed by one fund manager must not exceed 5% of the total market worth of all funds. Thus, even if things should go wrong for one fund manager, the repercussions would not be too wide. The second thing is that the Government may consider using or borrowing from the model of the guarantee fund of the travel service trade. With the collection of an insurance premium equal to 0.5% of contribution, an independent statutory guarantee fund may be established, so that, should any one fund manager fail for reasons of investment or management, a limited amount of compensation may be paid out to the affected employees. Thus, the Government, financially hard-pressed as it already is, will not have to be directly exposed to a very big risk. When the guarantee fund has snowballed into a prescribed size, we can gradually reduce the insurance premium or stop collecting it altogether.

After summing up my views and going over my arguments, I feel that I can support the original motion but that I also propose the introduction of a limited Central Provident Fund, which more or less means the same thing as the motion for amendment. I do not wish to let the well-considered proposal go to waste. At first, I intended to abstain from voting on the motions. But now I would like to take a position, which is to support whichever motion may ultimately be passed. Taking a position was all that I originally intended to do. However, I have listened to many Members today and feel that their views, which I had not heard before this meeting, are incisive. In order to maintain objectivity, I hope to be able to hear better views; then I will make up my mind. I wish to keep my mind open for the time being on how I will vote. Thank you, Mr Deputy President.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, over the past 20-plus years,

many private organizations and trade unions in Hong Kong have been actively striving for the introduction of a Central Provident Fund or an old people's retirement protection scheme by the Government, and the Legislative Council has held many heated debates on whether or not a Central Provident Fund should be introduced. Some members of the industrial and commercial circles, however, have rejected the idea on the ground that a Central Provident Fund will create a heavy burden for employers, jack up the rate of inflation and stunt Hong Kong's economic growth. Recently, the Executive Council dramatically agreed in principle to the introduction of a compulsory old people's retirement protection scheme. This is undoubtedly a major break-through. This volte-face performed by the Government in its attitude towards a compulsory old people's retirement protection scheme may be due to political consideration, the explanation being that most by far of the directly elected Members of the Legislative Council have political programmes which, among other things, call for the introduction of a Central Provident Fund or an old people's retirement protection scheme and that these views of the public will bring heavy political pressure to bear on the Government. Apart from the political factor, the social conditions of Hong Kong also demand that an old people's retirement protection scheme be introduced as soon as possible. There are several reasons for this:

Firstly, the population of Hong Kong is aging at a quick pace. Prof Edward CHEN and other Members have already dwelt on this point. I will not say any more here.

Secondly, the distribution of wealth in Hong Kong is uneven; there is a wide gap between the rich and the poor. Despite Hong Kong's rapid economic development during the 1980s, the distribution of wealth is uneven. The middle and low income people do not live in great affluence. The Government's cutting back on its commitments to such services as housing, transport and medical care has added to the pressure of the lowly people in their everyday life. It is really doubtful that they have the resources to make early preparations for retired life.

Thirdly, Hong Kong's core households are small "nuclear" families. People of the younger generation all want to have their own small families, in which married couples live in their own small worlds. Most young people do not want to live with their parents after they get married. Consequently, the idea of children supporting their parents and the duty of children to support their parents are no longer taken seriously. The problem of care for the elderly has become increasingly serious.

Here, I wish to stress that an old people's retirement scheme should be centrally

implemented if it is to be feasible. Given Hong Kong's specific circumstances, a compulsory privately managed retirement scheme that is not centrally implemented will clearly have two difficulties, as follows:

Firstly, labour mobility in Hong Kong is quite high. Job changes are quite common. When an employee changes his job, his former employer and the financial agent of his former pension scheme will have to transfer his account to his new employer and the financial agent of his new pension scheme. There is a transaction cost to be borne by both the new and the old parties, and the transfer process may give rise to disputes due to mistakes, omissions or delays. Who exactly should exercise regulatory control over such financial matters? This is one question. When an employee loses his job, what is to happen to his pension scheme? Should his pension contributions be deposited in a central account of the Government? If the answer is yes, then why not directly introduce a Central Provident Fund with one single account that is centrally managed by the Government, which, if necessary, is to collect an appropriate administrative fee? With the economy of scale, the central administrative cost will be less than the sum of the transaction fees paid by all private institutions; there may also be fewer mistakes, omissions, delays and disputes.

Secondly, most enterprises in Hong Kong are on a small scale. In the manufacturing sector, for instance, the average number of employees per enterprise is below 20. How can such enterprises find honest and reliable financial agents to make sure that provident funds will have reasonable earnings? This is a big question. Big financial institutions are not interested in their business patronage; small financial institutions may not be reliable. According to recent reports, many insurance companies do not have adequate reserves for paying out compensation. This is a danger signal. Also, the reliability of some owners of enterprises is a matter to be considered. With a centrally managed fund, such problems will not arise. If it is the Government that selects the financial institutions and allocates the pension fund's investment portfolios, then of course the more prestigious and more professionally knowledgeable institutions will be chosen. Also, the probability of a financial institution defrauding the Government will be very low. Incidents in which owners of small enterprises abscond with the money can also be eliminated.

If the Government insists on the introduction of a compulsory privately managed retirement protection scheme, regulatory control and co-ordination will be major problems. Given Hong Kong's specific circumstances, there may be many loopholes, delays and disputes arising from lawful or unlawful acts. Some employees may become

the victims of such a system of "half measures" and fail to receive due retirement protection, unless the Government is willing to play the role of the guarantor of last resort. However, playing such a role will be thankless. It is better to consider the introduction of a centrally managed system in the first place.

Mr Deputy President, the Government has agreed in principle to the introduction of a compulsory old people's retirement protection scheme. For some groups, social workers, trade unions and scholars, this may be claimed as a victory. However, while enjoying this victory, we feel some regret. This is because the Government has from the very beginning rejected the feasibility of introducing a Central Provident Fund. We think that a Central Provident Fund scheme should remain on the agenda. This is why I myself and several other Meeting Point members in the Legislative Council all support the Honourable Henry TANG's motion for amendment. However, we wish to issue a serious warning here: the Government must not use the reconsideration of a Central Provident Fund as a pretext for postponing the implementation of an old people's retirement protection scheme. The matter of a Central Provident Fund has been under debate for more than 10 years. The Government surely has gathered sufficient information already and does not have to begin anew. In addition, I appeal to colleagues of this Council to work together to monitor the Government's progress in this area.

Mr Deputy President, with these remarks, I support the most expeditious possible introduction of a Central Provident Fund. Thank you.

DR SAMUEL WONG (in Cantonese): Mr Deputy President, I was in favour of the motion proposed by the Honourable TAM Yiu-chung, representative of the labour sector in the Legislative Council. But on learning of the Honourable Henry TANG's amendment which urges the Government to reconsider a Central Provident Fund, I find that his amendment, which initially came as a surprise to me, is indeed worthy of support.

A motion which urged the Government to establish a Central Provident Fund was debated in this Council on 10 July 1991 during the last legislative Session but was eventually defeated. Such being the case it is indeed out of expectation that a Member with strong business connections or background should now propose an amendment to urge the Government to reconsider the establishment of a Central Provident Fund. I would therefore suggest that Members of this Council and our large workforce should wholeheartedly thank this noble employer, Mr Henry TANG, for his kind heart.

Some people may worry that if Mr Henry TANG's amendment is carried.....

DEPUTY PRESIDENT: The interpretation is not working and we are not all able to follow what you are saying, Dr WONG. Can I ask your indulgence for a second.

CHIEF SECRETARY: Mr Deputy President, interpretation is coming on Channel Two instead of Channel Four.

DEPUTY PRESIDENT: Thank you, Chief Secretary. Dr WONG, we have got that sorted out. Please continue.

DR SAMUEL WONG (in Cantonese): this retirement protection scheme, established specifically for the benefit of the labour sector, will experience indefinite delay. But could I ask Members not to worry? If Mr TANG's amendment is carried today, the labour sector, the liberals and those Members of this Council who are dedicated to the welfare of the employees will allow no delaying tactics to be employed by the Government. I believe that Mr Henry TANG will not, as long as he is Member of this Council, tolerate such manoeuvring by the Government.

What has the labour sector been striving for all these years? A Central Provident Fund. This afternoon the Chief Secretary put forward three reasons against the establishment of a Central Provident Fund which, I should say, did not sound convincing enough. According to the Chief Secretary, the creation of a Central Provident Fund would mean that the Government would have to manage and invest funds of an enormous size which, he worried, would not sit comfortably with Hong Kong's way of doing things. But given the Government's success in the corporatization of the Mass Transit Railway and the Kowloon-Canton Railway, I wonder why two or three joint venture investment companies cannot be set up to invest in a flexible manner the funds under a Central Provident Fund. In the next 10 or 20 years, Hong Kong will have to obtain from the international financial market loans of over \$200 billion to finance infrastructural projects such as the new airport, environmental protection, public housing and transport projects. The annual contribution of \$8 billion to the Central Provident Fund would, I should say, appear trivial when viewed in this perspective. The Government may be of the view that the management of a Central

Provident Fund might have huge financial implications in terms of administrative cost. But even if provident funds were to put under the management of scores of investment companies or banks the administrative cost would not be much lower. More to it, not all provident funds managed by private agents and investors are security-proof as seen from the recent case in the United Kingdom where the employees' retirement fund virtually disappeared into thin air.

The labour sector's demand for the establishment of a retirement protection scheme has for many years been turned down by the Government. Many people now welcome the Government's plan on the introduction of a compulsory retirement protection scheme; but would the labour sector, in view of the Government's strong objection to a Central Provident Fund, give up striving for it? Later today when we vote on the motion, we will be given a definite answer on this.

Mr Deputy President, with these remarks, I support Mr Henry TANG's amendment.

DR PHILIP WONG (in Cantonese): Mr Deputy President, I think that, in principle, both the Honourable TAM Yiu-chung's motion and the Honourable Henry TANG's motion for amendment should be given consideration, but that it is arguable whether the measure should be made compulsory in all of Hong Kong.

For many years, the Government has failed to accept a compulsory retirement protection scheme. Even the policy address of 9 October made no reference to it. The voices that one has been hearing since early November make one wonder at the abruptness with which the Government's position and policy have changed.

I have exchanged views with members of the industrial and commercial circles and with colleagues of the Chinese General Chamber of Commerce. We all feel that the problem of Hong Kong's aging population should receive attention and that the Government, while promoting Hong Kong's economic development, has the duty to draw up a set of effective social welfare policies. The existing services for the elderly and social welfare benefits, including public housing, public assistance and old age allowance, as well as the recent amendment to the Employment (Long Service Payment) Ordinance, are all intended to provide protection to low income people. The cost of such protection should be borne by the Government's social welfare allocation. The members of industrial and commercial circles with whom I am in touch, including employers and employees, all agree that concurrent with the improvement of social

welfare a spontaneous retirement protection scheme be implemented. However, they do not necessarily approve of the compulsory mode.

Firstly, people in the insurance business estimate that in Hong Kong about 20 000 private institutions are now implementing provident fund schemes. About 700 000 employees, accounting for about a quarter of Hong Kong's working population, are beneficiaries. These provident fund schemes have proved to be effective. They are providing effective protection. If a compulsory retirement protection scheme involving trilateral contributions is introduced, will it be acceptable to those employees who are already covered by provident fund schemes? Will their interests be impaired? How are the existing provident funds to be linked up with pension funds? Many troubling questions will rise. In fact, given Hong Kong's actual circumstances, the majority of the private institutions should be encouraged to introduce provident fund schemes or retirement protection schemes spontaneously. Hong Kong now faces a labour shortage. Those private institutions which do not have a provident fund or a retirement protection scheme will become much less attractive when they want to hire, while those which have a provident fund or a retirement protection scheme will have an advantage in hiring new employees and keeping old employees. For the employees, there will be one more opportunity for exercising their freedom of choice. In Hong Kong's commerce and industry, the trades vary in nature and in circumstances. Individuals, too, are different in their habits and methods of saving. Where legislation is passed to compel submission by all trades and all individuals to arrangements made by the Government, results often differ from the original expectations. A statute is made; a harm is born.

Secondly, in recent years, because of the global economic downturn and because of Hong Kong's high inflation rate marked by soaring rents, wages at a sustained high level and high overheads, many private institutions are like beasts of burden. Business is lacklustre. Whether one operates a trading firm or a factory, one can consider oneself lucky if one does not have to lose money. If one actually makes a profit, one will have made it after "being covered with cold sweat all over." A compulsory system of contribution by labour and management is no different from a tax increase in disguise. To the majority of the private institutions in difficulty, especially medium-sized and small ones, it will undoubtedly be like adding one more straw to the back of an over-burdened camel. Will they be able to bear the increased cost of doing business? If the new law is passed, it cannot be ruled out that some manufacturers will move their production lines out of Hong Kong or will even be unable to remain in business and so fail. Then the labour side, too, will suffer.

Thirdly, Hong Kong is a business community with a paucity of natural resources but with intense competition. Everybody remembers how scarred Hong Kong was after the Second World War. There are many factors for the success which has now made Hong Kong one of the "four little dragons of Asia." I think that the most important factor has been Hong Kong people's pioneering and ambitious spirit that makes them go to the utmost length to attain a worthwhile goal. This, with the support of a market-oriented free economy, has brought about the miracle. For many years, the relations among employees, employers and the Government have been rather stable. They normally understand one another and work together as people in the same boat. They seek survival and growth from harmony. Labour unrest is much rarer in Hong Kong than in the western countries. Look at the so-called advanced countries of the West. Look specifically at the affluent United States of America. Its government collects a welfare tax of a few percentage points and carries out certain welfare policies. Even so, the whole of its society has become "a mess," with some people not wanting to work and not wanting to move ahead. We can learn from this lesson. Hong Kong's situation is unlike those of the western countries. If we borrow their blueprints and implement certain compulsory schemes, it will not be hard to imagine that new elements of uncertainty will be added to Hong Kong during the period of transition, with effects that will weaken Hong Kong's unique pioneering spirit and enterprising dynamism. Interest in investing will be set back. The competitiveness of products will decline. Economic development will suffer a blow.

Fourthly, if such a compulsory scheme is to be implemented in Hong Kong, many technical problems indeed need to be solved. For instance, some colleagues have mentioned the definition of the retirement age, the ratio of employer and employee contributions, the rate of contribution, low income people's contribution, switching from one pension fund to another and, in particular, the problems of planning, management, investment and regulatory control in respect of pension funds worth tens of billions of dollars. How these problems will be solved will have major financial, monetary, taxation, legal and social implications for Hong Kong. Therefore, before we draft and pass the relevant Bill, we must extensively learn and analyse the views of all quarters, study them carefully and consider them comprehensively from the perspectives of overall economic development and the interests of labour and management.

Mr Deputy President, I so made my submission.

DR YEUNG SUM (in Cantonese): Mr Deputy President, according to the standard of the United Nations, the population of Hong Kong has entered into the old age category since 1981. In 1990, there are 750 000 people in Hong Kong over 60, by 2 001 the number will increase to one million, accounting for 15.5% of the total population, that is, one in every six people is an elderly citizen. We can see that our population is ageing rapidly. In Asia, Hong Kong is only second to Japan in terms of the rate of ageing.

With a decreasing rate of birth from an estimated 1.43% in 1991 to 1.35% in 2 006 and an increasing life expectancy of male and female from 74 and 79.8 years old in 1986 to 77.3 and 82.9 years old in 2 006, the dependency rate of old people will increase from 11.1% in 1991 to 17.4% in 2 006. The ratio of working people to old people has dropped from 5.38:1 in 1986 to 4:20:3. If the labour force participation rate remains at 65%, the number of workers to support one elderly aged 65 or above will drop from 5.38 in 1991 to 4.2 in 2 006. It can thus be seen that families have to shoulder greater economic pressure in taking care of the elderly.

On the other hand, the number of elderly eligible to apply for public assistance has increased more than 40% during the period from 1976 to 1986. This shows that our elderly population is getting poorer and poorer. The purpose of public assistance is not to protect the retirees but to provide minimum care to the destitute. Hong Kong has a workforce of two million. However, 70% of them have not been hitherto offered retirement security. Therefore, the setting up of a contributory retirement scheme should brook no delay. According to the International Declaration of Human Rights, it is a basic human right to receive reasonable social security.

After years of struggle from the local bodies, the Hong Kong Government has finally made a concession and agreed in principle to set up a compulsory retirement protection scheme. The Central Provident Fund is however rejected. The United Democrats has great reservation on this deceitful act as the Government will only legislate for the compulsory establishment of retirement schemes without assuming any responsibility for their administration, supervision and provision of guarantees. The United Democrats considers that on the surface the Government seems to have responded to the local demands, yet in reality, it shirks its responsibility.

As the Honourable LEE Wing-tat has pointed out, the implementation of compulsory retirement protection schemes by private insurance companies has many inherent problems, such as (1) contributors have to bear certain risks in case of

mismanagement, malpractices or liquidation of the insurance company; (2) workers are devoid of their freedom to change jobs as transferability of funds is not possible with every change of job; (3) private insurance companies aim at making profits instead of providing social security. The interests of the shareholders will be given top priority.

Comparatively speaking, the Central Provident Fund system is more reasonable and better geared to the situation of Hong Kong. The reasons are as follows: (1) The spirit of the Central Provident Fund is "the more you work, the more you get", which is in line with the capitalist spirit. Those with more income will contribute more and will get back more when they retire. As contributions to the Central Provident Fund, made by both employers and employees, are calculated in accordance to the salary of the employees, employees will be encouraged to stay on their job and the productivity force of Hong Kong can thus be maintained. (2) "Central" Provident Fund means that the Government will legislate for its implementation, and government departments or "public body" specially set up by the Government will be responsible for the administration, supervision and provision of guarantee. If a "public body" is set up by the Government to take up the above functions, a great amount of administrative cost can be saved. (3) The setting up of a Central Provident Fund will spare more resources to improve social welfare services. Some Members have also pointed out that 60% of the total social welfare expenditure has been spent on social security and 70% of the expenditure for social security has been spent on people aged above 60. (4) As the Central Provident Fund is Centrally co-ordinated, transferability of funds is possible if workers change their jobs. (5) If the Central Provident Fund is implemented by the Government or by public bodies set up by the Government, it will aim at providing social security instead of doing business and therefore people will be better protected. Both employees and employers will have more confidence on the operation of the scheme and employees will be better secured.

Some people have quoted the experience of Singapore to argue that it is not suitable to set up a Central Provident Fund in Hong Kong. Such an argument is open to question. While the rate of contribution in Singapore is 20%, the rate presently proposed by local bodies is merely 5%. The difference is great. Some people query the ability of the Government to handle the huge amount of money accumulated by the Central Provident Fund. Such worry is indeed unwarranted. According to the statistics released by the Government, the assets held by the Government in 1990-91 was over \$108.9 billion, which included \$50 billion of Foreign Exchange Fund and \$72.5 billion of financial assets, excluding the amount rolled forward over the years and

the interests. Armed with an established status of being one of the three major financial centres of the world and the experience of in managing finance, the Government should have no problem in handling the Central Provident Fund. Some people also think that the market draws more trust than the Government. Although the administration of the Government is not perfect, it is easier and more practicable for the public to demand accountability from the Government than from private companies. Private companies, like the China Light and Power, can very often easily refuse to release any information or be "accountable" to the public on the pretexts of the principle of market mechanisms and commercial secrets.

I would like to talk about the social security scheme proposed by my honourable colleagues -- a tripartite contributory scheme. I have three points to make here: (1) It is proposed in the tripartite contributory scheme that the rate of contribution be fixed at 20% or 30%, whether the contributors be poor or rich. This method is rather backward. To ask both the poor and the rich to pay the same rate is backward because 20% means very differently to the two groups. (2) Contributory schemes are designed to take care of the interests of the poor. In 1950, Lord BEVERIDGE of the United Kingdom proposed the "flat rate contribution" which was geared towards helping the absolutely poor. But this British insurance scheme needed to be revised in the 1960s. In Hong Kong, if this system is adopted, 15 years later, the Government will need a big injection of capital to maintain it because Hong Kong has a fast growing ageing population. By then, the Government will have to shoulder very great financial commitments. Will the Government then impose hefty tax increases so that the scheme can be maintained? Therefore, I have reservation about this tripartite contributory scheme. In the first 15 years, the scheme will probably work because the Government need not spend extra money. It can simply use the money allocated for the old age allowance and public assistance to maintain the scheme. But with the growing population, the Hong Kong Government will have to inject more capital to maintain the scheme. This has been seen in many other countries and the United Kingdom is an example.

Mr Deputy President, all in all, the United Democrats considers that the setting up of a Central Provident Fund is far better than the compulsory retirement scheme formulated by the Government. For those who are incapacitated and for the elderly, the Government can enhance public assistance and old age allowance. As most people of Hong Kong will stay in the territory in future and as our population is ageing rapidly, the Government should be determined to break the bureaucratic inertia and firmly commit itself to the setting up of a Central Provident Fund, so as to lay a

sound foundation for the future well-being of Hong Kong. The Chief Secretary has said just before today's debate that the Government will ignore the result of the debate and be determined not to consider establishing a Central Provident Fund. I believe this kind of attitude needs to be reviewed. If results are ignored, what is the point of having debates in this Council? How could the Executive and Legislative Councils work as partners? The Government played this trick when we had a debate on the court of Final Appeal. I really regret to see they play the same old trick again this time.

Mr Deputy President, with these remarks, I fully support the amendment motion moved by the Honourable Henry TANG.

MR HOWARD YOUNG (in Cantonese): Mr Deputy President, during today's debate, some colleagues have questioned why the Executive Council and the Government, to which the idea of provident funds for many years was not very acceptable, have abruptly made a change and now think that it is feasible. I have heard some colleagues wonder aloud whether a motion for amendment may, or actually will, slow down the introduction of a provident fund scheme. I think that such questioning is improper. In fact, the Government is beyond reproach for agreeing, after many years of discussions and after analysing the latest situation, that Hong Kong has economically and politically reached the point at which it can make more social commitments to protect the aging population. I believe that, when the Honourable Henry TANG again raised the subject of a Central Provident Fund that had been rejected before, it was his sincere wish to make the scheme even more ideal and even more perfect.

In the past, many people thought that a provident fund system was not suitable for Hong Kong. It would add to the cost of production and increase the competitive pressure for Hong Kong's export sector. Now that Hong Kong is already one of the "Four Little Dragons of Asia," I believe that its economic situation and national income have changed. So I feel that the old theory is not quite valid. In fact, Hong Kong's economy is no longer fully dependent on manufacturing but is changing in the direction of having a service sector, a financial sector, an export sector, an insurance sector and so forth. Thus, the theory that used to make people worry about the effect of increased cost on competitiveness is obsolete.

The principal question under debate today is which is better: a Central Provident Fund or, as recently proposed by the Government, the introduction of legislation to

compel private institutions and financial institutions to introduce provident funds.

First, let me discuss this question from the point of view of the expected result. It is hard to believe that the Government can manage and efficiently invest a huge amount of money and that, if it does so, the returns will be higher and more cost-effective than in the case in which the same is done by private financial institutions. I feel that, if civil servants working in the Government were such astute businessmen and could, in matters of investment, outperform the business sector or the financial sector, then they would not have been civil servants in the first place. I therefore worry that, if we let the Government handle a provident fund and expect it to be able to invest the fund more profitably than the private sector can, the result will just be the opposite of this expectation. In fact, investment is an art and a science. When the civil servants come to agree that their investment strategy cannot be superior to that of private institutions, the money will simply be turned over to one or more private institutions to invest or turned over to a trust fund. Thus, we will have two overlapping structures. This is why I feel that, from the point of view of the expected result, it is better to let private financial institutions handle the funds.

Many colleagues have just now mentioned convertibility from one provident fund to another. I feel that it is quite necessary. It is also the basic reason why we are discussing today a provident fund scheme for the whole of Hong Kong, in which the employees of all companies are required to participate. If an employee cannot convert from one fund to another, then the situation will remain the same as it is today, with only about one-third of the employees participating in one retirement scheme or another, while the other two-thirds, plus the many self-employed as well as the lowly employees of their small businesses, will be excluded from the schemes. Therefore, convertibility is very important. If different provident funds are managed by different private financial institutions or insurance companies, how is the target of convertibility to be attained? This is a difficult question indeed. However, a difficult question is not the same as a question that absolutely cannot be resolved. In the business sector, there is so-called "pool arrangement." This refers to a joint business relationship. It permits several companies to manage mutually convertible funds. However, I wish to mention one point, which is that I hope that the convertibility of schemes will not become a tool used by employees to change jobs.

The Government should in due course set the minimum amount of contribution from

the employer and from the employee. It should also encourage the employee, if he so wishes, to contribute more than his minimum. Still more, it should encourage the employer, if he wishes to be attractive to or raise the morale of his employees, to contribute more than the minimum. In fact, among those one-third of the companies which have provident funds, many are contributing more than the minimum. This being so, I think that, when studying convertibility, we should consider allowing an employee to convert from one fund to another only to the extent affecting his own contributions and the minimum contributions of his employer. If the employer has chosen to contribute more than the upper limit set by the Government, then the excess portion is not convertible. This will encourage and enable the more liberal employers to contribute more to the provident funds as an incentive to employees who remain in their companies. Of course, if the Government does not implement a Central Provident Fund, the biggest problem of provident funds will be regulatory control. Regulatory control is very important, since nobody can guarantee that an insurance company or a bank will not run into difficulty. I think that the Government should bear the cost of regulatory control and the relevant expenses of the administrative structure. These costs should not be borne by the provident funds themselves.

Finally, I would like to talk about the question of timing in regard to today's motion and motion for amendment. I feel that Mr Henry TANG's motion is very good. He hopes that the Government, after changing its unwillingness to consider a provident fund, will allow the matter of a provident fund to be raised again. I feel that, generally speaking, as far as Hong Kong's economic situation is concerned, the outlook for the next year or two is somewhat encouraging. In particular, many businessmen think that the starting of construction work in the new airport project will have a stimulating effect on Hong Kong's economic growth. With the economic situation looking relatively good, this is in fact the best time to encourage employers and employees to participate in the provident fund scheme. If worst should come to the worst, if the economic picture should change for the worse after a year or two, some might use the economic downturn as a pretext for proposing a suspension of the scheme. This would again prevent the many who have already waited long from finally being able to participate in the scheme. Now that the Government has agreed to implement the scheme, its offer should be accepted promptly. Business and Professionals Federation of Hong Kong issued a report day before yesterday, opining that most by far of the employers in Hong Kong will agree to accept and participate in a compulsory provident fund scheme implemented by private companies. The time being so opportune, I feel that we should not take the risk of addressing the side issues and seeing the scheme abort. So I am very supportive of the Honourable TAM Yiu-chung's motion.

Although the spirit of the motion for amendment is commendable, I cannot support it. Thank you.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, first of all let me congratulate those senior government officials who, when they retire in a few years from now, will receive generous pensions and never have to worry about livelihood after retirement. In contrast, most of Hong Kong's working population of more than two million are worried about what will happen to their livelihood after they retire. I believe that senior officials will have difficulty finding empathy with such a state of mind.

Hong Kong is now facing the pressure of a steadily growing elderly population. The financial assistance that the Government must provide will increase steadily. At the moment, old people account for more than 60% of public assistance cases. It is estimated that in the year 2001 public assistance disbursements will be amounting roughly to as high as \$1 billion, creating a heavy burden on the Government. So we always think that Hong Kong needs to introduce as soon as possible a comprehensive and compulsory retirement protection system, and a Central Provident Fund is the goal that we have been pursuing for many years. Regrettably, however, the suggestion has been rejected several times by the Government. Thereupon, social problems have emerged.

I am the chairman of the Association for the Promotion of the Rights and Interests of the Elderly and a social worker engaged in services for the elderly. I naturally have very deep feelings about these matters. Let me cite a few examples. First of all, let us look at the problem of old people's employment. We understand that a person's ability to work does not end suddenly because of old age unless his health has deteriorated very seriously. So it is healthy and worth supporting for people to go on doing some paid or unpaid work that is appropriate to their experience, physical condition and knowledge. Regrettably, however, many old people are now having to work beyond the retirement age because they have no choice. In order to make a living, they must work and endure long hours and low pay. They are the exploited.

Now let us look at a study published by the Association for the Promotion of the Rights and Interests of the Elderly in 1987 on suicides among the elderly. The study revealed that one old person committed suicide almost every three days. Some became fed up with life because they were chronically ill and received no financial assistance. The situation was very serious.

Now let us look at the fact that, because the elderly population has grown steadily, families having to support their elderly parents are carrying a very heavy burden. Friction often occurs. The old people, having to depend on their sons and daughters-in-law, suffer silently. Their life is devoid of personal dignity. There are other problems, too. I do not intend to go into them one by one here.

Today, we are very glad to see the matter of a Central Provident Fund back on the agenda. We are confident that the motion will win wide support. As we study the introduction of compulsory retirement protection other than a Central Provident Fund, there are two things to keep in mind, namely, principle and function.

Concerning principle, first of all, we feel that the Government's responsibility and commitment are very important. Up to now, the Government has been protecting livelihood of the destitute with limited public assistance. This is not enough. If the Government this time really implements a Central Provident Fund or a compulsory retirement protection scheme, we think that it should not dump the responsibility entirely on the employers and employees. The Government should assume some degree of responsibility, such as for management. Also, the Government should continue to provide financial assistance to low income people and casual workers.

Secondly, the elderly made contributions to the community in the past, thus enabling us to enjoy the stability and prosperity that we have today. We have a duty to look after them and enable them to live better, truly enjoying their twilight years.

Concerning function, the introduction of a Central Provident Fund will lighten the heavy burden of public assistance disbursements. The money saved should be used on other needed support services. It will also lighten the burden for those families which are doing their duty of looking after their elderly folk. In these families, there will then be less friction; the elderly may then live with greater dignity.

What we need to argue about today is no longer the necessity of a Central Provident Fund but its introduction without a moment's delay. We hope that we can, through this Council, urge the Government to complete as soon as possible the processes of drawing up recommendations, conducting public consultation and giving a response to the public of Hong Kong and then to implement the scheme as expeditiously as possible. We know now that a working group led by Mr John CHAN, Secretary for Education and Manpower, is already doing the work. However, all the members of the group are

Government officials; there is no participation by members of the public. This is really to be regretted. Here, I express the hope that Government will not make plans without regard to the realities. It should permit participation by employers and employees and by representatives of the social service profession, of other professions and of members of the public. The goal is to let a wide selection of people deliberate on a matter of public interest.

However, I must sound a warning to the Government here. The Government should not use the introduction of a Central Provident Fund as a pretext for reducing its commitments to other support services. On the contrary, I think that, because the implementation of a Central Provident Fund scheme will save quite a large amount of public assistance disbursements, the money saved should be used on other kinds of community services, such as care and attention homes, sanatoria and community service centres for the elderly, of which there is now a great shortage. Public assistance, too, should be reviewed and adjusted annually to keep up with inflation.

Finally, I should like to quote the following words of the late Governor Sir Edward YOUDE: "Hong Kong really owes its prosperity today to the hard work of its elderly during their young days." I would remind the government officials. They must never forget these instructions bequeathed by a former governor. Let Hong Kong's silent performers of back-breaking labour spend their twilight years truly in the manner described by the following words: "The elderly will have support, will have dwelling places, will have loved ones to depend on and will die a dignified death."

With these remarks, I support the Honourable Henry TANG's motion for amendment. Thank you, Mr Deputy President.

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, I should like to begin by thanking all the Members who have spoken in this debate. Their contributions have provided useful reference and guidance to the inter-departmental Working Group on Retirement Protection, which I chair, in our task of examining various forms of community-wide retirement schemes.

Today's debate should also have made it abundantly clear to the community that retirement protection is a complex matter requiring careful consideration of many issues, some of which are highly professional or technical in nature, and that there are no quick and easy answers.

Progress of the working group

Be that as it may, the working group is pursuing its task with enthusiasm and a sense of urgency. It was on 1 November this year that the public was informed of the Government's decision to examine ways of meeting the greater need for community-wide retirement schemes, including various forms of compulsory retirement schemes. In the six weeks that have elapsed since then, the working group has substantially completed the first two phases of the four-phase work programme it has set itself. These two phases consisted of the collection and examination of factual information regarding existing retirement schemes, both in Hong Kong and overseas, and the identification of issues requiring detailed consideration. Within the period of those six weeks, in addition to the meetings of the working group itself, we have also had a number of discussions and exchanges with the OMELCO ad hoc group in charge of this debate, the OMELCO Manpower Panel, labour and employment representatives and also representatives of professional associations. We are now about to enter the third phase, which is to examine the various issues we have identified and to study possible alternatives, in consultation with the relevant professional bodies and experts as required. Eventually, the working group aims to formulate specific proposals as a basis for public consultation on a wide scale.

As of now, it is not yet possible to set a precise and definitive timetable for the completion of the working group's task. But I hope and believe that, by November next year, we shall have developed the suitable framework for community-wide retirement schemes, shall have sought public views on our proposals and be in a position to start drafting the necessary legislation. This should enable us to implement the eventually agreed proposals during the 1992-93 Session of this Council.

At this early stage the working group has not come to any conclusions on the matters which it is examining. I am therefore not in a position to comment in detail on most of the points made by Members today. But there are certain points of broad principle on which it may be useful if I indicate our current thinking.

Central Provident Fund

Much discussion has centred on the question of a Central Provident Fund. The Chief Secretary has spoken in relation to Mr Henry TANG's proposed amendment motion and has once again put the Government's position on the Central Provident Fund beyond

doubt. I do not wish to repeat or add to what the Chief Secretary has said.

Security of benefits

I am well aware that there are concerns about the security of employees' benefits in the event that a private sector operated retirement protection scheme went bankrupt or was grossly mismanaged. Obviously there will need to be effective regulation and supervision by the Government of private sector retirement schemes, and indeed legislation is being drafted for this purpose. I should also point out that, while we have set our face against a massive Central Provident Fund, we do not envisage going to the other extreme of having an endless multitude of very small individual schemes each covering a small number of employees. In the circumstances of Hong Kong, where the vast majority of employers are small businesses in terms of the numbers employed, we believe that the sensible thing to do would be to promote the establishment of a number of professionally managed pooled schemes among which individual employers could choose to join.

There have been suggestions that some form of guarantee against failures of individual retirement schemes should be provided, preferably by the Government. This is a difficult and complex issue which will require the most careful consideration. One important factor to bear in mind is that any such guarantee could actually do more harm than good, in that its very existence might lead to or even encourage the kind of irresponsible fund management that it is designed to guard against.

Scope and coverage

Several Members have commented on the need for more widely based and comprehensive old age pension or social security schemes, either in addition to, or perhaps instead of, retirement schemes. I think it is necessary to draw a conceptual distinction between retirement protection schemes and social security schemes. By its very nature, a retirement scheme is related to employment prior to retirement: if a person has not worked, the question of retirement does not really arise. Social security, on the other hand, is essentially a safety net provided by the community against undue hardship or poverty among its individual members. Retirement schemes and social security arrangements usually exist side by side, and in some cases they may even be combined in some countries, but in essence they are different things serving different purposes and objectives.

Strictly speaking, social security arrangements are beyond the scope of the Working Group on Retirement Protection and fall to be considered by my colleague the Secretary for Health and Welfare. Having said that, the Government recognizes that the issues are inter-related and that a well co-ordinated approach is necessary. Insofar as the Working Group on Retirement Protection is concerned, close co-ordination is being ensured by the presence and active participation of a representative of the Health and Welfare Branch. The working group is keeping an open mind about the possibility of those outside the labour force being able to participate in a retirement scheme, perhaps on a voluntary basis. The group is also examining schemes which propose a wider coverage to see if they might meet our objectives or at least contain elements which could be adapted to meet our needs.

Public consultation

Mr Deputy President, many points involving various degrees of detail have been raised in this debate and a number of interesting specific suggestions have also been made and I have taken careful note of them. As I said earlier, I am not in a position to comment on them at this early stage of the working group's deliberations. I would undertake that all these points and suggestions will be carefully considered by the working group which will take advice from professional sources as required. It is the Government's firm intention to consult widely and publicly, once we have developed concrete proposals, before coming to any firm decisions. In the meantime, the working group would welcome views and suggestions from all interested parties to assist us in our examination of the matter. We have indeed received a number of specific proposals which we are considering and in the meantime we shall of course keep the Council informed through the Manpower Panel and through other means.

Mr Deputy President, to conclude, I am encouraged by the broad consensus both within and outside this Council in support of what the Government has decided to do, which is to examine various forms of community-wide retirement schemes. I think there is also a broad consensus that there is a sense of urgency. This creates a favourable environment and a good opportunity for us to do something for our working population; my working group and I will certainly wish to seize it and to maintain the enthusiasm and sense of urgency with which we have been working up to now. Thank you, Mr Deputy President.

8.00 pm

DEPUTY PRESIDENT: It is just 8 o'clock and under Standing Order 8(2) this Council should adjourn.

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

Question proposed, put and agreed to.

Question on Mr Henry TANG's amendment put.

Voice votes taken.

DEPUTY PRESIDENT: I think we shall need a division. The Council will therefore proceed to a division. The division bell will ring for three minutes and the division will be held immediately afterwards.

DEPUTY PRESIDENT: The three minutes have expired. I will ask the Clerk to activate the voting system. There will be no countdown but I think Members are now familiar with the procedure. Please first register your presence and then if you wish to vote please register your vote.

Yes, Mr McGREGOR.

MR JIMMY McGREGOR: Mr Deputy President, could you state how the vote is to be taken, for the amendment or against the amendment?

DEPUTY PRESIDENT: The motion is that the amendment be put to the Council and therefore if you are in favour of the amendment, vote "Yes" and if you are against it, vote "No".

If Members have no query I will ask for the display to be activated. I assume no query and every set is working.

Mr Martin LEE, Mr SZETO Wah, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Mr Michael HO, Dr C Y HUANG, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr MAN Sai-cheong, Mr Henry TANG, Mr TIK Chi-yuen, Mr James TO, Dr Samuel WONG, Dr YEUNG Sum and Mr WONG Wai-yin voted for the amendment.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mrs Rita FAN, Mr HUI Yin-fat, Mr PANG Chun-hoi, Mr TAM Yiu-chung, Mr Andrew WONG, Mr LAU Wong-fat, Mr Edward HO, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Dr C H LEONG, Mr Jimmy MCGREGOR, Mrs Elsie TU, Mr Peter WONG, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr Timothy HA, Dr K C LAM, Mr Eric LI, Mr Steven POON, Dr Philip WONG and Mr Howard YOUNG voted against the amendment.

The Deputy President announced that there were 19 votes for the amendment, 28 votes against it and no abstentions. He declared that the amendment was negatived.

DEPUTY PRESIDENT: Mr TAM, do you wish to reply?

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, retirement protection, for which the labour sector has been striving for more than 10 years, has encountered persistent opposition from the Government and the business sector. Today this Council and all sectors of the community have finally arrived at a consensus on this subject which, I would say, is a great leap forward for the community as a whole. I have voted against the amendment not because I am against a Central Provident Fund but because I fear that the amendment would give the Government an excuse for further delay.

In speaking on the motion many of my honourable colleagues have expressed anxiety over the Government's unwillingness to commit itself to compulsory retirement protection. So I hope that the Government will address this problem and, in formulating a retirement protection scheme, it should commit itself in the way of management and financial input. Moreover, Honourable Members have in the debate put forward many valuable suggestions regarding the formulation of a compulsory

retirement protection scheme which I hope the Government will give consideration to. Finally I would like to urge the Government to ensure that details of the scheme be worked out within a year and that a full range of public views be taken into account in the formulation of the scheme. This is my submission.

Question on Mr TAM Yiu-chung's motion put and agreed to.

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MISS EMILY LAU moved the following motion:

"That the Hospital Authority Bylaws, published as Legal Notice No. 384 of 1991 and laid on the table of the Legislative Council on 23 October 1991, be amended -

(a) in bylaw 2 -

(i) in the definition of "member of the staff" by repealing "and" at the end; and

(ii) by adding after the definition of "member of the staff" -

""patient" means any person who is in a hospital and who has been registered as a patient by the hospital, but does not include any patient who has subsequently been discharged by that hospital; and";

(b) by repealing bylaw 7(1)(f) and (g) and substituting -

"(f) take any photograph or film or video picture whereby the likeness of a patient in the hospital is thereby depicted without the consent of such patient; or

(g) take any photograph or film or video picture whereby consent of a member of the staff whose consent shall not be withheld unless annoyance or disturbance to a patient, or prejudice to medical treatment of a patient, is thereby caused or likely to be caused."; and

(c) by repealing bylaw 10 and substituting -

"10. Offences and penalties

Any person who -

(a) contravenes bylaw 4, 7(1)(a), 7(1)(c), 7(1)(d), 7(1)(e), 7(1)(g) or 7(2)(c) commits an offence and is liable on first conviction to a fine of \$1,000 and on second or subsequent conviction to a fine of \$2,000 and to imprisonment for 1 month;

(b) contravenes bylaw 3, 7(1)(b), 7(1)(f), 7(2)(a), 7(2)(b) or 9 commits an offence and is liable to a fine of \$2,000 and to imprisonment for 3 months; or

(c) commits an offence under bylaw 5, 7(3) or 8 is liable to a fine of \$2,000 and to imprisonment for 3 months."."

MISS EMILY LAU: Mr Deputy President, I rise to move the motion standing in my name on the Order Paper. The motion, which seeks to amend certain parts of the Hospital Authority Bylaws, is aimed at making the Bylaws more acceptable to members of the community who may wish to monitor the performance of public hospitals without undermining the interests of the patients or the power of the hospital management to exercise proper control against nuisance and other undesirable activities within hospital premises.

The Hospital Authority Bylaws were laid on the table of this Council on 23 October 1991. In view of the concern raised by the public, journalists in particular, a Legislative Council ad hoc group was formed to study them.

Having listened to the views of the Hospital Authority and the Hong Kong Journalists Association, the ad hoc group considers that there is a need for some form of control against nuisance and other undesirable activities within public hospitals to ensure proper order and to preserve the confidentiality of patients. On the other hand, Members also agree that the Bylaws must not be unnecessarily restrictive so as to ensure that the right of access to information by the public to monitor the performance of the Hospital Authority would not be hampered. The level of penalties is another area of concern which has been under careful scrutiny.

After deliberation, the ad hoc group considers that the Bylaws could be improved in a number of areas:

(a) First, in order to allay the concern of the journalists, Members suggest that a definition of the word "patient" should be inserted in Bylaw 2 to make it clear that "Patient" means any person who is in a hospital and who has been registered as a patient by that hospital, but does not include any patient who has subsequently been discharged by that hospital. In practice, this means that a person who is being conveyed to, or is in, a hospital but has not been registered with that hospital will not be regarded as a patient. And as such, taking photographs of that person should not cause an offence under Bylaw 7(1)(f).

(b) Second, Members agree with the suggestion made by the Hospital Authority that references to the making of sketch drawing and painting in Bylaws 7(1)(f) and 7(1)(g) should be omitted.

(c) The third area concerns Bylaw 7(1)(g) which prohibits the taking of photographs and so on of a ward. While Members appreciate the need to protect the confidentiality of patients and to facilitate the work of hospital staff, this bylaw is considered over-restrictive. After careful and in-depth discussions, Members consider that it should be amended in such a way that the Hospital Authority would still have the necessary power to withhold consent to certain activities within hospital wards but only on two specified grounds, that is, when annoyance or disturbance to a patient, or prejudice to medical treatment of a patient is caused or likely to be caused. I should mention that the wording of the second ground was the subject of particularly careful thought. At first the majority of Members inclined towards the phrase "interference with medical treatment". However the Hospital Authority felt that "interference" might receive too narrow an interpretation as meaning only physical intrusion, hindrance or prevention, which would not sufficiently cover all the situations where a patient's treatment would be adversely affected by photographic or video filming activities. To meet the concern of the Hospital Authority the phrase "prejudice to medical treatment" has been substituted for "interference with medical treatment" because "prejudice" is a more comprehensive term covering all aspects of adverse effect upon a patient's treatment.

(d) Finally, Members suggest that less serious offences under the Bylaws should attract a lighter penalty.

The Hospital Authority has been consulted and is agreeable to all the amendments proposed.

Mr Deputy President, there are some other amendments which I myself and other members of the journalistic profession would like to see. But on the other hand, we do recognize the need to strike a balance between allowing the press to discharge its duties without excessive legal constraints and preserving patient privacy as well as facilitating the work of the hospital staff.

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

Question on the motion proposed, put and agreed to.

Adjournment

ATTORNEY GENERAL: Mr Deputy President, I move that this Council do now adjourn.

DEPUTY PRESIDENT: The Rev FUNG Chi-wood has given notice to raise a matter for reply by the Government. Could I remind Members that in an adjournment debate there are 45 minutes for Members to speak. At that point or after all the Members wishing to speak have spoken, whichever is the earlier, I will call upon the Secretary for Planning, Environment and Lands to reply.

Strategic Sewage Disposal Scheme

8.15 pm

REV FUNG CHI-WOOD (in Cantonese): Mr Deputy President, the Governor stated in his policy address in 1989 that at least \$20 billion would be used to improve our environment and most of the funding would be for the maintenance of local sewerage and drainage facilities and the construction of landfills and refuse transfer stations. Besides, it was clearly stated in the policy address in 1990 that the \$14 billion sewage programme has been pressed on. In view of this, I am sure that the Governor has shown a certain degree of concern for the pollution problem of the territory. The White Paper: "Pollution in Hong Kong -- A time to act" published in 1989 has clearly indicated that roughly 10% the wastewater received biological treatment before discharge, 40% received partial treatment and was discharged

offshore through marine outfalls, and the remaining 50% entered the sea, close to the shore, without any treatment whatsoever. In other words there were over one million tonnes of untreated sewage which ended up in the inshore waters every day in 1989, not to mention the situation two and a half years since then. The situation will become more serious. The Sewage Strategy therefore has to be implemented without any delay.

The Government has repeatedly stressed that such a scheme would not be accorded top priority in spite of its urgency. It has been stated in one of the papers of the Environmental Pollution Advisory Committee that the Strategic Sewage Disposal Scheme would not be funded under the public works programme and only a very modest sum of the funding would be earmarked for the scheme. In other words, the government resources available for the scheme will be very limited.

When comparing the Government's two sewage strategies promulgated in 1989 and 1991, one can notice that there has been a delay of one and a half years and two years in implementing the Sewerage Master Plan and the Strategic Sewage Disposal Scheme respectively, which are the two major components of the sewage strategy. This means that the declaration of water control zones for Victoria Harbour, Western Buffer and Eastern Buffer, originally scheduled to be made this year, has to be postponed for at least two years. The rapid deterioration of the quality of water in Hong Kong is thus a foregone conclusion, and the consequence might be disastrous if the Government continues to postpone the sewage strategy on financial grounds. Therefore, I must express my dissatisfaction with the Government for its retracting from the 1989 undertaking of carrying out the sewage strategy and from the financial commitment relating to this scheme.

I in principle do not object to the proposal raised by the Government to charge the polluters. However, before implementation of the scheme the Government has to formulate a comprehensive set of charging criteria under which various type of polluters are charged in a fair manner and to widely consult the public.

As for the charging level for household, although the current discharge of sewage from household takes up about 53% of the total discharge which seems to have accounted for a high percentage, we have to consider that household sewage contributes less to pollution than the industrial and commercial effluent does. Furthermore, inflation problem has become acute in recent years. Real income of the public drops. Sewage charges will add burden to the general public and their living standard will

be affected. Therefore, the Government must consider the charging scheme for household carefully and implement the scheme in a cautious manner.

In conclusion, I have the following points to make:

(1) The Government should continue to take up the financial commitment in this respect and expedite the implementation of the Strategic Sewage Disposal scheme. The scheme has been deferred for two years and the progress of the scheme should not be affected by the charging system which has not yet been decided by the Government otherwise the water quality will further deteriorate.

(2) As regards the charging system, such a policy should take effect in areas of which the environmental pollution problem is the most serious and target on polluters from industrial and commercial fields.

(3) Those who pollute more should pay more. Priority should therefore be set for charging various polluters.

(4) If the Government decides to charge on household sewage, it must proceed the scheme cautiously and should not add burden to the public. Besides, the Government should announce the overall plan on sewage charges as soon as possible and widely consult the public and should not take a rash decision.

Mr Deputy President, these are my remarks.

MR LAU WONG-FAT (in Cantonese): Mr Deputy President, the economic development of Hong Kong has called forth worldwide commendation. Such an economic prosperity has however given rise to the much concerned problem of environmental pollution in Hong Kong.

It is beyond doubt that we have to actively deal with the problem of environmental pollution. But in formulating relevant measures the Government should not be oblivious to the actual circumstances. In addition to the need to take into account of the financial burden and the appropriate allocation of resources, it is necessary to assess the impacts which the relevant measures will have on various social strata.

Sewage disposal is a long-standing problem. We should not expect that the

problem can be resolved overnight. In my opinion, the Government must not be too eager for quick success in identifying solutions to the problem. It must avoid formulating harsh and unreasonable measures hastily which will impair people's livelihood and the economy.

The Government has proposed to cover the cost incurred in sewage collection and disposal in the whole territory by implementing a sewage disposal charging scheme. The Government's determination in curbing environmental pollution is welcome. But I think it is unreasonable to charge all users for sewage disposal. Imposing sewage disposal charge indiscriminately and adopting the amount of water used as the criterion of charging is synonymous with increasing water charge and thereby the burden of the public. If such precedent is established, I fear that operators of public facilities and services will spare no efforts to follow suit. By then, it is possible that all people in Hong Kong have to pay for road construction and maintenance when they "walk on the road".

Mr Deputy President, prevention is better than cure. The Government should therefore provide the public with sewage disposal facilities first when formulating any sewage strategy. There has not been any central sewage disposal system in rural areas in the New Territories. Residents there have to construct septic tanks on their own and such practice has been recognized by the Government. Recently, the Heung Yee Kuk and officials of the Planning, Environment and Lands Branch and the Environment Protection Department have conducted a site visit to rural areas. They have found no evidence that septic tanks are polluting the environment. With the growth of population, however, existing facilities will become insufficient for us to meet the needs. The long-term and fundamental measure to deal with sewage obviously lies in the provision of a central sewage system in rural areas.

I would like to mention one particular point: Recently, the Environment Protection Department has required residents of rural areas to apply for licences for their septic tanks. This is an extremely unreasonable measure which causes a lot of trouble to residents. The introduction of a licensing system will waste a lot of human resources and fail to achieve the objective of improving water quality. Residents generally regard it as a coercive sewage disposal facility, the implementation of these restrictions is a high-handed move. I hope the Government can learn from the lesson and consider the strategic sewage disposal problem in the light of the actual circumstances and formulate reasonable and practical measures.

MRS PEGGY LAM (in Cantonese): Mr Deputy President, on 6 November this year, Mr Granham BARNES, Secretary for Planning, Environment and Lands stated in the Legislative Council that if the Government was to honour its commitment to implement the "Sewage Treatment Strategy", additional sources of revenue had to be found. Two days later, however, Sir David WILSON, the Governor, stressed that the Government would not shelve the Strategy. He said the Strategy could be, and had to be, implemented.

This shows that, with regard to the strategy of sewage treatment, the Government is in a dilemma. The Government is actively conscious about environmental protection, realizing the seriousness and urgency of the problem of sewage treatment. However, the core project in implementing the Strategy would be the construction of a sewage collection and disposal system costing over \$10 billion. Under a tight budgeting policy, the Government might not be able to afford the expenses.

The main reasons for the occurrence of the dilemma are that the Government's stance had not been firm enough and the industrial sector had shirked its responsibility. A draft amendment in 1990 to the Water Pollution Control Ordinance should have been able to control to a considerable extent the state of water pollution in Hong Kong. However, in view of strong opposition from the industrial sector, the final version was amended and became toothless. On top of this, responsibility for sewage treatment was transferred from the industrial sector to the Government, putting the latter now in an embarrassing situation of "the spirit is willing but the coffers are empty".

Polluters pay the costs

Under such circumstances, it is indeed timely that the Government puts forward the concept of "charging the polluters for fees". With respect to housing, medical and postal services, the Government is planning to peg the charges with the costs incurred. As such, the idea to make polluters pay is not only logical but also reasonable.

However, in formulating the programme, in particular the charging level and the targets to pay, the Government must be very careful so as to ensure that the criteria employed are fair and reasonable. On the charging level, a progressive scale should be adopted to implement the idea that "those who cause more pollution should pay more". On the charging targets, the Government should distinguish clearly the roles of

different people throughout the process of pollution. Are they polluters who resort to pollution under Hobson's choice? Or are they "masterminds" who knowingly pollute the environment? Take for an example, sewage discharged by households in ordinary living is unavoidable and not the major cause of pollution. Thus to make the community pay for the treatment of household sewage is acceptable, while the public should at most be responsible to pay for the basic costs of pollution prevention. The tariff should also be targeted mainly at polluters who cause pollution through industrial and commercial activities. So the Government should not make the community pay for pollution effected by industrial and commercial effluents. Instead, the polluters concerned should be levied. This would solve the problem of funding and avoid the polluters from getting unfair subsidy from taxpayers.

As such, the tariff must be selectively and fairly levied. Otherwise, it might become a form of extra water charge, doing injustice to the public.

Mr Deputy President, these are my remarks.

MR PETER WONG: Mr Deputy President, it may come as no surprise to you that the rate at which we are discharging sewage into the Victoria Harbour is the equivalent of almost 8 500 dead pigs a day. From our high rise office, residential and industrial buildings, our body wastes are discharged into the sewers and only after very elementary screening, they are dumped straight into the harbour.

Everybody has suffered except our pockets. By not building proper sewers and treatment plants, we have avoided increases in taxation and money was spent elsewhere. The new airport is not the be-all-and-end-all, the best hope of all good things to come. It has been estimated that for every dollar spent on a major project like PADS it would crowd out 50 cents of other projects. Yet an efficient sewage disposal system is a pre-requisite for the port and airport developments to proceed.

The Governor, in his policy speech in October 1988, said "I am increasingly convinced that one of our major priorities must be to halt his decline and do more to improve our environment. This will require..... large scale investment in facilities for the proper disposal of sewage and municipal and industrial wastes." In October 1989, the Government came up with the HK\$16 billion Sewage Master Plans featuring proper foul sewer, sewage disposal system, a major sewage treatment plant and a 10-kilometre submarine outfall.

Unfortunately, all hopes for this grandiose sewage strategy plan were apparently dashed when the Environment Branch and Environmental Protection Department ran screaming for support to stop a further capital budget cut for the entire Sewage Master Plan which will be futile unless wholly completed.

The Strategic Sewage Master Plan, designed in conjunction with the PADS project which will be a major source of pollution, would have given us a fair chance of halting the deterioration of the Victoria Harbour. It thus gave me little pleasure to hear, and even less to the Secretary for Planning, Environment and Lands to give, the ambiguous answer to the question of funding for the plan raised recently in this Council.

Time has now come to set our priorities right. We have to strike a balance between economic prosperity and our physical well being. No environmental protection measures will be effective by themselves -- only when actions are taken simultaneously will they achieve the desired effects. I hereby urge, in absolute and unequivocal terms, that the strategic Sewage Disposal Scheme must be dealt with on the same priority as the PADS project.

MR ALBERT CHAN (in Cantonese) : Mr Deputy President, pollution situation in Hong Kong's waters are depicted by some people as having 8 500 dead pigs dumped into the Victoria Harbour daily, and exactly how serious marine pollution is in Hong Kong can be easily inferred from this.

According to data released in the latest annual report of the Environmental Protection Department (EPD), two million tonnes of sewage and industrial waste water are being discharged into the waters around Hong Kong every day, of which around 1.44 million are being discharged directly into the Victoria Harbour. As population of the areas along the coast is on the increase, it is believed that more domestic sewage will be discharged into it. The EPD estimates that domestic sewage accounts for 65% of the waste water discharged into the harbour. Even if such domestic sewage is discharged through drains, only 16% received biological treatment, 4% goes through suspension process, 56% is sifted, and the rest is discharged untreated. Data from both official and community sources confirm that our harbour is heavily polluted.

According to a water quality test conducted by a community group, Friends of the

Earth, on 6 May 1991, water quality in most of the harbour has deteriorated to an extremely unacceptable level. The level of dissolved oxygen in water in Causeway Bay Typhoon Shelter, Central, Shau Kei Wan, Yau Ma Tei Typhoon Shelter and Sham Shui Po is lower than standard at 4 milligram/litre, while an extremely low figure of 1.4 milligram/litre was recorded in Yau Ma Tei Typhoon Shelter. Most marine creatures simply cannot survive in such waters where the dissolved oxygen level is so low.

The Government is probably well aware of the water pollution situation. The Governor stated in his 1989 policy address that the Government would be spending \$20 billion to combat pollution, with most of it to be spent on the overhaul of the territory's sewage disposal system and the construction of large landfills and refuse transfer stations. In last year's policy address, he also clearly stated that the \$14 billion sewage disposal scheme would be pressed on with more urgency. But in this year's policy speech, the Governor remarked that the scheme would be under strict financial constraint. According to an EPCOM paper published in November, the whole strategic sewage disposal scheme would need \$14 billion, and although the Government had recently set aside about \$3.9 billion for the scheme, there was still a shortfall of over \$10 billion. In 1989, the Government said it would seek to completely solve the problem of pollution, but now it is resorting to alternative ways of solving the problem because of financial difficulty. It thus shows that the Government is not sincere in its efforts to tackle the problem of water pollution, and is not keeping the promise made in 1989. My opinion is that the Government should not rescind a promise at the excuse of financial difficulty. Take the case of the University of Science and Technology, the Government has to pay a further \$1.2 billion of funds in addition to the original \$0.4 billion as a result of overrun. But in this case, the Government did not cut back on the facilities of the University.

Finally, I should point out that it would be difficult to maintain economic prosperity in a society where natural environment is being destroyed. I, therefore, urge the Government to act on its promise made in 1989, and to improve water quality in Hong Kong as soon as possible.

MR VINCENT CHENG: Thank you, Mr Deputy President. I only want to speak on one area, which is whether we can afford the sewerage strategy. In this regard, we get confusing messages; sometimes I saw press reports suggesting that the Government does not have the money to build it; but sometimes I hear confident voices from Government that we will go ahead with this strategy. Therefore, I just want to make some suggestions

on how the project should be financed.

According to government estimates, it will need about \$16 billion to \$18 billion which is an enormous sum of money. But there is one solution which is fair and practical and that is to charge users on a graded scale. Since water usage is metered anyway, it is easy to know how much water and sewage that people or factories are using and disposing of. The more one throws away, the more one pays. It should be the basic principle which is acceptable, not only to environmentalists but also everybody, because it reflects the "polluter pays" principle and does not discriminate against any one single group.

What, perhaps, the Government should do is to set up a small Sewerage Management Authority which would be charged with implementing the Government's sewerage strategy, with some capital provided by Government and the rest of the money from borrowing. Revenue will be obtained by charging users, depending on the volume of water consumed and discharged, and the level of pollutants. If a sufficiently long pay-back period is allowed, the charges for each household are unlikely to be significant.

According to the figures presented to me by the private sector Committee on the Environment, the water charge for public housing is about \$20 to \$30 per month. The sewerage charge could be as low as these figures, although it could rise, probably to \$50, at the peak construction period for the sewerage facilities.

The maximum earnings of a family in public housing are \$7,400 per month; a low-cost housing tenant usually pays about \$230 to about \$300 per month for gas and electricity; so an extra \$20 to \$30 should not be an overly heavy burden. The first-round effect of such charges on the Consumer Price Index is only 0.1% to 0.2% in the first year. Industrial users will of course have to pay according to how much water they use. We can surcharge, particularly, the heavy polluters. This is just fair. Most cities such as London, Los Angeles, Tokyo, Singapore and New York, charge for sewerage; so why should not we? I am sure that there is a lot of support in the community to clean up our waters, even if that means we have to pay more.

The Government should ensure that the sewerage system is built in the most cost effective way. That means, too, looking at a significant role for the private sector. The private sector Committee on the Environment, which includes many of Hong Kong's large companies, has been urging for some time that the private sector has the more efficient way of solving many of our pollution problems. Please take up this private

sector support, which, I am afraid, is not usually that forthcoming these days.

Above all else, we cannot afford to delay. The water quality in Victoria Harbour is consistently bad, as the Secretary for Planning, Environment and Lands confirmed in his answer to my question on 20 November. We need to quickly get rid of the brown patches in our harbour, which are really a disgrace to Hong Kong. Thank you.

MR MAN SAI-CHEONG (in Cantonese): Mr. Deputy President, the Government has repeatedly procrastinated on the Strategic Sewage Disposal Scheme. As a member of EPCOM and a founder of the green power, I feel obliged to make a stern criticism on the Government's disappointing performance in this area of work.

On 5 June 1989, the "White Paper : Pollution in Hong Kong -- A time to act" was published and the Governor promised in his annual policy address of the same year that the Government would spend \$20 billion over a period of 10 years to implement the Strategic Sewage Disposal Scheme. Two and a half years passed, and our marine environment has not been saved -- water quality of the harbour is deteriorating to a disastrous level. Several days ago, the Governor said on the opening ceremony of Environment Day that the Government would set aside \$3.7 billion to fight pollution. I hope the Governor would not swallow his words again -- saying it is time to act on pollution on the one hand and evading commitment to do so on the other so as to appropriate all the money on the expensive rose garden.

I would like to point out that the later we set out to control harbour pollution, the higher would be the cost of the strategic scheme, and the heavier the burden on our society at large. The later we implement the strategic scheme, the more serious the pollution problem would become, and it is our society that has to pay an even higher price in the end. The Government should, therefore, act on its promise made over two years ago soonest possible.

I also wish to speak on the Polluters Pay concept. The United Democrats have no objection, in principle, to the notion of requiring the polluters to pay some charges or a price. Environment is a kind of property owned by everyone. If a polluter is not required to pay the cost of pollution, he will think only of personal cost and interests while paying no regard to communal cost and the ecological impact on the whole area when he discharges pollutants. The levying of a pollution fee means that a polluter has to share the cost of pollution and take up the responsibility

of causing environmental pollution and, thus, minimize any action that might cause such. However, I must point out that there are technical problems in implementing the Polluters Pay principle. For instance, how is the Government going to set the level of charges and the priority of different categories of polluters to be levied with such charges? The Government must think very carefully about this and carry out the relevant measures in a cautious way. All the wastes generated by members of the public cause pollution to the harbour. The levying of a pollution fee on the public would not be of much help in reducing such pollution because everyone of us is found to generate a certain quantity of waste which could hardly be reduced even in the face of a pollution fee. I must point out that one of the main objectives of levying a charge is to induce the polluters to reduce the level of pollution on their own accord, failing which the very purpose of Polluters Pay principle would be defeated as far as the reduction of pollution level is concerned.

Moreover, domestic sewage is not the main contributory factory to harbour pollution and I, for the time being, have reservation on this charge which rather resembles a poll tax. I, therefore, support the proposals of Rev the Honourable FUNG Chi-wood to the effect that the Government must set the priorities by levying charges first on those activities which cause the most serious pollution to environment and that heavier charges should be imposed on those activities which bring about a higher level of pollution. At present, industrial activities are the main contributory factor to harbour pollution. The Government impose a charge on those activities which are being carried out in the most polluted Water Control Zones and must also consider the possibility of imposing a charge on those industrial activities which bring about a high level of pollution so as to improve the deteriorating quality of water.

Lastly, I hope the Government would not always bring PADS to the forefront as if it is the only primary objective before 1997, thus resulting in a procrastination of other major items, including the strategic sewage disposal scheme. Any further delay in implementing the latter scheme would further aggravate the level of water pollution in Hong Kong and the polluted environment of today might have a "smooth transition" to the future SAR Government.

Finally, I am pleased to note that all the speakers at this debate which has only a small audience are in support with our request : the environmental issue admits of no further delay. Thank you.

MR JAMES TO (in Cantonese): Regarding sewage disposal strategy, I agree with the general principles espoused by Rev the Honourable FUNG Chi-wood and Honourable MAN Sai-cheong. For residents in Kowloon West, assurance from the Government is needed to dispel two worries.

First, the major projects, especially the 10 km long outfall, will all be extending in waters off West Kowloon. The residents are worried that such a concentration of sewage disposal projects in the area might cause them adverse effects if environmental factors are not handled carefully.

Second, while it is encouraging that the sewage treatment system project in North West Kowloon has already been in progress, sewage problem in Sham Shui Po will become more and more serious as West Kowloon Reclamation will proceed quickly according to schedule. As such, this has become an immediate problem. It is hoped that the Government would ensure that the reclamation project, which would have adverse effects on the sewage discharge area and its vicinity, would only begin after the North West Kowloon sewerage and sewage treatment project has completed. Although the Government has resorted to a new reclamation strategy of dumping marine sand into the reclamation area and pumping away sea water or stagnant water at the same time, so that the seabed would not be silted up and give off bad smell, it is inevitable that the coastal waters would become murky. Even officials of the Drainage Services Department did not rule out such a possibility when being questioned. The strange thing is that officials responsible for reclamation work would not admit that. They said that reclamation would only take place at that portion several months well after the North West Kowloon sewage treatment scheme had completed. Officials responsible for environmental protection, however, said that such problem may arise should there be delay in progress so that the two projects might overlap in timing. I hope government departments would not have such diverse degree of worries because that would cause deeper worry on the part of the residents.

Third, as to the principle of "polluters pay", it is my opinion that different levels of pollution should be charged differently. For example, waste water generated by brushing teeth is not on the same level of pollution with the effluents generated by industrial process. On the other hand, if charges are to be levied exclusively on sewage (liquid waste), then what about the other forms of waste, such as industrial, solid and airborne waste, under the "polluters pay" principle? I hope the Government would give a thought to the basic principle.

DR SAMUEL WONG (in Cantonese): Mr Deputy President, the Government formulated a sewage disposal strategy in as early as 1971 and later re-introduced this strategy at the Governor's 1988 policy address. The Government should have made proper arrangements in respect of financial and engineering matters, given its determination to further improve the situation of water pollution. How come the Secretary for Planning, Environment and Lands took the trouble, in early November 1991, to announce that the Government is going to implement a number of major public works projects? Such an announcement carried the notion that our finance is in a critical situation. In order to carry on with the sewage disposal strategy, we must find alternative means of new financial sources. Last night, I received a document from the OMELCO Office, saying that the Government had now completed a report on Polluters Pay principle. I would like to give my full support to such a principle. In fact, three or four years ago, I had urged the Secretary for Planning, Environment and Lands, on several occasions, to introduce this Polluters Pay principle. Now, I have the following comments to make :

(1) I agree to the proposal of having two components in such charges: a fixed charge and a variable charge. I am more inclined to applying a fixed standard charge on residential users on the basis of their volume of water consumption.

(2) A variable charge should be applied on industrial or other users that discharge heavily-polluted effluents. As the costs of treating such effluents are extremely expensive, may I suggest that the level of charges to be imposed should fully reflect the costs so as to enhance the awareness of polluters.

(3) A sewage management board should promptly be set up as an executive authority which co-ordinates all the sewage disposal efforts and handles all the money paid by polluters for the construction of basic sewage treatment facilities and the future operation of such. The shortfall can continue to be supplemented by those funds currently being allocated by the Government to sewage treatment. In this connection, I hope the Secretary for Planning, Environment and Lands could inform this Council the amount of money currently spent each year on sewage treatment. May I also ask him to present the detailed report on study of Polluters Pay principle for the consideration of Council Members?

Thank you, Mr Deputy President.

MR HOWARD YOUNG (in Cantonese): Mr Deputy President, as we have already enough sewage in our harbour, I do not wish to add pollution to our Council Chamber by discharging a repetitious speech. Thank you.

8.52 pm

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, I am extraordinarily encouraged by the debate as it shows how well Members appreciate the need to set up a proper sewage disposal system in Hong Kong. I am especially encouraged by the discussion on possible charging schemes to help finance sewage disposal where it seems such schemes may well be necessary. I want to use my precious minutes to talk about three things. First, what we actually do now about the sewage in any case; second, what we are doing about the sewage disposal scheme, and lastly, about financing and the possibility of charging.

The Sewage Strategy in its broad terms consists of a much wider range of measures than just the Strategic Sewage Disposal Scheme; and there is a lot more that we have done, are doing and will do to implement this strategy. These measures range from control of agricultural wastes and industrial discharges to on-going construction of sewage works in the new towns and in the urban areas.

The order in which we declare the Water Control Zones aims to protect those areas which are the most seriously threatened. That is why we enforced controls in Tolo Harbour first, and Southern District second. Improvements in both areas are now becoming evident, and can be further expected, and will help to retain these areas for recreational use. Port Shelter, Junk Bay, Deep Bay, and Mirs Bay Water Control Zones have all come into operation on schedule. The remainder of the programme will be implemented as resources permit.

The Livestock Waste Control Scheme and controls under the Water Pollution Control Ordinance have also helped significantly. There is a real reduction of organic pollution, particularly around the urban areas where livestock keeping is banned and there will be further reductions as the scheme progresses. And the Administration will also effect better control over industrial discharges -- a very important element of the strategy. Last year we removed the exemptions for existing factories and the 30% tolerance and created a new offence of discharging poisonous or noxious matter

into any Hong Kong waters. We also increased the maximum penalties for offences, and made company directors, managers, secretaries and partners liable for offences in some circumstances. Comprehensive standards for discharges were also laid down.

The amount and value of sewerage construction work that is now being carried out territory-wide is simply enormous and will significantly improve water quality in the harbour and elsewhere. All the post-1970s new towns have modern sewage systems. The North West Kowloon Sewage Treatment and Disposal Scheme, which was mentioned a moment ago and which will cost some \$1.3 billion, will be completed next year. This scheme will collect, treat and discharge sewage from a population of over a million people living in Sham Shui Po, Mong Kok and Yau Ma Tei. Other large projects include the effluent export scheme from Sha Tin and Tai Po to Victoria Harbour, where it can be satisfactorily diluted through tidal flows. Stage One will cost almost \$0.5 billion and is due for completion in 1993. Other schemes now under construction are sewage treatment works at Yuen Long and San Wai; a sewage pumping station at Ha Tsuen; a sewage screening plant and submarine outfall at Shau Kei Wan; a large sewage screening plant for Tsuen Wan and Kwai Chung, which will be completed in 1994.

I have been emphasizing what we are doing because I am convinced that we are doing the right things in the right order and that these do have an effect. But now I want to speak about the remaining masterplans and the planned tunnel system and deep sea outfall which comprise the sewage disposal strategy. I have been asked "why do you keep spending on planning strategies when you still have not got the money to complete the works?" First I would like to emphasize that the Government fully accepts the needs to proceed with the sewage disposal strategy as soon as resources permit. But the strategy is an integrated one and, although the staging is flexible up to a point, it is all directed towards leading our treated sewage far out into the South China Sea. So we must complete the studies to ensure the feasibility of the whole scheme and to satisfy the appropriate Chinese authorities on the environmental suitability of the scheme as soon as possible, because if the resources can be made available earlier as we hope, we should not then have to delay its implementation while we complete the feasibility studies and negotiation. So we are keeping both studies and talks going and I hope we will get Members' full support in so doing.

One possible means of financing major schemes which we have done before is by borrowing, but if we are to borrow, we must be able to show we have a reliable means of repayment. So we have also been analyzing the economic effects and the general acceptability of charging for disposal of sewage of different kinds. When we have

taken this study a little further, it will then be for decision whether it is better for the community to accept the additional burden of charges in order to start the project earlier, or to accept what may be several years of delay and consequently worse pollution of our seas. As Secretary for environmental matters I can only support the earlier solution and I am very heartened to hear Members also supporting that.

So a brief word about what charging might mean. Very few people fulfilling their natural functions feel that they are polluters who should pay for their privilege. Although they often accept that farms, factories and even restaurants may be polluters, they feel it hard to accept the name for themselves. So while this message must be got across, another very persuasive reason for charging is the high cost of dealing properly, and I say properly, with the very large quantities of sewage which a city produces and our need for funds to pay for it. There can moreover be many different ways of approaching charging. The way in which our consultants' study, as we have done, approached it has to estimate the capital costs of the sewage master plans and the deep tunnel systems; and from that and the programme of spending on construction, to work out the cost of borrowing money to pay for them; and finally to work out a series of different charge rates to cover these costs for different kinds of consumer, that is to say, we did distinguish between toothpaste and industrial effluents. The charge comprised a fixed rate for each consumer to cover the fixed costs, a fluctuating rate in proportion to his consumption of water and in the case of businesses and industries a trade rate in addition. This seems to be the kind of differentiation Members were seeking. Of course this is not the only way in which a bill could be divided up, but it is aimed at producing as fair a distribution as possible. How charging is to be introduced would also be for subsequent discussion and I have noted the advice given by various Members on the need to adopt the right approach to the public. I could not agree with them more and with the encouragement given in this debate. We will certainly redouble our efforts to work up a practicable scheme of charging with a view to a much wider consultation exercise.

I also take note of Members' encouragement to speed and can assure them that we will do all we can to produce our plans and proposals as soon as we can.

Thank you, Mr Deputy President.

Question on the adjournment proposed, put and agreed to.

Next sitting

DEPUTY PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 18 December.

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.