

1 HONG KONG LEGISLATIVE COUNCIL -- 1 April 1992

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OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 1 April 1992

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, C.B.E., J.P.

THE ATTORNEY GENERAL

THE HONOURABLE JEREMY FELL MATHEWS, C.M.G., J.P.

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

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

THE HONOURABLE 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, O.B.E., J.P.

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

THE HONOURABLE MARTIN GILBERT BARROW, O.B.E., 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 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 GILBERT LEUNG KAM-HO

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 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 FREDERICK FUNG KIN-KEE

THE HONOURABLE NG MING-YUM

THE HONOURABLE TIK CHI-YUEN

IN ATTENDANCE

MRS ANSON CHAN, C.B.E., J.P.
SECRETARY FOR ECONOMIC SERVICES

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

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

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

MR ANTHONY GORDON EASON, J.P.
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

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.

Building (Planning) (Amendment) Regulation 1992..... 79/92

Dangerous Goods (Shipping) (Amendment)
Regulation

1992..... 80/92

Industrial Training (Clothing Industry) 81/92

(Amendment of Schedule) Order 1992.....

Securities and Futures Commission (Fees) Rules..... 82/92

Statutes of the University of Hong Kong

(Amendment) Statutes 1992.....

83/92

Pharmacy and Poisons (Amendment) (No. 2)

Regulations 1991 (Commencement) Notice 1992..... 84/92

Sessional Papers 1991-92

No. 64 -- Consumer Council of Hong Kong
Annual Report 1990-1991

Address by Member

Consumer Council of Hong Kong Annual Report 1990-91

PROF EDWARD CHEN: Mr Deputy President, public expectation for consumer protection has probably never been greater than it is today. The escalating property prices demand that we take a real look at property speculation; the proliferation of innovative but complex financial services raises the question of adequate protection for the consuming public; increased consumer awareness of their right to health and safety must be satisfied with better and higher standards in goods and services.

It is my pleasure to table the annual report of the Consumer Council for the year 1990-91 in this Chamber today and to present an account of how the Council has strived to address the concerns raised above in fulfilling its duty to protect consumers in the year under report.

My honourable colleagues and, no doubt, members of the public must have witnessed the major breakthrough which the Consumer Council has brought to improve protection for purchasers of uncompleted developments under the Consent Scheme. Developers are now compelled to disclose accurate information on the building project in a sales brochure, including the saleable floor area, fittings and finishes, seven days before the sale commences and to provide the price list three days in advance. The sale procedures have also been immensely improved: prospective purchasers now no longer need to queue up days and nights in front of the developers sales offices. Instead, a balloting method is now widely in use. I am sure you all will agree with me that such improvements benefit the consumer, the developer and the community as a whole because they offer a more equitable and orderly alternative. The infiltration of the triad element is now a matter of the past.

Another breakthrough in consumer protection is in the area of consumer product safety. The Consumer Council first raised the issue of consumer product safety in the early 1980s, and we are pleased that the Government has already enacted to control electrical and gas safety. I have also been advised that toy and children product safety legislation is in the pipeline and that legislation on the general product safety is under active consideration. Consumer product safety is rightly a matter of concern for all of us because by definition we are all consumers. I shall therefore ask the Government to take speedy action on the necessary legislation and I look forward to the support of all my honourable colleagues here when the Bills concerned are brought forward for your consideration.

The Consumer Council's attempts to persuade the Government to enlarge its scope of functions to include public utilities and public transport services were not successful. Nonetheless I am pleased to report that most of the utility and public transport companies have responded positively to the Council's proposal of setting up consumer consultative or liaison groups to monitor consumer complaints and to deal with issues of consumer dissatisfaction. The Consumer Council has been invited to take part in some of these groups. The Council will keep a close watch over the working of such groups. In time to come, we have hopes that they will be so developed to serve some monitoring functions over those public services which are not subject to free market competition.

The lack of free market competition in some businesses has been a major concern of the Consumer Council. We have monitored diligently the price movements of petroleum products to ensure that they are in line with the product costs. We have also carried out regular studies on motor insurance costs. Hong Kong has enjoyed a mature economy and the development of monopolistic tendencies in some business sectors should come as no surprise to us. The Consumer Council has thus established a special committee to monitor the situation. The committee has identified some areas of concern and formulated a long-term working plan with a view to finding out how the consumer is affected. Rising complaints against financial services with which consumers are traditionally in a weak bargaining position is another area of concern for the Council in the years ahead.

In conclusion, I would like to point out that the annual budget of the Consumer Council of \$26 million which includes rental is indeed a very small sum for what the Council has been able to achieve in the protection and promotion of the interests

of consumers. The community of Hong Kong, with its buoyant economy and ever-rising level of consumption, is getting more than good value for the money it pays to support the operation of this Council.

We look forward to the support of Honourable Members and the Administration for our continued work to promote the interest of consumers.

Written answers to questions

Excessive school work

1. MR ERIC LI asked: According to the findings of a survey published in October 1990 by the Boys' and Girls' Clubs Association of Hong Kong, primary school pupils in Hong Kong suffered considerable pressure from their schoolwork. In this connection, will the Government inform this Council of the following:

(a) the respective number of complaints received in each of the past five years by the Education Department from parents about excessive schoolwork, tests and examinations;

(b) how the Department deals with the complaints received; and

(c) what actions will be taken if a school is found to have failed to follow the guidelines on pupils' homework laid down by the Department?

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

(a) Since 1987, the Education Department has received a total of 23 complaints about excessive schoolwork, tests and examinations in primary schools. Five of these complaints were substantiated in investigations conducted by the Education Department. Details are as follows:

Nature of complaint No of complaints

	1987	1988	1989	1990	1991	Total	
Excessive schoolwork			2	6	3(1)	1	1(1) 13(2)
Excessive tests	0	1	3	1(1)	0	5(1)	
Excessive examinations			0	0	5(2)	0	0 5(2)

(Figures in brackets denote numbers of substantiated cases)

(b) When a complaint against a school is received, a vetting committee under the Education Department examines it to see whether an investigation is warranted. If it is, the appropriate District Education Officer conducts a thorough investigation into the complaint. Should it be substantiated, appropriate advice is given to the school concerned. Follow-up visits to the school are also made to ensure that the necessary steps have been taken to rectify the problem.

(c) The Education Department regularly issues a General Schools Curriculum Circular on "Homework in Schools". Where it is evident that a school is not following the guidelines, the Supervisor is interviewed and his co-operation enlisted. Schools have been very co-operative and have responded in a positive manner when they are advised of problem areas.

Security measures for goldsmith and jewellery shops

2. MR JIMMY MCGREGOR asked: Will the Government introduce legislation to require high risk premises such as goldsmith and jewellery shops to adopt realistic security measures to reduce the risks of robbery and, in particular, will legislative provision be made for the police to issue Certificates of Security for such premises attaining an acceptable standard of security, without which it will be an offence for them to remain open?

SECRETARY FOR SECURITY: Mr Deputy President, the question of security measures for

high risk premises was examined thoroughly by the Fight Crime Committee in 1984. The Committee concluded that, while it was necessary to ensure that such premises had adequate security measures, legislation might not be the best way to achieve this. It recommended that the Government should continue to liaise with the goldsmith and jewellery trade associations to give them advice and to seek their co-operation in taking adequate security measures.

The Administration supported the Committee's views at that time. However, in the light of the recent rise in armed robberies in goldsmith and jewellery shops, we have decided to re-examine this issue. The police have started work to review, inter alia, a proposal to issue certificates of security for high risk premises. The matter will be considered by the Fight Crime Committee at its next meeting at the end of April.

Travel and tourism in secondary school curriculum

3. MR HOWARD YOUNG asked: Will the Government inform this Council what progress has been made on the introduction of travel and tourism as a subject in the secondary school curriculum since its endorsement by the Curriculum Development Council in February 1991?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, since February 1991, the Education Department has organized 11 seminars to encourage schools to introduce the subject of "Travel and Tourism" at the senior secondary level. Twenty-six schools have confirmed their interest in introducing the subject at Secondary IV from September 1993, and the Hong Kong Examinations Authority (HKEA) has agreed to include it as a Hong Kong Certificate of Education Examination subject in 1995. The HKEA will continue to do so provided that not less than 20 schools participate in the examination in that subject each year.

The Curriculum Development Council and the HKEA are jointly developing the syllabus for the subject. This will be ready for circulation to schools for comment in May this year. A teaching syllabus and suitable teaching materials will then be developed with due consideration given to feedback from schools. These materials will be made available to schools before the introduction of the subject in September 1993.

Vocational retraining for displaced workers

4. MR HOWARD YOUNG asked: Will the Government inform this Council what kind of retraining the Vocational Training Council is planning to provide for displaced workers; in particular, what kind of vocational retraining is planned for female workers who are over 30 years of age and displaced from the manufacturing industries?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, many of the training courses which the Vocational Training Council has been providing are suitable for any male or female, including in-service workers who are affected by economic restructuring, who wants to be trained in skills applicable to an occupation in a particular industry. Some of these courses do not require any specific level of educational background.

But at the request of the Provisional Retraining Fund Board, the Vocational Training Council has proposed, as a first step, five pilot retraining programmes specifically designed for local workers, including female workers who are over 30 years of age, affected by the economic restructuring. The five programmes to be funded from the Retraining Fund are hotel housekeeping and cleaning, retail sales, computerized Chinese typesetting, print finishing and Chinese data entry.

Joint-user building project at Smithfield

5. DR YEUNG SUM asked: In respect of the joint-user building project at Smithfield in Western District, will the Government inform this Council:

(a) when and why a commitment was made with the Urban Council to construct the building;

(b) how much has already been spent by the Government on designing the building;

(c) whether a decision has been made by the Government not to proceed with the construction of the building; and if so, what effect this will have on the residents of the Western District?

SECRETARY FOR THE TREASURY: Mr Deputy President, to provide community facilities for residents of Western District, an item was included in Category C of the Public Works Programme in August 1987 for the construction by the Government of an Urban Council/Government joint-user multi-purpose building on a site of about 5 000 sq m at Smithfield in Kennedy Town; the item was subsequently upgraded to Category B in July 1988.

Following a review of funding priorities under the 1990 Resource Allocation System, alternative methods of providing the required facilities were examined. Agreement was reached in May 1991 that the Smithfield site should be divided into two parts, and that the Urban Council would proceed with the construction of its own facilities, whilst government facilities such as a car park and post office would be provided on the other part of the site as and when funds were available.

Design of the Urban Council facilities, which include a market, cooked food centre, library and indoor games hall, is at an advanced stage. Subject to Urban Council approval, work is expected to start in April 1993 and to be completed by September 1995.

The Architectural Services Department prepared architectural sketch plans of the joint-user building. The staff cost of the design time involved is estimated to be \$95,000.

Economic and Trade Office

6. MR HENRY TANG asked: Will the Government inform this Council:

(a) of the reason for setting up the Economic and Trade Office in San Francisco instead of the Los Angeles area where there are many prospective investors;

(b) of the annual running cost of this Office;

(c) what this Office has done in the past year to promote industrial investment in Hong Kong and what it has achieved in terms of the amount of investment attracted; and

(d) of the other functions of this Office apart from industrial promotion?

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, the San Francisco Economic and Trade Office covers the western half of the United States and is centrally located for this purpose. San Francisco was also considered a suitable location because it has substantial links with Hong Kong and is close to the Silicon Valley area where there is a concentration of the high technology industries which Hong Kong's inward investment programme seeks to attract.

The running costs of the Office in 1991-92 are \$10 million. The costs for 1992-93 are estimated at \$10.6 million.

During 1991, staff of the Office held over 240 on-site meetings with companies in nine states of the United States and one Canadian province to promote the advantages of investing in Hong Kong. In addition, they covered 40 trade shows and conferences to target potential investors in Hong Kong. One industrial investment project was completed with the Office's assistance and a further 65 were being actively considered by West Coast companies.

The main functions of the Office other than industrial investment promotion are as follows:

(a) to safeguard Hong Kong's economic and commercial interests;

(b) to promote Hong Kong as a regional business centre and gateway to China;

(c) to establish and maintain contacts with government, business, the media and the academic sector with a view to building a strong pro-Hong Kong constituency in the United States;

(d) to develop links with the Hong Kong community in the region; and

(e) to provide an information service on Hong Kong.

In situ employment in new towns

7. MR GILBERT LEUNG asked: Will the Government inform this Council:

(a) what policy has been adopted to provide employment for the working population in new town development; whether in situ employment is to be achieved as far as possible;

(b) of the estimated rate of in situ employment in each of the new towns throughout the territory; and

(c) if in situ employment cannot be achieved fully, what transport arrangements have been in place to cater for the needs of those workers who have to commute to their places of work in other districts?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, one of the main concepts in the planning and development of new towns is to achieve a large measure of "self-containment". This includes the provision of adequate employment opportunities for the working population, particularly with regard to manufacturing industry. This is normally done in the plan-making process through the reservation of industrial land in accordance with design population. However, due to a number of reasons not related to town planning, the new towns are to some extent still dependent on the older urban areas for employment opportunities.

Detailed and complete data on the number of people who live and work in the new towns is not available. It is estimated, however, that the rate of "in situ employment" is roughly 50%. As new towns mature, the percentage can be expected to increase.

To cater for the needs of commuting workers, the Administration also aims to provide an efficient transport network for the new towns. This includes the electrification and double tracking of the Kowloon-Canton Railway, several high capacity highways and tunnels, to link the new towns with the older urban areas. Furthermore, a comprehensive public transport system, including buses, mini-buses, hovercraft and ferry services, the Mass Transit Railway between Tsuen Wan and urban areas and the Light Rail Transit between Tuen Mun and Yuen Long have been provided. Further extensions to Tin Shui Wai are proposed.

The public transport services for the new towns have also been developed in a manner sensitive to the demand for commuting to employment centres in the older urban

areas. There is a well established planning mechanism under which the five-year plans of major public transport operators are rolled forward annually after consultation with the relevant district boards.

The capacity of the KCR has expanded substantially since the early 1980s to meet the travelling needs from Sha Tin, Tai Po, North District and more recently Ma On Shan. In 1991, the KCR recorded 524 000 passenger trips per day, compared with 47 000 trips in 1981. Over the same period, KMB's fleet has grown from 2 350 to 3 050 vehicles, including far more high-capacity double-deck buses. In addition, there has been a sustained expansion of residential coach services in the past five years. These supplement franchised bus services during the rush hours and take new town residents direct to their places of work.

Existing public transport services for the new towns will be further expanded and improved in the light of changes in demand arising from population redistribution. Over the next five years, for instance, KMB plans to increase the number of buses serving the Tseung Kwan O New Town by 55%, in line with anticipated population intake.

Job opportunities in Tseung Kwan O

8. MR GILBERT LEUNG asked: Will the Government inform this Council:

(a) when land in Tseung Kwan O will be granted for industrial and commercial purposes;

(b) of the estimated number of job opportunities that will be made available in Tseung Kwan O as a result of such industrial and commercial development; and

(c) of the projected annual discrepancies in job opportunities in Tseung Kwan O as compared to the size of its working population from present to 2004 when the development programmes will be completed?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, in the Tseung Kwan O town plan about 10 hectares of land are zoned for commercial use and 232 hectares for different types of industrial use. About 44 hectares are reserved for commercial/residential use. In the provisional land sales programme for 1992-93,

two commercial/residential sites totalling five hectares are scheduled for sale by Letter A/B tender. Further commercial and commercial/residential sites will become available for sale in subsequent years. Industrial land will be available for disposal from 1993-94 onwards.

Development of the two commercial/residential sites to be disposed of in 1992-93 is estimated to produce a total commercial floor space of about 100 000 sq m in 1996 or 1997. A significant number of jobs in the wholesale, retail and services sector will be provided but the actual number cannot be predicted accurately as it depends on the types of establishments which occupy these commercial areas. It is estimated that 52 000 employment places will be provided in the industrial sector in Tseung Kwan O ultimately.

Full development of Tseung Kwan O is not likely to be achieved until 2011. Statistics on projected annual shortfalls of job opportunities as compared with the working population from now to 2004 are not available. A predicted shortfall of about 40 000 employment places in 1996 and of 80 000 in 2001 must be viewed in the context of Tseung Kwan O's proximity to the main urban areas, particularly Kwun Tong, and the relative ease with which commuting will be possible through the road tunnel.

Free medical services for public assistance recipients

9. MR LAU CHIN-SHEK asked: Concerning applications for free medical services by Public Assistance recipients, will the Government inform this Council:

(a) how many applications for free medical services were received by the Social Welfare Department in 1990 and 1991 respectively; and how many of those applicants were over 60 years old; and

(b) whether the Government has considered simplifying the application procedures so that PA recipients certified by the Social Welfare Department can approach the public hospitals and clinics for free medical services within a specified period of time, instead of having to apply to the Department every time when treatment is needed?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the answers, seriatim, are as follows:

(a) The Social Welfare Department does not keep detailed statistics on applications for waivers of medical charges from Public Assistance recipients. However, in the last 12 months, it is estimated that some 87 000 applications for waivers of medical charges were received from Public Assistance recipients. Of this number, about 65 000 applications were from persons 60 years of age and over. As waivers of medical fees can also be approved by medical social workers in hospitals and specialist clinics, it is estimated that about 50 000 applications were handled by the Social Welfare Department and 37 000 applications were handled directly at hospitals and clinics.

(b) Public Assistance recipients visiting out-patient clinics which do not provide medical social service will have to first obtain a waiver certificate from a Field Unit of the Social Welfare Department. The waiver certificate is required by the Department of Health for audit control purpose. The Social Welfare Department is discussing with the Department of Health on ways to simplify the procedures in order to save Public Assistance recipients from having to make an extra trip to a Field Unit. One possible option is to allow a Public Assistance recipient to receive free medical care upon the production of the "cash order book" issued to him/her by the Social Welfare Department. Cash order books are issued to all Public Assistance recipients to enable them to collect monthly cash payments at post offices.

Hung Hom Bay Reclamation

10. DR SAMUEL WONG asked: Will the Government inform this Council of the latest planning proposals for the Hung Hom Bay Reclamation Area and whether priority would be given to the construction of the highway network and transport links to improve access to the Kowloon-Canton Railway Terminal and the Hong Kong Coliseum?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, Hung Hom Bay Reclamation covers an area of about 36 hectares. It will provide land for commercial, residential, recreational and government, institution and community uses. Reclamation work is in hand and is scheduled to be completed around late 1994.

The present land use proposals for the reclamation area are summarized in the following table:

	Hectares	%
Residential Zone 1 & Comprehensive Development Area	8.20	22.54
Commercial	3.26	8.96
Government, Institution & Community	3.70	10.17
Open Space, Amenity Area	7.56	20.78
Other Specified Uses	5.25	14.43
Roads	8.14	23.12
Total Development Area	36.38	100.00

It is estimated that the population in the area upon full development will be about 18 000. The "Other Specified Uses" include a 5-hectare freightyard expansion for KCRC with commercial development on the podium. The land use budget may have to be amended to take account of new proposals such as the Kowloon Sky Rail and its depot.

The proposed Hung Hom Bypass and Princess Margaret Road Link will provide a direct link from Hung Hom Bay Reclamation to Princess Margaret Road and Salisbury Road. The link will also connect with Chatham Road and with Cheong Wan Road at the KCRC podium and, therefore, greatly improve access to the KCR Terminal and Hong Kong Coliseum. The preliminary design study for the project will be completed soon. Detailed design will commence later this year. Construction is due to start in early 1995 for completion in early 1998 so as to tie in with development on the reclamation.

Transfer of technology used in the Airport Core Programme Projects

11. MR RONALD ARCULLI asked: Will the Government inform this Council whether it is the Government's objective to encourage the transfer of techniques and technology used in the construction and management of the Airport Core Programme projects to local professionals and contractors? If so, what steps will the Government take to encourage this transfer; and what information is available to the Government on the employment of local staff at senior management level in the organizations awarded the Airport Core Programme projects?

SECRETARY FOR WORKS: Mr Deputy President, our main objective in managing the design and construction of the Airport Core programme projects is to ensure that these projects are carried out in the most cost effective manner, on time and within budget. Within the constraints of this main objective, we are supportive of the objective of encouraging technology transfer to local professionals and contractors, and are mindful of the unique opportunity this programme presents for fostering the transfer of technology and techniques to Hong Kong enterprises.

It is already apparent that transfer can and will take place in a variety of ways such as recruitment of local professionals to multinational and specialist companies, the dissemination of modern project management techniques throughout the construction industry and the introduction to Hong Kong of a variety of new construction techniques needed because of their scale or specialism.

There is a wide range of professional expertise which the ACP will require in planning, financing, design, construction and operation of the projects. Whilst Hong Kong already possesses much expertise in all these fields the opportunities which the ACP will present for professionals to be exposed to a wider range of techniques and systems will undoubtedly be of long-term benefit to both the public and private sectors. Many specialist seminars and presentations have already been made in both the Government and private service whose work is related to the ACP and the pace of these will increase as the programme gets into full swing.

As a result of the Government's early recognition of the integrated project management skills needed to ensure successful implementation of ACP, the New Airport Projects Co-ordination Office was set up comprising a team of government officers and staff of International Bechtel Incorporated. This arrangement allows for an effective utilization of both the local and international experience of the government and consultant staff. It also enables an efficient transfer to the

government personnel of experience and techniques in managing large-scale projects, particularly in the areas of programming, cost control and project administration. This project management group will in turn disseminate management controls widely throughout all programme areas and the relevant controlling departments. These controls cover both cost and time, including risk and contingency management. Alongside the airport related projects, the Works Branch is co-ordinating initiatives, which will result in the relevant elements of the special ACP controls being used for projects within the public works programme.

ACP projects are attracting world renowned civil engineering contractors. In order to meet very exacting risk and programme control obligations, contractors will need to maximize the use of the latest construction techniques, requiring the deployment of large and, in some cases, highly specialized construction plant. Successful international joint ventures however demand a knowledge of conditions and the construction resources available in Hong Kong. This leads to strong links with local enterprises or the inclusion of a local partner in the joint venture. Construction expertise will also be transferred to local industry by means of sub-contracting, and the direct employment of local staff and workers.

Information is available to the Government on the local experience of staff to be employed at senior management levels in the organizations seeking to be awarded ACP contracts. This is taken into account when assessing tenders to assist in determining a contractor's experience and management capability to undertake the works. There is no specific requirement for them to retain senior local management, even though many do so. Similarly, consultants established in Hong Kong for a considerable number of years and who are successful in undertaking government consultancies have local professionals in senior positions within their organization.

Direct Subsidy Scheme

12. MR NG MING-YUM asked: In relation to the Direct Subsidy Scheme, will the Government inform this Council:

(a) how a Direct Subsidy Scheme school is different from a subsidized school with regard to:

(i) the remuneration and fringe benefits (e.g. Provident Fund) of staff;

(ii) the various fees to be paid by students; and

(iii) the procedure for admission of Form I students;

(b) how many subsidized schools have so far applied to join the Direct Subsidy Scheme; how many of their applications have been approved;

(c) after approval, whether the school will completely change its status immediately or whether the change will come into effect by phases, i.e. beginning from Form I and gradually extending to the higher forms year by year; and

(d) how much time before its change of status will be available to a school for notifying its staff and students so that those who do not want to stay on in the school can make alternative arrangement for themselves?

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

(a) (i) The remuneration and fringe benefits for staff of aided schools follow standards set by the Government, while those for staff of Direct Subsidy Scheme (DSS) schools are determined by the individual school managements. However, staff of ex-aided DSS schools who had been serving prior to the schools joining the DSS have the option of remaining in the Grant/Subsidized School Provident Fund scheme or joining any new provident fund scheme arranged by the schools.

(ii) As regards fees, Secondary I to Secondary III in aided schools are free of charge, while Secondary IV and above charge standard fees determined by the Government. In the case of a DSS school, all students pay fees at an amount set by the school.

Upon an aided school joining the DSS, only students at entry level (Secondary I) have to pay DSS fees, while other students who had entered the school previously continue to pay no fees, or standard fees, depending on the level of study. There will therefore be a transitional period of six years before the entire school will be made up of students paying DSS fees.

(iii) All DSS schools have the freedom to determine their own procedures for the selection and admission of Secondary I students, subject to monitoring by the Education Department. They will not have students allocated to them through the Government's Secondary School Places Allocation system, as is the case with aided schools.

(b) One aided school has applied to join the DSS in September 1992. Its application has been approved by the Director of Education on the advice of the Private Schools Review Committee.

(c) All types of schools, including aided schools, will change their status to DSS schools immediately upon joining the scheme. For aided schools, however, only Secondary I will operate in accordance with the DSS in the first year, while the higher forms continue to be funded on an aided basis. The latter are progressively turned into DSS classes over a transitional period of six years. The school will, for the same six year period, remain under the Code of Aid for the purposes of maintenance and repair of its school buildings. Other DSS schools (those not originally under the Code of Aid) will receive a DSS subsidy for all their classes on changeover.

(d) A school will normally apply to join the DSS, in response to a circular issued by the Education Department, before the end of October each year. The school may choose to consult its staff and students well in advance of submitting an application. If approved by the Director of Education, the school will turn DSS in September of the following year. It is up to the school to work within this approximate time-frame to notify its staff and students of an impending change of status.

Bus terminal facilities in urban Kowloon

13. MISS EMILY LAU asked: Will the Government state whether the lack of new bus terminal facilities in the urban Kowloon area is one of the major considerations for not approving the introduction of new bus routes linking the new towns in spite of demand; and if so, does the Government plan to provide more new bus terminal facilities in urban Kowloon in view of the mounting passenger pressure on the MTR and KCR?

SECRETARY FOR TRANSPORT: Mr Deputy President, given the scarcity of land and

street-level space in the urban centres as well as environmental constraints, the supply of bus terminal facilities is limited relative to competing demand. However, this is not the only factor in determining whether to introduce additional bus routes from the new towns to the urban centres. Priority is always given to accommodating new bus routes from the new towns where there is a demonstrable passenger demand which could not be met by alternative public transport services. For example, of the 55 new bus routes introduced by KMB in the past three years, 34 provide regular services linking the new towns with the urban centres.

On-street bus terminal space is also used where necessary to supplement off-street terminal facilities. In addition, demand is also met partly by residential coach services. These supplement franchised buses during rush hours but do not take up terminal space. In the past five years, 29 residential coach routes carrying new town residents direct to the urban centres have been introduced. Twelve of them penetrate Yau-Tsim and Central.

Additional off-street bus terminal facilities in the urban centres are being planned. These include a new bus terminus at Science Museum Road in Tsim Sha Tsui, integrated transport interchanges on the West Kowloon and Central reclamations, and possible redevelopment of the Mong Kok KCR Terminal Complex.

Finally, KMB plans to introduce, over the next 12 months, eight new routes providing direct services from the new towns to the urban centres. Half of them terminate at Yau-Tsim or Central.

Police manpower shortage

14. MISS EMILY LAU asked: In view of public concern about police manpower shortage, will the Government inform this Council:

(a) how Hong Kong compares with other major Asian and Western cities in terms of the ratio of police officers to population;

(b) what changes, if any, there have been in the local ratio for the past three years; what the reasons for these changes are and what effect they have on the law

and order situation?

SECRETARY FOR SECURITY: Mr Deputy President, we have only limited up-to-date information available on the ratio of police officers to population in other major Asian and Western cities. Based on this information (tabulated below) Hong Kong compares favourably with other cities. However, the figures are not entirely comparable: in Hong Kong, the Police Force has responsibilities which the police forces in other cities do not -- for example, a substantial Marine Police commitment and anti-illegal immigration duties on the border.

Total police strength per 100 000 population

	1989	1990	1991
Hong Kong	474.0	469.6	455.6
London	N/A	402.5	N/A
Tokyo	347.2	349.1	N/A
Singapore	262.6	N/A	N/A

N/A: Not available

The slight decrease in 1990 and 1991 can be attributed to difficulties in recruitment and retention of junior police officers. In recent months however both recruitment and retention have improved. As a result, at the beginning of 1992, the ratio stood at 459.6. I hope that this trend continues.

It is not possible to quantify the effect of these small changes on the law and order situation. The police presence on the streets is an important factor in the prevention and detection of crime. Every effort has been made to maintain the level of police presence on the streets through redeployment, increased use of the auxiliary police, and the relieving of the police force responsibility for managing the High Island detention centre.

Archaeological deposits or historic relics at the airport site

15. MR ALBERT CHAN asked: Will the Government inform this Council:

(a) how many sites within the area where the Airport Core Programme is being carried out are found to have archaeological deposits or historic relics;

(b) what measures have been taken by the Government to protect the archaeological discoveries and historic relics; how many of them have been preserved; and

(c) how many archaeological discoveries and historic relics are expected to be ruined and damaged due to the time constraint in the progress of the projects and what rescue measures will be taken by the Government to reduce such damages?

SECRETARY FOR RECREATION AND CULTURE: Mr Deputy President,

(a) Surveys of Chek Lap Kok and North Lantau have been undertaken to identify archaeological sites so that those of potential importance can be investigated before they are affected by the new airport and associated projects. Six such sites have been identified. Four have been excavated on Chek Lap Kok -- one on Ma Wan, and three others on North Lantau. Two other excavations on North Lantau are underway at present, and these will be completed this year.

(b) Thousands of historic relics have so far been found (most of these are discarded pottery, but there are also tools, ornaments and coins) and these are being preserved in the Central Archaeological Repository.

(c) The nature of archaeology is such that it is impossible to be certain how many sites are buried underground; but the Antiquities & Monuments Office is reasonably confident that the present excavation exercises have identified all important sites and these have been investigated and processed before they are damaged.

Compensation to occupants affected by private building redevelopment

16. MR JAMES TO asked: Will the Government inform this Council:

(a) whether the Administration will review the legislation and policy regarding the compensation paid by redevelopers of private buildings to affected residents; if so, which aspects will be covered in the review; and

(b) whether the Administration will consider imposing a redevelopment tax on developers in order to have better financial resources to help the affected residents?

SECRETARY FOR HOME AFFAIRS: Mr Deputy President, the Administration has recently completed a review of the statutory compensation payable to tenants dispossessed on grounds of redevelopment under Parts II and IV of the Landlord and Tenant (Consolidation) Ordinance. The review has focussed on the different factors which currently govern the level of compensation with particular reference to the relevance of the 1983 rateable value which is used as a basis in the present calculation of compensation. Both landlords and tenants understandably have difficulty in relating these historic rateable values to current values. In addition there are considerable problems in assessing removal costs and the value of the loss of fittings which constitute the other considerations in the compensation calculation. The review has confirmed that there are grounds for simplifying the calculation process and relating the compensation to prevailing rateable values. The level of statutory compensation payable would also be enhanced to bring it in line with the average level being offered by owners in consent cases. I hope that the Administration will be able to introduce appropriate amending legislation to this Council as soon as possible.

It has never been the intention of the legislature to recompense in full for any loss suffered by the tenants dispossessed by rebuilding. The statutory compensation is designed to provide them with some financial assistance to mitigate the hardship caused by relocation. It must be distinguished from that arising from compulsory acquisition or resumption where the owners are deprived of their legal interest in their properties. Where circumstances warrant, the Social Welfare Department can, upon application, recommend the allocation of public housing on compassionate ground where a dispossessed tenant has financial difficulties.

It is the Government's policy to encourage redevelopment of private properties where this will result in an improvement in standards of accommodation and/or an increase in the stock of domestic accommodation. The imposition of a redevelopment tax on developers would tend to discourage redevelopment without providing any direct benefit to those dispossessed by such redevelopment. There are existing resources to help dispossessed tenants who have financial problems and, if the level of statutory compensation is enhanced as proposed above, there seems to be little justification in providing further assistance.

Inspection of private buildings

17. MR JAMES TO asked: Will the Government inform this Council:

(a) of the progress and implementation programme of the intended measure to empower the Building Authority to require private building owners to arrange for inspections and surveys of their own buildings;

(b) whether a list of surveyors with charges stated will be provided for owners' choice; and what assistance the Government will provide to owners who have difficulties in arranging for their own inspection;

(c) what measures will be taken to ensure that the standard of inspections arranged by owners meets that required by the Government;

(d) whether the Government will commission a second inspection if the owner has already arranged his own and if so, who will bear the cost; and

(e) how many buildings in Sham Shui Po District will be affected by the new requirement?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the Buildings (Amendment) Bill to empower the Building Authority to require private building owners to carry out detailed inspections of their own buildings is being drafted. It is intended to put the Bill to this Council for consideration before the end of the current Legislative Session. Under the proposed programme, the Buildings Ordinance Office will conduct preliminary surveys of buildings. Orders will be served on the owners of buildings where potential danger is identified during the preliminary surveys requiring them to carry out detailed inspections. The full details of the proposed scheme are still being finalized.

Our proposal is that the owners of a building will be required by order to appoint an authorized person to carry out a detailed inspection and identify appropriate remedial works. The list of authorized persons, but not details of their charges, is kept in the Buildings Ordinance Office and may be inspected there. To assist

owners further, the Buildings Ordinance Office has also prepared a non-statutory list of authorized persons and registered contractors who are willing to undertake repair works. A copy of the list will be made available for inspection in the Buildings Ordinance Office and every district office. A default provision will also be included in the proposed Bill whereby the Buildings Ordinance Office will carry out the required inspection if an owner fails to comply with an order and will recover the cost from him.

The Buildings Ordinance Office may also carry out detailed inspections in cases where owners may have difficulties, financial or otherwise, in organizing their own. The intention is to recover costs, however. Second inspections are not envisaged at present.

Those employed to carry out inspections on behalf of owners can be expected to perform to professional standards and set reasonable charges; but there will be a degree of monitoring by the Buildings Ordinance Office, particularly in the early stages of the programme.

It is estimated that there may be approximately 800 buildings in the Sham Shui Po District which may require detailed inspections.

Motion

TELEPHONE ORDINANCE

THE SECRETARY FOR ECONOMIC SERVICES moved the following motion:

"That the Schedule to the Telephone Ordinance be amended in Part VI by repealing item 8 and substituting -

"8. Surcharge for making IDD \$2 per call".
or other chargeable calls in
Hong Kong or overseas, using
a Personal Identification
Number as allocated by the
Company to holders of its
International Calling Card."

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

Section 26(1) of the Telephone Ordinance allows the Hong Kong Telephone Company to levy charges for its services at levels which do not exceed the limits shown at the Schedule to the Ordinance. Section 26(2) of the Ordinance empowers this Council to amend the Schedule of charges by resolution.

The Company wishes to expand its International Calling Card service. The Schedule of charges needs to be amended to reflect the new scope of the service.

The International Calling Card service currently allows subscribers to make IDD calls from any digital tone dialling telephone in Hong Kong. The subscriber simply dials a personal identification number, or PIN, before making the call. The call charge and a service surcharge of \$2 per call are then billed to the subscriber's account.

The Company's proposal is to expand the service to allow subscribers to make both IDD calls and other chargeable calls to Hong Kong from overseas using their PIN. Calls would be charged at local rates and would be subject to the same \$2 surcharge as outbound calls from Hong Kong. Subscribers would be billed locally.

The \$2 surcharge per call for using this service is to cover the Telephone Company's costs. The Administration has examined the basis for the charge, and considers it to be a reasonable reflection of the cost of providing the service.

Mr Deputy President, I beg to move.

Question on the motion proposed.

MR JAMES TO (in Cantonese): Mr Deputy President, some colleagues may think that the United Democrats of Hong Kong would oppose the new charge. But, in fact, we have come to the view after careful consideration, that this service should be vigorously promoted because it enables the people of Hong Kong to have telephone service overseas at a lower price. Besides, being a locally registered company, the Hong Kong Telephone Company has to pay profits tax in Hong Kong with respect to the profits which it has made.

After thorough study, we find that the proposal warrants our support and hope that the Company would spare no effort in promoting this service so that more Hong Kong people would be benefitted.

Thank you.

At this point Mr David LI declared interest as Deputy Chairman of Hong Kong Telecommunications Limited.

Question on the motion put and agreed to.

First Reading of Bill

COMPUTER CRIMES BILL 1992

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

Second Reading of Bills

COMPUTER CRIMES BILL 1992

THE SECRETARY FOR SECURITY moved the Second Reading of: "A Bill to clarify and amend the criminal law relating to the misuse of computers, and for related matters". He said: Mr Deputy President, I move that the Computer Crimes Bill 1992 be read a Second time. The Bill seeks to make certain forms of computer misuse criminal offences.

Although there is no evidence at present that computer-related crime is widespread, the Government believes it is necessary to put in place appropriate legal sanctions against computer misuse, which can result in dishonest gain for the wrongdoer or loss to others.

Firstly, the Bill will tackle what is known as "hacking", by making unauthorized access to a computer by means of telecommunication an offence.

Secondly, the Bill will create a new offence of gaining access to a computer with dishonest intent or with intent to commit an offence. This would apply irrespective of whether the access was unauthorized or not, and irrespective of the means of access.

Thirdly, the Bill will amend provisions in the Theft Ordinance and the Crimes Ordinance relating to burglary and criminal damage to property, so that these provisions will cover such acts in relation to a computer, its data or any programme contained in a computer.

Fourthly, the Bill clarifies the offence of false accounting in the Theft Ordinance and the offences of forgery and making a false entry in a bank book in the Crimes Ordinance, to make it clear that they apply to information stored in a computer.

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

Question on the adjournment proposed, put and agreed to.

APPROPRIATION BILL 1992

Resumption of debate on Second Reading which was moved on 4 March 1992

Question on Second Reading proposed.

CHIEF SECRETARY: Mr Deputy President, I would like to start by thanking all Members who spoke in this Budget debate. A wide range of subjects has been covered and many useful suggestions made. You have given the Administration much food for thought.

In my capacity as master of ceremonies for the official side I would like to say a word about the programme for this afternoon. Six officials only will speak. This is because we do not think it would be appropriate to try to respond here to all the points made by Members in their speeches. If we did so, all Branch Secretaries would have something to say. So instead we shall deal only with the main themes today. But I have asked Branch Secretaries to write to individual Members on detailed subjects which require follow-up action by the Administration.

Of course I, and the Branch Secretaries, are but the warm up acts for the star

performance by the Financial Secretary who will move to the centre stage later on. I realize we have all just missed the chance of an Oscar for this year but we would be happy to be nominated for next year.

We can all look forward to a well rehearsed and eloquent finale to this debate by Mr Hamish MacLEOD this afternoon and although I would not wish to steal his thunder I thought I would like to draw Members' attention to the fact that all Scottish clans have a motto and the motto of a MacLEOD clan is "Hold Fast".

The Financial Secretary will of course deal with all aspects of the Budget in detail but I would like to make a broad political point in answer to repeated criticism over the question of the size of the reserves. It is, I might say, a criticism which I have heard during every Budget debate in the past 25 years.

The main purpose of having substantial reserves is to ensure that the Administration can go on providing public services at a reasonable level even when the going gets rough. This is all the more important now that the range of government services is so extensive and contributes so hugely to the social infrastructure of Hong Kong. We believe it would be totally irresponsible of the Government to leave essential services vulnerable to a downturn in the economy. In the absence of adequate reserves such a downturn might mean severe cut backs in such essential services as the police, fire services, hospital services or education. I do not accept that we are being over cautious. We are all too conscious of the unpredictability of events, both economically and politically, in this region as well as beyond. Hong Kong is more vulnerable than most to major changes in the economic or political fortunes of neighbouring territories or the world at large. To put it simply as a trading community we rely on a settled international environment and stability in China, and anything which upsets this, for example, events in China in 1989, the Gulf war, and disintegration of former Soviet Union are clear reminders of the impact such external events can have on our stability and financial viability. A reasonable level of reserves gives us the confidence to plan long term, the certainty that we can continue to look after the people of Hong Kong by maintaining services.

This has been one of our primary objectives with our Budget strategy. We may be criticized for being conservative or too cautious, but our prudent management of Hong Kong finances has stood us in good stead over many years, and we have weathered some turbulent economic and political storms. We believe that we must not allow the effective value of our financial cushion to fall to a level which could put in jeopardy

Hong Kong stability as we approach 1997.

As the Financial Secretary has said in his speech, the Budget proposals carefully balance the aspirations of the community with our ability to meet such expectations. These are proposals for the community as a whole. This is the same philosophy that has served us in the past. We have not changed course. We have not discarded the long established principle of limiting public expenditure to the rate of growth in our economy. All of us in the Administration stand four square behind the Financial Secretary and the package of Budgetary proposals he has put forward.

Mr Deputy President, I would now comment on a few other general issues.

Efficiency of the Civil Service

Several Members have commented on the importance of an efficient and forward-looking Civil Service. I cannot agree more. We live in an ever changing world and Hong Kong cannot stand still. We must maintain the dynamism of our institutions and continue to develop and evolve them to meet new challenges. Organizational stagnation is not the Hong Kong way. This applies to the private sector as much as it does to the Civil Service. The Chinese saying that not to advance is to fall behind () is most apt for a competitive place like Hong Kong. Members are aware of some of the on-going efforts to modernize the government machinery and to increase productivity, such as the public sector reform programme and the devolution of responsibilities. We shall continue to pursue such objectives through the Efficiency Unit that will be established next month.

Civil service pensions

Some Members have referred to civil service pensions. I should emphasize that as with many governments worldwide, it is the established policy of the Hong Kong Government that pensions should be paid out of recurrent government expenditure. There is nothing unusual about this. It is analogous to government bearing its own insurance and not taking out insurance policies.

Pensions are paid as a statutory right and they are a statutory first charge on recurrent government revenue. Legal advice is that this provides the necessary security. In addition civil service pensions are guaranteed in the Joint Declaration and the Basic Law.

Also it is inconceivable that the Hong Kong Government, or the Hong Kong Special Administrative Region Government in the future, would be unable to meet the annual costs of pensions. The costs of pensions range between 3% and 5% of recurrent annual expenditure and are projected to reach a maximum figure of 5.2% in 2005. There may have been some misunderstandings about the possibility of a sudden, unexpected pension bill, if there is an exodus of large numbers of pensionable officers. But there cannot be an unexpected pension bill. Under the Old Pension Scheme the upfront expenditure on lump sum payments would be limited to 25%; under the New Pension Scheme, no matter when an officer resigns or retires -- as long as he has the requisite 10 years' service -- he will not receive his pension until he reaches pensionable age. Our calculation of 3% to 5% of government expenditure therefore remains the same. Indeed in the long run, beyond 2012, it is likely that pensions expenditure will actually reduce slightly, due to the long-term effect of the new pension scheme with its greater lump sum commutation but reduced pension payments and the pensionable retirement age of 60.

Notwithstanding these assurances we are aware that there are worries in the Civil Service about pensions. We have tried to address these but solutions are not easy. They would inevitably involve either considerable cash flow problems in the short term or the setting aside of a large amount of reserves in the longer term. Having said that we are still exploring ways to meet the concerns of the Civil Service.

Judiciary

I have listened carefully to the concerns expressed by some Members about the pace of localization in the Judiciary and the efficiency of the administration of the Judiciary.

There can be no doubt that maintaining an independent and prestigious Judiciary is one of our most important tasks. In striving to achieve this, we must not only make sure that the most capable men and women of the highest integrity are attracted to the judicial service, but also that the Judiciary as a whole is run in the most efficient and cost-effective manner. In the past few years there has been a significant increase in the Judiciary's business, both in terms of workload and complexity. This has made the job of administering the Judiciary efficiently and effectively all the more difficult.

I know that the long waiting times in bringing cases to courts are of real concern. In this connection Members will wish to know that with the creation of three additional High Court judge posts the Judiciary is confident that the waiting time can be reduced on average by about three months until the end of the year and thereafter at an increased rate. But there is likely to be a continuing problem in this area which will have to be addressed. In the meantime we will continue to monitor the situation very carefully.

In addition I can assure Members that the Administration will take the necessary measures to ensure that the Judiciary is equipped with the necessary modern management information systems and equipment to enable it to carry out its work expeditiously and effectively.

Mr Deputy President, I support the motion.

SECRETARY FOR SECURITY: Mr Deputy President, I am grateful for the support Members have expressed for the police force and the suggestions they have made for improving the ability of the force to combat crime. We have an excellent police force, I believe one of the best in the world. It is also one of the best equipped. The professional manner in which police officers carry out their duties is a credit to the force and to Hong Kong.

Some Members have urged that more should be spent on upgrading police equipment to enhance their capability to tackle criminals who are themselves becoming more sophisticated. I should like to assure Members that we have always sought to provide the police with the equipment they need. In recent years at least, I do not believe that any request for essential equipment has been turned down. There has indeed been very substantial investment in new equipment and new technology, and a major upgrading of communications, command and control systems and intelligence systems. Estimated expenditure on police equipment in 1992-93 represents a 225% increase on expenditure in 1989-90, a 16% increase on expenditure last financial year.

The police are at present reviewing their requirements for arms and ammunition for police officers on daily patrol. I expect to receive their recommendations shortly, and these will be considered quickly and sympathetically, as will any other requests for necessary equipment. But I would add one word of caution. New and additional equipment is not the whole answer to the problem of violent crime, in particular recent armed robberies, nor to the problem of smuggling within the waters of Hong Kong. Other measures in the form of improved intelligence, deployment of

manpower, and liaison and co-operation with China are also required. The police are pursuing all these measures with great energy. We will ensure that they have the necessary resources to do so effectively.

Members have also mentioned the problems of police recruitment and retention. Last financial year, the target for recruitment of junior police officers was 2 300. We achieved only two-thirds of that target. After taking into account those who retired or left the force, the net increase in JPOs during the year was only about 300.

That itself is encouraging, because it represents a considerable improvement over the previous two years when there was an overall reduction in strength. Almost all of the increase occurred during the last six months when there was a significant increase in the number of JPOs taken on strength and at the same time a reduction in the numbers leaving the force. But we clearly need to do better in order to bring the police force back fully up to strength.

In this respect, I should like to make it clear that the provision in this year's Budget is not a constraint on recruitment. The police will be able to recruit some 1 600 additional JPOs. We shall try to ensure that they are able to do so. In order to help the police to achieve this target, we have established a review team under the Secretary for the Civil Service, and with representatives from the police, Finance Branch and Security Branch, to examine the causes of recruitment and retention difficulties in the force and to recommend solutions. We expect the report to be available by the middle of this month. We will seek to implement as quickly as we can any recommendations, seeking the advice where necessary of the Standing Committee on Disciplined Services Salaries and Conditions of Service.

I have said that the overall establishment of the police force has not been a constraint on recruitment and manpower in recent years. Nevertheless, there is a need to review police manpower needs. The last overall review was some 15 years ago. In the meantime, there have been changes in the demands put upon the police, and great improvements in communications and other modern technology available to the force.

The police force is a very large organization. It employs almost 34 000 staff, some 27 000 of whom are disciplined officers, and it will spend \$6.6 billion this year. We need to ensure that these resources are utilized efficiently and to best effect. We propose, therefore, during the course of this financial year to review

the entire establishment and structure of the police force. The Commissioner of Police has already made considerable progress on this, having completed a review of manpower needs for police land regions and districts which account for some 52% of overall police manpower. The review team will use this as a starting point, and then move on to consider the needs of all other police formations.

The review team will be chaired by a Deputy Commissioner of Police, and include representatives of the Civil Service, Finance and Security Branches with assistance from a private sector consultant. It will report to a steering group which I shall chair. The objective is to ensure that the police force has the right establishment, management and structure to take it through the remainder of the 1990s.

As I said in a debate in this Council three weeks ago, the Government shares the concern of this Council and the community as a whole at the recent increase in violent crime, in particular robberies with firearms or imitation firearms. But at the same time we should not exaggerate the problem. By any comparison with other major cities, Hong Kong's crime rate remains low, and we have a well manned, well motivated and well equipped police force. To suggest otherwise does no service either to the police, or to Hong Kong. We are determined to tackle the present spate of armed robberies, and to provide the police with the resources which they need.

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, Members have given much weight to education issues in this debate. No doubt this reflects the community's concern. I have taken that concern to heart and will respond to it in a moment. But first, let me set the record straight on one point.

Contrary to the perception of some commentators, there has been no cutback in funding for education as a whole. Indeed the proposed allocation for 1992-93 is 5% above the revised estimate for 1991-92. This increase is in line with GDP growth and does not as yet take into account possible salary adjustments in 1992-93. The latter qualification is important because over 85% of the expenditure on education is accounted for by staff emoluments.

Within the education programme area, an 18% increase has been proposed for tertiary education. This is to provide 15 000 first-year, first-degree places by 1994-95. For the schools sector, a 1.5% increase is proposed. This figure may look small but it does not tell the whole story. For example, some funding has been earmarked separately for implementing two key recommendations in the Education

Commission Report No. 4 (or, in acronym, ECR4). It has yet to be captured under Head 40: Education Department simply because the spending proposals await approval by the Finance Committee of this Council. Furthermore, some provision has been taken out of Head 40 and transferred to Head 190: University and Polytechnic Grants Committee, upon the upgrading of Lingnan College to a degree granting institution. Another significant factor is the reduced demand for places in public sector schools due to population change. There is an expected decline of 2.4% in primary school enrolment, resulting in reduced expenditure. These developments highlight the need to interpret short-term changes in proposed expenditure with some caution.

I come to the concerns expressed by Members during this debate. Two issues have featured prominently in recent weeks. The first is the withdrawal of the repeater allowance at Primary I, Secondary I and Secondary IV: please note, not at all levels as some reports have suggested. The second is the general level of funding for school or foundation education.

The need to withdraw the repeater allowance stems from the Government's budgetary policy of maintaining a balance between the growth in public sector expenditure and the rate of economic growth. Many Members of this Council emphasized the need to maintain this balance in last year's debate on the Budget and several Members have done the same this year. Arising from this budgetary guideline, the Government has embarked on a vigorous exercise to identify opportunities to redeploy resources. Insofar as school education is concerned, this requirement necessitated the introduction of a sector-wide measure, namely the withdrawal of the repeater allowance at the Primary I, Secondary I and Secondary IV levels, thereby making available \$406 million over the next three financial years. We have consulted widely on options but found no viable alternatives which could, either singly or even in combination, produce the amount required. We recognize that the measure would, in some cases, lead to marginal increases in class sizes, but we have taken great care to minimize the effect upon the quality of education. We have responded to suggestions from the education community by exempting schools having a high proportion of Band 5 pupils from the new measure, in recognition of the heavy burden borne by teachers working in these schools. We have also given an undertaking that the repeater allowance will be restored in full by the fifth year, when the projected decline in enrolment will allow smaller classes to be operated.

More recently, our attention has been drawn to the worries among parents that, as a result of the proposed measure, many more pupils may have to change school at

Secondary IV, two years prior to taking the Hong Kong Certificate of Education Examination. We had hoped to deal with this problem through administrative action, but I accept that the increased uncertainty facing parents and pupils at the point of entry into senior secondary education is undesirable. We have therefore decided to exclude Secondary IV from the new arrangement. Only Primary I and Secondary I will now be subject to the temporary withdrawal of the repeater allowance.

Let me briefly explain how this works. Places at Primary I and Secondary I in the public education sector are allocated to the relevant age groups through two elaborate but widely-accepted systems. While the maximum class size is 45 under the Education Regulations, our policy has been to keep classes to 40 in normal circumstances. Under the existing arrangement, the Director of Education would allocate 38 pupils to each class, allowing the schools themselves to use the remaining two places to accommodate repeaters if they so wish. Because not all schools exercise this discretion in full, and because there is some "wastage" of pupils in the course of the school year, a fair proportion of classes at Primary I and Secondary I actually have less than 40 pupils. Indeed, 40% of Primary I and 20% of Secondary I classes have 38 pupils or less. The withdrawal of the repeater allowance will mean that the Director will, with effect from this year, allocate 40 pupils to each class. This measure will have no real effect on those classes which have 38 pupils or less. The effect on the other classes will depend on the extent to which the schools themselves find it necessary to accommodate repeaters, but will in any case be marginal and likely to dissipate over time due to "wastage". The new allocation arrangement will enable the total number of classes to be reduced by more than 400 over the three-year period, thereby saving on staff and associated costs. I must emphasize that it will not lead to any staff redundancy because there is sufficient room in the overall supply and demand for teachers to accommodate everyone. A beneficial by-product of this measure is that it will offer opportunities for the Director of Education to reduce the number of floating classes in secondary schools and to work towards a smoother class progression in the case of asymmetrical schools.

The decision not to withdraw the repeater allowance at Secondary IV will cost some \$120 million over three years. This will have to be met by tighter control over the administration of subventions through, for example, amalgamating undersized classes wherever possible so as to reduce waste of resources. At present, the average class size is 34.7 in primary schools and 36.7 in secondary schools. I can assure Members, however, that there will be no cutback in services or quality and that the Education Department will continue to exercise due care and flexibility in its pursuit

of cost-effectiveness. It is of course incumbent upon civil servants, and their counterparts in the subvented sector, to strive for better value for money. Members of this Council will accept nothing less.

On the wider question of funding for education, the Government's strategy for the 1990s remains to increase degree level places on the one hand and to improve upon the quality of education in schools on the other. The tertiary expansion programme is well under way. The Finance Committee has approved recurrent funding of \$18.2 billion for the 1992-95 triennium. In the schools sector, we have embarked on a range of improvement measures since September 1990 which, on full implementation, will cost \$465 million a year at 1991 prices. These include improvements to language teaching, reform of the sixth form curriculum, enhancement of funding for the Kindergarten Fee Remission Scheme and the introduction of the Direct Subsidy Scheme. These policies demonstrate our resolve to improve classroom teaching, add variety to the structure of education and offer the widest possible choice to parents.

More fundamental reforms and improvements have been identified in ECR4. All but one of the recommendations have been adopted as government policy. Funding has been earmarked for the establishment of the Curriculum Development Institute, preparations for the introduction of Attainment Targets and Related Assessments and the construction of three practical schools. These will proceed as soon as the relevant expenditure proposals are approved by the Finance Committee. We have not yet taken a view on the recommendation on mixed-mode primary schooling, but I expect a decision to be made soon.

The other approved policies which await funding relate to the medium of instruction in schools, the full implementation of target related assessments, the provision of Student Guidance Teachers under the whole school approach, the enhancement of school-based counselling support in secondary schools, various language bridging courses, the provision of skills opportunity schools, increased use of the Activity Approach, programmes for the academically gifted and pilot schemes to facilitate transfers to prevocational schools. In addition, two recommendations arising from ECR3, to provide equipment and classroom conversion for sixth form subjects and to improve assistance to Caput schools, also await funding. These qualitative improvements, taken together, will cost more than \$400 million over the next three financial years starting today.

Discussions have been under way within the Government on the funding of these

much needed reforms. I am pleased to announce that agreement has been reached to allocate an additional \$300 million to the schools sector over the next three years. This amount, coupled with some further redeployment of existing resources, will enable all the improvements I have mentioned to proceed in September 1992 or as soon as practicable thereafter.

This new allocation of \$300 million represents additional resources for the schools sector. It has been made without breaching the budgetary guideline or compromising any existing policies or targets. Let me explain.

When the Government decided in 1989 to provide first-year, first-degree places for at least 18% of the 17-20 age group by 1994-95, the target translated into approximately 15 000 places on the basis of population projections available at that time. Funding has therefore been provided for this number. We now know from the 1991 Census that there will be fewer students in the relevant age group. It has therefore been possible to revise the provision to 14 500 first-year, first-degree places by 1994-95, with resultant savings, and still meet the 18% target. After consulting the Chairman of the UPGC, who has in turn discussed with the heads of tertiary institutions, it has now been confirmed that \$300 million out of the \$18.2 billion previously allocated to the UPGC can be made available for reallocation. The Financial Secretary has most helpfully agreed that these funds should be deployed in their entirety to the schools sector. I am grateful to all who have made this possible, particularly the heads of the UPGC-funded institutions who have shown great understanding and accommodation.

I hope that my response today will go some way towards underlining the Government's commitment to improving the quality of our school education. There is, of course, more to be done. A package of proposals to revitalize the teaching force is being put together by the Education Commission. I look forward to the continued support of this Council in bringing about good quality education for our children.

Thank you, Mr Deputy President.

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, much has been said in this debate about the provision of funds, or in the eyes of some "the lack" of it, for health and welfare services. There are calls that we should spend more.

Well, let me start with facts and figures. Over the past five years, expenditure

on health and welfare services has more than doubled, from \$8.2 billion in 1987-88 to \$18.4 billion last year. In real terms, this represents an overall increase of 42% over a five-year period. This is a respectable average growth rate of 9.2% per annum. For 1992-93, we propose an amount of \$22.56 billion: that is an increase of \$4.16 billion, or shall I say, 23% from last year's revised estimate. This would enable us to continue with the significant growth sustained over the years and to achieve the goals we have set for the coming year.

I should again refer to the bar chart and figures on health and welfare which I presented at the special meeting of the Finance Committee. The figures were derived from Appendix B in the Budget speech and I reaffirm that they are correct. A point was made in the debate that, if we were to exclude the \$2.4 billion oncost for staff working in the Hospital Authority (HA), or the \$1.2 billion oncost for civil servants, the increase of expenditure to medical services for 1992-93 would be that much less. There must be some serious misunderstanding here. For the cost of staff working in the hospital system must be part of the cost of the service. They are costs which we cannot pretend not to exist, because they do. Thus, in any case, the real increase in recurrent expenditure is still 9.4% as I reported at the special meeting of the Finance Committee.

That said, as a responsible and responsive government, we must strive for better efficiency and greater cost-effectiveness. We have a duty to ensure that, through suitable prioritization, judicious management of resources is effected. The object, as stated in the Hospital Authority Ordinance, is to enhance standard of hospital services and, in the longer range, to maximize value for public money.

Some Honourable Members have called for better supervision and scrutiny of the HA operations and expenditure. The law provides the Hospital Authority with autonomy in operation and flexibility in resource management. The law also provides for extensive monitoring of HA's expenditure and activities, at various levels and by different means. They have for instance:

- public participation in management;
- examination by the Director of Audit;
- scrutiny by the Public Accounts Committee;

- regular checks by the Legislative Council and its panels;
- not to mention monitoring by a free and lively press.

I am gratified, if somewhat surprised, that the same Members who have called for greater transparency and more monitoring of Hospital Authority are themselves long-standing members of the Hospital Authority. Hospital Authority is clearly under close scrutiny at both the micro and macro levels. I suggest let it get on with its mission. And I suggest therefore let us give it time to prove its worth !

It has been said that the lion's share of the proposed allocation for medical and health services has gone to the Hospital Authority. This is true.

That does not, however, mean that we are neglecting primary health. On primary health care, we have embarked on reform too. Since the publication of the report last year, a Pilot District Health System has been inaugurated in Kwun Tong. We have introduced:

- individual medical records in 20 GOPD clinics;
- appointment system for chronic patients in 39 clinics;
- health education talks on chronic diseases in 36 clinics; and
- drug labelling in virtually all clinics.

The successful introduction of all these improvements owes much to the initiatives and co-operative efforts of the dedicated staff of the Department of Health.

Moreover, new clinics will be opened, and the Hepatitis B immunization programme will be extended to all pre-school children, an achievement not matched by many countries in the world. A large-scale oral health educational programme for pre-schoolers will be started. Health promotion activities with an emphasis on healthy lifestyle will be enhanced with an objective to achieve health for all by the year 2000. Preparations are also in hand for the setting up of a pilot Well Woman Clinic and to revamp the existing School Medical Service.

Quality service requires quality staff. Training opportunities will be enhanced

with the establishment of a training and education centre for doctors in family medicine and a new public health nursing school for nurses.

Far from lagging behind, Mr Deputy President, we should be proud of our efforts. We have good health indices which compare favourably with those of advanced countries. It is an example to us all that the Department of Health, with its highly motivated staff, can achieve so much within such a short space of time! We will of course continue to improve year by year and in the years to come.

In social welfare, the White Paper on Social Welfare into the 1990s and Beyond was published last year. Many of its reforms are underway to achieve better co-ordination and integration of service delivery. We will continue with this effort in 1992-93. We will be implementing many new projects. We will continue to meet our commitment to protect the most vulnerable members of the community. We will improve social welfare services for all groups: for the old, for the young, for the handicapped and for the vulnerable groups in the community.

Some Members have expressed concern about the Public Assistance Scheme (PAS). The principles of our PAS have been developed and refined over the years and reaffirmed as recently as last year when we examined the social welfare policies, embodied now in the published White Paper which we are committed to implement. The payments, which include not only the basic rates but also a variety of supplements, are designed to be responsive to individual needs. We should have due regard to the social, economic and demographic factors, in continuing to be alive to the changing societal needs and keeping implications for our social security schemes under constant review.

In all our endeavours, we remain committed to the health and welfare of our community. Our track records testify to this. We care about the "needy", by which definition we mean all those in need, including the so-called sandwich class. It has been suggested that a regular sandwich to some may be a club sandwich to others.

Mr Deputy President, time does not stand still at 1992-93. We must look forward and plan ahead. It is up to us all to share our vision for the future that is ours. It is up to us all to work together with valour and vigour to create a future for our children.

Mr Deputy President, with these remarks, I thank Honourable Members for their comments.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, several Members have included housing among their descriptions of the problems of the "sandwich class".

To bring the issue into focus, we need first to define what we mean by "sandwich class". Members have indicated that it could include, broadly speaking, households with a monthly income of between \$12,000 and \$40,000; in occupational terms, young professionals, middle managers, teachers, nurses, social workers and technicians; and from a financial point of view, people who are above the levels which qualify them for aided housing but taxed at maximum rates.

Clearly, these broad indications require refinement based on more research. At the same time, we need to examine the problems facing the group to determine whether they stem from lack of access to aided housing or their being unable to buy housing in the private sector.

As regards access to aided housing, the Housing Authority has looked at the problems of the sandwich class in the past two years; and, following a comprehensive review of the Home Ownership Scheme completed in July 1991, the Authority decided that the HOS income limit should be raised in steps with greater regard being paid to changes in private sector property prices. With effect from today, the income limit has been increased to \$18,000 per month, which represents a 29% rise over that of last year. This is a significant step in helping the lower segment of the sandwich class as loosely defined by Members.

The new HOS income limit of \$18,000 per month covers 78% of households in Hong Kong. As to the rest, the 1991 Census indicates that there are slightly more than a quarter of a million households with an income of \$18,000 to \$40,000 per month. Just over 60% of them are owner-occupiers, and another 4.7% are living in accommodation which is either provided by their employers or is rent free. Of the remaining 89 000 households who are tenants, 58 000 are living in public and aided rental blocks. There are thus only slightly more than 30 000 households who are in this income group and living in private or unaided accommodation; although there will of course be some additional demand arising from new household formation.

While as yet we have no true measure of the extent of the difficulties of the

identified group, the Administration has already shown its concern to protect the interests of genuine aspiring home-buyers. Since late 1990, a series of measures have been introduced to regulate the sale of uncompleted flats and to curb excessive speculation. Far fewer unruly scenes associated with queuing for flat sales have occurred since the introduction of balloting for flat selection, for instance. The restriction on the reselling of units obtained through private placements was introduced to curb the creation of immediate secondary markets. The Stamp Duty (Amendment) Ordinance brought forward the payment of stamp duty, thus increasing the cost of speculation. In little over a year, therefore, the Government has taken several steps to address the phenomenon of speculation and its unsavoury by-products.

Some may wish to see further measures taken. However, there are clear signs that the private residential market has cooled down noticeably in recent months, as evidenced by the steady decline in the number of property transactions from a high of over 21 000 units in October last year to just over 8 000 in February this year.

Similarly, there may be criticism of the continuing high price of flats. But there are also signs of reducing rentals in new properties. It is possible that speculators are feeling the burden of cumulative financial outlays and need to obtain at least some return on their investment. Whether these effects will begin to filter through to prices remains to be seen; but surely it is already clear to the careful buyer that there is no shortage of residential flats in the market and more are to come.

From November 1991 to February 1992, consent to forward sales has been given for over 4 200 residential units in uncompleted developments, not all of which have been put up for sale yet. Applications for consent to forward sale of another 14 000 units are being processed.

As for completed private flats, of the 33 400 completed in 1991, 18 300 or 55% remained vacant at the end of the year. While there is normally a higher vacancy rate for units completed towards the end of the year, even if only those completed in the first three quarters of the year are taken into account, about 27% remained vacant at the end of 1991. It is also estimated that in 1992 and 1993 around 68 000 private residential flats will be completed; so the annual average will be the highest achieved in the five-year period 1989-1993. I repeat, there does not seem to be a lack of supply now or in the immediate future.

Nevertheless, the criticism that the price of private flats is high, or at least beyond the reach of many would-be buyers, will continue to be levelled. Among the suggestions put to the Administration to ease the situation are: higher personal tax allowances, tax exemption for interest full payment on first-time home mortgages, increased home ownership production, a separate middle income housing scheme, and various measures to increase private sector production, such as rezoning sites, increasing plot ratios and so on.

Mr Deputy President, the Administration will be considering, in the coming few months, what further measures might be taken to assist those who have real difficulties as a result of being left out of the aided sector and being unable to buy their own homes. This might involve reviewing eligibility for and increasing production under the Home Ownership Scheme (including the Private Sector Participation Scheme); reviving the concept of Middle Income Housing; or perhaps the Housing Authority building better class flats for sale, on a commercial basis, to households with incomes between \$18,000 and \$40,000 per month.

Again, Members may wish to note that if the HOS income limit were raised from \$18,000 to, say, \$23,000, almost 90% of all households in Hong Kong would be included in the eligibility zone for public rental or aided-housing. Consideration would have to be given to our ability to produce more land in time, to competing demands for land and other resources and to the Housing Authority's ability to take on an expanded HOS scheme. The full implications for private sector production and sale would also need to be considered very carefully.

As I have said earlier, the anti-speculation measures introduced over the past few months have helped to cool the market down to a certain extent. But the situation requires watching and the Administration will keep in mind the possible need to bring forward other measures - including, if necessary, further legislative proposals to strengthen the recently introduced Stamp Duty (Amendment) Ordinance or to control damaging speculative activity in the sale of uncompleted residential properties.

In response to Members who have proposed that the Administration should add to the supply of land for residential purposes and increase plot ratio allowed for such developments, I would like to emphasize that the Administration's aim is to provide enough land to meet demand. An additional 5.9 hectares of land for residential use was included in the Land Disposal Programme in 1991-92, and the Land Commission has just agreed to 25.22 hectares of land being disposed of for commercial/residential

and residential use in the 1992-93 Land Disposal Programme; the latter representing an increase of 6.92 hectares over the original 1991-92 Programme. In addition, another 5 hectares of land has been put in reserve in this year's Programme, which could be released later on in the year subject to a review by the Land Commission. Most of the land in the Programme is capable of high density development.

The Administration adopts a flexible approach in realizing the development potential of land through the town planning process. We are prepared to upzone land, where this can be done within the constraints imposed by infrastructural support, environmental factors and the desires of our population for improved living conditions. In this respect, we recognize the need to ensure that the present high levels of housing supply by the private sector are sustained and not curtailed.

To conclude, the Administration's examination of the housing-related problems of the sandwich class which Members have referred to and I have touched upon today will be conducted urgently with the aim of reaching conclusions in six months. Our approach will be open-minded and will take account of the suggestions put forward by Members, for which we are most grateful. Thank you, Mr Deputy President.

FINANCIAL SECRETARY:

Introduction

Mr Deputy President, I would like to begin my reply by drawing attention to what I see as a paradox in the response to my Budget. I think it fair to say that this Budget has been the subject of unusually intense scrutiny and debate in this Council. Yet, I think it also true that in the community as a whole, the Budget has been seen as a balanced and sensible package. I believe that this paradox is a symptom of the fact that we -- the Legislative Council and the Government -- are still developing our working relationship within the framework of our very unusual constitution. Many Members have made the point that the Government must not treat the Legislative Council as if it were a rubber stamp. I can assure that this has never been our intention. Some Members have acknowledged that this year we have gone further than ever before to ascertain the views of Members of this Council before framing the Budget. Let me spell out what this has meant.

-- We looked very closely at the manifestos of the elected Members in an effort

to identify their concerns and priorities.

-- We arranged a discussion with the OMELCO In-House in December.

-- We issued the full draft estimates of expenditure to Members and to the media a full ten days before Budget Day.

-- We briefed Members on the contents of the expenditure estimates on the Friday before Budget Day.

-- We have more than doubled the amount of time for Members' questions in the special meetings of Finance Committee.

-- I have also made a point of meeting any Member of this Council, or group of Members, who wished to express a view on the Budget. Unfortunately, many of these sessions were far too late to have a meaningful impact on my Budget strategy for this year.

I accept that more needs to be done. The changed composition of the Legislative Council makes it essential that we devise arrangements which enable Members to make their contributions to the Budget process in good time. I stand ready to start a dialogue on how best to achieve this objective in time for next year's Budget.

I am not sure that many people realize what a complex process the Budget is. It involves far more than simply looking at a list of suggestions and selecting the ones we like the look of. In fact, the Budget process begins very soon after the previous year's Budget has been approved. For example, the preparations for this year's Budget began with the updating of the Medium Range Forecast in May last year. This provided the basis for assessing the priorities for additional expenditure, taking into account past policy decisions, the views expressed by Members of this Council and the community in general. We then apply our budgetary guidelines before assessing the implications and options on the revenue side of the Budget package.

The result is a carefully balanced package of proposals which takes account of the competing needs and interests of the community, as well as of our ability to pay, looking not only at the year ahead but at the whole planning period.

It will be clear from what I have said about the timescale of the Budget process, that the key to a fruitful exchange between the Legislative Council and the Government

is an early discussion of priorities and objectives. The very nature of this process means that hard choices have to be made, but I have no doubt that, through co-operation, we can make the process work. For my part, I can state now, in clear terms, my willingness to meet early in the Budget process to hear Members' views on priorities.

Having said this, I must make it clear that I have great difficulty with the idea that the Budget package can be unscrambled and renegotiated once it has been announced. This is not to treat this Council as a rubber stamp; it is simply to acknowledge that the Budget is too complex and too important to be renegotiated at the final stage. Some Members have made the point that they see the reduction in tobacco tax last year as a precedent for revising this year's package. I do not agree. Last year's increase was a health measure, not a revenue measure, and would normally have been dealt with outside the Budget framework.

It is one thing to ensure that the views of this Council and the community are taken into account as we prepare our proposals. It is quite another matter to accept the notion that the process should be open-ended. Decisions must be reached on the proposals presented to the Legislative Council, and we cannot become embroiled in a protracted series of negotiations after the Budget Speech. Such a development would be a recipe for uncertainty and instability, and it could seriously undermine confidence in Hong Kong and its Government.

Such a development would be particularly unacceptable this year. This Budget has been carefully structured to deal with our expenditure and revenue requirements, not only for next year but for the years leading up to 1997. It is designed to provide certainty to the business community and to lenders to our major infrastructure projects. The indications are that the public shares the Government's belief that the Budget will provide this certainty, and that it would be unravelled only at a high cost, literally and metaphorically, to the whole community. For these reasons, I have made it very clear that I will not be introducing any changes to this Budget. But I have indicated a willingness to look at ways of addressing some of Members' key concerns separately. I will return to this point later in this Speech.

Reserves

Many Members have rightly identified the maintenance of adequate fiscal reserves as a key feature of my Budget strategy. Concern has been expressed that in planning for \$71 billion in 1996-97, I have set the target too high, especially as we are only

committed to a figure of \$25 billion under the terms of the Memorandum of Understanding on the Airport Core Programme. There have also been concerns that I intend to go on raising taxes in future years in order to build up a higher level of reserves. I want to take this opportunity to clarify some of these issues and, I hope, to allay Members' anxieties. Let me put the facts before you.

-- The forecast fiscal reserves for 1996-97 of \$71 billion is in 1996-97 prices. The figure would be only \$47 billion if it were expressed in 1991 prices.

-- In 1992-93, the fiscal reserves will represent about 80% of total expenditure. This is not a record high. The peak year was 1990-91, when the reserves were the equivalent of 92% of expenditure.

-- Far from planning a massive increase in the reserves over the next five years, we expect them to fall as a proportion of the Government's annual spending. They will decline from 80% of expenditure in 1992-93 to about 40% in 1996-97.

I hope these comments answer most of Members' concerns. However, I have detected an important misunderstanding about the role of the fiscal reserves, and of the \$71 billion figure we have forecast for 1996-97. It is a mistake to focus unduly on the figure we have forecast for the end of the planning period. We need adequate fiscal reserves so that we can draw on them if we encounter adverse economic and financial developments. If we are forced to draw on them, then of course the reserves will be considerably less than the \$71 billion we expect by the end of the current planning period. The important point is that we should have an adequate cushion throughout the next five years.

I do not regard the forecast reserves as in any way excessive. Let me set these figures in the proper context.

-- We are committed to set aside \$25 billion for the future SAR Government in 1997.

-- We also have to ensure an adequate cushion to meet future fluctuations in our economic fortunes.

-- The cushion is our best guarantee that we will not be forced to cut back on funding for our key programmes if we encounter unexpected economic difficulties.

Finally on the reserves, let me make it very clear that I do regard the level of reserves in the forecast as adequate. I have no hidden agenda to build up the reserves even higher. Nor should the increase in profits tax be seen as the start of a trend -- provided, of course, that my other revenue proposals are accepted.

There has also been speculation that the main reason for keeping what some regard as a high level of reserves is because we expect large increases in our expenditure on the Airport Core Programme. This is not the case.

Airport core programme

The process of updating and revising the financial aspects of the Airport Core Programme (ACP) has now been completed. The details have been supplied to the Airport Committee and will be explained to the relevant Legislative Council ad hoc panel and the Airport Consultative Committee tomorrow. We will also be releasing the information to the public tomorrow.

I will not attempt to summarize the quite lengthy and complicated arrangements here. For the purposes of the Budget, it is sufficient to note that the costs to be borne by the Government remain in line with previously published figures. These costs are also in line with those included in the Medium Range Forecast attached to my Budget Speech.

A number of Members have called for tight financial control of the ACP. We believe we are achieving this with the planning and cost management procedures which have been introduced. Moreover, three quarters of ACP contracts will be on a fixed-price lump-sum basis, so the risk of cost overruns can be minimized. Of course, funds for the ACP will need to be considered by Finance Committee. And in response to Members' own requests, we shall be briefing the ad hoc panel, and later Finance Committee, as a background against which they can assess more detailed proposals for funding individual projects.

Expenditure

Even with our commitments for the ACP, let me repeat: I have been able to provide for an overall increase in recurrent expenditure in 1992-93 of 15.4% in money terms. In specific programme areas, this translates into a 5% real increase in expenditure

on education, 4% on social welfare and 9% on health care. These are real improvements which will benefit the whole community and they should not be undervalued.

I regret that some Members have chosen to describe these significant real increases in expenditure on key services as "negative growth", "cuts" or even as "slashing expenditure". This is simply not correct, but having made this point, I do accept that it is not easy to calculate real growth rates from the draft estimates. I shall be looking at ways of improving the presentation of the estimates next year.

Some Members have drawn attention to the \$14.1 billion surplus for 1991-92 and have gone on to argue that this should be used to cover further increases in recurrent spending. Let me remind Members that over half of this surplus can be looked on as an accounting illusion. It is simply the result of delayed expenditure on capital projects. The money will be drawn on in subsequent financial years as these projects get underway.

Revenue

In their speeches, Members have focused as much on the revenue measures as on the Appropriation Bill itself. Before addressing specific points, let me restate my approach in framing my revenue proposals.

-- I have carefully chosen tax concessions which provide relief for ordinary families.

-- I have taken account of the need to reduce our dependence on potentially volatile sources of revenue.

-- And I have been careful to avoid adding to inflationary pressures.

Some Members have criticized my proposals on the grounds that they have not contributed to redistributing the wealth of the community. I cannot accept this view. I think the needs of the disadvantaged are most effectively dealt with by carefully targeting our expenditure priorities.

Members' anxieties have been most sharply focused on my salaries tax proposals. Let us examine the facts.

- Personal incomes other than salaries are generally exempt from tax.
- The standard rate of salaries tax has been progressively reduced since the mid 1980s from 17% to 15%. Hong Kong now enjoys one of the lowest rates in the world.
- Over half of our working population now pay no salaries tax at all.
- Of those who do pay salaries tax, over 90% pay at less than the standard rate.
- In my Budget, I have proposed to increase salaries tax allowances by an average of over 12%.
- This will result in 8% of salaries tax payers paying no tax at all; and a further 83% will have their tax bills reduced.

Against this background, I cannot accept that my proposals are unreasonable. It seems to me that some of the criticism is the result of a misconception that salaries tax allowances have not kept pace with inflation. This assertion does not stand up to serious scrutiny. The simple fact is that since 1980, personal allowances have remained in step with inflation.

In addition to these increases in personal allowances, we have also carried out periodic reviews of the tax banding system. Five such reviews have been conducted since 1980. The effect has been that taxpayers have benefited from a reduction in their effective tax rates.

Several alternative packages have been proposed and they have attracted some support. This is not surprising as most people find the thought of paying less tax perfectly agreeable. But there is little logic behind these alternative proposals, and they are all very expensive. Let me spell out what I mean.

- Members of the CRC have suggested a 22% increase in personal allowances and a widening of the tax bands. Over the next five years, these proposals would cost an additional \$18 billion.

- Members of the UDHK have now modified their original proposals, which would have cost an additional \$31 billion over the next five years.

In conclusion, I believe that my proposals will help to maintain the real value of the disposable income of the middle and lower income groups. They will not add to inflation. More generous alternatives, which do not have full regard to the long-term fiscal or economic consequences, are not in the interests of any section of our community.

I am pleased that so many Members have supported a modest increase in profits tax. There is a broad consensus that profits as well as salaries should contribute to the public revenue. Having said this, I understand the concern of those who fear that further increases in profits tax would blunt our competitive edge as a business and financial centre. Let me restate my position on profits tax. The present proposal should not be regarded as the start of a trend or a slippery slope towards heavier taxes on profits.

Members have also focused attention on my proposal to increase rates by half of one percentage point. This modest increase still leaves rates near their historical low. Furthermore, rates have declined as a proportion of the total cost of accommodation to less than 4%. So the real impact of the proposed increase will not be severe. And because rates broadly reflect ratepayers' ability to pay, the middle and lower income groups will be the least affected.

Some Members have suggested that the rates relief scheme introduced on 1 April 1991 should be extended. This scheme was introduced as a temporary measure only. It has served its purpose. If it were extended for an additional year, less than 6% of domestic property ratepayers would benefit, and the cost to the revenue would be very high: nearly \$900 million for 1992-93.

I mentioned earlier the need to reduce our dependence on relatively volatile sources of revenue. One obvious way of doing this is to introduce a general sales tax. I should prefer not to introduce a new tax of this nature. I believe that my proposed moderate increase in general rates offers a stable and predictable alternative which would contribute nearly \$6 billion in the period to 1996-97.

In addition to avoiding the need for a sales tax, the increase in rates has helped me to keep the increases in indirect taxes proposed in this Budget to very modest levels. I have been able to avoid any real increase in duties. Charges for water, postage and other government utilities, which are usually increased in the Budget package, will instead be adjusted during the year to minimize their impact on ordinary

households. Departmental fees and charges, which were subject to a moratorium for nearly a year, will similarly be phased in carefully. Some Members have suggested that fees and charges should not increase at all. We could not afford this concession. A complete freeze on fees and charges would cost \$24 billion in revenue foregone in the period to 1996-97.

Conclusion

I have said elsewhere, in response to some of the initial comments on the Budget, that if our financial position after this Budget continues to be as forecast, then in the 1993-94 Budget, it would be my intention to do what I can to alleviate the tax burden on the lower and middle income groups by reviewing and improving salaries tax allowances and bands. I made this statement, of course, on the understanding that all the revenue measures in the Budget are passed. Otherwise, our financial position could hardly be as forecast in the Budget.

A number of Members have asked me to be more specific. I have to tread a delicate line here. It would be irresponsible to make a completely unconditional statement. Clearly, we must have regard to any major changes in our present or prospective future financial position. We also need to give careful thought to where in the tax band concessions would be most helpful and equitable. And to the balance between improvements to the tax bands and increases in the allowances.

At the same time, I would like to respond positively to Members on this, and to their clearly stated priorities, and to go further than in my earlier statement. I am now prepared to say this:

In my next Budget, subject to the constraints I have just explained, I can now confirm that I plan to increase salaries tax allowances substantially. In addition, we shall carry out a review of tax bands. Whilst I obviously cannot be too specific at this stage, I would envisage the benefit (and incidentally the cost) of this improvement in the bands as being at least as great as that involved in increasing the tax allowances. The overall aim of these improvements will be to substantially lessen the tax liability of the sandwich class.

I have already made it clear that I do not believe that taxation is the prime concern of the sandwich class. I am convinced that their major anxiety is the high cost of housing. I made this issue a principal theme of my maiden speech in this

Council last November. Affordable housing remains a priority item on my agenda. The Secretary for Planning, Environment and Lands has outlined our initial thinking. I can confirm it is our intention to produce recommendations on possible ways forward within six months. But clearly, our ability to fund any such recommendations would be adversely affected if any of the revenue raising measures in this Budget were not to be passed.

Let me repeat my earlier assurances to Members on working closely with them in the Budget exercise. I believe that we must continue to develop arrangements for consulting Members on the Budget.

I trust I have covered all of the major points raised by Members. I have no doubt that we share a common concern to ensure that Hong Kong's public finances are stable and well managed. This means careful planning to balance the competing priorities in the interests of the community as a whole. I hope that I have been able to give Members the explanations and assurances they have sought and that they will now feel able to give the Budget their full support.

4.05 pm

DEPUTY PRESIDENT: I understand that a number of Members would wish to have a short break at this time. I will therefore suspend this sitting and resume in 15 minutes.

4.25 pm

DEPUTY PRESIDENT: Council will resume.

Question on the Second Reading of the Appropriation Bill 1992 put.

Voice votes taken.

DEPUTY PRESIDENT: We shall proceed to a division. I will call on the Clerk to activate the division bell.

DEPUTY PRESIDENT: Members are of course familiar with the voting procedure. Would you first register your presence and then register your vote? I will not call the result until after I have checked with Members.

DEPUTY PRESIDENT: Do Members have any queries or wish to alter their votes before the results are indicated? We will now activate the display.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mr Stephen CHEONG, Mrs Selina CHOW, Mrs Rita FAN, Mr HUI Yin-fat, Mr David LI, Mr NGAI Shiu-kit, Mr Andrew WONG, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Dr LEONG Che-hung, Mr Jimmy MCGREGOR, Mr Peter WONG, Prof Edward CHEN, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHIM Pui-chung, Mr Timothy HA, Mr Simon IP, Dr LAM Kui-chun, Mr Gilbert LEUNG, Mr Eric LI, Prof Felice LIEH MAK, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG and Mr Howard YOUNG voted for the motion.

Mr Martin LEE, Mr PANG Chun-hoi, Mr SZETO Wah, Mrs Elsie TU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr MAN Sai-cheong, Mr James TO, Dr YEUNG Sum and Mr WONG Wai-yin voted against the motion.

Mr TAM Yiu-chung and Dr Philip WONG abstained.

THE DEPUTY PRESIDENT announced that there were 36 votes for the motion and 18 votes against it. He declared that the motion on the Second Reading of the Bill was carried.

Bill read the Second time.

Bill committed to a Committee of the whole Council pursuant to Standing Order 54(3).

INLAND REVENUE (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 29 January 1992

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

Bill read the Second time.

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

STAMP DUTY (AMENDMENT) (NO. 2) BILL 1992

Resumption of debate on Second Reading which was moved on 29 January 1992

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

Bill read the Second time.

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

NURSES REGISTRATION (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 26 February 1992

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

Bill read the Second time.

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

MIDWIVES REGISTRATION (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 26 February 1992

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

Bill read the Second time.

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

PHARMACY AND POISONS (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 26 February 1992

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

Bill read the Second time.

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

Committee stage of Bills

Council went into Committee.

APPROPRIATION BILL 1992

Heads 21 to 194 were agreed to.

Schedule was agreed to.

Clauses 1 and 2 were agreed to.

INLAND REVENUE (AMENDMENT) BILL 1992

Clauses 1 to 3 were agreed to.

STAMP DUTY (AMENDMENT) (NO. 2) BILL 1992

Clauses 1 and 2 were agreed to.

NURSES REGISTRATION (AMENDMENT) BILL 1992

Clauses 1 and 2 were agreed to.

MIDWIVES REGISTRATION (AMENDMENT) BILL 1992

Clauses 1 and 2 were agreed to.

PHARMACY AND POISONS (AMENDMENT) BILL 1992

Clauses 1 and 2 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

APPROPRIATION BILL 1992

INLAND REVENUE (AMENDMENT) BILL 1992

STAMP DUTY (AMENDMENT) (NO. 2) BILL 1992

NURSES REGISTRATION (AMENDMENT) BILL 1992

MIDWIVES REGISTRATION (AMENDMENT) BILL 1992 and the

PHARMACY AND POISONS (AMENDMENT) BILL 1992

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

DEPUTY PRESIDENT: The question is that the following Bills be read the Third time and do pass. I will separate the Bills into two groups and put the questions on each group separately.

Question on the Third Reading of the Inland Revenue (Amendment) Bill 1992, Stamp Duty (Amendment) (No.2) Bill 1992, Nurses Registration (Amendment) Bill 1992, Midwives Registration (Amendment) Bill 1992 and the Pharmacy and Poisons (Amendment) Bill 1992 proposed, put and agreed to.

Question on the Third Reading of the Appropriation Bill 1992 proposed and put.

Voice votes taken.

THE DEPUTY PRESIDENT said he thought the "Ayes" had it.

MR MARTIN LEE: Mr Deputy President, may I claim a division?

DEPUTY PRESIDENT: We will proceed to a division. The division bell will ring for the requisite three minutes.

DEPUTY PRESIDENT: Would Members now please proceed to vote? Before the results are displayed, do Members have any queries or wish to alter their votes? We will now proceed to display the results.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mr Stephen CHEONG, Mrs Selina CHOW, Mrs Rita FAN, Mr HUI Yin-fat, Mr David LI, Mr NGAI Shiu-kit, Mr Andrew WONG, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mr

Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Dr LEONG Che-hung, Mr Jimmy MCGREGOR, Mr Peter WONG, Prof Edward CHEN, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHIM Pui-chung, Mr Timothy HA, Mr Simon IP, Dr LAM Kui-chun, Mr Gilbert LEUNG, Mr Eric LI, Prof Felice LIEH MAK, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG and Mr Howard YOUNG voted for the motion.

Mr Martin LEE, Mr PANG Chun-hoi, Mr SZETO Wah, Mrs Elsie TU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr MAN Sai-cheong, Mr James TO, Dr YEUNG Sum and Mr WONG Wai-yin voted against the motion.

Mr TAM Yiu-chung and Dr Philip WONG abstained.

THE DEPUTY PRESIDENT announced that there were 36 votes for the motion and 18 votes against it. He declared that the motion on the Third Reading of the Appropriation Bill 1992 was carried.

Bills read the Third time and passed.

Private Bill

Second Reading of Bill

UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 26 February 1992

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

Bill read the Second time.

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

Committee stage of Bill

Council went into Committee.

UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1992

Clauses 1 to 4 were agreed to.

Council then resumed.

Third Reading of Bill

MR DAVID LI reported that the

UNIVERSITY OF HONG KONG (AMENDMENT) BILL 1992

had passed through Committee without amendment. He 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.

Adjournment and next sitting

DEPUTY PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 8 April 1992.

Adjourned accordingly at seventeen minutes to Five o'clock.

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

