

1 HONG KONG LEGISLATIVE COUNCIL -- 6 May 1992

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OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 6 May 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 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 ALBERT CHAN WAI-YIP

PROF THE HONOURABLE EDWARD CHEN KWAN-YIU

THE HONOURABLE VINCENT CHENG HOI-CHUEN

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, J.P.

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

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

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE STEVEN POON KWOK-LIM

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

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

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

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG

THE HONOURABLE ZACHARY WONG WAI-YIN

ABSENT

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

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

THE HONOURABLE MICHAEL HO MUN-KA

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

THE HONOURABLE NG MING-YUM

DR THE HONOURABLE PHILIP WONG YU-HONG

IN ATTENDANCE

THE HONOURABLE EDWARD BARRIE WIGGHAM, C.B.E., J.P.
SECRETARY FOR THE CIVIL SERVICE

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

MR MICHAEL SUEN MING-YEUNG, J.P.

SECRETARY FOR HOME AFFAIRS

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

SECRETARY FOR SECURITY

MR CHAU TAK-HAY, J.P.

SECRETARY FOR TRADE AND INDUSTRY

MR JAMES SO YIU-CHO, O.B.E., J.P.

SECRETARY FOR RECREATION AND CULTURE

MR ANTHONY GORDON EASON, J.P.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

DR LEE SHIU-HUNG, I.S.O., J.P.

SECRETARY FOR HEALTH AND WELFARE

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.

Waste Disposal (Chemical Waste) (General)
(Amendment) Regulation 1992.....
112/92

Registration of Persons (Invalidation of Old
Identity Cards) (No. 2) Order 1992.....
116/92

Statutes of the University of Hong Kong
(Amendment) (No. 2) Statutes 1992.....
117/92

Waste Disposal Ordinance (Cap. 354)
(Commencement of Part IV and Sections
21(2), 22(2) and 36(2), (3), (4), (5) and (6))

Notice	
1992.....	118/92
Waste Disposal (Chemical Waste) (General) Regulation (L.N. 20 of 1992) (Commencement) Notice	
1992.....	119/92
Tax Reserve Certificates (Rate of Interest) Notice	
1992.....	122/92

Sessional Paper 1991-92

No. 73 -- Report of Broadcasting Authority
September 1990 - August 1991

Address

Report of Broadcasting Authority September 1990 - August 1991

SECRETARY FOR RECREATION AND CULTURE: Mr Deputy President, I have much pleasure in laying the Broadcasting Authority's annual report for the year ending 31 August 1991 before the Council today.

The broadcasting industry in Hong Kong has made rapid and significant developments during the period under report, bringing more choices and better quality services to the public. During this period, we witnessed the launching of a Hong Kong based pan-Asian satellite television service making a new era in our broadcasting development and the birth of a second local commercial radio station providing additional choices for listeners. On wireless television, the introduction of the multichannel sound television broadcast system, commonly known as NICAM, allows programmes to be broadcast with stereo effects and multilingual sound tracks, thus further improving the diversity and versatility of our television programmes.

The Broadcasting Authority has played a significant role in all these developments in pursuit of its policy to improve the quality and quantity of broadcasting services for the Hong Kong audience.

To monitor the quality of the services provided by our broadcasters, the Broadcasting Authority has set up a Complaints Committee to consider complaints on television and radio programmes, advertisements and technical issues. During the period under report, the Complaints Committee dealt with a total of 570 complaints.

The Broadcasting Authority has also set up a working group to review the codes of practice on programme, advertising and technical standards for wireless television and radio, to ensure that they reflect changing social needs and attitudes and fast developing technology. Major revisions made to the codes of practice during this period included the introduction of classified advertising, the requirement of impartiality in current affairs and documentary programmes, and the drawing up of performance specifications for multi-channel sound television broadcast. The working group also drew up a separate set of codes of practice on programme and advertising standards for the regulation of satellite television.

The Authority is always mindful of the need to be in touch with the changing attitudes of the community in discharging its responsibilities. During this period, the Authority has commissioned an independent survey company to conduct a comprehensive television broadcasting survey. The results of the survey provided useful reference information especially in the processing of complaints and the review of the various codes of practice.

In August last year, members of the Broadcasting Authority paid a visit to the United States and to Japan to meet the regulatory authorities and broadcasting organizations in those two countries. The visit proved useful and enabled the Authority to acquire first hand knowledge of the latest development in broadcasting technologies and to discuss common regulatory issues.

Overall, the period under report has been a significant one in our broadcasting development and a productive year for the Broadcasting Authority. Looking ahead, the Authority is actively involved in the current comprehensive television broadcasting review conducted by the Administration. The Authority hopes to see the review completed soon and action taken to license subscription television services for Hong Kong without delay in order to provide more television choice to viewers.

Finally, I would like to thank members of the Broadcasting Authority under the capable leadership of its Chairman, Sir Roger LOBO, for their valuable contributions in both regulating the fast developing broadcasting industry and in advising the Administration in framing its broadcasting policy to cope with rapid changes in the industry.

Thank you, Mr Deputy President.

DEPUTY PRESIDENT: Before I proceed to questions I would ask Members please to put away those little models with flags on them because they do detract from the dignity of our proceedings. Would Members please put away those models and flags?

Oral answers to questions

Aircraft movement during curfew hours

1. MR MAN SAI-CHEONG asked (in Cantonese): Will the Government inform this Council:

(a) under what circumstances the Civil Aviation Department will allow aircraft landing and taking off during the curfew hours of 12 mid-night to 6.30 am in the morning; and

(b) with an expected increase in the volume of air traffic at Kai Tak before completion of the new airport, whether the Government expects an increase in the number of aircraft landing and taking off during curfew hours? What are the preventive measures and remedies to protect the residents in the densely populated areas in Hong Kong East, such as Shau Kei Wan, Heng Fa Chuen and Chai Wan, from being disturbed by noise nuisance?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, the Civil Aviation (Aircraft Noise) (Limitation on Landing and Take off of Aircraft) Notice gazetted on 1 November 1989 under the Civil Aviation (Aircraft Noise) Ordinance (Cap 312) provides for various degrees of limitation on the landing and taking off of aircraft according to the time of night. Under the terms of this notice the airport is, for practical

purposes, "closed" between the hours of 12 midnight and 6.30 am during which aircraft may not land or take off except with the specific permission of the Air Traffic Services Watch Supervisor. In practice such permission is given only in exceptional circumstances which could not have been reasonably foreseen by the aircraft operator. The exceptional circumstances include:

- (i) malfunctions of the aircraft or unserviceability of navigation aids;
- (ii) disruption of normal operations at the aerodrome of origin or destination;
- (iii) closures of airspace or air traffic congestion;
- (iv) disruption to normal airport and aircraft operations due to war, bomb threats, industrial dispute, search and rescue flights, and medical evacuation; and
- (v) disruption of normal operations due to adverse weather conditions.

For these reasons it is not expected that the number of aircraft landings or take-offs during curfew hours will increase in proportions to the general increase in air traffic. Statistics indicate that while total aircraft movements have increased 3% from 105 782 in 1990 to 109 718 in 1991, movements between midnight and 6.30 am have actually decreased 8% from 392 in 1990 to 360 in 1991.

The Administration is fully conscious of the need to minimize noise nuisance to residents living under or in the vicinity of the flight path. We intend in the coming year to introduce legislation which, amongst other things, will prohibit the addition to Hong Kong's aircraft register of second generation subsonic aircraft which do not meet new international standards of noise.

I can assure Members that the Civil Aviation Department will continue to maintain a tight control over the approval of operations during the curfew hours. Having said this, it is inevitable that, as Kai Tak becomes more and more heavily used, the demand for departure slots in the late evening will increase. Ultimate relief to residents living in the vicinity of the airport will come only when Kai Tak closes down. Every effort is therefore being made to complete the new airport as quickly as possible.

MR MAN SAI-CHEONG (in Cantonese): Mr Deputy President, could the Administration inform this Council whether it has any remedial measures to minimize the impact of noise pollution on the residents of Heng Fa Chuen and Eastern Hong Kong?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, I believe I have already covered this in my original reply. To the extent that the traffic at Kai Tak may increase and therefore increase perhaps the need for more departures beyond the curfew hours, we already have very stringent circumstances governing the granting of approval for take-offs during the curfew hours. As traffic at Kai Tak increases, there are of course other ways of increasing capacity so as to keep to a minimum the noise pollution on residents living in Heng Fa Chuen and some of the other areas that have been mentioned.

MR HOWARD YOUNG: Mr Deputy President, has the Government considered whether implementing same-direction movements in the evening hours, instead of opposite-direction movements, would actually lessen the burden on Heng Fa Chuen residents by not having all the movements concentrated over Lei Yue Mun?

SECRETARY FOR ECONOMIC SERVICES: Yes, Mr Deputy President, this is in fact a particular proposal that the Director of Civil Aviation is currently considering. Of course, to the extent that the noise pollution on residents is spread and diverted, for example, from Eastern Hong Kong to Kowloon City, whilst the noise level for residents living in Eastern Hong Kong will diminish, the noise level for residents living in Kowloon City will increase. But this is an area that we are looking at.

MR JIMMY MCGREGOR: Mr Deputy President, with regard to the 360 aircraft that were given permission to land or take off after 12 midnight during 1991, could the Secretary say at what hours these movements took place, in other words, the exact hours where most of these landings or take-offs occurred? And secondly, were aircraft which were approaching the airport refused permission to land during that time?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, I do not have the statistics broken down in the way that Mr MCGREGOR requests. I will supply a written reply.

(Annex I)

REV FUNG CHI-WOOD (in Cantonese): Mr Deputy President, could the Secretary inform this Council how many flights had been delayed because of failure to depart on time and whether item (ii) of the main reply would cover this? And as regards item (ii), can an estimate be given as to the ratio it represents? The figures for 1990 indicated that there was on average one aircraft movement a day during the curfew hours. Are there any practical measures to reduce the number of landings or take-offs during the curfew hours?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, as I have pointed out in my principal reply, the circumstances under which permission will be granted for landings or take-offs during the curfew hours are already extremely circumscribed, and I have assured Members that permission in future will continue to be governed by these very stringent conditions.

MR ERIC LI (in Cantonese): Recently, I took a plane and owing to flight delay, it landed in Hong Kong at about 5 am which was during the curfew hours. If the take-off time could be put off by an hour, it would not have landed during the curfew hours. Will the Administration therefore consider requesting the take-off time of these flights be postponed so that landings would take place after 6.30 am?

DEPUTY PRESIDENT: Have you understood that question, Secretary for Economic Services?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, I am not sure that I can catch the drift of that question. Would the Member like to rephrase it so that I can answer it?

MR ERIC LI (in Cantonese): Mr Deputy President, once I took a plane from Thailand and it landed here at about 5.15 am. I believe that if the departure flight from Thailand had been put off by one hour, the plane would have landed in Hong Kong at 6.30 am instead of 5.30 am which means it would not have landed during the curfew

hours. In this connection, will the Administration consider the postponement of flights from other aerodromes so as to avoid landings in Hong Kong during the curfew hours?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, I am not sure that the Director of Civil Aviation currently can control at what time planes depart or land from other aerodromes. I think in so far as planes are flying into Hong Kong, local circumstances and the rules pertaining will of course apply.

Administrative system of the Judiciary

2. MR MOSES CHENG asked: Whilst recognizing the vital need to preserve the independence of the Judiciary, will the Administration inform this Council how it monitors and ensures the efficient operation of the administrative system of the Judiciary?

CHIEF SECRETARY: Mr Deputy President, the administration of the Judiciary is primarily the responsibility of the Registrar, Supreme Court under the supervision of the Chief Justice. That said, the Judiciary is treated no differently from government departments on matters relating to administrative systems and operational efficiency. Any major changes are examined by the two resource branches of Finance and Civil Service in the Government Secretariat and the Administration Wing of my Office which provides a point of contact with the Judiciary within the Administration. Together, they work to ensure that the courts and judges receive the administrative support they need in carrying out their judicial functions. This arrangement is similar to the arrangements in the United Kingdom where the Lord Chancellor's Department supports the central role of courts and judges in the administration of justice.

Separately, to help government departments improve their efficiency and productivity, the Administration has put in place an ongoing Information Systems Strategic Study Programme to study the utilization of information technology by departments and to see further measures can be taken to help them improve utilization of information technology and so achieve their goals. An Information Systems Strategic Study on the Judiciary commenced in July 1991 and is expected to be completed

in the near future. This study should enable the Judiciary to make considerably more extensive use of information technology to assist judges in their research, capture key management information (such as information on the use of courtrooms and length of judge-days) and generally achieve their objectives more efficiently. The administration of the Judiciary is also subject to the Director of Audit's value for money audit, which examines, on a regular basis, the economy, efficiency and effectiveness with which government departments use public money.

MR MOSES CHENG: Mr Deputy President, in the reply given by the Chief Secretary we were informed that the administration of the Judiciary is no different from any other department within the Government and would be subject to the same sort of supervision and monitoring by policy branches as well as by the Director of Audit. Can the Chief Secretary inform this Council if that could in any way be interpreted as compromising the independence of the Judiciary?

CHIEF SECRETARY: Mr Deputy President, no, I do not believe that there can be any question of the executive branch of the Government compromising the independence of the Judiciary through the system that I have described for the monitoring of the efficient operation of the Judiciary. Whilst there must be no question of interference by the executive or by any other authority with the Judiciary in the discharge of its judicial functions, the administrators of the Judiciary are answerable to the legislature for value for money and I think the executive branch has a legitimate role to play in helping the Judiciary to ensure that the resources appropriated by the legislature are utilized efficiently and effectively.

MISS EMILY LAU (in Cantonese): Mr Deputy President, although the waiting times for a lot of cases in the High Court are as long as a few hundred days, some High Court Judges complained in private that they did not have enough work. In these circumstances, does the Administration intend to conduct a review so as to assist the Judiciary in the efficient deployment of staff?

CHIEF SECRETARY: Mr Deputy President, I think the study which I have referred to will achieve the sort of aim which Miss LAU is looking for and which we indeed are looking for ourselves. I might say that the waiting time in the High Court which Miss LAU

referred to is being reduced, and I might bring Members up to date on that subject since I know it is a matter of some interest. The Judiciary is running 13 criminal lists at the moment and 11 civil lists in the High Court. The criminal lists in the High Court now extend for about 12 months and the civil lists for eight months. Following Finance Committee's approval for the creation of three additional High Court Judge posts, four additional Deputy High Court Judges will be appointed and four additional criminal lists opened. In January 1993, two civil lists will be closed and those judges transferred to criminal work. Therefore from 1 July 1992, there will be 17 criminal lists, and from 1 January 1993, 19 criminal lists. The effect these additional lists will have of reducing wasted time will be immediate. It is estimated that by the end of 1992, waiting times in criminal cases in the High Court will be reduced to 200 days, and by mid-1993 to 180 days. Civil fixture cases will however be held at the present waiting time because of the concentration on criminal cases. The Judiciary will continue its efforts to progressively reduce waiting times through case flow management and other means until the waiting times in both civil and criminal cases get down to more acceptable levels.

MR JAMES TO (in Cantonese): Mr Deputy President, does the Administration have in place a direct channel for those organizations and persons who may have daily administrative contacts with the Judiciary, such as the Law Society, the Bar Association, lawyers under the Duty Lawyers' Scheme, the Hong Kong Association of Legal Executives, the Trainee Solicitors Association of Hong Kong and the Legal Aid Department, to present their views so that they need not rely on the officials of the Judiciary to relay their views to the Administration?

CHIEF SECRETARY: Mr Deputy President, I am sure that any suggestions as to how the efficiency of the Judiciary may be improved can be made either to the Registrar, Supreme Court or indeed to my Office, and we will make sure that they are passed on to those concerned.

Disability allowance

3. MR LAU CHIN-SHEK asked (in Cantonese): Regarding the Disability Allowance provided by the Social Welfare Department, will the Government inform this Council of the following:

(a) the original intention and objective of introducing this Allowance;

(b) the current method of calculating the Allowance;

(c) the current application criteria for the Allowance; and

(d) the number of applications received in each of the past three years; of these, the number of applications approved, the types of disability and the amount of allowances involved respectively?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the Disability Allowance was introduced in 1973. It is non-contributory, non-means tested and paid at a flat rate. The original intention and objectives of introducing this Allowance are as follows:

(a) to provide a new and effective means of giving some help to a family with caring for a disabled member;

(b) to encourage a family to continue coping with the disabled; and

(c) to enable the beneficiary to make some contribution to the family "budget".

As regards part (b) of the question, the rate of the Disability Allowance is pegged to the basic rate for a single person under the Public Assistance Scheme. Irrespective of financial circumstances of the claimant, the current rate is \$825 per claimant per month. It is reviewed periodically in the light of changes in the Public Assistance Index of Prices. Additionally, those who are eligible for Public Assistance will be paid public assistance plus the appropriate supplements.

As regards part (c) of the question, a disabled person is eligible for the Disability Allowance, if he or she:

(a) has been in continuous residence in Hong Kong for at least one year immediately before claiming the Allowance;

(b) continues to reside in Hong Kong after receipt of the Allowance. An absence of up to a maximum of 119 days a year is allowed; and

(c) has been certified by the Director of Health or Director of Operations of the Hospital Authority or, under exceptional circumstances, by a registered private practitioner as severely disabled within the meaning of the Disability Allowance Scheme for at least six months.

As regards part (d) of the question, the number of applications received and approved between 1989-90 and 1991-92 for the Disability Allowance is as follows:

	No. of Applications Received	No. of Approved Applications	% of Successful Applications
1989-90	6 200	5 159	83
1990-91	6 395	5 434	85
1991-92	6 496	5 826	90

There are four types of disability, namely, physical, mental and visual disablements as well as profound deafness. The total amount of allowances involved is \$377 million, \$423 million and \$482 million in 1989-90, 1990-91 and 1991-92 respectively. As regards details of the amount and the classification of disabling conditions, may I refer Members to the Annex of my reply.

Annex

Types of Disability and Amount of Allowances Involved

	Physical disablement \$Mn	Mental disablement \$Mn	Visual disablement \$Mn	Profound deafness \$Mn	Total \$Mn
1989-90	189	109	46	33	377
1990-91	213	126	48	36	423
1991-92	245	145	52	40	482

Classification of Disabling Conditions

(A) Physical disablement:

- (1) loss of functions of two limbs
- (2) loss of functions of both hands or all fingers and both thumbs
- (3) loss of functions of both feet
- (4) total loss of sight
- (5) total paralysis (quadriplegia)
- (6) illness, injury or deformity resulting in being bed-ridden
- (7) any other conditions resulting in total physical disablement
- (8) paraplegia
- (9) hemiplegia

(B) Mental disablement

- (1) mentally ill or any other conditions resulting in total mental disablement
- (2) mentally retarded
- (3) organic brain syndrome
- (4) psychosis
- (5) neurosis
- (6) personality disorder

(C) Disabled mentally or physically, requiring constant attendance

(1) physical

(2) mentally ill

(3) mentally retarded

(D) Profoundly deaf

Note Persons suffering from serious illnesses resulting in disabling conditions may qualify under A (5), (6), (7) and C (1).

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, at present to qualify for Disability Allowance, a person has to be 100% disabled, that is suffering from loss of functions of both hands or legs, or total paralysis. Would the Secretary inform this Council whether the criteria set are too high which means that those severely disabled but not to the extent of 100% disability are not given the assistance they need?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, as I have said in my original reply, the objective of the Disability Allowance is to enable those severely disabled to continue with help within the family, that is to say, it is meant for those who are severely disabled. As regards persons who have less than 100% disability, if their family is without means they can apply for Public Assistance; under Public Assistance there is also provision for Disablement Supplement for those with 50% disability or more.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, at present elderly people who receive Disability Allowance are not eligible for Old Age Allowance. Could the Administration inform this Council of the rationale behind this policy and whether this policy is contradictory to the original intention and objective of providing

Disability Allowance?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, there is no disagreement with regard to the principle of Disability Allowance. Disability Allowance is within the overall Special Needs Allowances which include Old Age Allowance and Disability Allowance. But as regards people who are disabled but are not within the Old Age Allowance, they can apply for Public Assistance which also includes an element of Old Age Supplement for those aged 60 and over.

DR LEONG CHE-HUNG: Mr Deputy President, can the Administration inform this Council whether the Disability Allowance provides for the purchase of special apparatus which some disabled people would require, for example, lifting machines for the totally paralysed person? If not, where can these victims obtain such needed support?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, no one will be denied adequate medical treatment because of lack of means. The Government has arrangements to waive in full or in part charges for medical expenses under the provision of Public Services. Furthermore, under the Public Assistance Scheme, applications for reimbursement of special needs expenses, such as the one mentioned by Dr LEONG, will be covered and may be considered. These applications will also be examined on individual merit. And furthermore, people who are in receipt of Public Assistance are eligible for free medical treatment provided by the hospitals under the Hospital Authority and clinics operated by the Government.

DR CONRAD LAM (in Cantonese): Mr Deputy President, could the Administration inform this Council if disability can still be further divided into general disability and special disability; if yes, what the criteria are for differentiating them?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, there are two categories of Disability Allowance. The first one is the normal Disability Allowance for persons who are suffering from a disability equal to 100% loss of earning capacity. There is another category known as a Higher Disability Allowance for persons who require constant attendance by other members of their family, which attendance is not provided for within the medical institutions. So the Higher Disability Allowance is to cater

for this group and the rate is double that of the normal rate of Disability Allowance.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, according to the main reply, the number of applications approved in 1991-92 was 5 826. Given the current rate of \$825 per applicant per month, the amount of Disability Allowance each applicant receives in a year is around \$10,000, making a total of \$58.26 million in annual payment. However, it was mentioned in the reply that the total amount of allowances involved was \$482 million, may I know how the remainder was spent?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the amount of allowances that have been given is in regard to the number of persons who have been given the Disability Allowances; so they are all in regard to the actual number of persons in receipt of the Disability Allowances.

MR VINCENT CHENG: Mr Deputy President, I know I am not qualified for this Disability Allowance but I am quite surprised to learn of the qualifying criteria. Would the Administration inform us why only the loss of both legs or hands is defined as a disability whereas the loss of one hand or one leg does not qualify as such?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, as I have mentioned in my main reply, there are four categories of disability: physical, mental, or conditions requiring constant attendance, and profound deafness. These categories are in accordance with the First Schedule of the Employees' Compensation Ordinance which means that a person in such a condition is equivalent to 100% loss of earning capacity.

Lo Wu Terminal immigration control point

4. MR TAM YIU-CHUNG asked (in Cantonese): With regard to the immigration control point at the Lo Wu Terminal, will the Government inform this Council:

(a) of the daily figures of travellers entering and leaving Hong Kong during

normal and peak periods;

(b) of the number of officers taking up immigration clearance duties during the normal and peak periods respectively;

(c) of the average waiting time for each traveller queuing up for clearance procedures upon arrival or departure during rush hours; and

(d) what measures will be taken by the Government to speed up the movement of travellers during rush hours?

SECRETARY FOR SECURITY: Mr Deputy President, on average some 86 000 passengers pass through the Lo Wu Terminal on weekdays, and some 102 000 on Saturdays and public holidays. The volume of passenger traffic is higher at a number of festivals during the year, such as at the Lunar New Year and at Ching Ming.

Forty-six immigration counters are manned on weekdays, and 60 at weekends. All the 88 counters are manned at periods of peak demand.

We aim to complete immigration clearance of all passengers within 30 minutes. This standard is generally achieved, including at the Lo Wu Terminal. However, during periods of peak demand, some passengers may have to wait for longer than this.

To cope with the volume of passenger traffic at times of peak demand: the Immigration Department deploy staff flexibly to man as many immigration counters as possible in the direction where demand is highest; and Hong Kong residents are segregated from other travellers so that holders of Hong Kong identity cards can be cleared more quickly. In the longer term, work has now started on a project which will provide additional waiting space of about 1 800 sq m and an increase in the number of counters for passenger clearance from 88 to 160. This project is expected to be completed at the end of 1994.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, how many passengers was the Lo Wu Terminal originally designed to handle and how long passengers have to wait during peak periods?

SECRETARY FOR SECURITY: Mr Deputy President, I do not have that figure available. But I can say that the extension we are proposing will enable us to handle up to 13 000 arrivals and 11 000 departures an hour.

DEPUTY PRESIDENT: Would you be able to supply the information requested in writing, Secretary for Security?

SECRETARY FOR SECURITY: Yes, Mr Deputy President. (Annex II)

MR EDWARD HO: Mr Deputy President, will the Secretary please advise this Council to what extent movement through the Lo Wu Terminal is delayed by lack of manpower and facilities on the Chinese side, and what measures the Government is taking to alleviate such delay?

SECRETARY FOR SECURITY: Mr Deputy President, I do not think that any delay in passing through our Lo Wu Terminal is attributable to lack of facilities on the Chinese side. There is though, I would say, very regular and close liaison between the Immigration Department on our side and the authorities on the Chinese side to cope with peaks and busy periods of demand.

MR MARTIN BARROW: Mr Deputy President, is the Secretary aware that there are increasing complaints by foreign visitors regarding delays at Lo Wu and other points, and would he not agree that with visitor numbers expected to show continued growth, the Immigration Department will need to increase manning levels at these points, including Kai Tak?

SECRETARY FOR SECURITY: Mr Deputy President, the numbers of complaints in relation to Lo Wu have in fact been very small indeed. In the last three years we have probably had less than a handful of complaints in each year. I do agree though that it is necessary for us to seek to maintain the design clearance time for all passengers of 30 minutes and we will certainly endeavour to obtain and deploy the resources necessary to do that.

MRS SELINA CHOW: Mr Deputy President, in his answer the Secretary said that in times of peak demand the passengers would really have to wait much longer than the 30-minute target waiting time originally intended. Can the Secretary tell this Council how many days in a year would be regarded as periods of peak demand, and what the longest time would be for passengers to wait during the periods of peak demand?

SECRETARY FOR SECURITY: Mr Deputy President, averages can be slightly confusing. On normal weekdays the average waiting time would be approximately 15 minutes. On Saturdays and Sundays it would be 20 minutes. On certain festivals which would occur primarily at Lunar New Year, at Ching Ming, at Easter and maybe on a handful of other days during the year, the waiting time would average 30 minutes. But these are averages and I do stress that within busy periods there are a number of individual peaks and during those times the waiting time can be longer than these average figures I have quoted.

DR SAMUEL WONG: Mr Deputy President, the immigration control point at the KCR Terminal in Hung Hom is used for four or five pairs of through trains daily to Guangzhou only. Could this same control point be used for additional through trains, if available, to stations beyond Lo Wu in China, so that the loading at Lo Wu could be eased?

SECRETARY FOR SECURITY: Mr Deputy President, to my knowledge the immigration control point at Hung Hom is under equal pressure, if not more than Lo Wu, and I do not believe that it could be used effectively to relieve pressure at Lo Wu at present.

MR HOWARD YOUNG (in Cantonese): Mr Deputy President, besides locals and foreign visitors, users of the Lo Wu Terminal include people coming to Hong Kong on two-way permits to visit their relatives here. They usually use another crossing and have to wait for over 30 minutes. Will the Administration consider improving the facilities so that they do not have to wait too long?

SECRETARY FOR SECURITY: Yes, Mr Deputy President. Clearly, quite apart from the

waiting time, the actual processing time of individual travellers can vary considerably. It averages 24 seconds per passenger. But for Hong Kong residents it tends to be about half that time, that is, about 10 to 12 seconds per passenger; and for certain categories of traveller, in particular the two-way permit holders which Mr YOUNG has mentioned, it can be very considerably longer than average. The possibility of some alternative arrangement for two-way permit holders is something that the Director of Immigration is now considering.

MR FRED LI (in Cantonese): Mr Deputy President, could the Administration inform this Council whether the busy periods mentioned by the Secretary in his reply should include primary and secondary school holidays such as Easter? If not, why not?

SECRETARY FOR SECURITY: Yes, Mr Deputy President. As I think I said in my main answer, certain festivals and holidays of the year are particularly busy periods; that would include Easter as well as the Lunar New Year and Ching Ming. I believe in fact that the highest daily number of passengers recorded this year was on 3 April, just before Ching Ming, when about 137 000 passengers passed through Lo Wu.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, could the Secretary inform us of the number of passengers who return on the same day they depart and what is the trend of growth for this category of passengers?

SECRETARY FOR SECURITY: Mr Deputy President, I said in my main answer that certainly during the first three months of this year the average number of passengers per day was 86 000 on weekdays and 102 000 on Saturdays and Public Holidays, and on a few days, at festivals, the numbers can be higher than that. Those are the average number of figures and in general one can assume that the traffic out of Hong Kong is roughly the same as the traffic into Hong Kong; so the number of passengers arriving would be roughly half those figures.

Sino-Hong Kong efforts against smuggling of weapons

5. MR HENRY TANG asked: In view of the increasingly powerful weapons used by

criminals in recent incidents, one of which involved a grenade attack and caused injury to 17 police officers and passers-by, will the Government inform this Council what specific agreement has been reached with the Chinese authorities in stepping up joint efforts to curb the smuggling of weapons into Hong Kong?

SECRETARY FOR SECURITY: Mr Deputy President, there is no single agreement with the Chinese authorities on joint efforts to curb the smuggling of weapons into Hong Kong. But we have a number of channels for cross-border co-operation on curbing this and other illegal activities between Hong Kong and China. These provide for day-to-day co-operation in all the key areas of cross-border crime.

The first means of liaison is the International Criminal Police Organization, commonly known as Interpol, of which both Hong Kong and China are members. This provides Hong Kong and China, as it does police forces all over the world, with a regular channel through which one police force may request the assistance of the other in combatting crime. This is reinforced by cross-border liaison through regular visits by representatives of our police force to their counterparts in China and vice versa. At the working level, border liaison contacts take place regularly to discuss and resolve practical problems of cross-border co-operation against crime. This cooperation extends to areas such as:

- (a) the identification of suspects involved in cross-border crimes;
- (b) information on the smuggling of arms or other contraband; and
- (c) co-ordinated operations to tackle illegal immigration, smuggling, and narcotics.

Members will also be aware that the Commissioner of Police, and a delegation of his senior officers, are now in China for high level discussions on cross-border co-operation on crime. Smuggling of weapons is one of the main areas he will be discussing.

MR HENRY TANG (in Cantonese): Mr Deputy President, I hope that this question is not outside the ambit of the main question. In the Sham Shui Po shoot-out between the police and the robbers on 24 April, the police fired many shots but none hit the

suspects. In the mahjong parlour case last night, a total of 33 rounds of ammunition were fired by the police and only one robber might have been hit. Given that police officers normally have only three firing practices in a year, will the Administration inform this Council whether consideration will be given to providing the police with more training in this area so as to improve the accuracy of their shots?

DEPUTY PRESIDENT: Mr TANG, I think, despite your entreaty, the question is out of order, I fear. Do you wish to ask a relevant supplementary, please?

MR HENRY TANG (in Cantonese): Mr Deputy President, the Secretary mentioned in his main reply that apart from liaison through the International Criminal Police Organization, other co-operation between Hong Kong and China would include identification of suspects, information exchange and co-ordinated operations. Will the Secretary inform this Council of the number of suspects arrested in China and extradited to Hong Kong for trial lately as a result of the above co-operation?

SECRETARY FOR SECURITY: Mr Deputy President, there is no extradition arrangement between Hong Kong and China and persons are not extradited between China and Hong Kong or between Hong Kong and China.

DR LAM KUI-CHUN: Mr Deputy President, would the Secretary give us some idea how much importance their Chinese counterparts actually attach to preventing firearms from being brought into Hong Kong as compared to, say, Chinese antiques and objets d'art?

SECRETARY FOR SECURITY: Mr Deputy President, I believe, from all the reports I have had of discussions by the Commissioner of Police and senior police officers with their counterparts in China, that the Chinese authorities do take this problem seriously.

MR SIMON IP: Mr Deputy President, from the Secretary's answer it seems that there has been a lot of discussion, a lot of talk. But what we really want to know is what

action will be taken and what agreements have been reached to deal with the situation that we are now facing at the moment. Would the Secretary brief us on this?

SECRETARY FOR SECURITY: Mr Deputy President, it is difficult to quantify in any statistical form the results of co-operation in terms of individuals arrested, in terms of weapons that have been seized, or in terms of cases of smuggling or illegal immigration prevented. The exchange of information and the assistance from one side to another is but one of the means that the police use to tackle these crimes. But I think I can say that the cross-border co-operation has been a factor in solving some of the crimes and in preventing in some cases arms coming into Hong Kong.

MRS RITA FAN: Mr Deputy President, what happened last night sent shock waves across our community. The Secretary and we all know that the Commissioner of Police and a delegation of senior officers are now in China for talks. May I ask the Secretary whether he has already sent a message to the Commissioner of Police to convey our very deep concern about what happened last night and urge the Chinese authorities to offer us every co-operation, for their good as well as ours?

SECRETARY FOR SECURITY: Mr Deputy President, I have not myself been in touch with the Commissioner of Police but I know that the police here are and have been in regular touch with him in China. I am sure that we all share the shock and the concern that Mrs FAN has expressed and that the Commissioner will clearly be taking this matter up during his stay in China.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, in view of the increasing seriousness of the street shoot-outs between police officers and robbers and the occasional reports of members of the public being hit by flying bullets, will the Administration inform this Council whether there is any plan in hand to advise people, through television or other media, how to respond to the situation should they confront a shoot-out so as to reduce the dangers posed to their lives?

DEPUTY PRESIDENT: It is not strictly relevant but do you have a ready answer?

SECRETARY FOR SECURITY: No, Mr Deputy President, I am not able at the moment to answer that.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, it seems to me that neither of the two officials provides me with a relevant answer to the two questions I raised just now. I hope I could get an answer this time. Notwithstanding that no agreement has been reached between the Hong Kong Government and the Chinese authorities after lots of talks and discussions, will the Administration inform this Council of the concrete actions taken by the Chinese side in the meantime to curb the smuggling of arms by powerful speedboats?

SECRETARY FOR SECURITY: Mr Deputy President, perhaps I could by way of clarification say first of all that I did not mean to give the impression from my original answer that there has been a complete lack of agreement with the Chinese. What my original answer said was that the arrangements for co-operation that we have with China are not reduced into one single agreement on one bit of paper. We have had, in fact, considerable agreement on the sort of co-operation which each side can offer the other and I gave some general examples of those in my main answer. In the specific case that the question relates to, the Chinese side has been taking very robust and very frequent action against speedboats currently travelling between Hong Kong and China, and as I said, sometimes these operations are co-ordinated with operations on our own side.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, goldsmith and jewellery shops usually are the prime targets of robbers. Will the Administration allow these shops to employ security guards from China in order to frighten off potential robbers?

DEPUTY PRESIDENT: That strays beyond the main question and answer, but do you have a ready answer, Secretary for Security?

SECRETARY FOR SECURITY: Mr Deputy President, all I can say is that there is, I think, provision under the importation of labour scheme for security guards to be admitted

into Hong Kong. Clearly, who applies for that and where they recruit staff is a matter for the shop owners themselves.

MRS SELINA CHOW (in Cantonese): Mr Deputy President, will the Secretary inform this Council whether the Administration finds our frequent contacts with the Chinese side useful? If so, can he cite any example to demonstrate how effective they are?

SECRETARY FOR SECURITY: Mr Deputy President, I have attempted to answer that question previously. Yes, I do believe they are effective but it is not possible to quantify this in terms of statistics. All I can say is that co-operation, in the form of the passage of information in particular, has been useful to the police in Hong Kong, both in preventing and in solving certain crimes.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, I would like to raise a question which may not be directly related to the main question. I find the recent shoot-outs between the police and the robbers really horrifying, in particular the Sham Shui Po case. Will the Administration impose heavy penalties on those convicted?

DEPUTY PRESIDENT: I have got to rule that out of order, Mr FUNG, the question relates to agreement with the Chinese.

Civil service strength and growth

6. MR LEE WING-TAT asked (in Cantonese): Will the Government inform this Council:

(a) of the change in the strength of the Civil Service over the past three years;

(b) of the change in the strength at directorate level over the same period;

(c) excluding the effect of the establishment of the Hospital Authority, whether the change over the past three years has reflected a containment in the growth of the Civil Service as a whole and at directorate level?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President,

(a) The strength of the Civil Service was 185 486 at 1 January 1989. This increased by 2 397 (1.29%) during 1989 to 187 883, and by 1 975 (1.05%) to 189 858 in 1990. Strength as at 1 January 1992 was 187 006, which excludes staff who had left the Civil Service to join the Vocational Training Council and the Hospital Authority up to that date. If we included such staff the total strength would be 191 936, or an increase of 2 078 (1.09%) over the previous year.

(b) The strength of the directorate was 1 129 at 1 January 1989. This increased by 47 to 1 176 (4.16%) in 1989, by 96 to 1 272 (8.16%) in 1990 and by 103 to 1 375 (8.1%) at 1 January 1992. Again, this last figure includes staff who had left the service to join the Vocational Training Council and the Hospital Authority.

(c) The figures reflect the Government's policy to control the overall growth of the Civil Service. Having said that, the policy allows variations between departments and grades, so as to enable the Government to anticipate and react to changes in the nature, priorities and organization of its work. Although, during the period in question the directorate grew faster in percentage terms than the service as a whole, the number of new directorate posts year on year has been modest. Generally, increases in staff arise from the implementation of new tasks, and the upgrading of existing services. The increasing complexity of government business, and rising community expectations require greater policy input at the directorate level. At more junior levels, we have been able to benefit from increased computerization and practices such as contracting out basic services to the private sector. This has enabled us to contain growth at these levels more easily.

MR LEE WING-TAT (in Cantonese): Mr Deputy President, many lower and middle ranking civil servants have reflected to us that the Administration only restrains the growth of civil servants in their ranks but has been very lenient in respect of growth of directorate posts, and that this has undermined the morale of the lower and middle ranking civil servants. In his main reply the Secretary has indicated that posts at the directorate level have increased by 20% in the last three years. Would the Administration inform this Council how one could be assured that the existing directorate posts have not exceeded the actual demand and that they are "value for

money"?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, I acknowledged in my answer that in percentage terms there appears to have been a greater relative increase in the size of the directorate compared with the Service as a whole over the last three years. I think, however, we should look at the figures: the directorate grew from 1 129 to 1 375, an increase of 246 officers. As I said in my main reply, I regard that as modest as compared with 6 500 at the non-directorate level. There is no question of the directorate being allowed to increase at the expense of the non-directorate; there are indeed different sources of funding and different procedures which apply. It is not possible, for instance, for a head of department to delete junior posts and thereby provide funds for new directorate posts.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, it can be seen from the Secretary's main reply that the growth in directorate posts has far exceeded the overall growth of the Civil Service. As a matter of fact many of the documents as well as justifications and recommendations in support of the proposals submitted to the Establishment Sub-committee of the Legislative Council to increase the directorate posts have been prepared by civil servants at the directorate level. Will the Administration inform this Council how it will ensure that these civil servants will not be able to lend a hand to their colleagues in creating directorate posts so as to check against overexpansion?

SECRETARY FOR THE CIVIL SERVICE: As I mentioned, Mr Deputy President, there are different procedures applying to the creation of directorate posts and posts at the non-directorate level. At the non-directorate level, the authority is given under the arrangements of our flexible management system to heads of departments, provided they keep within certain financial guidelines. Those posts do not come to the Establishment Sub-committee and Members of the Legislative Council are therefore not aware of those. Posts at the directorate level have to go through a number of procedures. First of all, the Policy Secretary concerned must give support and must argue the case and the two resource branches then take considerable care in ensuring that the case is fully justified. As my colleague heads of departments will vouch, those hurdles are already pretty high and a number of proposals fall at that stage. If the recommendations are agreed at that stage, then they are referred outside the

Administration to one of our three advisory bodies for their advice. If they survive those hurdles, they are then passed to the Establishment Sub-committee and finally to the Finance Committee of this Council. So in other words, Mr Deputy President, there are multiple checks on the creation of directorate posts, which do not apply to those at the non-directorate level.

MISS EMILY LAU (in Cantonese): Mr Deputy President, the figures provided by the Administration of the growth in the numbers of senior civil servants is a great shock to me. I believe the Administration is also aware of the rumours that civil servants, particularly those at the senior level, are very enthusiastic in creating new posts so as to enhance their chance of promotion so that they can receive a handsome amount of pension upon retirement before 1997. May I pursue further by asking how it is going to maintain the morale of the lower and middle ranking civil servants particularly when they see that those in the senior ranks are all the while grabbing money? Could the Administration also inform this Council of the government departments which have created such a large number of senior posts?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, I stand by my description of the 246 officers at the directorate level as modest over the three years. I might point out that some particular growth took place in two example areas, medical and health and the port and airport development projects over the last three years. The opening, for instance, of the Tuen Mun Hospital necessitated the creation of 22 consultant posts; we created last year 30 consultant posts in response to the demand for sub-specialization and 50 posts at the directorate level in various departments related to the port and airport development projects. In other words, to be precise, 102 posts out of the 246 over the three years come from those three areas. If we take the 144 that remain and spread them over 60 departments, that works out at 2.5 directorate officers per department over the three years. I would be very interested to hear details of any organization outside the Government that has taken on such increases in responsibility and activity -- if I may say so, at a profit -- with such a small relative increase.

MR LEE WING-TAT (in Cantonese): Mr Deputy President, I am most dissatisfied that in his main reply the Secretary considers acceptable the increase of 246 directorate posts, or 20% of the establishment, in the last three years. This figure definitely

far exceeds the overall growth of the Civil Service. Will the Administration inform this Council whether a value for money study has been conducted on directorate posts? If yes, what are the preliminary findings; if not, why not?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, value for money studies are carried out periodically in all areas of the Government -- not just the directorate -- and various proposals for reorganization are submitted to the Establishment Sub-committee of this Council. I still stand by my view that the figure at that level, compared with the 6 000 at the non-directorate level, is justifiable and has indeed been justified in the Finance Committee of this Council. It is interesting to look back over the years and look in terms of establishment. In 1981 and 1982 the annual growth rate overall was 8.32% and 9.62%. In the last two years, by deliberate efforts on the part of the Administration, we have cut that down to 0.3% and 1.48%. I am disappointed to hear the tone of criticism and not congratulations that we have been able to restrain the growth to those figures.

Written answers to questions

Criminal prosecutions

7. PROF FELICE LIEH MAK asked: Will the Administration inform this Council:

(a) how many criminal cases have been submitted by the police to the Attorney General's Chambers (AGC) in the past two years with recommendations for prosecution; and

(b) of this number, in how many cases did AGC decide against prosecution?

ATTORNEY GENERAL: Mr Deputy President,

(a) Statistics are not kept on the number of criminal cases that are referred by the police to the Attorney General's Chambers with recommendations for prosecution.

The information sought can only be obtained if individual case files over the past two years are examined. This would not be possible without incurring disproportionate costs.

(b) For the same reasons as given in (a), such statistics are not readily available.

Membership of professional organizations in international bodies

8. MR PETER WONG asked: Will the Administration inform this Council whether it will take action to ensure that the membership of our professional organizations in their respective international bodies will continue after 1997; and if not, why not?

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr Deputy President, many professional organizations in Hong Kong have established a variety of relationships with international bodies in their respective fields, including membership in these bodies. They shall continue to be able to do so after 1997, as permitted by the Joint Declaration and the Basic Law. How they wish to maintain their links with their related international bodies is primarily a matter for these organizations. We would, of course, be happy to facilitate the development of those relationships where we can.

Labels for environmentally friendly products

9. MR PETER WONG asked: Will the Administration inform this Council whether it has any plans to award labels for environmentally friendly products?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, a review has recently begun of the possible means of assisting local manufacturing industries to comply with the proposals set out in the 1989 White Paper on the Environment which will affect them. As part of this review the possibility of setting up a scheme which would certify locally produced products as environmentally friendly (or produced in accordance with environmental legislation) will be assessed. Results are due in

March 1993. Generally, however, any planning for the award of labels for environmentally friendly products must recognize that many items sold in Hong Kong are wholly or partly manufactured overseas. The country of origin of imported products can change frequently as the market seeks the most economic sources of supply.

Redemption of land exchange entitlements

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

(a) of the total area of land involved in the unredeemed land exchange entitlements (Letters "A" and Letters "B") in the New Territories; and of this, how much is agricultural land and how much is building land;

(b) of the measures taken to expedite the redemption of the outstanding land exchange entitlements; whether a deadline will be set for the completion of the redemption process; and

(c) given that the redemption of such land exchange entitlements has been hindered by disputes in the rights of succession or various technical and legal problems connected with some of these entitlements or by the reluctance of the holders in realizing their entitlements, whether the Government will consider taking measures to ensure that all such entitlements are redeemed before 1 July 1997?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President,

(a) The total area of unredeemed Land Exchange Entitlements (Letters A and B) in the New Territories as at 31 March 1992 was:

Building Land	--	210 000 sq ft
Agricultural Land	--	5 270 000 sq ft

(b) Under the present system of offering land for sale by Letters A/B tender and taking into account the amount of land planned for disposal in this way in the next two years, it is expected that the vast majority of LEEs will be redeemed by mid-1994.

Measures to expedite the redemption process further are not being considered at present therefore. Nor is it intended that a precise deadline be set.

(c) The Administration will review the position in 1994 to determine how many LEEs remain unredeemed and, if possible, why. It will consider what might need to be done in the light of its findings at that time.

Civil service pensions

11. MISS EMILY LAU asked: In view of the Chief Secretary's statement in this Council on 1 April 1992 that civil service pensions are "a statutory first charge on recurrent government revenue" and are "guaranteed in the Joint Declaration and Basic Law", will the Administration inform this Council:

(a) whether civil service pensions have priority over all other statutory charges on the general revenue;

(b) if so, what statutory provisions give such priority; and

(c) whether there are any qualifications or reservations to the guarantee referred to by the Chief Secretary?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, the replies to the questions are as follows:

(a)&(b) Civil service pensions do not have priority over other statutory charges on the general revenue. Unless specifically provided in law, there are no priorities. However the first call on the general revenue must be the payment of statutory charges and contractual obligations.

(c) Section IV of Annex I to the Joint Declaration provides that the Hong Kong Special Administrative Region Government shall pay all pensions and benefits due to pensioners on terms no less favourable than before and irrespective of the pensioners' nationality or place of residence. The same guarantee is embodied in Article 102 of the Basic Law. There are no known qualifications or reservations to this guarantee.

Dredging and disposal of mud

12. MR FRED LI asked: Will the Government inform this Council:

(a) which of the Airport Core Programme (ACP) projects require the dredging and disposal of marine mud and similar materials, and what the quantities involved in each of such projects are;

(b) whether the dredging will involve any contaminated materials; if so, what kinds of contaminants are involved and in what quantities, how and where the contaminated materials will be treated and disposed of;

(c) what alternatives have been considered in the planning stage to minimize the dredging and the disposal of contaminated materials; and

(d) what measures will be taken to alleviate the environmental pollution caused during the dredging stage and the disposal stage?

SECRETARY FOR WORKS: Mr Deputy President,

(a) Of the 10 Airport Core Programme (ACP) projects, eight involve the dredging and disposal of marine mud. The following are the projects, and the estimated quantities remaining to be dredged:

Project	Quantity (million cubic metres)
West Kowloon Reclamation	5
Central and Wan Chai Reclamation	1
North Lantau Expressway	6
North Lantau Development	10
Chek Lap Kok Airport	80
Western Harbour Crossing	1

Airport Railway 1

Lantau Fixed Crossing 0.2

(b) Of the eight projects requiring dredging, only two, West Kowloon Reclamation and the Central and Wan Chai Reclamation, are known at this stage to involve contaminated materials.

The contaminants are primarily heavy metals, lead and copper in West Kowloon; mercury and copper in the Central and Wan Chai areas. The total quantity of contaminated mud is estimated to be 1.75 million cubic metres.

Contaminated mud will be disposed of by methods agreed with the Environmental Protection Department. The area designated originally for disposal is Deep Bay, but other possible locations are being considered. After the mud has been placed it will be capped with clean material.

(c) Recognizing that the dredging and disposal of any marine mud causes environmental disruption, all reclamations are designed in such a way as to reduce to a minimum the total volume of marine mud to be removed, consistent with programming requirements.

The primary alternative to dredging is to leave the mud in place and to drain the mud using vertical wick drains. This alternative requires extra time for primary consolidation of the marine sediments to take place such that any further settlement will not exceed an acceptable limit. This alternative has been adopted when programming requirements provide the necessary time for primary consolidation and settlement to take place.

(d) Potential environmental pollution during the dredging and disposal of contaminated mud is caused when the small percentage of the soluble part of total metals contained in the mud, is released through aeration and slurring of the sediments during the process of dredging and dumping.

To control dredging, conditions are included in the contract to require the contractor to use the most appropriate dredging plant and method of operation to ensure that the pollution caused will be kept to a minimum. These conditions also

apply to non-contaminated mud to minimize the release of fine silt into the surrounding water.

Throughout the period of dredging and disposal, the conditions of the affected environment are closely monitored to ensure that they are within acceptable standards.

Fire retardants

13. MR HOWARD YOUNG asked: Will the Government inform this Council:

(a) what regulations govern the use of fire retardants in government-owned public venues and government offices;

(b) whether the same regulations apply to non-government public venues and offices and if not, what differences are there;

(c) what controls are there to ensure that fire retardants are safe to public health and the environment and are applied in a safe manner?

SECRETARY FOR SECURITY: Mr Deputy President, under section 16(1)(b) of the Buildings Ordinance (Cap 123) the Director of Fire Services publishes a Code of Practice for minimum fire service installations and equipment. Compliance with this code is a requirement prior to issuance of an occupation permit by the Building Authority. Although government buildings are exempted from provisions of the Buildings Ordinance, the code is applied equally to government and non-government buildings as a matter of policy. It requires the use of fire retardant products as linings for acoustic, decorative and thermal insulation in ductings, concealed locations and protected means of escape.

Furthermore, where combustible materials are used as false ceilings, draperies or curtains in places of public assembly licensed under the Public Health and Municipal Services Ordinance (Cap 132) or Places of Public Entertainment Ordinance (Cap 172), these items are required by the code to be treated with fire retardant

agents.

The required treatment must be certified by a fire service installation contractor registered under the Fire Services (Installation Contractors) Regulations (Cap 95), who is responsible for ensuring that fire retardant products are approved by the Fire Services Department and are used and applied properly.

Chemicals commonly contained in fire retardant agents are not hazardous to health or to the environment when properly used under normal conditions. Fire retardant agents are normally applied in the course of manufacturing. The manufacturing of fire retardant products is governed by industrial safety requirements under the Factories and Industrial Undertakings Ordinance and Regulations (Cap 59), enforced by Labour Department.

Purchases in Hong Kong of property outside the territory

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

(a) whether in the past three years any complaints had been received from local citizens about being defrauded in making purchase in Hong Kong of property outside the territory; if so, the number of complaints received each year and what the major grievances were;

(b) how these complaints were handled and what assistance was offered to the complainants; and

(c) whether measures will be taken by the Government to assist members of the public in preventing them from being defrauded, or from suffering losses caused by their ignorance, when making purchase in Hong Kong of property outside the territory?

SECRETARY FOR SECURITY: Mr Deputy President, the Commercial Crime Bureau (CCB) of the police have received complaints from local residents in the past three years

concerning purchases of property outside the territory. In 1989, 56 complaints were received against a property agent concerning the sale of property in the United States. In 1990, six complaints were received against an agent concerning the sale of property in Shenzhen. No complaints were received in 1991. All these complaints have been investigated and the CCB has concluded that there was no evidence of a criminal offence by the agent in Hong Kong in any case.

The major complaints made were that title deeds for purchased property were received late, or never received at all and that agents requested additional payments before the transfer of the title. Whenever the CCB receives such a complaint, it investigates the case to see whether any criminal offence is involved. As there was no evidence of any criminal offence in the cases investigated in 1989 and 1990, the complainants were advised to take appropriate civil action.

In order to try to prevent members of the public from being defrauded when purchasing property outside Hong Kong, we will of course uphold existing Hong Kong laws concerning crimes of fraud committed within Hong Kong. The Government is also discussing with representatives of the real estate agents means of enhancing standards of professionalism and consumer protection. But in the final analysis, those who wish to buy property, or make other major investments overseas, are well advised to ensure that they receive sound professional advice before making any final commitment.

Alternative modes of public transport

15. MISS EMILY LAU asked: Will the Government inform this Council what measures are taken to ensure the adequate provision of alternative modes of public transport running parallel to Mass Transit Railway (MTR) lines so as to provide the passengers with more options and to relieve the pressure on the MTR system?

SECRETARY FOR TRANSPORT: Mr Deputy President, as part of the measures to help relieve congestion along the MTR Nathan Road Corridor, alternative public transport services will be further strengthened.

Over the past three years, the number of franchised bus routes linking the New Territories and North Kowloon with destinations south of the MTR Prince Edward Station has increased from 114 to 140.

They include 14 express bus routes introduced in 1991, which provide air-conditioned services direct to employment centres in Tsim Sha Tsui, Central and Wan Chai. Their service frequency and routing will be further improved in response to demand. This summer, eight more such routes will be added to give passengers more options. Additionally, as in 1991, a fare reduction of 50% will be offered on all express cross-harbour routes during the summer to enhance their attractiveness compared with the MTR.

Over the next two years, we plan to introduce four new cross-harbour bus routes using the Eastern Harbour Crossing.

Peak hour services are supplemented by residential coaches serving the Yau-Tsim and Central areas. More such services particularly for the New Territories will be considered.

Measures have also been planned to encourage greater use of the KCR line south of Kowloon Tong by those KCR passengers who may otherwise switch to the MTR system. These comprise better feeder bus services between the KCR Hung Hom Station and Tsim Sha Tsui, and additional bus priority measures and stopping space at the toll plaza of the Cross Harbour Tunnel to speed up bus services to Hong Kong Island.

Finally, ferry services from Tuen Mun, Tsuen Wan and Tsing Yi to Central will be enhanced. Planned improvements this year include deploying a second double-deck air-conditioned vessel in June, more sailings during the morning peak, and extending selected trips to Wan Chai.

The long-term solution lies in building the Airport Railway by mid-1997, which will include both an express service to the new airport and a Lantau Line providing effective relief to the Tsuen Wan Line.

Civil service wastage

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

(a) how many civil servants in the upper and middle management ranks have left the service in the past three years, and of these, how many are Administrative Officers;

(b) which three upper and middle management ranks suffer the most serious wastage problem, and what their wastage rates are; and

(c) whether the wastage situation in the upper and middle management ranks has affected the efficiency of the Civil Service?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President, statistics on wastage in the Civil Service collected and compiled on a regular basis are by groups of salary points. A table of such statistics for the past three financial years is at Annex. The table shows the number of Administrative Officers who left the service, and the wastage rate for each group of staff.

As can be seen, the wastage situation has been improving. For all groups the wastage rate has been declining, and the overall wastage rate is stabilizing at around 5%. That being the case, the wastage situation should not have adversely affected the efficiency of the Civil Service.

Annex

Wastage by Salary Group

1989-90 1990-91 1991-925
(Apr 91-Jan92)

	Number	Rate ³	Number	Rate	Number	Rate
DPS1 and equivalent	90	8%	80	6.6%	57	4.4%
MPS2 45-49 and equivalent	163	6.8%	151	5.7%	150	5.2%

MPS 34-44 835 6.5% 819 6.1% 536 4.9%
and
equivalent

Below 9 702 5.3% 8 773 5.1% 6 858 3.9%
MPS 34
and
equivalent

10 790(21)4 5.8%(4.8%) 9 823(16) 5.2%(3.6%) 7 601(13) 4.0%(2.8%)

1. Directorate Pay Scale

2. Master Pay Scale

3. Wastage rate = wastage during year as percentage of strength at beginning of year

4. Figures in brackets = wastage of Administrative Officers

5. Figures do not include staff who left the Civil Service to join the Vocational Training Council and the Hospital Authority

Kennedy Town incinerator

17. DR YEUNG SUM asked: In view of the considerable air pollution caused by the Kennedy Town incinerator, will the Government inform this Council:

(a) whether there are plans to defer the closure of the incinerator; and

(b) if so, for how long the closure will be deferred, why it is necessary to defer the closure, whether the delay can be shortened and what measures will be taken in the interim to mitigate the air pollution problem in the area?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, in the 1989 White Paper: Pollution in Hong Kong -- A time to act, the Government stated its intention to phase out the existing municipal incinerators as land-based disposal facilities are introduced to replace them. The Lai Chi Kok incinerator was therefore closed in late 1990, after the commissioning of the Kowloon Bay Refuse Transfer Station in

April 1990. In the May 1991 First Review of Progress on the 1989 White Paper, it was noted that the Kennedy Town incinerator would be closed after the commissioning of the Hong Kong Island East Refuse Transfer Station, scheduled for early 1993. It is still the intention that the incinerator -- which has been fitted with electro static precipitators to reduce the amount of particles entering the atmosphere -- should be closed as soon as practicable after the new RTS is commissioned and provided that any wastes in excess of capacity of the RTS can be disposed of in an environmentally acceptable manner. The amount of such excess wastes, if any, and how they might be properly disposed of is now being examined by the Administration.

Governor's costume on public ceremonial occasions

18. MR MARTIN BARROW asked: Does the Hong Kong Government agree that the practice of requiring the Governor to wear a plumed hat and sword on certain public ceremonial occasions is anachronistic and no longer appropriate to the circumstances of Hong Kong; if so, will it advise the British Government accordingly?

CHIEF SECRETARY: Mr Deputy President, the new Governor will no doubt take into account views expressed about the appropriate style of dress which he should wear on public ceremonial occasions.

HKU's Paediatric Intensive Care Unit

19. DR CONRAD LAM asked: Will the Government inform this Council of the number of beds provided in the Paediatric Intensive Care Unit of the Faculty of Medicine, University of Hong Kong and whether all the beds of the Unit are in use; if not, what the reasons are; and what plan the Hospital Authority has to bring this Unit into full operation?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the Paediatric Intensive Care Unit of the Faculty of Medicine, University of Hong Kong at Queen Mary Hospital provides 46 beds upon full operation. A total of 42 beds are currently in use: 11 beds for intensive care and 31 beds for special care.

Opening of further intensive care beds will depend on clinical demand, overall service co-ordination and deployment of resources. The present mix of hospital beds

is considered adequate to cope with prevailing demand.

Waste disposal

20. REV FUNG CHI-WOOD asked: With regard to the disposal of solid wastes, will the Government inform this Council:

(a) whether there is any plan to levy charges on commercial firms producing such wastes; if so, what progress has been made;

(b) given that there has been a drastic increase in the volume of commercial solid wastes being disposed at the landfills in recent years, what plans are in hand on the part of the Administration to recycle such wastes so that demands on the landfills may be alleviated?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President,

(a) Given the high cost of providing environmentally acceptable disposal facilities clearly a case could be made for levying charges, on the polluter pays principle, for the disposal of solid wastes at landfills. Many administrations impose such charges in return for providing these or similar facilities. The Government is therefore considering the general feasibility of imposing such charges in Hong Kong, although its deliberations are at an early stage as yet. It is therefore too early to say whether charges will be levied on commercial firms for solid waste disposal. Because of the considerable increase in the amount of construction waste being disposed of in landfills recently, any scheme formulation is likely to give priority to the need to introduce charges for the disposal of construction wastes.

(b) Although apart from construction waste there has not been a drastic increase in the quantity of commercial waste being disposed of at landfills in recent years, it is nonetheless the Government's policy to encourage the recovery and recycling of wastes generally. There is already a substantial waste recovery industry in Hong Kong and, for example, most of the office paper wastes produced in the main office areas are recovered and exported for recycling. As regards the possibility of recycling construction wastes, the Government is examining how the amounts of such waste presented for disposal at landfills can be reduced, and how such waste might

be recycled. It has already been agreed that, subject to funding, certain future reclamation projects should be brought forward to absorb construction waste by public dumping. At the same time, a pilot scheme to test the viability of a recycling plant for construction waste is in hand, and if this is successful, it may be put to more permanent and extensive use.

Statement

Updated figures for the 1991-92 surplus

FINANCIAL SECRETARY: Mr Deputy President, in my speech on 1 April concluding the debate on the Second Reading of the Appropriation Bill, I underlined the importance of maintaining healthy fiscal reserves, which we can draw upon if we encounter adverse economic and financial developments. At the same time, I explained that the forecast figure of \$71 billion in 1996-97 was adequate for this purpose, and that I had no hidden agenda to build up the reserves even higher.

Updated figures for the 1991-92 surplus are now available as a result of the "first closing" of the Government's accounts. These indicate an additional surplus of more than \$6 billion on top of the revised estimate.

Figures for the final closing of the Government's accounts will not be available until the second part of May. These may vary slightly from the first closing figures. But it is clear that we now have an unexpected windfall. I thought it proper both to inform Members of this, although the figures are not final; and since the change is so significant, to review my revenue proposals accordingly.

Looking at the five-year period covered by the Medium Range Forecast, and allowing for interest on this additional surplus, our accumulated reserves by 1996-97 will be more than \$7 billion higher than we had previously forecast -- and of particular relevance, \$7 billion higher than the forecast available at the time of my Budget.

This development was not -- and could not have been -- foreseen, but it is very welcome nevertheless. It will enable us to continue with our planned increases in expenditure; to fund the proposed tax concessions; and to maintain an adequate "cushion" of reserves. At the same time it no longer seems necessary to raise additional revenue on the scale I had originally planned.

The amount of the resulting increase in our projected reserves is, as it happens, roughly equivalent to the amount which I had intended to raise by increasing rates by half of one percentage point. I am pleased to announce that, under these changed circumstances, the Administration does not need to proceed with an increase to the general rates poundage this year, assuming of course that the other revenue measures are agreed. For this reason, I will not be introducing into this Council a resolution to increase rates in the context of this Budget. Accordingly, appropriate adjustments will be made to subsequent rates demands. Rates, as a stable and progressive form of taxation, will nevertheless continue to make an important contribution to general revenue.

The fact that we can now do without a rates increase is clearly good news to the public as well as to the Administration. Nevertheless, it raises the question of how the underestimation came about. There are two main reasons.

First, revenue from stamp duty, salaries and profits tax and first registration tax have been higher than expected, with the result that total revenue is \$2.3 billion above the revised estimate.

Secondly, spending on public works is expected to be \$3 billion below the revised estimate, as a result of further slippage in the capital works programme.

The difference between the first closing figure and the revised estimate figure for revenue is only 2%. Revenue yields are affected by economic factors and cannot be precisely forecast. Recent activity in the stock market and relatively high property prices have, for example, contributed to the increased revenue from stamp duty.

By contrast, the slowness in identifying the magnitude of the underspending in public works is less readily understandable, and is a matter for concern. Although, in the long term, some of the underspending this year will be made up for in subsequent years as delayed projects are implemented, it is clearly unsatisfactory that we have been unable to predict the progress of our capital works programme with more accuracy. I have therefore asked the Secretary for the Treasury and the Secretary for Works to look urgently at how to improve our estimating techniques and procedures for the Public Works Programme, to ensure that in future years a more accurate picture of the situation emerges.

Although this windfall surplus will enable us to defer an increase in general rates, I am also able to assure Members that this does not affect our determination to look at possible ways of resolving the problems faced by the "sandwich class". I stand by the assurances which I gave in my Concluding Speech on 1 April. That is, if our finances are in line with expectations, I plan another substantial increase in salaries allowances together with a review of tax bands. The Secretary for Planning, Environment and Lands is also pressing forward with our examination of possible ways to alleviate the high cost of housing for the "sandwich class", and will produce recommendations by September this year.

Finally, the fact that we are fortunately now able to avoid an increase in general rates does not detract from the importance of maintaining the integrity of the remaining Budget measures. We can and must move forward with our carefully-constructed package of concessions, as well as with the modest increase in profits tax, in order to be able to maintain our planned level of revenue and fund the expenditure approved by Members in the Appropriation Bill on 1 April.

Motion

BETTING DUTY ORDINANCE

THE FINANCIAL SECRETARY moved the following motion:

"That, with effect from 1 September 1992, section 6(1) of the Betting Duty Ordinance be amended -

(a) in paragraph (a), by repealing "10.5" and substituting "11.5"; and

(b) in paragraph (b), by repealing "17" and substituting "17.5"."

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

As I explained in my Budget speech on 4 March, the intention of this motion is to increase the duty rate on standard bets (win, place, double and quinella) from 10.5% to 11.5%, and that on exotic bets from 17% to 17.5%. The new rates will not come into force until the start of the next racing season, that is, 1 September 1992.

The Jockey Club has agreed to absorb the entire additional duty on exotic bets and half of the additional duty on standard bets. I do not anticipate any effect on the Club's buoyant turnover. The additional yield to revenue in 1992-93 will be approximately \$390 million.

Mr Deputy President, I beg to move.

Question on the motion proposed, put and agreed to.

First Reading of Bills

ADMINISTRATION OF JUSTICE (MISCELLANEOUS AMENDMENTS) BILL 1992

LEGAL PRACTITIONERS (AMENDMENT) (NO. 2) BILL 1992

FIRE SERVICES (AMENDMENT) BILL 1992

IMMIGRATION (AMENDMENT) BILL 1992

AERIAL ROPEWAYS (SAFETY) (AMENDMENT) BILL 1992

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

Second Reading of Bills

ADMINISTRATION OF JUSTICE (MISCELLANEOUS AMENDMENTS) BILL 1992

THE ATTORNEY GENERAL moved the Second Reading of: "A Bill to amend the Criminal Procedure Ordinance, the District Court Ordinance and the Magistrates Ordinance."

He said: Mr Deputy President, I move that the Administration of Justice (Miscellaneous Amendments) Bill 1992 be read a Second time.

The Bill will remove the Attorney General's power to issue a nolle prosequi in

respect of offences which can be tried only summarily. It will further provide a procedure whereby venue of trial may be changed between the Magistrates Court, District Court and High Court.

The Attorney General has a common law right to discontinue a criminal prosecution in the High Court by entering a nolle prosequi. He has similar statutory powers in the District and Magistrates Courts. A nolle prosequi terminates criminal proceedings, but does not operate as an acquittal, and proceedings may be recommenced afresh for the same offence.

The present Bill arises from the review of the nolle prosequi procedure to which I referred when answering a question on nolle prosequi in this Council on 18 January 1989.

In the light of that review, the Attorney General's power to terminate criminal proceedings by way of nolle prosequi is now exercised by me personally.

Furthermore, I now propose by clause 13 of the Bill to abolish the Attorney General's power to enter a nolle prosequi in purely summary proceedings. There are two reasons for this. First, it is already possible for the Prosecution to withdraw a summons with the court's leave prior to plea, and thereafter issue a replacement summons if necessary. Secondly, the public interest is better served by finality of proceedings rather than by permitting the Prosecution to preserve its position upon minor offences after plea. The proposed abolition will not apply to indictable offences being tried summarily.

As regards the circumstances in which I would consider using a nolle prosequi, I would place them into three broad categories. I emphasize, however, that the following is not intended to be exhaustive, and I intend to provide an indication only. The facts of individual cases are infinitely variable.

Firstly, where for humanitarian grounds, it would be oppressive to continue with a prosecution. This might arise where a defendant is terminally ill;

Secondly, where anticipated prosecution evidence is no longer available for the court, but where an acquittal is not warranted. This might arise where a prosecution witness has been intimidated to absent himself;

Lastly, where other proceedings render the current proceedings unnecessary, but again an acquittal is not warranted. This might arise where a defendant is due to be extradited on more serious charges.

The review also highlighted the current lack of statutory provisions to enable a case to be transferred to a lower or higher court after the emergence of new evidence showing that the offence is more or less serious than originally thought. Where this results in the scheduled court becoming inappropriate for the proceedings, the use of a nolle prosequi is currently the only method by which the proceedings may be terminated in one court and recommenced in another more appropriate court.

The nolle prosequi, however, is not an ideal tool for resolving an essentially simple procedural difficulty. The Bill will accordingly put in place specific provisions to enable change of trial venue.

The Bar Association and Law Society have been consulted and support the general principles of the Bill.

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

Question on the adjournment proposed, put and agreed to.

LEGAL PRACTITIONERS (AMENDMENT) (NO. 2) BILL 1992

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

He said: Mr Deputy President, I move that the Legal Practitioners (Amendment) (No. 2) Bill 1992 be read a Second time.

The principal object of this Bill is to modernize and streamline the procedures laid down in the Legal Practitioners Ordinance for the discipline of solicitors and barristers. The present procedures are complex, cumbersome and time-consuming.

I would like to deal first with the main provisions in the Bill that affect solicitors. Clause 4 of the Bill will permit the Law Society Council to require a solicitor or his or her firm to produce files and documents for inspection. If the Council considers the solicitor to be unfit to practise, it can refer the matter to

the Solicitors Disciplinary Tribunal Panel, and suspend the solicitor from practice until the Panel has dealt with the matter. This is a useful, preventative power for the Council to act swiftly in appropriate cases in order to protect the public.

At present, for solicitors, trainee solicitors and employees of solicitors, a Disciplinary Committee Panel of senior solicitors is appointed by the Chief Justice. The Panel comprises over 200 solicitors. If a complaint is made to the Law Society Council, and the Council considers that the person's conduct requires investigation, then the Council may appoint a Disciplinary Committee to look into the case. The Committee, consisting of not less than three members of the Panel, investigates the complaint and makes such order as it thinks fit. The size of the Panel makes it too large to permit consistency of approach and the development of expertise in disciplinary matters.

Clause 5 of the Bill would improve this procedure. It provides for the appointment by the Chief Justice of a Solicitors Disciplinary Tribunal Panel made up of up to 30 solicitors of over 10 years experience and 10 members of the public. The size of the Panel will promote consistency and experience in discipline matters. If the Law Society Council considers a complaint against a solicitor, trainee solicitor, or a solicitor's employee should be investigated, a Solicitors Disciplinary Tribunal will be selected from the Panel. The Tribunal will consist of two solicitors and one lay member. The Tribunal will investigate the complaint, and will have expanded disciplinary powers, including the power to impose a penalty of up to \$500,000 against the solicitor.

In an amendment unrelated to discipline, clause 27 of the Bill will permit the Law Society Council to organize and administer its affairs more efficiently. The Council will be able to delegate its functions (other than its rule making power) to any person or to a committee of the Council, thereby enabling it to concentrate upon strategic and other major issues, leaving other persons or committees to carry out many of the administrative functions presently carried out by the Council.

I turn now to the provisions of the Bill relating to barristers. Under the present law, if a complaint is made to the Bar Council about the barrister's conduct, the Attorney General or the Bar Council may apply to the Chief Justice to appoint a Committee of Inquiry. If the Chief Justice is satisfied that the appointment is justified, a Committee is appointed. In due course, the Committee submits its report, including its findings of fact and law, to the Registrar of the Supreme Court. If

the Committee considers that a prima facie case of misconduct has been made out, it must send a further copy of the report, a transcript of evidence and any evidentiary documents to the Chief Justice. Where a report is sent to the Chief Justice, the Court of Appeal conducts a further hearing and imposes such penalty as it thinks fit. Under this procedure there are four separate occasions when to some degree or another, someone considers the complaint: the Bar Committee, the Chief Justice, a Committee of Inquiry and the Court of Appeal. The proceedings take a long time and involve a considerable duplication of effort.

The disciplinary procedures in the Bill for barristers parallel those for solicitors. Clause 19 provides for the Chief Justice to appoint a Barristers Disciplinary Tribunal Panel consisting of up to six Queen's Counsel, six practising barristers and five members of the public. If the Bar Council considers that a barrister's conduct should be investigated, a Disciplinary Tribunal will be chosen from the Panel. The Tribunal will consist of one Queen's Counsel, one barrister and one lay member. The Tribunal will investigate the complaint, and will have expanded disciplinary powers, including once again the power to impose a penalty of up to \$500,000.

Mr Deputy President, I believe it is important to emphasize that the disciplinary procedures for solicitors and barristers will be of substantial benefit to the public, as follows:

Firstly, the appointment of members of the public to Disciplinary Panels marks an important, progressive step for the profession, and is in accord with similar developments in other jurisdictions. It opens disciplinary matters to the public; the profession provides legal services to the public, so it is appropriate that the public should be able to participate in disciplinary decisions;

Secondly, under clauses 5 and 19, if the Law Society or Bar Councils do not consider that a person's complaint against a solicitor or barrister merits investigation by its Disciplinary Tribunal, that person may apply to the Chief Justice to refer the complaint to the relevant Tribunal;

Thirdly, under clauses 7 and 21, if a Disciplinary Tribunal investigates a complaint and finds that the solicitor or barrister should be disciplined, it can order the return to the person of any fees or expenses paid in relation to the subject matter of the complaint.

The proposals in the Bill originate from the Law Society and the Bar Association and I am most grateful to them for the considerable time and effort they have devoted to working with the Administration to produce this Bill.

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

Question on the adjournment proposed, put and agreed to.

FIRE SERVICES (AMENDMENT) BILL 1992

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

He said: Mr Deputy President, I move that the Fire Services (Amendment) Bill 1992 be read a Second time.

The purpose of the Bill is to amend the Fire Services Ordinance to make it clear that members of the Fire Services Department have the authority to board a vessel on the occasion of a fire or other calamity.

The opportunity is also taken to amend the definition of vessels to exclude warships so as to ensure consistency between the Fire Services Ordinance and the Shipping and Port Control Ordinance.

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

Question on the adjournment proposed, put and agreed to.

IMMIGRATION (AMENDMENT) BILL 1992

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

He said: Mr Deputy President, I move that the Immigration (Amendment) Bill 1992 be read a Second time.

The aim of this Bill is to bring certain provisions of the Immigration Ordinance into line with the Bill of Rights Ordinance. Members are aware that the Immigration Ordinance is one of six pieces of legislation which, during a one year "freeze" period, have not been subject to the Bill of Rights. That one year period will end on 8 June.

The details of the Bill are set out in the explanatory memorandum. They relate mainly to powers of detention and to certain presumptions in the Ordinance.

The Bill amends or deletes certain provisions regarding the detention of Vietnamese refugees. These are no longer necessary as they have been made obsolete by the change in policy in June 1988, under which all refugees now live in open camps. Only those who are awaiting screening or have been found to be illegal immigrants are held in detention.

The Bill also amends presumptions in sections 17I, 17N, and 37K relating to the offences of employing illegal immigrants and of bringing them to Hong Kong by sea. I do not believe that the changes proposed will in practice make it harder to bring successful prosecutions. I can assure Members that these changes certainly do not mean that we are in any way relaxing our vigilance or our efforts to deter illegal immigration.

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

Question on the adjournment proposed, put and agreed to.

AERIAL ROPEWAYS (SAFETY) (AMENDMENT) BILL 1992

THE SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS moved the Second Reading of: "A Bill to amend the Aerial Ropeways (Safety) Ordinance."

He said: Mr Deputy President, I move the Second Reading of the Aerial Ropeways (Safety) (Amendment) Bill 1992.

The aim of the Aerial Ropeways (Safety) (Amendment) Bill is to give to the Secretary for Planning, Environment and Lands the power to make regulations on technical standards and related matters in respect of aerial ropeway safety. This power rests at present with the Governor in Council and the intention is that he should

no longer be required to consider such routine, technical matters. The power to make regulations for fees will, however, continue to lie with the Governor in Council.

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

Question on the adjournment proposed, put and agreed to.

INLAND REVENUE (AMENDMENT) (NO. 3) BILL 1992

Resumption of debate on Second Reading which was moved on 8 April 1992.

Question on the Second Reading proposed.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, today, we are to resume debate on the four revenue Bills which seek to give effect to the revenue-related proposals of the 1992-93 Budget. We shall first consider the Inland Revenue (Amendment) (No. 3) Bill 1992.

As we all know, taxation proposals affect the livelihood of the people, and are matters of great concern to the general public. As Members of this Council, we have the duty to see to it that they are appropriate, reasonable, and are in the interests of the community as a whole. As convener of the ad hoc group set up to study these four revenue Bills, I would like to report that it was in this spirit that the group conducted its deliberations and drew conclusions.

Turning now to the Bill proper, it seeks to give legislative effect to two taxation proposals, namely:

(a) to increase corporate profits tax by one percentage point from 16.5% to 17.5%;
and

(b) to increase the amount of personal tax allowances, including basic, married persons, dependent parent, child and single parent allowances, provided under the Fourth Schedule of the Inland Revenue Ordinance.

As many Members of this Council have already analysed and discussed in detail these two major proposals at the Budget Debate, the ad hoc group did not attempt to go over grounds that had already been covered. We nevertheless sought procedural

clarification on how Members could indicate their possibly different positions on the individual clauses under this Bill and to allow Members to do so, we request you, Mr Deputy President, to direct the Clerk to call the numbers of the clauses pertaining to the two proposals separately at Committee stage.

Having reported the deliberations of the ad hoc group in respect of this Bill, I would now like to say a few words on my personal views on the two different proposals. The United Democrats of Hong Kong (UDHK) welcome the Financial Secretary's proposal of raising corporate profits tax by one percentage point for the current financial year. We have come to the view that raising the profits tax to 17.5% can increase the income for government coffers on the one hand, while on the other it will not dampen foreign investors' incentive to invest in Hong Kong. This is a benign revenue proposal. The UDHK in fact had made the same proposal well before the publication of the Budget. We may say that great minds think alike this time.

However, the UDHK does not agree to the proposal on the allowances for personal income tax, the basic personal allowance in particular. We find the proposal of increasing the allowance slightly from \$41,000 to \$46,000 hardly acceptable. We can hardly forget that this allowance was only perfunctorily increased by \$2,000 during the last financial year, far below last year's inflation rate. Therefore, an increase of \$5,000 in personal allowance for the current financial year can barely catch up with this year's inflation. But there is still no make-up for last year's difference. An allowance of only \$46,000 implies that people earning an average of \$3,800 monthly will have to pay salaries tax. How could one earning \$3,800 make ends meet under the current high living index and soaring prices? And the Government is now taxing the salaries of this low income group. It is downright rubbing salt into their wounds. According to calculations done by the UDHK, \$64,000 will make a reasonable level for the personal allowance for income tax. During the last several months, we have been lobbying the Government through various channels to revise the allowance to \$64,000. Unfortunately, the Government turned a deaf ear to public opinion, reluctant to initiate an amendment. We wanted very much to move an amendment in this Council but only to have it rejected by the Governor. Eventually we resorted to lowering our demand in order to lobby the other Members of this Council to vote against the appropriation parts of the Budget, thus exerting pressure on the Government. Sadly it ended in vain as a result of the other Members' reluctance to co-operate. Consequently, the Bill before us today still has the unreasonable \$46,000 written in it. Logically speaking, the 14 UDHK Members of this Council should vote against clause 4 of this Bill. However, if we voted against clause 4 and duly

succeeded, in the wake of our vain attempt to raise the allowance, then the Government would keep the allowance at last year's level, that is, \$41,000. The public will then suffer even greater. Therefore, in the interest of the public, Members from the UDHK may only abstain when the clause is put to the vote later in order to express our dissatisfaction and opposition to clause 4 of the Bill. Nevertheless, on behalf of the UDHK, I should like to reiterate that we shall continue to fight for an increase in personal allowance during the year. Should the Financial Secretary refuse to increase substantially the personal allowance to a reasonable level in the next financial year, the UDHK intends to continue to vote against the next Budget.

Finally, I welcome on behalf of the UDHK the Financial Secretary's intention to abolish the increase in rates. I am however dissatisfied with having to learn about this from the press this morning.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, criticisms of the Financial Secretary's maiden Budget Speech, since its presentation on 4 March, have been voiced in successive waves by various sectors of the community. Two most controversial points are the raising of personal allowance and the 0.5% increase of rates. The Financial Secretary has just now made a statement that the Government does not need to proceed with an increase to the general rates because it has come by a windfall. Whatever the reason, it is a welcoming move which shows that the Government has heeded public opinion. No response, however, has been made in respect of personal allowance.

I trust that the Government is well aware of the strong public discontent with the negligible increase of personal allowance. If it is raised to merely \$46,000, then someone earning a monthly salary of \$3,800 is already liable to pay tax. I believe most employees will be caught in the tax net. The Financial Secretary said in his Budget Speech that the raising of personal allowance will result in 120 000 people getting off the tax net. However, suppose these people receive a pay rise this year, then they will still be drawn into the tax net. It can be seen therefore that the proposal is not able to bring tax relief to the people after all. On the contrary, it will increase, in particular, the burden on the lower class. The working class have commonly experienced negative growth in terms of pay in recent years as a result of sustained high inflation. The public resentment is well expected with the Government being so unsympathetic to their predicament and refusing to lessen their financial burden. I am deeply disappointed to see that the Government has continued to cling to its obdurate course, taking no heed of the opposition voiced

by the whole community.

It is for this reason that I decided to vote "no", but it does not mean that I wish to maintain personal allowance at the \$41,000 level. Indeed, I have written to the Financial Secretary to ask him to raise personal allowance to \$65,000. I vote "no" because the Government has failed to take account of the real needs of the grassroots in the formulation of the Budget, and more importantly, because I want to protest against the Government's refusal to accept the amendments to the Budget made by me and other colleagues. The Financial Secretary has undertaken to significantly raise personal allowance in the Budget next year. I hope the Government can keep its word and realistically reduce the tax burden of the grassroots.

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

MR RONALD ARCULLI: Mr Deputy President, I would like to take this opportunity to place on record the disappointment of the Co-operative Resources Centre over the lack of action by the Financial Secretary on CRC's proposal for the increase of personal allowance from the proposed \$46,000 to \$50,000 and the widening of the tax band from \$20,000 to \$30,000 for the financial year 1992-93. CRC believes that this proposal is not only fair and realistic but clearly affordable by the public purse in view of the healthy surplus for 1991-92 as well as the projected surplus for 1992-93. If history is anything to go by -- and we have seen it this afternoon -- the actual surplus for 1992-93 will probably be more than the estimated \$5.1 billion. The rationale behind CRC's proposal was simple. We believe that today is the time to help the sandwich class. However, in view of the Financial Secretary's reluctance, CRC therefore decided to oppose the proposed increase in rates from 5.5% to 6% as this would have given a measure of relief to the sandwich class. It was not the best way to help them but it was the only way that would have been open to us this year. It is really therefore with mixed feelings that these objectives have been achieved by the additional huge surplus of over \$6 billion over and above the announced \$14 billion.

Mr Deputy President, I believe that this must also be an opportune time to advise the Financial Secretary and his team that CRC intends to put forward proposals for the 1993-94 Budget. We naturally hope that this process will not be a one-way street leading to a roundabout but will result in a meaningful discussion and, ultimately perhaps, agreement.

Mr Deputy President, with these remarks, CRC reluctantly takes the bird in hand that is offered by the Financial Secretary but certainly we propose to go after the two or more in the bush in the next financial year. In view of the Financial Secretary's decision not to proceed with the rates proposal, we at CRC shall take it as a sign that Budgets are not therefore sacrosanct.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, in today's debate on the Inland Revenue (Amendment) (No. 3) Bill 1992, I would like to speak on the issues of profits tax and personal allowance. The gap between the rich and the poor is accentuating in Hong Kong; according to the latest Gini Co-efficient, we are in fact experiencing the worst wealth gap in 20 years. The Government can build in a mechanism of wealth distribution through its tax system to readjust the gap between the rich and the poor. The adjustments made in the new Budget can be said to have taken no heed at all of the social instability and the worsening of the wealth gap, which may result; I have to express my regret over this.

First of all, the increase by one percentage point of the profits tax, from 16.5% to 17.5%, is too moderate. As we all know, even with the increase by one percentage point of the profits tax, Hong Kong has still the lowest profits tax rate among the four little Asian Dragons. The profits tax rate is 33% in Singapore, 25% in Taiwan, 30% in South Korea; Japan, which is the most developed country in Asia, actually has a profits tax of 41%, more than twice that of Hong Kong. In the context of the worsening wealth gap in Hong Kong today, it goes without saying that the social commitment of the big capitalists and businessmen must be increased because they have been able to reap rich rewards over the past 10 years of flourishing economic development. Indeed, in 1984, the Hong Kong Government even made a point of reducing the profits tax by 2 percentage points from 18.5%, in order that the businessmen could make more profit while at the same time reducing their social commitment. In comparison, the general public has to live with not only the unfair progressive rate of taxation, but also the skyrocketing property prices and the huge living expenses of high inflation. In return for their tax contribution, Hong Kong people are only able to have an old age allowance which is barely enough for subsistence; youth services are cut back instead of being expanded. Even the fondest Chinese dream of having a humble home and a job is not readily realizable. One is apt to ask if that is fair reward for what one pays. Is the policy regarding capitalists and big business men fair in the light of the Government being the agent of the community

as whole? My experience tells me that the answers to these questions are in the negative. The cutbacks on social welfare spending will mean that the average taxpayer will not be able to enjoy commensurate rights in terms of the use of social welfare services, such as medical care and housing services and retirement benefits. In particular, the standard tax rate offers the least benefits to the middle income earners who are subject to the heaviest tax rate of 25%. If one looks at the way the Government treats the capitalists, what will spring into view will be the grand port and airport projects costing hundreds of billions of dollars. The businessmen, the consortia and the developers are the first to be generously rewarded in the form of profits. The increase of the profits tax by one percentage point will only add \$1.6 billion to the government coffers. That is peanuts to Hong Kong businessmen. No wonder then that even developer Mr LI Ka-shing has publicly supported the profits tax increase, stressing that the one percentage point increase is the right way to go. But the increase is still too small.

The Hong Kong Association for Democracy and People's Livelihood, to which I belong, has studied the Hong Kong Budgets of the past several years and made suggestions to the relevant government departments. The Association published early this year a report on tax reform and people's livelihood in the 1990s. We suggested that a three-tier system be adopted for calculation of profits tax such that a 16.5% tax rate applies to corporate profits under \$5 million, an 18% tax rate applies to corporate profits between \$5 million and \$50 million, and a 20.5% tax rate applies to corporate profits above \$50 million. This will effectively add \$3 billion to the government coffers without changing the status of Hong Kong as a low tax haven. I regret that this suggestion has not been accepted. The Association and myself will continue our lobbying in anticipation of next year's Budget until the Government adopts a more equitable tax system.

I would like to move on to comment on the cosmetic raising of personal allowance. The increase of a mere \$5,000 is not going to help at all with the prevailing double digit inflation and the steady erosion of the quality of life for the common people. It is disappointing that the Government has not given any reasonable support, by raising personal allowance more reasonably to \$64,000 for example, to workers whose real wages have fallen by 1%. I consider the taxation policy insensitive and irresponsible which makes a worker whose wages come to a monthly \$4,600 fall into the tax net; this is an extra burden to the poor man who already has difficulty making ends meet. It bodes ill for the people whose Government should endorse such a policy. I hope the Government will, in formulating its policy, take into account the real

conditions of the people and give priority consideration to their views. For otherwise its mandate and acceptability will be even more seriously challenged.

I feel very embarrassed about and dissatisfied with the voting mechanism. Much as I resent the two proposals made by the Government, I am not able to make amendments to them. If I vote "no", the result may be we would end up with a worse deal than the government proposals offer. If I vote "yes", it would seem that I support the government proposals, which I do not. But what can I do? Under these circumstances, I can only abstain from voting altogether, because I think the voting mechanism is itself flawed.

Thank you, Mr Deputy President.

MR FRED LI (in Cantonese): Mr Deputy President, I think it should be the time now for Meeting Point to state its position on the tax legislation. First of all, I fully support, and wish to thank the Financial Secretary for, the withdrawal of the 0.5% rates increase. I hope he will be able, given our enormous surplus, to lighten the tax burden of Hong Kong people in his next Budget.

We, the three Meeting Point Members in this Council, fully support the increase of corporate profits tax by 1%, which incidentally was what we proposed in the first place. The 1% increase of corporate profits tax and the raising of personal allowance by \$4,000 are at first glance an attempt to have the tax burden more equitably shared. But in practical terms, we do not think that this goal has been achieved. Since the early 1980s the proportion that profits tax constitutes of the gross tax revenue has been diminishing while that represented by the salaries tax has been on the increase. That is to say, relatively speaking, while the capitalists are paying less tax, the salary earners are being made to pay more. The proposed adjustments are not enough to change the existing trend. The Financial Secretary's proposals to increase corporate profits tax and raise personal allowance have not changed the increasingly unfair distribution of the tax burden between capitalists and salary earners. This is an issue which we think the Financial Secretary should address.

The declining proportional contribution of corporate profits tax to the gross direct tax revenue is indicative of a misguided government policy on the one hand, and serious tax evasion on the other. It also reflects the fact that it is getting more and more difficult to collect profits tax as Hong Kong's economic structure is

undergoing transformation, and the only victims of this system are the salary earners.

We feel that this Budget in its dealing with the issue of tax burden has failed to provide us a clear picture of the relative tax burdens of the various social classes. I appeal again that the Financial Secretary, and the Government as a whole, should conduct a comprehensive review of the existing tax system, particularly the issues of tax base and relative tax burdens. With regard to this year's Budget, Meeting Point had proposed that personal allowance be adjusted upward to \$60,000; it is unfortunate that the Government only raised it to \$46,000. Meeting Point Members, Mr TIK Chi-yuen, Mr WONG Wai-yin and myself, will abstain from voting on the issue of amending the salaries tax; we will neither support nor oppose it. Although we have tried hard to propose amendments, they have not been approved by the Governor. Therefore, we have no alternative but to abstain. Regarding the raising of the profits tax by 1%, we will support it.

Thank you, Mr Deputy President.

4.20 pm

DEPUTY PRESIDENT: I understand that some Members would like a short break to consider the Financial Secretary's statement. I would therefore take a 15-minute break before calling on the Financial Secretary.

4.41 pm

DEPUTY PRESIDENT: Council will resume.

FINANCIAL SECRETARY: Mr Deputy President, first, may I put on record my appreciation for the hard work of the ad hoc group on all the Budget related Bills, chaired by Dr HUANG.

I am pleased that there has been support for my proposal for a 1% increase in Profits Tax payable by corporations. This increase will yield a significant amount in revenue terms -- \$1.6 billion in a full year.

I do not believe that this modest increase will blunt our competitiveness as a business and financial centre. The new level is still low by any international standard, and indeed, lower than it has been in Hong Kong in some previous years.

Mr Deputy President, I turn now to clause 4 of the Bill, which proposes significant increases in Personal Taxation Allowances. I understand the position of those Members who would like to see increases on an even more generous scale. But I can only emphasize once again that Personal Allowances since 1980 have kept pace with inflation, and that it is our intention to ensure that they continue to do so over time. It is also worth repeating yet again that over half of our working population now pays no Salaries Tax at all, that only a very small number indeed pay at the standard rate, and that that standard rate is itself one of the lowest in the world. That said, I have given assurances about my positive attitude towards increasing tax allowances and tax bands in my next Budget.

Mr Deputy President, I beg to move.

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

Bill read the Second time.

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

DUTIABLE COMMODITIES (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 8 April 1992.

Question on the Second Reading proposed.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, the Bill before us contains four separate revenue proposals. I would like to deal with these proposals one by one, reporting briefly on the deliberations of the ad hoc group on each of them.

The first proposal concerns the abolition of duty on soft drinks, about \$0.12 on a 200 ml can or \$0.20 on a 375 ml can. The ad hoc group was concerned whether the removal of his duty would benefit consumers. The Administration advised the group that they had received detailed assurances from the Beverage Manufacturers Association that they would fully comply with the guarantee they made prior to the

introduction of the Bill to pass on the benefit to consumers. The ad hoc group also received a letter from the President of the Beverage Manufacturers Association advising that their members had immediately reduced wholesale prices the day after the Financial Secretary's Budget Speech, and their research showed that supermarkets, convenience stores and other major outlets handling approximately 75% of retail sales had reduced their prices. It was also explained to the group that reduction of wholesale prices would help to restrain the smaller retailers from increasing their prices, thus benefiting the consumers. The ad hoc group was glad to note these assurances from the Administration and the Beverage Manufacturers Association, but some Members still had reservations on how it could be ensured that the tax concession would be duly reflected in retail prices, given Hong Kong's free market economy and the variety of factors that would affect pricing.

Notwithstanding, there was general consensus amongst the ad hoc group that the duty on soft drinks was inappropriate when it was first introduced as a temporary revenue measure some years ago, and its effects were inflationary. In this regard, the abolition of the duty on soft drinks is welcomed.

The second proposal in the Bill concerns the increase of duty rates on liquor, tobacco and fuel. The ad hoc group has no special views on the proposed adjustments which are basically inflation-related.

The third proposal concerns the imposition of duty for light diesel oil used by pleasure crafts. The ad hoc group received a number of submissions on this proposal from interested organizations. These submissions object to the proposed revenue measure on the grounds that it would deal a severe blow to the boat industry as well as boating activities as a sport in Hong Kong. They also raise the question of effective collection and policing. The submissions also include a request from a certain organization for exemption from the proposed duty for vessel owners who use their pleasure crafts for commercial hire, pending the outcome of a review on local crafts conducted by the Administration.

The ad hoc group noted that the levy of duty on light diesel oil used by pleasure crafts is in line with international practice. The number of diesel oil-driven pleasure crafts in the past was small, now that the number of such crafts has increased to match the number driven by petrol, it is considered fair that they be taxed in the same way. The Administration also explained that the use of pleasure crafts for commercial hire is an improper practice. To ply for hire, the crafts should be

licensed as launches under separate criteria and if so, they would not be affected by the current proposal. The ad hoc group was assured that revenue from this source could be collected cost effectively, and a marking system to identify duty paid light diesel oil could be introduced for policing purpose should the need arise. With these clarifications from the Administration, the ad hoc group is supportive of this part of the Bill.

In the course of discussion, the ad hoc group noted that there might be difficulty for Chinese junks plying for hire to apply for launch registration due to the definition in the existing law for launches to be European-styled. The Administration was asked to look into this anomaly and consider suitable remedies. We are deeply concerned about the amendment to be made to the Ordinance by the Government.

The last proposal concerns exemption of duty on diesel fuel used by franchised bus routes. The exemption will cover routes of KMB, CMB, New Lantau Bus Company and City Bus, as well as KCRC Services operating within the Northwest Transit Service Area. The Administration assured Members that the respective bus companies had confirmed that they would pass on the benefits to consumers in their fare adjustment consideration in the coming year. To enable the New Lantau Bus Company which operates a franchised service during only part of the day to benefit from this concession, the Administration will be moving a technical amendment at the Committee stage. The ad hoc group sees no problem with this amendment.

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

FINANCIAL SECRETARY: Mr Deputy President, may I again express my gratitude to Dr HUANG Chen-ya's ad hoc group. This particular Bill, although simple in concept, involves a number of complex technical points on which our exchanges with the ad hoc group were particularly useful. I am pleased that, subject to a minor technical amendment which I shall be moving later this afternoon, the ad hoc group has agreed to give this Bill its support.

It may be worth briefly rehearsing the purposes of the Bill. First, it will result in the abolition of duty on soft drinks. I can reassure Members that the Beverage Manufacturers Association of Hong Kong have given me a written undertaking, which has been copied to the ad hoc group, confirming clearly their earlier assurances that the full benefit of this concession will be passed on to consumers.

Secondly, the Bill will mean that duty will in future have to be paid on light diesel oil used by pleasure craft. Although petrol used by pleasure craft is already subject to duty, a large number of pleasure craft are now able to use duty free diesel fuel. The ending of this inequitable distinction will bring a useful increase to general revenue.

In response to Dr HUANG, I can confirm that vessels which are legitimately registered as launches will not be affected by this measure. They will be able to continue, as at present, to use duty free fuel. Boats intended for hiring out are not allowed, under the law, to register as pleasure craft.

Finally, the Bill will also exempt franchised bus companies completely from duty on diesel fuel. Under the schemes of control, this concession will automatically be reflected in future bus fares.

Mr Deputy President, I beg to move.

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

Bill read the Second time.

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

STAMP DUTY (AMENDMENT) (NO. 3) BILL 1992

Resumption of debate on Second Reading which was moved on 8 April 1992.

Question on the Second Reading proposed.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, the Bill seeks to give legislative effect to two revenue-related proposals, namely the extension of the application of stamp duty to the sale or transfer of covered warrants, and the reduction of stamp duty on stock transfer from 0.5% to 0.4%.

The ad hoc group formed to examine the Bill has no special views on the first

proposal the justification for which is that it is a logical extension of our existing tax system on securities trading.

The ad hoc group sought clarification from the Administration on the rationale for the second proposal and the effect that it would have on the market. The Administration explained that it is a trend for major countries to abolish stamp duty on securities transactions: Singapore has abolished the transfer stamp duty at the end of 1991 and the United Kingdom has scheduled to do so by 1992, and there are very strong calls from within the industry for the proposed and even further concessions to help maintain the competitiveness of Hong Kong's securities market. The Administration advised that it is not the Government's policy to abolish stamp duty in Hong Kong at this stage, and while the proposed reduction by 0.1% may not have an overwhelming effect on the market, it would nevertheless serve as a message to the market that the Government recognizes the trend and is prepared to render assistance to the further development of the market. Having considered the explanations and the information on comparative transaction costs for investors on trading Hong Kong stocks provided by the Administration, the ad hoc group is satisfied that the proposed reduction in contract notes rate is a step in the right direction.

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

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, the Financial Secretary has proposed to reduce the rate of stamp duty by 0.1%, from 0.5% to 0.4%. In other words, both buyer and seller will pay the rate of 0.2% instead of the existing rate of 0.25%. This is welcome news to the industry. However, the ad hoc group failed to have a proper grasp of the situation. I regret I did not join the group.

The Financial Secretary has clearly stated in his reply to the ad hoc group that this is an international trend and that Hong Kong as a financial centre must follow this trend. In other words, the stamp duty on stock transfer will in fact be reduced to zero eventually. The Financial Secretary has made it clear in his reply that some of the Hong Kong stocks are listed in both the United Kingdom and Singapore. If Hong Kong does not abolish the stamp duty or reduce it to a minimum rate, then some of the trading activities with regard to the local stocks will be conducted in these two places. That is to say, Hong Kong's position as an important financial centre will be undermined. I am very pleased that the ad hoc group has finally come round to this view. I just wish to pass on this message to my colleagues today, and I hope

they will understand that the intention is to reduce stamp duty to zero next year, or maybe the year after next, but certainly in less than four years, so that nobody has to raise objection in the next financial year. I hope that the Financial Secretary will proceed towards this goal as soon as possible. The revenue from stamp duty is merely a little over \$1 billion. And Hong Kong stands to gain far more than that in other areas if it is able to maintain its leading position in the world.

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

FINANCIAL SECRETARY: Mr Deputy President, the main purpose of this Bill is to reduce from 0.5% to 0.4% the rate of stamp duty on contract notes. This represents the continuation of a gradual reduction in the duty on stock transfers, essential if we are to maintain the competitiveness of Hong Kong's securities market. The further reasoning behind this proposal has been well summarized in the previous two speeches.

Mr Deputy President, I beg to move.

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

Bill read the Second time.

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

ENTERTAINMENTS TAX (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 8 April 1992.

Question on the Second Reading proposed.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, the Entertainments Tax on cinema tickets dates back to the year 1930, more than half a century ago, when going to cinemas was a much less common form of pastime than it now is, and perhaps more of a luxury. The Bill seeks to give legislative effect to abolishing this tax which accounts for about 9% of the cost of a normal cinema ticket.

When the Financial Secretary moved the Bill in this Council on 8 April, he said

that assurances had been received from Hong Kong's two largest cinema operators that the full benefit of this concession would be passed on to cinema-goers. But the operators have yet to lower the prices. The ad hoc group asked the Administration how it could be ensured that this would be generally followed in the industry and that there would be no backsliding. The Administration advised that after further negotiations with the representatives of Hong Kong's leading cinema chains, cinema operators had reversed an earlier decision to proceed with a 15% increase in cinema admission prices at the end of June 1992. Furthermore, the Administration would continue to negotiate with the Theatre Association to ensure that all or nearly all cinemas follow the lead set by the major operators.

Apart from the question of ensuring that the tax concession would benefit the consumers, the ad hoc group considered whether the tax, or its abolition, was in fact justified. The group noted that an important underlying reason for the abolition of the tax was that it was outdated and inflationary, and it could hardly be argued why a person should be required to pay a tax for seeing a film at the cinema, but not when he saw the same film on video at other places. In view of this, the ad hoc group concluded that the abolition of entertainments tax on cinema ticket is an appropriate measure. I should like to mention in passing that the United Democrats of Hong Kong are very much dissatisfied with the cinema operators' reluctance to lower the ticket prices immediately and bagging the concession instead. Therefore we shall keep in close view whether they will honour their promise of freezing the prices for a year.

With these remarks, I support the Bill both as convener of the ad hoc group and in my personal capacity.

FINANCIAL SECRETARY: Mr Deputy President, again, I am grateful that the ad hoc group has decided to support this significant tax concession which will directly benefit ordinary households.

I fully share the concern expressed by Dr HUANG that the benefit of this concession be passed on to consumers to the maximum extent possible. He has outlined what has been achieved in this respect. And I confirm our intention to monitor the situation. I am pleased to say that the Theatre Association has decided not to proceed with a 15% increase in cinema admission prices originally planned for the end of June 1992. This will mean a saving to consumers in excess of the value of the abolition of the

Entertainments Tax, which is charged at 10%. I have been assured by representatives of the Association that all or nearly all cinemas will follow the lead set in this regard by the major cinema operators, which have agreed to refrain from any price increase in cinema tickets for a full year. We will be looking both to the Consumer Council and to the Commissioner of Inland Revenue to monitor the situation.

Mr Deputy President, I beg to move.

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

Bill read the Second time.

Bill committed to a Committee of the whole Council pursuant to Standing Order 43(1).
MEDICAL REGISTRATION (AMENDMENT) BILL 1992

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

Question on the Second Reading proposed.

MR MARTIN BARROW: Mr Deputy President, as convenor of the ad hoc group set up to study the Medical Registration (Amendment) Bill 1992, I should like to say a few words about the significance of the Bill, the deliberations of the group, and its meetings with interested parties.

At present, the Medical Registration Ordinance provides only that a holder of a Hong Kong diploma, a holder of a United Kingdom, Irish or recognized Commonwealth diploma, or licentiate, may be registered to practise medicine in Hong Kong. While the law is intended to serve the community as a whole, it has become apparent over the years that there are some needs for medical service which are either being met at the expense of other services or not being met adequately. This is a long-standing problem about which some Members and I have spoken in this Chamber on several occasions.

The Medical Registration (Amendment) Bill offers a solution and gives the Medical Council discretion to grant limited registration to doctors with overseas qualifications which are not registerable here but which may be accepted for a prescribed purpose. These doctors can then practise conditionally in Hong Kong to meet medical needs not adequately met.

In the course of examining the Bill, the ad hoc group met with the Medical Council of Hong Kong, the Hong Kong Medical Association, and the British Medical Association (Hong Kong Branch). They were concerned that the proposal could lead to a flood of foreign doctors seeking admission, causing the Medical Council to be inundated with applications and appeals. They also sought to pre-define the special needs before applications were invited. The ad hoc group also met with the Administration which considered that in the interests of the community the Bill should cater for all medical needs not adequately met. The Administration was insistent that operation of the scheme should be open and transparent; there must also be scope for both the Medical Council to determine needs and for special groups, organizations or individuals to make representations. The Administration believed that to this end, the Medical Council should be given free, full and unfettered discretion.

As a result of discussions with the ad hoc group, the Administration and the Medical Council have agreed that:

(a) Limited registration should cater for all medical needs not adequately met.

(b) To protect the Medical Council from inundation by opportunistic applications, the Medical Council will determine and promulgate the type of employment which it considers appropriate or necessary for limited registration. Applications will then be invited.

(c) There should be scope for organizations or individuals to put to the Medical Council a case for special needs.

(d) The Medical Council should be given free, full and unfettered discretion, and the scheme operated with transparency and with an avenue for appeal and review.

And finally, doctors granted limited registration should be subject to the same penal and discretionary provisions as other doctors covered by the Medical Registration Ordinance.

The majority of members of the ad hoc group support the revised proposal. The Committee stage amendments, which I will later move, will give effect to this consensus, and I would like to emphasize that the Bill, with these amendments, has the support of the Medical Council.

Mr Deputy President, limited registration has been a subject of discussion for close to five years. Hong Kong, being a caring community, should not ignore the needs of any group for adequate medical care. The Bill before this Council is a fair, just and equitable piece of legislation. It balances both community interests and professional considerations. It will give the Medical Council the responsibility and the ability to meet the medical needs of our community. In this respect it represents a sensible evolution in the regime for medical registration. I hope Members will share these views and support the Bill.

Finally, I must thank my colleagues on the ad hoc group for their careful consideration of the Bill. On their behalf I also thank the Administration for proposing this much needed change to the Ordinance, and all the parties concerned for their willingness to co-operate with one another in the general interest of our community.

Mr Deputy President, with these remarks and subject to the Committee stage amendments which I will shortly move, I support the Bill.

DR LEONG CHE-HUNG: Mr Deputy President, on behalf of the medical profession, I rise to oppose this Bill. To start with, I would like to declare my interest as the President of the Hong Kong Medical Association and also as a member of the Medical Council.

The most important criteria for allowing a doctor, and indeed a member of any profession, to practice are "needs and standards". Where there are genuine needs steps should be taken to address these shortfalls. And as those involved in health care deal with lives, it is paramount that the standard and integrity of the profession are maintained at all times.

It is therefore grossly erroneous if the criteria for admission to practise medicine in Hong Kong is relaxed for no other reason than to please international investors. In bowing to this type of foreign political pressure, "standards", in the mind of the Administration, seemed only to play second fiddle. What this Bill demonstrates is the Government's wilful blindness to the views of the medical profession. Professional autonomy was the very thing the nine professional bodies fought to have enshrined in the Basic Law and I am sure it is still the same issue

in their mind.

Mr Deputy President, the rules governing admission to practise medicine in Hong Kong is, as it stands at this present moment, very open-minded when compared with other professions in Hong Kong, and certainly when compared with the closed shop practice elsewhere in the world. Irrespective of nationality or residency, we allow doctors to practise in Hong Kong if they can meet our examination and standard requirements.

That means any bona fide medical graduates, even though they are not residents of Hong Kong, can fully register to practise provided they have passed the qualifying Licentiate examination which asks only for a minimal acceptable standard. In addition, if there is a demand for a special skill in the Government, in the universities or in the Hospital Authority, those possessed with the special skills are granted the "deemed registrable" status. In terms of leeway, therefore the registration of medical personnel of all sectors is quite adequate.

The Bill before us seeks to introduce the new category of "Limited Registration" in the Medical Registration Ordinance, thereby allowing certain groups of doctors to practise in Hong Kong for a confined period. The Administration's reasons for tabling this Bill are to allow volunteer non-registrable doctors to attend patients in Vietnamese camps, which they would not otherwise be able to do, and to facilitate the ethnic population to consult doctors from their respective countries.

Mr Deputy President, the people of Hong Kong are concerned that the Vietnamese boat people are usurping our medical services, which are already inadequate. I am however not saying that such people should not be treated, for that is ethically wrong. To enable them to receive medical care, and to revert resources back to the underprivileged people of Hong Kong, I and the medical constituency I represent accept limited registration of non-registrable doctors to cater specifically for the Vietnamese boat people.

But, Mr Deputy President, those who are visiting Hong Kong or making Hong Kong their second home should show acceptance and respect for the practices and the way of life here. It would be haphazard if we have no uniformity of standards, with different groups of medical practitioners administering different medicines. Mr Deputy President, I oppose the Bill as it stands, save only for the part for the Vietnamese boat people camp, which is the only sector where there is a genuine need.

Mr Deputy President, the Hong Kong Medical Council, back in December 1990, 16 months ago, already submitted to the Health and Welfare Branch its proposal for a complete overhaul of the Medical Registration Ordinance. It suggests amongst other things that members of the Medical Council should be elected instead of being appointed by the Governor as it is after all a body that oversees the profession. It also proposes that any application for registration should be based on medical standards, and the determination of registration of any form should be the role of the Medical Council. In it, limited registration was also suggested. Some 16 months have gone by, the revamp has yet to come into sight. But instead, the Administration only took out the suggestion on limited registration and pushed it forward out of the context of the total amendment that we propose for the Medical Registration Ordinance. Mr Deputy President, the Secretary for Health and Welfare will, I suspect, say that the power of granting limited registration will solely be vested in the hands of the Medical Council. That no doubt is in the words of the amendment Bill. Yet, I pity the Medical Council which will not only be burdened with a load of representations from organizations wanting to import unregistrable doctors to Hong Kong for limited registration, but will also have to shoulder pressure from foreign political giants around Hong Kong who insist that their nationals are not properly treated unless attended to by doctors from their own country. Mr Deputy President, I would oppose the Bill as it stands unless the category of limited registration be limited only to Vietnamese boat people camps which is the only sector where there is such a need. I would also oppose the spirit of limited registration unless there is in the context of a complete revamp of the Medical Registration Ordinance. This, the Government could have done given the will. Mr Deputy President, I call upon my honourable colleagues to do likewise. I would also call upon colleagues of the various professional bodies to vote "no"; for in my mind, the passage of this Bill as it stands is the beginning of an unstoppable process of erosion of professional autonomy.

I oppose the Bill.

DR CONRAD LAM (in Cantonese): Mr Deputy President, speaking on this Bill in this Council on 29 January this year, the Secretary for Health and Welfare identified two groups with special needs, one of them being the Vietnamese boat people and the other, the Japanese living in Hong Kong.

First, let me refer to the Vietnamese boat people. They are an international issue. I am therefore pleased to see the Government adopting appropriate measures to enable the international community to participate in solving problems brought about by the boat people, including the medical services covered in this Bill.

Secondly, I go on to the medical services for the Japanese in Hong Kong. The Secretary for Health and Welfare disclosed that the Japanese Consul was asking for permission for unregistered Japanese doctors to practise here on the ground of language barrier. Such a request by the Japanese Consul is in effect asking for special privileges for the Japanese people and the Japanese doctors here in Hong Kong. In actual fact, Japanese businessmen are here to invest for profit. If there is no profit in Hong Kong, they would have left. The Japanese are here to make money and they seek for special privileges here. It makes me think of their arrogant faces during the three years and eight months of Japanese Occupation in Hong Kong at the Second World War.

That this Bill has lumped together the basic needs of Vietnamese boat people and the unreasonable request of the Japanese reflects an error in principle and in technicality. It may create an impression that in introducing this Bill, the Hong Kong Government is using Vietnamese boat people as hostages to tide the Japanese over. Originally, I intended to vote against this Bill. I have changed my mind in order that the international community may participate in solving problems brought about by the Vietnamese boat people. I now abstain from voting to show my discontent over this Bill.

Thank you, Mr Deputy President.

MISS EMILY LAU: Mr Deputy President, I fully support the amendment Bill which I hope will bring an end to the five-years saga of trying to provide doctors for the Vietnamese centres. As Dr C H LEONG has just pointed out that the Vietnamese population has placed a heavy burden on local medical services and personnel, I am therefore dismayed and even disgusted to witness the farcical situation in which volunteer doctors from the European Community who volunteer to work in the camps are prohibited from doing so.

Mr Deputy President, the Government began negotiating with the medical profession way back in 1988 and I am indeed very sorry to see that it has taken five long years

to sort this mess out. In the meantime both the Hong Kong people and the Vietnamese suffer.

Mr Deputy President, I am glad to see that the Medical Council has accepted the principle provided for limited registration in order to cater for community needs which are not adequately met. I appreciate the medical profession's anxiety about moves which could be interpreted as opening the floodgate to doctors whose qualifications are not recognized in the colony. While I fully accept the principle of safeguarding the standard of medical practice in Hong Kong, I am in favour of a more open environment in which no one seems to have a monopoly and that the public can have access to all kinds of medical care in a free and open market.

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

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I thank the Honourable Martin BARROW and members of the ad hoc group for their thoughtful consideration of the Bill.

The Bill is important for two reasons. First, by introducing a scheme of limited registration, it makes it possible for adequate medical services to be provided to meet special needs as yet unmet without affecting the registration arrangements for general medical practice in Hong Kong. Second, and perhaps more importantly, it gives the Medical Council a new discretionary power which can be seen to be exercised openly and fairly in the interest of our community.

The proposed limited registration scheme gives the Medical Council the power, discretion and flexibility it needs:

- to determine and promulgate where needs exist
- to decide how many doctors to admit
- to design what procedures to follow
- to decide which doctors to admit, or not
- to limit those doctors' place of practice
- to limit those doctors' period of practice

- to discipline those doctors no differently from fully registrable practitioners.

Thus, the Bill empowers the Medical Council to meet all existing needs and any future needs which cannot be met or anticipated at this time. It enables the Medical Council to regulate the scheme and to ensure that standards of medical care are not compromised.

These are full and unfettered powers of discretion. These are new powers that the Medical Council and the medical profession have sought and these are new powers they should be given. It is then for the Medical Council to show that they can exercise these new powers responsibly and responsively. It is also then time to review, and maybe to revise, the Medical Registration Ordinance in the light of experience.

The Bill marks the end of almost five years' efforts by the Administration to seek a solution, to meet special needs. The Medical Council and the medical profession have rejected all our previous proposals. These include:

- asking the Medical Council to consider using their present powers of discretion
- exempting from registration doctors from accredited medical schools
- exempting from registration doctors serving specific needs in the public interest.

None was acceptable to the Medical Council. Their concerns have been legion.

This Bill and Committee stage amendments have addressed all their legitimate concerns. Neither the Medical Council nor the medical profession need have any fear that droves of doctors trained outside Hong Kong will practise here. It is up to the Medical Council to set standards to determine numbers and to specify conditions as appropriate to specific cases in question.

Hong Kong is an open society and, as mentioned by Mr BARROW, a caring community. There is no room for protectionism, no room for self-interest. There are no reasonable or rational grounds to oppose the passage of this Bill. So, let us delay

no more! Let us put aside personal and professional interests in the best interest of our community and Hong Kong as a whole! Our inability to meet the special needs of our community does Hong Kong no credit.

Mr Deputy President, with these remarks, I commend to this Council the Bill and the ad hoc group's proposed Committee stage amendments.

Question on the Second Reading of the Bill put.

Voice vote taken.

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

DR LEONG CHE-HUNG: Mr Deputy President, I claim a division.

DEPUTY PRESIDENT: Council will proceed to a division. The division bell will ring for three minutes and the division will be held immediately afterwards.

DEPUTY PRESIDENT: As Members are familiar with the voting procedure, would you please proceed to vote? I will check with you before the result is displayed.

DEPUTY PRESIDENT: Does any Member have a query before the results are displayed? If not, the results will be displayed.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mrs Rita FAN, Mr HUI Yin-fat, Mr PANG Chun-hoi, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Andrew WONG, Mr LAU Wong-fat, Mr Edward HO, Mr Martin BARROW, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Jimmy McGREGOR, Mrs Elsie TU, Mr Albert CHAN, Prof Edward CHEN, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Mr Timothy HA, Miss Emily LAU, Mr LEE Wing-tat, Mr Gilbert LEUNG, Mr Fred LI, Mr MAN Sai-cheong, Mr Steven POON, Mr Henry TANG, Mr TIK Chi-yuen, Dr YEUNG Sum, Mr Howard YOUNG and Mr WONG Wai-yin voted for the motion.

Mr NGAI Shiu-kit, Mr Ronald ARCULLI, Dr LEONG Che-hung, Mr CHIM Pui-chung, Mr Eric LI and Dr Samuel WONG voted against the motion.

Mrs Peggy LAM, Dr HUANG Chen-ya, Mr Simon IP, Dr LAM Kui-chun, Dr Conrad LAM, Mr LAU Chin-shek and Mr James TO abstained.

THE DEPUTY PRESIDENT announced that there were 38 votes for the motion and six votes against it. He therefore 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 43(1).

Committee stage of Bills

Council went into Committee.

INLAND REVENUE (AMENDMENT) (NO. 3) BILL 1992

Clauses 1 to 3 and 5 were agreed to.

Clause 4

DR HUANG CHEN-YA (in Cantonese): Mr Chairman, clause 4 refers to personal allowance. The UDHK are of the view that the personal allowance is too low especially when we have massive budget surpluses. The Financial Secretary should withdraw this Bill and reintroduce it with an amendment to raise the amount of personal allowance. Therefore, we can hardly support this clause which relates to personal allowance. While on the one hand we cannot propose an amendment to this clause because of the reasons I mentioned earlier on, we cannot oppose it either on the other as so doing will keep the allowance at the presently more unreasonable level of \$41,000. As a result, the UDHK can only abstain at this stage in order to express our resentment against this clause and refusal to support it. I will call for a division when this

clause is put to the vote so that our stance be recorded in Hansard. Thank you.

Question on clause 4 proposed and put.

Voice vote taken.

THE CHAIRMAN said he thought the "Ayes" had it.

DR HUANG CHEN-YA: Mr Chairman, I claim a division.

THE CHAIRMAN: Council will proceed to a division. The division bell will ring for three minutes and the division will be held immediately afterwards.

THE CHAIRMAN: Would Members now please proceed to vote?

THE CHAIRMAN: Before the results are displayed, do Members have any queries? The result will now be displayed.

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

Mr PANG Chun-hoi and Mr TAM Yiu-chung voted against the motion.

Mr SZETO Wah, Mrs Elsie TU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, 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 TIK Chi-yuen, Mr James TO, Dr YEUNG Sum and Mr WONG Wai-yin abstained.

THE CHAIRMAN announced that there were 28 votes for the motion and two votes against it. He therefore declared that the motion that clause 4 stand part of the Bill was carried.

DUTIABLE COMMODITIES (AMENDMENT) BILL 1992

Clauses 1 to 5 and 7 to 20 were agreed to.

Clause 6

FINANCIAL SECRETARY: Mr Chairman, I move that clause 6 be amended as set out in the paper circulated to Members.

The Bill, if enacted, will exempt from duty on diesel fuel franchised buses running on routes specified under the Public Bus Services Ordinance. This will replace the previous arrangement under which franchised bus companies received a partial refund in respect of duty paid. The Administration considered the possibility of increasing the refund to 100%. But it will be easier to administer and to monitor a system of simple exemption.

A practical difficulty, however, arises in the case of the New Lantau Bus Company. This company's buses are used for part of the day on specified routes, and for part of the day on non-specified routes. It would be impossible for these buses to change from duty-free to dutiable fuel during the course of the day, or for such a system to be monitored. The effect of the amendment, therefore, will be to allow the refund system to be maintained in respect of this particular company, with the level of refund being increased to 100%.

Mr Chairman, I beg to move.

Proposed amendment

Clause 6

That clause 6 be amended by deleting paragraph (h) and substituting --

"(h) in paragraph 2 of Part III by repealing "a sum amounting to \$0.65 per litre of the light diesel oil so used shall be refunded to the grantee" and substituting -

"a refund of duty paid on the light diesel oil so used may be granted by the Commissioner and subject to such conditions as the Commissioner may specify";

(ha) in paragraph 3 of Part III by repealing "a sum amounting to \$0.65 per litre of the light diesel oil so used shall be refunded to the Corporation" and substituting -

"a refund of duty paid on the light diesel oil so used may be granted by the Commissioner and subject to such conditions as the Commissioner may specify";".

Question on the amendment proposed, put and agreed to.

Question on clause 6, as amended, proposed put and agreed to.

STAMP DUTY (AMENDMENT) (NO. 3) BILL 1992

Clauses 1 to 3 were agreed to.

ENTERTAINMENTS TAX (AMENDMENT) BILL 1992

Clauses 1 to 5 were agreed to.

MEDICAL REGISTRATION (AMENDMENT) BILL 1992

Clauses 1, 3, 4 and 6 were agreed to.

Clauses 2, 5 and 7

MR MARTIN BARROW: Mr Chairman, I move that clauses 2, 5 and 7 be amended as set out under my name in the paper circulated to Members.

The amendments are mainly to ensure that the proposed scheme will operate on the basis of the consensus of the five principles I mentioned just now in my speech on the resumption of the Second Reading debate. A new definition of "limited registration" and amendment to the existing definitions of "registration" and "register" in clause 2 are intended to make it absolutely clear that the medical practitioner granted limited registration under section 14A is subject to the same disciplinary provisions as any other medical practitioner registered under section 14.

To protect the Medical Council from inundation by opportunistic applications, an additional subsection proposes to enable the Medical Council, having regard to any representations made to it, to determine and promulgate the employment or type of employment for which limited registration is appropriate or necessary.

Mr Chairman, I beg to move.

Proposed amendments

Clause 2

That clause 2 be amended by deleting the clause and substituting --

"2. Interpretation

Section 2 of the Medical Registration Ordinance (Cap. 161) is amended -

(a) by adding after the definition of "Licentiate" -

"limited registration" means registration limited in accordance with section 14A in respect of the period for which and the employment for the purposes of which it has effect;"; and

(b) in the definition of "registration" and "registered" by adding "or 14A" after "14".

Clause 5

That clause 5 be amended, in the proposed new section 14A --

(a) by adding before subsection (1) -

"(1A) The Council, having regard to any representations made to it, may determine and promulgate from time to time the employment or type of employment in respect of which limited registration is appropriate or necessary.";

(b) by deleting subsection (1)(a) and substituting -

"(a) that he has been selected for employment or for a type of employment determined and promulgated by the Council under subsection (1A);";

(c) in subsection (1)(b) by deleting "some" and substituting "an";

(d) in subsection (1)(c) by deleting "not less than 2 years'" and substituting "adequate and relevant";

(e) in subsection (3) by deleting "renewal of such application" and substituting "renewal of such registration";

(f) in subsection (3)(b) by deleting "a limited registration is either not appropriate or not necessary" and substituting "limited registration is no longer appropriate or necessary";

(g) in subsection (3)(c) by deleting "just and equitable" and substituting "reasonable";

(h) in subsection (4) by deleting "Registrar" and substituting "Secretary".

Clause 7(b)

That clause 7(b) be amended by deleting the proposed new subsection (4A) and

substituting --

"(4A) Where a practising certificate for limited registration is issued or renewed under section 14A, the certificate shall, subject to subsection (5), be in force for the period specified in the certificate."

Question on the amendments proposed, put and agreed to.

Question on clauses 2, 5 and 7, as amended, proposed, put and agreed to.

New clause 8 Unlawful use of title etc. and practice without registration

Clause read the First time and ordered to be set down for Second Reading pursuant to Standing Order 46(6).

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

Clause read the Second time.

Proposed addition

New clause 8

That the Bill be amended by adding after clause 7 --

"8. Unlawful use of title etc. and practice without registration

Section 28 is amended by adding after subsection (4) -

"(4A) Any person with limited registration who wilfully and falsely pretends to be qualified, or takes or uses any name or title implying that he is qualified, to practise medicine or surgery or to be registered, beyond the limits defined in a direction under section 14A(1) or (6) relating to that registration commits an offence and is liable on summary conviction to a fine of \$10,000 and to imprisonment for 6 months.

(4B) For the purposes of this section and section 32, a person with limited

registration shall be deemed not to have been registered insofar as his registration does not have effect under section 14A."."

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

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

DUTIABLE COMMODITIES (AMENDMENT) BILL 1992 and the

MEDICAL REGISTRATION (AMENDMENT) BILL 1992

had passed through Committee with amendments and the

INLAND REVENUE (AMENDMENT) (NO. 3) BILL 1992

STAMP DUTY (AMENDMENT) (NO. 3) BILL 1992 and the

ENTERTAINMENTS TAX (AMENDMENT) BILL 1992

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

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

Bills read the Third time and passed.

Member's motions

DEPUTY PRESIDENT: There are two Member's motions for debate in the Order Paper. Members have, in accordance with recent practice, agreed to place a voluntary restraint on the length of speeches. I would therefore hope to be in a position at or before 7.40 pm to call on the Government for its speech.

SETTING UP OF AN INDEPENDENT INQUIRY ON THE BCCHK INCIDENT

DR HUANG CHEN-YA moved the following motion:

"That this Council takes note of the reports issued by the Commissioner for Administrative Complaints on the public complaints arising out of the Government's handling of the failure of the Bank of Credit and Commerce Hong Kong (BCCHK) and calls for an independent inquiry to investigate the BCCHK failure and to see whether any further action needs to be taken, and to review the existing supervision mechanism of the banking system."

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, the failure of the Bank of Credit and Commerce Hong Kong Limited (BCCHK) has raised questions concerning how multinational banks are to be supervised; it also has had a negative impact on the Government's credibility. In view of this, I move to call upon the Government to set up an independent commission of inquiry that will look into the incident and then take appropriate actions on the basis of its findings. I would also like to urge the Government to review the existing Banking Ordinance. I will talk about the review of the existing Ordinance. Three other members of the United Democrats of Hong Kong, namely, Dr Conrad LAM, Mr LAU Chin-shek and Dr YEUNG Sum, will be talking about why the incident must be further investigated and why an independent commission needs to be set up to carry out the tasks as described.

Why do we need the investigation and review? In the wake of the BCCI Finance International Limited (BCCI) incident governments in many parts of the world reviewed their efforts at supervision and considered what improvements should be made. The British Parliament's Financial Committee took the Bank of England and other countries' bank supervision agencies to task for failing in their duty. It also pointed out that the existing banking regulations were inadequate for purposes of preventing bank laundering of drug and terrorist money and detecting fraud and accordingly proposed six recommendations for improving bank supervision. In the United States, too, the Federal Reserve Board recently tightened its supervision of foreign banks. By the same token, we need to find out what went wrong with our bank supervision mechanism in the handling of the BCCHK incident, and the mechanism's loopholes that were exploited by unlawful elements. This will prevent history from

being repeated. I see no justification whatsoever for Hong Kong to be complacent by claiming that our bank supervision mechanism is already quite perfect, so there is no need to make improvements or to learn a lesson from the BCCHK incident.

Dr Conrad LAM and Mr LAU Chin-shek will be making a further analysis of the BCCHK incident later on. Here, I wish merely to raise a few points for my honourable colleagues' consideration. On the Saturday in question, the Office of the Commissioner of Banking (OCB) in Hong Kong decided that the bank could remain open for business and issued a statement to reassure the depositors. Yet, on the morning of 8 July, Monday, it changed its mind and decided to close the bank on the grounds that VISA had decided to block BCCHK credit cards; shareholders had failed to voice clear support for the bank; and an additional provision of \$100 million was needed against some of the BCCHK's problem loans and against the BCCHK's trade financing with the rest of the BCCHK group. On 9 July, the OCB discovered that the situation was complicated by the position of the BCCHK's Luxembourg - based holding company which was about to be placed into administration. The above clearly shows:

(1) Over three long years from 1988 to 1991, despite knowing that there were problems in the BCCHK, the OCB nevertheless failed to establish proper contacts with other regulatory bodies. It simply had no idea that the BCCHK would fail or that a whole string of problems would ensue in the wake of its failure.

(2) Surprisingly, after three years under supervision, on 7 July, the authorities discovered that BCCHK had problem loans for which it had made no capital provisions and in this year it was further found that the bank had unrecorded liabilities. According to press reports today, funds were moved around among phony accounts for purposes of deception. Very clearly, this shows deficiencies in supervision and loopholes in the Ordinance.

(3) When problems became so serious that the BCCHK had to be closed, how should the Government act? The Government in fact had had three years during which to think things over. Yet, as it happened, the Government was completely at its wits' end and made a mess of things by making the decisions and statements that harmed the interests of the depositors and impaired its own credibility. Clearly, the Government simply did not have a crisis management system, nor a contingency plan. I am deeply convinced that every business firm, group and government department should have the knowledge and training of crisis management and contingency planning. Last week, as we talked about the Daya Bay matter, I was greatly disturbed by the

Government's totally ineffective contingency planning. I feel that the Government quite clearly must conduct a full review of things in the areas of crisis management and contingency planning.

Only after a detailed investigation and review of the Government's handling of the whole matter will it be known whether the OCB's manpower and other resources, as well as the Ordinance, are adequate. Only then will it be clear whether the Government had done its best but still could not succeed better in protecting the interests of the depositors.

The bank runs that hit Hong Kong in the 1960s and the 1980s were all to do with local banks. The BCCHK incident is an international problem. In recent years, there have all the time been new financial instruments making their debut. Also, competition between banks and other financial institutions has become intense. Because of this and the global economic slow-down, bank failures have been reported from time to time and I am sure the BCCHK will not be the last one. This is all the more necessary for us to learn from these painful lessons and revise the Ordinance so that problems may be nipped in the bud.

In the area of bank supervision, I feel that we must particularly review (1) the supervision of foreign banks and (2) problems incidental to new financial instruments and operation.

Let us first look at problems relating to multinational banks. Of the 161 licensed banks in Hong Kong, only 30 are of local registry. The BCCHK is a direct subsidiary, not a branch, of the BCCI Holdings. Still, this does not make it immune to the effect of the failures of other banks in the BCCI group. The Government has indeed been paying attention to the business of the BCCI group and a College of Supervisors was set up in 1988. Still, it has not been able over the past three years to handle the problems of the BCCHK properly. The failure of the BCCHK has made us realize that multinational banks are hard to supervise. Also, where risk exposure is concerned, it is doubtful whether a line could be drawn between a branch bank and a subsidiary bank in times of trouble. Both the United Kingdom and the United States have recently required foreign banks to form locally registered companies instead of opening branches. From Hong Kong's experience, there is not much difference between a branch and a subsidiary where risk exposure is concerned. This is something we need to keep in view.

How can we supervise multinational banks? Hong Kong now entrusts the supervisory responsibility to the bank supervision agencies of the home countries of the parent companies. Such being the case, we should ask: How strong is the supervisory capability of the bank supervision agencies of the home countries of the parent companies? Do they apply the same criteria as those that are applied in Hong Kong? For example, Luxembourg's bank supervision agency was obviously unable to supervise the BCCI effectively. Therefore, before allowing a multinational bank to open for business in Hong Kong, should we consider the professionalism of the regulatory agency of the place of incorporation of its parent company? Should we consider introducing the new regulations that the Federal Reserve Board of the United States laid down recently in the wake of the BCCI incident, requiring foreign banks to disclose information on their head companies with regard to the identity of the shareholders, management, operations, financial status, means of supervision and internal policies and procedures, as well as information on the business of the parent companies and of the banks themselves? Similarly the British Parliament recommended that all foreign companies should submit annual reports on their internal accounting and administrative standards.

A guideline laid down by the Basle Committee requires that a bank's capital ratio must not be less than 8%. However, different countries will apply different criteria to the computation of capital. For instance, Japanese and British banks count unrealized profits as capital. Should Hong Kong join hands with other countries in laying down common criteria? Or should Hong Kong apply its own proper criteria to all banks opening for business here in the future? The Basle Agreement is not a piece of law. Not all countries are necessarily observing it. As a condition of allowing a foreign bank to operate in Hong Kong, should we require its head office to be subject to regulatory control under the Agreement?

Another problem revealed by the failure of the BCCHK is that, while it can own a bank, a holding company itself is not subject to supervision by the OCB as the Banking Ordinance does not apply to such companies. How great is the risk to which such a situation exposes the bank? What kinds of problems will result from an unhealthy holding company? Should the OCB have regulatory control over the holding companies of banks? All these are questions that we should look into.

Supervision problems incidental to multinational companies aside, another problem is that the OCB's supervision of banking operations is being beset by difficulties stemmed from increasingly complex financial instruments and transaction channels. Financial instruments are indeed becoming increasingly complex such that

many transactions conducted by banks will not be shown in their statements of assets and liabilities, for example, interest rate swaps and options, we need to examine the market-place risk exposure and lay down a capital ratio requirement. I know that the OCB has taken note of the problems and will release a consultative paper to invite public comments. I hope that we will see satisfactory action.

Foreign exchange risks

At present, 60% of all deposits in Hong Kong are made in foreign currencies, while 80% of all loans are contracted in Hong Kong dollars. Any exchange rate differential of the amount of foreign currency deposits and the amount of foreign currency loans can indeed be resolved by converting foreign currency deposits into Hong Kong dollars through the foreign exchange market. It is inevitable, however, that the banks will suffer from imbalance between its foreign currency assets and liabilities. As a result, the banks themselves must take the risk of fluctuations in exchange rates. While such risk may cause financial problems for the banks, the OCB at this time does not have a guideline for the proper ratio with regard to foreign currency deposits and loans. The daily foreign exchange transactions in Hong Kong now amount to \$30 billion. For the settlement of such large amounts of foreign exchange transactions, should Hong Kong consider setting up a central foreign exchange clearing house? Such a central foreign exchange clearing house can at least reduce the foreign exchange risk exposures of the individual banks. The Basle Committee has already laid down a set of criteria for central foreign exchange transaction settlement, with the objective of turning them into global settlement criteria. I feel that the Government should also carry out a review in this area to see how the foreign exchange risk exposure of the local banks can be reduced.

Deposits and loans

Differences between deposit and loan maturities can lead to liquidity problems for banks. In Hong Kong, deposits usually are short-term ones maturing in three months or less. Where loans are concerned they are generally long-term loans to be paid back between 10 and 20 years. I think the OCB should take note of the risk exposure due to differences between the maturities of deposits and loans.

With regard to loans, the current rule is that a bank may not provide to any single customer an amount of loan exceeding 25% of its capital base. Is this rule sufficient? In the case of multinational banks, some countries permit loans to be made to customers

as much as 50% of the capital base. When the head office has such a big risk exposure, is it fit to set up a branch or a subsidiary in Hong Kong? In some countries, the rule is that the sum of all loans in amounts exceeding 10% of a bank's capital base may not exceed 80% of the capital base, so as to reduce the bank's risk exposure due to loans. Should we not be thinking about this question? Should there be insurance for big loans?

In Hong Kong, one-third of all bank loans are now related to real estate. In view of the fact that the banking crisis in Europe and the United States is triggered by declining property prices there, we should examine whether the extent of Hong Kong banks' exposure to loan risk is in order. Should there be increased supervision? At present, some banks are monitoring loans by computing "risk-adjusted returns on capital." In this way, they know more clearly how risky their loans are. With the benefit of hindsight in respect of the problems that countless high-risk loans caused to the BCCHK and other banks that had failed, we should ask whether the OCB should require all banks to disclose information on how they compute "risk-adjusted returns on capital." In this way, the OCB will have a better idea of the quality of bank loans in Hong Kong.

The above points do not cover all the existing problems in the supervision of banks. In fact, it has been a long time since the last review of the Banking Ordinance. The BCCHK incident and a series of bank runs have naturally made people worry about the vulnerability of the banking industry. If one analyses the main cause of the failure of BCCHK, one finds that it failed because it was not immune to the effects of the failures of other institutions within the BCCI group. This shows precisely that, because of the rapid internationalization and diversification of the banking industry coupled with the emergence of ever newer financial instruments, many problems in the supervision of banks have gradually become more apparent and more complex. In Hong Kong, which is an important international financial hub, the soundness of the banking industry depends on the existence of a set of proper regulatory controls that can meet the needs of the times and the establishment of an agency that can effectively enforce those controls. The latter can be provided by strengthening the training of local financial officials. The former can be brought into being through regular reviews of the Banking Ordinance in keeping with the development of the banking industry. The liquidation of the BCCHK does not mean that we have put the banking troubles behind us. On the contrary, the BCCHK incident has opened our eyes to the problems in the supervision of banks and to the potential crisis. Therefore, in response, a responsible government should conduct a full

review of the Banking Ordinance in due course.

In the wake of the incident, the business community as well as the ordinary people have had to bear the consequences of the slippage in banking supervision. I believe that it is the hope of all the citizens of Hong Kong, including my honourable colleagues seated in this Council, that the same thing will not happen again. I appeal to all Members to support the motion.

Mr Deputy President, these are my remarks.

Question on the motion proposed.

MR RONALD ARCULLI: Mr Deputy President, the motion moved by Dr the Honourable HUANG Chen-ya calls for three things: The first is that this Council takes note of the reports issued by the Commissioner for Administrative Complaints on the public complaints arising out of the Government's handling of the failure of BCCHK. The Commissioner for Administrative Complaints investigated two separate complaints: The first was by a depositor of BCCHK against the office of the Commissioner of Banking for wilfully providing misleading information on 5 July 1991 whilst the second complaint came from the chairman of a BCCHK depositors committee against the Monetary Affairs Branch for the actions of the Commissioner of Banking in the handling of the affairs of BCCHK and a statement by the Secretary for Monetary Affairs on 9 August 1991 allegedly accusing BCCHK depositors of spreading rumours that caused runs on two other banks here. From the brief reference I have made we can see that whilst both complaints stemmed from the BCC incident comments allegedly made by the Secretary for Monetary Affairs regarding BCCHK depositors are not relevant to the failure of BCCHK and hence not relevant to the review of the existing supervision mechanism of the banking system. I point this out because I do not know whether Dr HUANG intends to include this part in the first part of his motion.

The second limb of the motion contains two parts: the first calls for an independent enquiry and the second whether any further actions can be taken. I imagine Dr HUANG's call for an independent inquiry is as stated in his motion and that is to investigate the failure of BCCHK. I would have thought that the failure of BCCHK was directly linked to the failure of the BCCI Group. We have been given extensive briefings by the Administration and I am doubtful, to say the least, as to whether another inquiry will take the matter any further. The whole BCCI saga

involves not just Hong Kong but regulatory authorities outside Hong Kong. The collapse of the BCCI Group seems to have been brought about by what appears to be outright fraud and the inability, because of the way the Group was structured, for any single regulatory authority to have an adequate overall supervisory role. This is being addressed by banking regulators around the world. What is important for us to understand is that the BCCHK failure was not brought about by the failure of the banking system in Hong Kong. It was brought about by the circumstances I have referred to. If I am right, does Dr HUANG propose that the inquiry he is seeking be conducted around the world? As for further action, we all know that BCCHK is in the process of liquidation and I am quite sure that those who are far more knowledgeable than me on the process of liquidation will confirm that no stone will be left unturned to recoup as much as BCCHK's assets as possible and this would include taking whatever civil court proceedings that might be necessary. As for any acts that may amount to a criminal offence, again I have little doubt that the authorities here would proceed should the evidence to support criminal charges be available. It would of course be helpful if the Administration would confirm that my understanding is correct. It is therefore not easy to appreciate what other action Dr HUANG is thinking of when he refers to "further action".

Mr Deputy President, the third limb of Dr HUANG's motion causes me the most difficulty. The regulatory framework of any banking system is designed so as to cope with ever-evolving economic, financial and technological circumstances and changes. Banking regulators are required to be highly professional and perhaps the most difficult job a regulator faces is the constant development and marketing of new financial products. The line between banking, as we understand the traditional meaning of the term, and financial services is not always easy to separate or differentiate. Those who have followed changes in our banking supervisory system and reforms in our financial markets will appreciate that it is not always possible to get a regulatory framework right at the first attempt. Indeed, Members of this Council will recall that not so long ago we put through an amendment that involved the Mass Transit Railway Corporation because of an important technicality. I refer to this as an example of the constant change in the banking and financial markets that require constant, and I emphasize constant, review. It may come as a surprise to some of my colleagues here but the regulatory framework we have in Hong Kong is reviewed constantly. An example is that we introduced capital adequacy requirements in Hong Kong well before the Bank of International Settlements brought out its guidelines. Another recent change is the ability for dialogue, and exchange of information between the Banking Commissioner's Office and auditors of banks. Mr

Deputy President, listening to Dr HUANG, one wonders how Hong Kong has become one of the leading banking, financial and commercial centres. It certainly was not done overnight. We earned it and we must constantly prove to the international community that we deserve to keep it. It seems to me therefore that the call for a review of the existing supervision mechanism of the banking system by way of an independent inquiry is both unnecessary and ill-conceived. What we need is constant review by our banking regulators and a one-off inquiry is neither adequate nor appropriate. Mr Deputy President, not so long ago an inexplicable thing happened in a criminal trial in Los Angeles -- and this was only about a week or so ago. The consequences of that result we have all seen. Is anyone suggesting that the entire judicial system in the United States be reviewed by an independent inquiry? Mr Deputy President, with these remarks, I regret I cannot support the motion.

MR LAU WAH-SUM: Mr Deputy President, the Honourable David LI, representative of the Finance Constituency, very much wanted to participate in this debate. Unfortunately, an urgent business has called him away from Hong Kong. I have therefore included in my speech his views on this motion, which I share and are supported by the banking industry.

The forthcoming anniversary of the closure of the Bank of Credit and Commerce Hong Kong Limited will certainly recall painful memories of last summer, and to rekindle depositors' bitterness and anger over failed attempts at saving the Bank and over their money.

In considering this motion, Members of this Council must ask themselves: What possible purpose might there be in calling for an independent inquiry?

Would such an inquiry be of any benefit to BCCHK depositors? The answer is no.

Would such an inquiry promote public confidence in our banking system? Would it help to prevent a repeat of BCCHK incident? Again, the answer is no.

There is sufficient information available relating to the closure, deliberations over and eventual liquidation of BCCHK, from which to conclude -- with a high degree of confidence -- that there was nothing, short of subjecting public money to unlimited liabilities or of contravening international law that local banking authorities could have done to keep BCCHK open and viable.

BCCHK was the subsidiary of a very large -- and ultimately, very corrupt -- international banking group. As such, both BCCHK's managers as well as the local regulators were vulnerable to the malpractices in management and lapses in regulation in its sister banks overseas.

As unusual as the overseas claims put forward against BCCHK might appear, international law requires that they be given a fair hearing in court. Under international law, a surviving subsidiary of a multinational corporation can be held accountable for the debts of its parent or sister companies. The validity of individual, indirect claims against a subsidiary must be reviewed in court on a case-by-case basis.

Having lost billions of dollars to one particular arm of a multinational organization, a creditor might well consider it worth the legal gamble to spend millions of dollars in a court case against a surviving subsidiary or associated company in the hope of recovering its much larger losses.

The healthier the surviving subsidiary, the more attractive to the legal gamble. Hence, surviving subsidiaries in markets which honour international law can be expected to attract a veritable flood of overseas claims.

The pervasiveness of corruption in -- and the resulting worldwide losses from -- the global operations of the Bank of Credit and Commerce International meant that surviving subsidiaries of the Group would inevitably be hit by a tidal wave of legal claims of unknown magnitude.

More than anything else, these unknown claims were what scuttled the rescue attempt by the Hong Kong Chinese Bank.

These legal liabilities are real. They are unavoidable -- unless, of course, Hong Kong would be willing to disregard international law. But such action would have devastating impact on the whole of the economy.

As difficult as it may be for local depositors to accept, their money was not lost by misconduct or mistakes of the local managers of BCCHK, nor of local regulators. Their money was lost by managers and regulators in distant markets, managers and regulators who are not accountable to Hong Kong.

Mistakes may have been made in the manner in which the Bank was closed. But these mistakes have been widely discussed in the media. And ultimately, these mistakes did not have any bearing on the long-term viability of BCCHK.

The failure of the Bank of Credit and Commerce Hong Kong was indeed a very rare event brought about by a unique breakdown of global regulation.

If an inquiry is needed, it should be conducted at the international level, focusing on the Bank of Luxembourg, which was the lead regulator of the BCCI Group and was therefore responsible for co-ordinating the regulatory efforts of authorities in all markets in which the Group had operations.

Perhaps in future, Hong Kong's authorities might be more alert in communicating with their overseas counterparts to review the status of foreign-based banks which have significant operations in the territory.

But a local inquiry would serve no purpose. As all of the lessons of BCCHK have been learned and recognized, such an inquiry would be likely to devolve into nothing more than a "witch hunt", which would do little to promote public confidence in, and the future stability of, the territory's banking system.

Hence, the banking industry opposes this motion. And for these same reasons, Mr Deputy President, I likewise oppose the motion.

MR MOSES CHENG: Mr Deputy President, inquiring into the cause of an event which causes major public concern with the view of ascertaining the lesson to be learnt is both expedient and necessary. Such inquiry must be thorough and ought to cover all areas it should cover so that the findings would be meaningful, comprehensive and lessons need to be learnt would not be missed. However for fear that some issues might have been left out, it would be highly tempting for one to go beyond the bound of reasonableness and fall into the trap of a pursuit without a useful purpose.

The failure of the Bank of Credit and Commerce Hong Kong and its deposit taking company subsidiary, BCCI Finance International Limited, in July 1991 has undoubtedly aroused substantial concern from the various sectors of our community. It is most unfortunate that the proposed take-over of the assets and recorded liabilities of

BCCHK by a new locally incorporated bank to be formed and substantially owned by the Hong Kong Chinese Bank Limited could not be completed and therefore BCCHK had to be liquidated. The depositors of BCCHK and other affected parties who have suffered substantial pecuniary losses and damage are entitled to have answers to their queries. Members of the public who question the effectiveness of the regulatory systems of banks and financial institutions in Hong Kong ought to have the means to evaluate such systems.

No less than three inquiries have so far been undertaken on the BCCHK failure; one by the Commissioner of Banking and the other two independently by the Commissioner for Administrative Complaints pursuant to complaints initiated by depositors of BCCHK. Events leading to the BCCHK's closure on 7 July 1991 and thereafter have been established. Relevant information on the financial position of BCCHK and the measures and steps taken by the Commissioner of Banking were clearly set out in the respective reports. The failure of BCCHK was principally caused by problems originated outside Hong Kong and was the result of shady and fraudulent practices of other members of the BCCI Group in other parts of the world.

Evidence indicates that the facts surrounding the failure of the BCCI Group were rather unique. If there were problems in regulatory control it would have been the inability of the banking authorities in Luxembourg to supervise the Group's activities. Banking regulators around the world were aware of the unique problem and are addressing the relevant regulatory issues. Evidence, however, does not support that there is any problem in the existing supervisory mechanism of the local banking system. People in the banking community around the world confirm that our regulatory systems are of world standards and are adequate. Although such systems are by no means and can never be expected to be perfect, yet there is no immediate problem which requires urgent fixing.

The investigation and the two reports of the Commissioner for Administrative Complaints have vigorously scrutinized the steps undertaken by the various government authorities and departments in their handling of the failure of BCCHK. The complaints of the depositors were justifiably and adequately dealt with by the Commissioner. One wonders what further useful purpose can be achieved by the repeat of a similar exercise.

The work of investigation and scrutiny is currently continued by the liquidator of BCCHK. The books and records of BCCHK will have to be carefully examined. The issue of "unrecorded liabilities" will have to be addressed. The culprits will

inevitably be identified and dealt with in accordance with provisions of the law. Any fraudulent act or malpractice by the officers will be pursued for compensation due to the corporations concerned. This is all part and partial of the liquidation exercise.

An independent inquiry called for in the motion before us today would load a substantial demand on our manpower as well as financial resources. I would have no hesitation in supporting one if it would serve a useful and meaningful purpose. An independent inquiry should be supported if it can achieve what could not have been achieved by steps already taken or are being taken currently. It cannot be denied that the Hong Kong's banking regulatory framework has to be reviewed and revised in order to catch up with the economic, financial and technological developments and advancements which inevitably would have significant impacts on banking practices. However I share the view expressed by my colleague the Honourable Ronald ARCULLI that such review would entail a continuous and evolutionary process and cannot be substituted by an independent inquiry. The existing monitoring mechanism including the relevant OMELCO panel and banking regulators around the world is in place to provide the requisite independent check. Most important of all, members of the public who have gained in the BCCHK experience and are therefore more knowledgeable would be keeping close watch over the system.

As such, the need to call for an independent inquiry is not eminent. Neither has it been established that an independent inquiry will be able to identify any further action which is required to be taken. If we so wish we will all learn from the BCCHK failure the lesson which is there to be learnt. A repeat of the exercise in the form of an independent inquiry would have no effect in adding on to the lesson to be learnt.

Mr Deputy President, I have great reservation in supporting the motion.

MR MARVIN CHEUNG: Mr Deputy President, I wish to declare an interest in the matter of BCCHK. On 17 July 1991, I was appointed by the Supreme Court as one of the two Special Managers of BCCHK when it was put into provisional liquidation. My appointment as Special Manager came to an end on 3 February 1992, when BCCHK was placed into liquidation by the Supreme Court. In the course of my work as Special Manager, I had access to confidential information concerning the circumstances of the closure of BCCHK including the state of its financial position at the time. I also participated in the negotiations for the proposed sale of the business of BCCHK to

the Lippo Group. I am therefore aware of the details relating to the complex issues involved which resulted in the proposals being abandoned.

It is a requirement of my profession as a Certified Public Accountant that any information obtained in the course of professional work shall be kept confidential, except with the consent of the client or where there is a public duty to disclose, or a legal or professional right or duty to disclose.

The resolution before this Council is directly related to my work as Special Manager in the provisional liquidation of BCCHK. I have no doubt that my knowledge of the affairs of BCCHK would have influenced my decision on which way to vote. I do not feel that it is fair to my colleagues to cast my vote in the motion either way without giving them an explanation for my point of view. However, I would not be able to do so without breaching confidentiality.

Whilst I do have a definitive view on the motion before this Council, for the reasons cited I shall have no option but to abstain. I shall of course follow the debate with great interest but Members will, I trust, understand the reason for my abstaining from a vote on this occasion.

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, the BCCHK incident is an international incident. I feel that it involves many political factors. The press, however, never mentioned them. Any incident involving politics is simply beyond the Hong Kong Government's control. The Hong Kong Government has learnt one lesson from the incident, which is that high-ranking government officials should be fully responsible for what they say or do. Those who made mistakes should resign because of them or be dismissed. Hong Kong has never had such a system. It is a system that deserves to be studied in depth and put into practice. The BCCHK is now being liquidated. If the Official Receiver and Liquidator does his job in a responsible and practical manner, the whole matter can be brought to a close. I support the spirit of Dr the Honourable HUANG Chen-ya's motion, but I express doubts about his motive.

Mr Deputy President, I so make my submission.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, the failure of the BCCHK has not only caused losses to depositors but provided yet another demonstration of the

unsound state of Hong Kong's bank supervision mechanism. The BCCHK was at first described as a sound bank; then it was said to be over-laden with debts and insolvent and was ordered by the Government to close its business. Clearly, in its process of handling the incident, the Government made an about-face in its attitude. Such attitudinal inconsistency on the part of the Government caused monetary losses to depositors and shareholders; it also resulted in a great deal of time being lost.

I think that the authorities concerned acted improperly in their handling of the BCCHK incident and in their supervision of banking operations. The authorities should render a clear account of what happened. I therefore support Dr the Honourable HUANG Chen-ya's motion that the Government set up an independent commission of inquiry to investigate the failure of the BCCHK. Although the Commissioner for Administrative Complaints (CAC) has already looked into the BCCHK incident, his powers are limited. The CAC uncovered indications of improper handling and improper administrative action but was unable to take any step to effect remedy or apply sanctions. Firstly, an independent commission, if set up, can be vested with enforcement powers, whereby the existing loopholes can be plugged. Secondly, the depositors of the BCCHK will be given reasonable satisfaction. Also, the people of Hong Kong will be made to see clearly the active role that the Government plays and the effort that it makes in the process of supervision. As a result, the Government, which is steadily losing credibility, can improve its public image.

Though the Government has been insisting all along that the failure of the BCCHK is an accident caused by an overseas holding company and has nothing at all to do with Hong Kong's banking supervision mechanism, yet the CAC points out in his investigation report on the BCCHK incident that, as early as late 1990, the Office of the Commissioner of Banking (OCB) already noticed that the BCCHK's lowest asset ratio was 8.27%, which was lower than the 11% required by the Banking Ordinance. After several rounds of negotiations, the BCCHK still failed to meet the ratio required by the Government. But the Government failed to take firm and decisive action. On 27 June 1991, the officials concerned were still repeating their request to the BCCI head company in Abu Dhabi to inject more capital. Unfortunately, on the following day, governments in various countries ordered the BCCI to close its business immediately on the ground of bad debts. Clearly, as early as late 1990, the Government already knew about the problems that had appeared in the BCCHK, but it hesitated to take decisive action. As a result, depositors and shareholders sustained losses. Such a course of events inevitably raises the question: Is the supervision system used by the OCB sound and effective? Another debatable point is

the degree of transparency of the monitoring process. The ordinary depositor's access to information is very limited. Even the amount of a bank's basic reserve capital is a secret that cannot be disclosed publicly. This makes it impossible for members of the public to make an intelligent choice of a sound bank. If such a banking supervision mechanism is allowed to continue in operation, the confidence of the people of Hong Kong will keep on declining. Setting up an independent commission to review the banking supervision mechanism is imperative. Without it, the development of Hong Kong as a financial centre will be set back. I hope that the Government will keep on making progress and improvement in the indicated direction.

Thank you, Mr Deputy President.

DR CONRAD LAM (in Cantonese): Mr Deputy President, to most people, the failure of the BCCHK is but a topic of conversation after a good cup of tea or a good meal. To the depositors of the BCCHK, however, it represents an unending nightmare. The Government's inconsistent attitude and compounding of mistakes in the handling of the BCCHK incident have not only caused the depositors to lose billions of dollars of their deposits but also caused the Government itself to lose a great deal of face. True, the Office of the Commissioner of Banking (OCB) has submitted a detailed report on the incident, providing an account of the course of the incident from the beginning to the end and an explanation of why the decisions were made as they were made. However, there are things in the report that invite contention. The purpose of my speech today is to point out some of the contentious things. Another arguable point is how appropriate the methods used by the relevant departments in handling the BCCHK incident are. On 5 July 1991, even as the Bank of England and the regulatory agencies of many foreign countries announced that they would take over the BCCI operations under their jurisdiction, the OCB in Hong Kong declared that there was absolutely no problem with the BCCHK. It also issued a statement, giving assurance that the operations of the BCCHK were sound and reliable. The BCCHK was allowed to remain open on 5 July (Saturday). Were these decisions proper? The Banking Commissioner's report cites four grounds for the decisions, as follows:

(1) The BCCHK is a locally incorporated bank. Legally, it is an independent entity unrelated to the other members of the BCCI group that were in trouble.

(2) It appears that the BCCHK was not involved in fraud.

(3) It appears that the BCCHK was financially sound.

(4) It appears that the BCCHK was receiving firm support from its largest shareholder.

First of all, the tone of the Banking Commissioner suggests that he made the decisions despite having doubts and feelings of unease. He should have been well aware that confidence was a prerequisite indispensable to the financial market. When its sister banks were being taken over by overseas regulatory agencies because of improper management and inadequate reserves, how was it possible for the BCCHK to remain in the clear? In particular, when the BCC Luxembourg and the BCCI were involved in fraud and other illicit acts, how could Hong Kong depositors have confidence in a sister bank of theirs, namely, the BCCHK? The authorities, in permitting the BCCHK to remain open, were doing a very dangerous thing. Sooner or later, there was going to be a run on the bank. The OCB should have been aware of this. In permitting the BCCHK to remain open for business as usual on 5 July, the OCB showed its lack of a business sense and its recklessness in dealing with problems. Another point is that, whereas there were rumours about the BCCHK laundering illicit money overseas, the Government did not say in the report whether it had looked into these rumours.

On 2 July, the Banking Commissioner already learnt from London that the BCC Luxembourg and the BCCI were involved in fraud. He was also well aware that these incidents would shake the public's confidence in the BCCHK. He even planned to take certain counter-measures. He intended to audit the books of the BCCHK and then make an updated assessment of the situation of the BCCHK. Before the latest financial situation of the BCCHK was known, however, a public statement was issued, expressing the view that the BCCHK showed no sign of corruption and was in a sound financial condition. That was an irresponsible thing to do. Subsequent investigation showed that the BCCHK's financial situation was not as sound as it was said to be. The discovery of undocumented liabilities and potentially bad debts led to the collapse of the talks about a buy-out of the BCCHK.

The report also said that the reason for permitting the BCCHK to remain open for business as usual on that Saturday was that the Abu Dhabi Government issued a certification of its link with the bank on 27 June 1991, announced a \$125 million capital infusion and voiced a willingness and an ability to provide a huge amount of extraordinary financial support to the entire BCCI group. However, when the OCB decided to close the bank on 8 July, its most critical consideration was that Hong Kong learnt on 7 July that the Abu Dhabi Government would not provide the BCCHK with

a written statement of support. In fact, before taking over the entire BCCI group, the regulatory agencies of several countries had held meetings to discuss the impending crisis. They considered the usefulness of this kind of statement of support. In the end, they all decided on taking over. This shows that asking the Abu Dhabi Government for a statement of support and for assurances was not a practical thing to do. Secondly, within 10 short days, the OCB twice asked the Abu Dhabi Government for a statement about its link to the bank. This shows that the OCB at the time failed to consider matters carefully and fully and was unable to make a professionally sound judgment. Then, after the OCB set a limit to the maximum amount that could be withdrawn, what happened on Saturday was that there were net withdrawals of \$255 million and cash withdrawals of \$37 million. The OCB stressed repeatedly that the day's withdrawals were not serious. To the BCCHK's depositors collectively, however, the situation was unfair.

What the Government did after taking over the BCCHK had in it an element that would mislead people. First of all, even before the BCCHK's official liquidator gave his consent, the OCB hastily decided to offer the BCCHK for sale. Legally, the Government had no power to make a decision on its own to offer the BCCHK for sale. Clearly, the OCB did not have the professional expertise that it should have. Secondly, the sale of a bank involves complex technical problems. The OCB should have been aware of this. Yet, in the wake of the failure of the BCCHK, the Government stressed time and again that it was optimistic about finding a buyer for the bank. What is more, it was completely tight-mouthed about the fact that the BCCHK might have to be liquidated. This caused the depositors to entertain unrealistic hopes.

Mr Deputy President, on the basis of the above analysis, the report in fact failed to provide a detailed analytical account of the failure of the BCCHK. Many questions were left unanswered. Because of this, I ask the Government to set up an independent commission to look into the failure of the BCCHK and to take appropriate actions on the basis of its findings. In addition, I ask the Government to review the existing Banking Ordinance.

With these remarks, I support the motion.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, what happened outside the Legislative Council on the afternoon of 17 July last year is still fresh in my memory. On that day, the Legislative Council passed the Bill enabling the "link and loop"

operations of the knitwear industry to move to China. This was greeted with repeated shouts of protest by the workers who were staging a sit-in outside the Legislative Council Building. Relatively speaking, however, another group of people outside the Legislative Council Building -- BCCHK depositors -- had been dealt what, I believe, was even a heavier blow. For days, these BCCHK depositors had been running here and there in the hope of recovering assets that were theirs to begin with, in the hope of getting justice. They petitioned, demonstrated and lobbied. Unfortunately, they still failed to avert the final act, which was the liquidation of the BCCHK. The mention of the BCCHK incident reminds us of a tragedy that befell hundreds and thousands of depositors. Among them were those who had put their life's savings in the BCCHK. They had hoped that, in their old age, they would be able to live on interest earnings. Now they had nothing. The mention of the BCCHK incident also makes us feel hopeful. We have seen how a group of oppressed depositors effectively got themselves organized to fight for their rights and interests. "Fat Mother," in my belief, is the most typical example.

Mr Deputy President, I deeply feel that my colleagues seated here, as well as the authorities and the general public, should listen more to the views of the BCCHK depositors. Mrs Annabelle SHAH, "Fat Mother", the head representative of the depositors, has poured out her heart in the account below.

On 5 July 1991, as the BCCI closed its operations worldwide after being found to have engaged in fraud involving huge amounts of money, its branch in Hong Kong remained open for business. The Banking Commissioner at the time assured the depositors and the general public that "the bank's business is sound and the bank can continue to grow and will remain open for business as usual." Now, however, we all know very well that, within 48 hours, he was to have a quick change of mind and closed the BCCHK. As a depositor, I would like to ask the following questions:

(1) It is beyond doubt that, with or without premeditation, the Banking Commissioner that day misled the depositors into believing that the BCCHK was still sound. What he did had many harmful consequences. Some depositors continued to make deposits on 6 July despite what had happened to the BCCI elsewhere. They did so because they trusted the Banking Commissioner and were glad to believe in his words. As far as they were concerned, a high official's statement was a guarantee.

Secondly, we wonder whether, in keeping the bank open for business on the weekend, the purpose was to allow sufficient time to the depositors on the inside track, so

that they might withdraw their deposits that day.

(2) The Banking Commissioner said with his own mouth that, though the BCCI had failed worldwide, he would rely on "words of honour" to reaffirm that its Hong Kong branch could continue operating. In fact, although he had tried to ask for it, he had not received any word of honour at the time he stated that the BCCHK remained sound. What was very clear to him then, as it is clear to all of us now, was that he was waiting for a response from the Abu Dhabi Government. He should have closed the BCCHK as a precaution against a possible crisis.

(3) On 17 July 1991, between 3 pm and 3.30 pm, the Financial Secretary made a statement to the Legislative Council that BCCHK had been put into liquidation. At 4 pm, the Special Managers, holding a court order, entered the BCCHK to take over everything. Very clearly, the move was fast and well-planned. As depositors, we want to ask this: Does the Government always have such a well-considered and efficient plan before every takeover? The BCCHK was open for business as usual on 6 July 1991, Saturday. Was this because some government insiders wanted to give themselves a chance to withdraw large amounts of deposits? The Commissioner for Administrative Complaints (CAC), Mr Arthur GARCIA, said in his report that some of the depositors' complaints had grounds. His report also showed that the Banking Commissioner did indeed mislead depositors. Also, did the Legal Department not raise numerous barriers to slow down the CAC's investigation? Depositors think that the CAC's report pointed out some mistakes in the assessment and handling of the BCCHK incident and reaffirmed the need for an independent inquiry to investigate the incident. Only when the BCCHK incident has been thoroughly investigated will the depositors "die without regret", so to speak. We need to mount a full search to identify the causes of government officials' negligence and failure; therefore, an independent inquiry is absolutely necessary. We have sent telegrams to Her Majesty the Queen, to Prime Minister Mr John MAJOR and to Governor Lord WILSON. The Queen has not given any response. Mr MAJOR has simply turned over the responsibility to the Governor. The Governor, through the Financial Secretary, has given us a response, expressing the view that an inquiry is not necessary. However, we can guarantee this to anybody: If the depositors cannot get to the truth of the matter, they will carry their bitterness to their graves. The BCCHK incident has not only affected the depositors' everyday life but also impaired people's trust in the banking system as a whole. Ask yourselves: What credibility did Government have when it assured all the people of Hong Kong that the other banks would not follow the same route along which the BCCHK had failed? We say once more that we strongly urge the Government to start an

independent inquiry to look into the BCCHK incident not only for the sake of the depositors but also in the interest of the general public. Then, the Government will never again have to waste taxpayer's money on such momentous matters.

Mr Deputy President, the above is how a BCCHK depositor has poured out her heart. If we are still engaging in high-sounding talk, that is tragic; if we at the same time are ignoring the demands of the affected depositors, how are we going to be able to face these depositors? Finally, I must pay my respect to "Fat Mother" and to the group of BCCHK depositors who have never stopped fighting for their rights and interests and for justice. I particularly admire their spirit of fighting for justice and the faith that has kept them together while looking difficulties in the face. I believe that their behaviour absolutely deserves our respect and support.

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

MISS EMILY LAU: Mr Deputy President, Hang Lung Bank, Overseas Trust Bank, Hong Kong Industrial and Commercial Bank, Ka Wah Bank, Union Bank, Wing On Bank, and Hong Nin Bank -- I am sure these names sound very familiar. This is because, not so long ago, the Government spent billions of dollars of taxpayers' money to rescue them. Last year it was the BCCHK's turn. The only exception this time is that taxpayers' money has not been used to rescue this bank.

Mr Deputy President, faced with this litany of failed banks, one cannot help but ask: Is there something very wrong with our banking supervision? This vital question, of course, was not addressed by the Commissioner for Administrative Complaints' investigation.

On 30 July last year, the Banking Commissioner submitted a report on the collapse of BCCHK to the Governor. Some people in the banking industry were disturbed and alarmed by revelations in the report. More than anything else, they were shocked by the simplistic approach adopted by the Banking Commissioner and his Office in the regulation of banks. Despite the globalization of banking and the complexity that it involves, it appears all that the Commissioner's Office was concerned with was the so-called "quantitative approach", that is, whether the numbers add up or not.

People who follow financial news will recall that the BCCI's problems first began surfacing four years ago. Some people may argue that they started much earlier. In

1988, the BCCI Group was embroiled in a drug-laundering scandal which resulted in the jailing of several top bank executives in the United States and the bank being heavily fined. It was not without reason that the BCCI was dubbed "The Bank of Crooks and Criminals International". It was in that same year that the so-called College of Supervisors was set up with a view to tightening the supervision of the BCCI Group. The Banking Commissioner must be aware of this because Hong Kong joined the College of Supervisors in July 1989.

The BCCI drug-laundering scandal and ensuing events cast grave doubts on the Group's integrity in the eyes of the international banking community. BCCHK, being a branch of the diseased tree and controlled by the holding company, also suffered a loss of confidence. According to the bank's accounts for 1990, loans from other banks dwindled from \$1.35 billion in 1989 to less than \$0.5 billion in 1990. Although the Banking Commissioner did not show us how the accounts of BCCHK looked on 5 July 1991, the day he hailed the bank as sound and viable, my guess is that there were hardly any loans from banks on BCCHK's books on that day. In fact, I guess loans from banks, however meagre, would have been recalled on 6 July 1991, the last day the bank opened.

Despite all these tell-tale signs, Mr Deputy President, the Banking Commissioner still stuck to the rules and worked mechanically at the problem. The rules said the numbers must be right. So confident was the Commissioner that he proclaimed in his report to the Governor that the assets of the bank were realistically valued, that there was sufficient capital and liquidity, and that BCCHK's exposure to the rest of the BCCI Group was limited. The numbers about BCCHK are meaningful only if they are genuine. Given the immense doubts cast on the integrity of the BCCI Group, it should not have taken a financial genius to question whether the figures provided by BCCHK were suspect. On 5 July 1991, the College of Supervisors warned there was prima facie evidence of massive fraud in the BCCI Group in a number of jurisdictions stretching back over a period of years.

In spite of such dire warning, Mr Deputy President, the Banking Commissioner still permitted the bank to open on 6 July and told the public that the bank was sound and viable because the financial ratios seemed right. Even to the untrained eye, the College of Supervisors' announcement had clear implications for BCCHK. The Banking Commissioner should know because his request to the College of Supervisors that their statement be revised to make it clear that BCCHK was not involved in the problems being faced by the Group was rejected.

So, instead of concentrating on the management and the integrity of the BCCI Group, the Commissioner indulged in his own numbers game. One cannot help but ask whether the Banking Commissioner had any feelers in the banking community to gather banking intelligence or whether he was assisted by staff who know the market.

Mr Deputy President, the stock market crash of 1987 resulted in the Ian Hay-Davison Report. The harsh criticisms levelled at the Office of the Commissioner for Securities and Commodities Trading that it was inexpertly staffed could well be applied to the Banking Commissioner's Office. The fact that when the BCCHK crisis broke one of the first things the Banking Commissioner did was to go to the Hong Kong Bank to borrow an expert -- and that guy happened to be on holiday -- must have shown us how poorly equipped the Banking Commissioner's Office was. The Hay-Davison Report's solution was that the regulator should be staffed at all levels by professional people. I hope an inquiry into the BCCHK would address the pressing question of banking supervision.

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

DR YEUNG SUM (in Cantonese): Mr Deputy President, as an international financial centre, Hong Kong needs to have a sound financial and banking system. This point is very important for the long-term economic development of Hong Kong. A sound financial and banking system is particularly important if local and overseas investors, and even the general public, are to have confidence in Hong Kong itself. It is precisely for this reason that the United Democrats of Hong Kong think that it is absolutely essential at this time to conduct an inquiry into the failure of the BCCHK. One colleague pointed out a moment ago that the BCCHK incident had nothing to do with Hong Kong's banking supervision mechanism, that the needed investigation had already been conducted, and that a further investigation would not make much sense. I do not agree.

I believe that it is generally agreed that the BCCHK incident was the most shocking and most controversial financial event seen by Hong Kong in recent years. The incident has done huge damage to the credibility of the Government, to the confidence of depositors and investors and to Hong Kong's reputation as an international financial centre.

First of all, just as Dr the Honourable Conrad LAM pointed out a moment ago, the Government's inconsistency in what it said and did in the handling of the BCCHK incident had brought the Government into disrepute. Depositors felt cheated and betrayed. Depositors and investors lost a great deal of confidence in Hong Kong's banking system and financial regulatory authorities. The indirect result was a series of crises that hit the banks subsequently. Secondly, although the closure of the BCCHK was an international event the causes of which were far beyond Hong Kong's control, yet Hong Kong was the only financial centre hit by a crisis of bank runs in the wake of the incident. This was a very heavy blow indeed to Hong Kong's reputation.

The incident also revealed the many loopholes that existed in Hong Kong's financial and banking supervision. In addition, the Government's approach to the incident revealed a serious deficiency in the financial regulatory authorities' grasp of fast-changing international financial and economic data. Dr the Honourable HUANG Chen-ya has also mentioned this point. There has been no marked improvement in this particular area since the stock market disaster of 1987.

At the moment, the most important question for Hong Kong's banking system is how to reform that system, improve the supervision mechanism, prevent a recurrence of bank runs and re-establish the confidence of depositors and investors in the entire banking system. The authorities indeed have the duty to give the public an account of what happened and to make sure that a healthier financial and banking system will be established. For such a purpose, the United Democrats think that the Government indeed must conduct an independent and objective inquiry into the incident.

True, in the wake of the incident, the Banking Commissioner quickly submitted a detailed report to the Governor. The objectivity of that report is, however, doubtful. I would like to point out in particular that a major purpose of any investigation of the BCCHK incident is to restore the confidence of depositors and investors in Hong Kong's financial regulatory authorities and banking system. Therefore, the investigation must be seen by the public to be fair and objective. Otherwise, it will be a wasted effort, for the public has no confidence in the report in respect of an investigation conducted on its own self by the regulatory agency concerned.

In fact, the report of the Commissioner for Administrative Complaints (CAC) also showed that some of the complaints against officials of the Government's financial

and monetary authorities were based on facts. This point, too, is an indication of the seriousness of the matter. The Government needs to render an account to the public, particularly to the BCCHK depositors.

What is more, the CAC's powers are really limited. The law provides that the CAC has no power to review the Government's existing ordinances and policies. Therefore, he cannot make a full review and critique of the existing banking supervision mechanism and procedure.

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

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, in mid-March, three of us, Meeting Point members in the Legislative Council, along with other colleagues in this Council, signed a joint letter to the Governor, urging the Government to investigate the BCCHK incident. The Governor, however, responded negatively. At the In-House meetings of this Council, we also called for the establishment of a select committee to follow up on the BCCHK incident. We did so because, under Standing Order 61(1), the Legislative Council may adopt a resolution to set up a select committee to look into a matter on its own. However, we thought that the inquiry should not be confined to the issue of who should be held responsible for the incident. We thought so because the Commissioner for Administrative Complaints had already produced a very detailed report on how government officials concerned spoke or acted erroneously or improperly in their handling of the BCCHK incident.

Today, all three Meeting Point members in this Council will support Dr the Honourable HUANG Chen-ya's motion, urging the Government to set up an independent commission of inquiry to follow up on the BCCHK incident. Should today's motion be defeated, I shall repeat at the Friday In-House meeting of the Council the request for the establishment of a select committee to look into the BCCHK incident. The committee's terms of reference should not be confined to pursuing the question of responsibility. They should include a further inquiry into the BCCHK incident to see if it may further reveal the unsoundness of the supervision mechanism for Hong Kong's banking industry and financial system; they should also include the recommendation of suitable remedial measures for the protection of the public's interest. In this way, we will have discharged our obligations as Legislative Councillors.

I so make my submission. Thank you, Mr Deputy President.

FINANCIAL SECRETARY: Mr Deputy President, as I stated in this Council on 15 March 1992, it is the considered view of the Administration that a further inquiry into the BCCHK affair would serve no useful purpose, unless there were indications from outside Hong Kong, or arising in the course of the liquidation of BCCHK, that there were other important dimensions to the issue which required special examination. The position remains that, to the present, no such indications have arisen.

The motion sets out two purposes for the proposed inquiry. The first is "to investigate the BCCHK failure and to see whether any further action needs to be taken". The second is "to review the existing supervision mechanism of the banking system". The Government does not consider that such an inquiry is necessary or would serve any useful purpose in these respects.

As far as the failure of BCCHK is concerned, the relevant information is already in the public domain, including the Commissioner of Banking's Report to the Governor dated 30 July 1991, and the Commissioner of Administrative Complaints' Reports. Bear in mind that the Commissioner of Administrative Complaints was given unrestricted access to government information in the two complaints he investigated.

As regards the banking system in general, the closure of BCCHK last July has understandably caused a great deal of distress. This is a matter which has been of great concern to us all even though the origins of the crisis lay outside Hong Kong. The incident, however, did not reflect on the fundamental soundness of our banking system, which has withstood many serious tests. I might add that I do not find very attractive -- or fair -- the spectacle of some of the comments in this debate -- comments full of after-the-event wisdom -- comments about the professional judgment and expertise of those involved. And even a statement that some civil servants may have delayed the closure so as to take advantage of inside knowledge -- to remove their deposits. The accusation was made that those involved were "simplistic" -- were "playing a numbers game". I leave it to the public to judge who is taking a simplistic view of this complex issue. That said, I am grateful for the many other balanced and supportive comments in the debate.

A clear demonstration of the industry's soundness was the banks' ability to switch to the Basle capital adequacy framework at the end of 1989. This changeover was a

full three years before the target date for implementation. Since the major regulatory reforms were implemented in the mid-1980s, our banking system has successfully ridden out several periods of difficulties, including the worldwide stock market crash of 1987, and events in China in 1989, and indeed the aftermath of the closure of BCCHK. By emerging from these difficulties unscathed, the banking system has demonstrated its strength and resilience and continues to grow from strength to strength.

It may be noted that all the banks which were the subject of unfounded rumours last summer had a particular good year in 1991, both in terms of the growth of business and profitability. In fact 1991 was an exceptionally good year for the banking system in general.

I hardly need to say anything more about the strength and stability of our banking system. That strength could not exist without an effective supervisory regime and we can be proud of our regulatory framework which compares favourably with those in other financial centres. Let me reiterate that the BCC Group's problems did not arise in Hong Kong. It should not be forgotten that there were in all some 70 jurisdictions adversely affected by the BCC crisis. It is also noteworthy that present indications are that the position of BCCHK was much more favourable than that of the rest of the Group. It has been estimated that, leaving aside any cash injection by the Abu Dhabi Government, the creditors of BCCI S.A. and BCC Overseas will only be likely to receive dividends of around 10% over a long period of time. BCCHK depositors, however, have already received an advance payment equal to 25% of their deposits up to a maximum of \$500,000. Furthermore, the liquidator of BCCHK has indicated that he hopes to pay a first across-the-board dividend here in the region of 40% in about four months' time, with the distinct possibility of a further dividend or further dividends being paid during the course of the liquidation.

We must not, however, be complacent and there are undoubtedly some lessons to be learnt by banking supervisors across the world, particularly in respect of their stance towards banking groups with diffused corporate structures. The International Group of Banks Supervisors based in Basle is currently looking at these issues and we will certainly wish to consider seriously any recommendations which arise from their deliberations.

The local supervisory system is under constant review. We are well advised by the Banking Advisory Committee and the Deposit-Taking Companies Advisory Committee

in this area. It is worth noting that when the BCCI Group came to Hong Kong in 1979 by acquiring the Metropolitan Bank which was subsequently renamed BCCHK, the powers available to the Commissioner of Banking in respect of the entry of foreign owned banks were undoubtedly inadequate. Since then the supervisory framework has been substantially strengthened and it is highly unlikely that the BCCI Group would have gained entry into Hong Kong under the current regime. The Commissioner of Banking now has the power to approve changes of control of authorized institutions in advance, and to take measures against existing shareholder controllers who are no longer considered fit and proper. The Banking (Amendment) Bill 1992 was introduced into this Council last week with a view to improving the supervisory system even further. The proposals are mainly to enable auditors to play a greater role in the examination of the internal controls of banks. This is part of our ongoing exercise to improve the regulatory framework which would have been carried out even without the BCCHK incident.

Apart from further improvements to the supervisory system, the Administration is considering various measures to offer better protection to depositors in the event of a bank failure. These include the possibility of some form of a deposit protection scheme, on which a consultation paper has been issued, and the possibility of according higher priority to small depositors in the event of bank liquidations. In addition, the new liquidity adjustment facility to be introduced shortly is designed to help banks in the management of their liquidity.

Given that the BCC incident was an isolated case with little relevance to the soundness of our banking system as a whole, that proposals to further improve the supervisory system are in hand, and that measures to better protect small depositors are being considered, it is difficult to see what useful purpose an independent inquiry would serve.

The scope of the proposed inquiry is very wide. The usefulness of such an inquiry is extremely doubtful since almost all the relevant facts have been well documented and are publicly available. An inquiry will take up substantial resources and will distract attention from the ongoing task of supervision. BCCHK is now in liquidation and the top priority must be for that process to proceed with all reasonable speed so that the creditors, including depositors, can receive as large and as early a payment as possible.

Mr Deputy President, I oppose the motion.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, July 1991 can be called the "month of storms that rocked the banking sector". Every time I turned on the TV or unfolded a newspaper, I would see reports on the BCCHK incident. When I occasionally travelled through Central, I also saw confrontation between the BCCHK depositors and the police. At the time, I congratulated myself on not having put money in the BCCHK. Still, I felt sorry for the depositors. Let us think. If my life-long savings should suddenly and unaccountably turn to naught, I believe that I, too, would behave like them, running here and there, asking for help.

The BCCHK incident subsequently touched off bank runs. We can all remember the runs on several banks, large and small. Initially, the Dao Hang Bank and the International Bank of Asia, which had Middle East backing were hit. Then came the turn of banking giants, the Citibank and the Standard Chartered Bank. An analyst who approached the situation at the time from the point of view of a spectator might find the behaviour of the depositors childish and laughable, a case of stupid self-inflicted trouble. In fact, a government official at the time did accuse the depositors of ignorance. However, if one thinks more deeply, one will find that, in such a state of panic, anybody not wishing to repeat the mistake of the BCCHK depositors would have reacted in like fashion.

I asked myself. Is it not true that Hong Kong's banking system and supervision mechanism have always been quite sound? Why, then, did the BCCHK incident happen? If there are real problems in Hong Kong's banking system and supervision mechanism, then is it not true that our community is sleeping beside a bomb that may go off at any time? If I had not consulted my friends in the banking industry, if I had not consulted economists and scholars, I believe that I would not even have been aware of the many shocking problems in the banking supervision mechanism. Like my colleagues, I would have thought that the world was a safe place where the likes of the BCCHK incident would not recur. I would have thought that we could all go to play golf or mahjong with equanimity.

I feel that there is really a need to review the banking supervision mechanism. I said a moment ago: (1) The major banks operating in Hong Kong are multinational banks; it is difficult to supervise multinational banks. (2) New financial instruments and methods of operation have added many difficulties to supervision. I must stress that the failure of the BCCHK will not prove to be the last multinational

bank failure. I have some other questions to raise. Hong Kong's banks are not transparent enough. In Hong Kong at this time, half of the people simply have no idea about the banks' financial standing. This is because the annual reports contain very little information. Even the professional analysts cannot tell which bank is sound. Also, there are the new financial instruments, such as commercial papers and securitized charges and loans. These new instruments will bring many new problems. At the moment, such financial instruments are just making their debut in Hong Kong. When they are developing at full strength, how much will their impact be on Hong Kong's banking system? We really need to know. As a major financial centre of Asia, Hong Kong is naturally making substantial development in the direction of becoming a "tool box." If we do not take the necessary precautionary measures when there is still time, the banking system surely will receive a very heavy blow in the days to come.

My purpose today is not to re-open a historical wound, nor to find a scapegoat, but to seek justice for the BCCHK depositors and let them know whether the Government did its best to protect their interests. Another purpose that I have is to prevent another banking crisis. In fact, some Councillors disagree. They think that there is no problem with the existing supervision mechanism. But I also know that the Office of the Commissioner of Banking (OCB), as the Financial Secretary said recently, is trying to improve Hong Kong's banking supervision mechanism by way of remedy. I hope that an independent commission of inquiry will be able to find out where the problems lie. Its finding will be helpful to the OCB.

Finally, I would like to use a quotation from Bismarck: "Any country that does not learn from its mistakes is bound to make the same mistakes again." A banking crisis hit Hong Kong in the 1960s. At the time, the Government thought, as some colleagues are thinking now, that such things would not happen again. However, they did happen again in the 1980s. Just as the Honourable Emily LAU said a moment ago while enumerating a series of problems concerning banking supervision, it was only after investigation and review that the Government found that there were indeed many loopholes in Hong Kong's banking supervision mechanism at the time and it then made the many changes that were needed. I said a moment ago that we are facing a new challenge from the banking and financial system and that we have no alternative but to improve our banking supervision mechanism to meet our present needs. We must not think too highly of ourselves and think that problems will never arise again. I would like to thank my colleagues who have spoken on the motion. I hope that they will support my motion in good conscience and for the sake of the public and the future of Hong Kong.

Question on the motion put.

Voice vote taken.

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

DR HUANG CHEN-YA: Mr Deputy President, I claim a division.

DEPUTY PRESIDENT: Council will proceed to a division. The division bell will ring for three minutes and the division will be held immediately afterwards.

At this point Mr Jimmy McGREGOR declared interest as vice chairman of the Hong Kong Chinese Bank.

DEPUTY PRESIDENT: Would Members now please proceed to vote?

DEPUTY PRESIDENT: Do Members have any queries before the result is displayed? The result will now be displayed.

Mr PANG Chun-hoi, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, 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 TIK Chi-yuen, Dr YEUNG Sum and Mr WONG Wai-yin voted for the motion.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mrs Rita FAN, Mr HUI Yin-fat, Mr NGAI Shiu-kit, Mr TAM Yiu-chung, 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, Prof Edward CHEN, Mr Vincent CHENG, Mr Moses CHENG, Mr CHIM Pui-chung, Mr Timothy HA, Mr Simon IP, Dr LAM Kui-chun, Mr Gilbert LEUNG, Mr Eric LI, Mr Steven POON, Dr Samuel WONG and Mr Howard YOUNG voted against the motion.

Mr Jimmy McGREGOR, Mrs Elsie TU and Mr Marvin CHEUNG abstained.

THE DEPUTY PRESIDENT announced that there were 15 votes for the motion and 29 votes against it. He therefore declared that the motion was negatived.

7.15 pm

DEPUTY PRESIDENT: I propose to take a short break now and to resume at 7.35 pm.

7.48 pm

DEPUTY PRESIDENT: Council will resume.

LONG TERM HOUSING STRATEGY

MR FREDERICK FUNG moved the following motion:

"To resolve the housing predicament of the lower income groups and the sandwich class in Hong Kong, this Council urges the Government, whilst looking after housing matters in both the public and private sectors, to conduct a comprehensive review on the Long Term Housing Strategy, consider various possible means of assistance, and consult public opinion extensively before formulating relevant policies."

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, in moving a motion debate today on the Long Term Housing Strategy, my purpose is to call everybody's attention to that strategy once more.

This is the fifth year of the Long Term Housing Strategy published by the then Housing Branch of the Government Secretariat in 1987. It is an important document that in essence is to provide guidance for a housing policy that goes beyond 1997. During the past five years, we saw its substantive effects on the housing market, effects that steadily contributed to the worsening housing predicament of the lower income groups and the sandwich class in Hong Kong. Therefore, I hope to be able,

through today's debate, to urge the Government to look after housing matters in both the public and private sectors, to conduct a comprehensive review of the Long Term Housing Strategy, to consider various possible means of assistance and to consult public opinion extensively before formulating relevant policies.

I believe that everybody seated here will agree that the ideal lifestyle that the Chinese aspire to is still a home and a job. Every family wishes to own a home. This is not an extravagant wish. When the Long Term Housing Strategy was first formulated, its objectives reflected this ideal:

(1) Making sure that every family in Hong Kong will have an independent and self-contained permanent home;

(2) Making sure that suitable housing will be available to all households at affordable prices or rents;

(3) Rebuilding the old housing estates and improving their environment.

I am in agreement with these objectives of the Long Term Housing Strategy. However, in the actual formulation of the strategy, the assessment of housing supply and demand in the public and private sectors was approached from a purely economic perspective so as to ensure that the private sector resources for housing construction should be more fully utilized. In short, the housing market was to operate under the guidance of a strategy favouring the private sector. Hence, the many problems that we have today. Therefore, under the Long Term Housing Strategy as now being implemented, not only are the original objectives unaccomplished, but the ideal of a home and a job has become remote and inaccessible to some families.

First of all, I would like to point out what is wrong with the Long Term Housing Strategy as now being implemented. The authorities estimated that an average of 40 000 units of public housing and units of Home Ownership Scheme (HOS) with or without private sector participation and an average of 30 000 units of private sector housing would be completed each year between 1987 and 2001. On the basis of this estimate, the authorities produced projections showing that, by roughly 1996-97, the supply of public housing would be in balance with demand as represented by the number of applicants on the public housing waiting lists. But what has really happened is this:

The Housing Authority has each year assigned about 15 000 units of public housing to families on the waiting lists, while the waiting lists are 114 000 families long. Therefore, to me, it is a fantasy to think that the demand will be met in the year 1996-97 for the applicants on the waiting lists. The truth is that those past projections must be reviewed today. In the formulation of the strategy in 1987, when projections were used to show the future demand for housing in a supply-and-demand context, what had clearly been overlooked was the fact that housing, being essentially a commodity, could be an investment vehicle. This is particularly so because bank deposits in Hong Kong dollar, the exchange rate of which is pegged to the US dollar, yield interests which are very low or even negative. Those with money have to find ways to invest it. We must understand this point. In Hong Kong, buying and selling housing flats as a form of investment yields much higher returns than any other investment activity. When projections of the future demand for public housing and private sector housing are made, one must consider not only the usual variables but also the long-term trend of housing prices, the ability of the public to meet mortgage payments and the availability of land for public housing and private sector housing. Only thus can one make more accurate projections of the future housing demand. Also, when the strategy was formulated, there was a failure to consider the effects of various external factors on the demand for housing. Hong Kong's internal factors were considered to the exclusion of Chinese and overseas factors. For instance, there was going to be economic growth in South China, and Hong Kong manufacturers were going to move their factories to China. What would the effects of this be on Hong Kong's local economy, wages and housing market? The international economic climate was going to change. Protectionism was being expected to rear its head in the developed countries during the 1990s. There was also going to be a single European market and the opening up of East European markets following the dissolution of the USSR. All these factors would affect Hong Kong's economic development. The international factors that I have cited above did not emerge until after the strategy was laid down in 1987. The Long Term Housing Strategy, which was laid down in the past, is out-dated as a strategy for coping with the situation today. The Long Term Housing Strategy assumed that the demand would be met if 30 000 units of housing were completed each year by the private sector. The truth is that, during the period between 1985 and 1991, the private sector each year completed more than 30 000 units of new housing. Yet the projections for the year 1992-93 show that prices and rents in the private housing sector will remain perversely high and beyond the public's ability to afford. This shows that the Long Term Housing Strategy has failed to achieve one of its objectives, namely, the objective of making sure that suitable housing will be available to households at affordable prices or rents. The

assumption that a strategy favouring the private sector could solve the shortage of housing is open to doubt and should be reviewed.

Hong Kong's monthly statistical report for February shows that, between 1989 and 1991, the wage cost index rose by 25%, while the housing cost index jumped by 52% or twice as much as the wage cost index. A comparison of the figures clearly shows that the housing prices are already beyond the general public's ability to afford. Housing prices are now getting out of control. There is a real need to review now the inherent relationship between the Long Term Housing Strategy and the rising prices of housing. In fact, the continuous sharp rises in the prices of housing have given rise to structural problem, which is that the sandwich class, which used to be able to afford private sector housing, can now only buy HOS housing. Those marginal sandwich class families which would have been able to afford HOS housing will now perhaps continue to live in public housing, despite being forced to pay double the previous rents. This makes public housing even less available for the applicants on the public housing waiting lists. With all these factors bearing on the housing market, public housing is in short supply compared with demand, while private sector housing has been reduced to something to be bought and sold speculatively. Therefore, making public housing the dominant factor of a housing strategy will not only resolve the housing predicament of both the lower income groups and the sandwich class, but also reduce the private property developers' monopolistic control over the housing market. It will have a stabilizing effect on the prices of housing. Under the Long Term Housing Strategy as now being implemented, many of the lower income groups and the sandwich class are still faced with an unresolved housing problem.

First of all, I must point out the meaning of "social classes." Generally, I will base my point on how the authorities define some of the classes. However, basing on such definitions does not mean that I agree that they are the correct definitions. I merely want to avoid argument as to how the words concerned are to be construed, so I will use the Government's definitions as mine. When I refer to the lower income groups, I mean those who are eligible to apply to be put on the public housing waiting lists. For an individual, his income is not more than \$3,800 a month. For a family of four, their income is not more than \$9,700 a month. Such then is the definition of "the lower income groups." It is estimated that there are about 114 000 families in lower income groups who, because of their income levels, are eligible to apply for public housing. According to the Planning, Environment and Lands Branch, the availability of land for public housing will begin to show a shortfall this year. As a result, the number of public housing units to be completed in 1994 will fall

short of the original target. In the year 2001, the shortfall will be 19 000 units for the whole of Hong Kong. This will be a 10% shortfall from the original target. In other words, public housing construction will be insufficient. To the extent that the number of public housing applicants does not remain constant but increases, the chances of moving into public housing will be reduced for the lower income groups. They will have to wait longer. Many of the families are now living in private sector housing or in squatter huts. They will have to continue to pay high rents; they will have to continue indefinitely to live under bad environmental conditions.

Another point is that there are "needy households" among public housing tenants. These are the families who are not eligible for public assistance but whose residual income, after deduction of payment of public housing rents, is below the income limit for waitlisted families. They are in a permanent financial plight.

As for the "sandwich class," this refers to families whose monthly income is \$18,000 or more. There are many suggestions on what the upper limit of income should be. I hope that the authorities will in due course lay down a clear upper limit. It has been learnt that the Secretary for Planning, Environment and Lands will set the upper limit at \$40,000. Sandwich class families at the moment are not receiving any kind of financial help. They have to pay a considerable amount of tax. They probably also have to pay high rents or to use a high percentage of their income to meet mortgage payments.

Also, between the lower income groups and the sandwich class, there is a "marginal" sandwich class. The families in this class have an income that is higher than the upper income limit for meeting the public housing eligibility requirement. About 80 000 of them have an income that meets the HOS eligibility requirement. Though they are eligible to apply for HOS housing, their chances of being successful in the balloting are quite low. At the same time, the prices of HOS housing, which are now linked to market prices, have been rising steadily. As a result, though they intend to buy HOS housing, they cannot afford it. The prices of HOS housing are still rising. As time goes on, to the extent that these families will probably be even less able to afford HOS housing, they will have to apply for public rental housing. However, until they move into public housing or HOS housing, they will have to continue carrying the burden of paying expensive private sector housing rents.

In view of the housing predicament of the various classes, I urge the Government, whilst looking after housing matters in both the public and private sectors, to

conduct a comprehensive review on the Long Term Housing Strategy as now being implemented. True, the Housing Authority makes annual reviews of the strategy and performs functions of monitoring, co-ordination and enforcement with regard to this strategy. However, its attention is focussed only on public sector housing. It has neither the ability nor the power to do anything outside of its terms of reference. There used to be a Housing Branch with central planning functions. It laid down a strategy under which the private sector was to be the dominant factor in the market, while public sector housing was to be a supplement. This being the case, it is clear that the Housing Authority has its limitations if it is to resolve the housing problem for the whole of Hong Kong. The Government at the moment does not have a policy branch for making overall housing policy. The result is a split. The Housing Authority is responsible only for public housing. The Land Development Corporation is responsible for urban renewal. Nobody controls the private sector housing market. This is all the more reason why the Long Term Housing Strategy must be reviewed. During the review of the strategy, the Government may consider setting up a body with central planning functions, which is independent but under the supervision of this Council. This body will formulate a housing policy appropriate to the present realities. While reviewing the housing strategy, the Government also should consider various possible means of assistance so as to resolve the housing predicament of the various classes. Looking back, one finds that, in the past, the Government's intervention in the housing market went no further than direct provision of housing to the needy. I have studied the methods used by other countries and can cite some examples. However, they are not my recommendations. I merely hope that Members of this Council and the authorities will extensively consider them.

(1) Making more land available for public housing. (2) Providing funds to needy public housing tenants and to those families in the lower income groups and the marginal sandwich class which are in financial difficulty because of the rents they have to pay. (3) Making mortgage interest payments partially or fully tax-deductible, favouring the sandwich class, thus helping them to buy homes. (4) Encouraging private institutions to build dormitories to help in solving the housing problem of the rest of their employees. (5) Allowing a building society to exist in Hong Kong and letting it accept deposits and make home-buying loans. (5) The Government is to buy flat units for sale to members of the sandwich class.

The above are examples from other countries' experience. Some are recommended for solving Hong Kong's unique housing problem. Generally speaking, they are means of assistance. There should be a variety of them. If the authorities are determined

to solve Hong Kong's housing problem, they should then consider these means. After reviewing the Long Term Housing Strategy and before formulating a new strategy, I hope that the authorities will consult public opinion. During the formulation of the strategy in 1987, the Government merely printed an explanatory booklet for the public to read. No clear consultation period was specified. Nor was it specified how opinions were to be submitted. The booklet failed to provide sufficient statistics for analysis by the public. The strategy favouring the private sector was clearly good only for the property developers. I will not further go into this at any great length. If public opinion is ignored over the housing issue, the ultimate victim will be the public. I think that, after a new strategy is drafted, public opinion should be consulted in many ways. Consultation papers should be printed and distributed to all district boards for their discussion. The Government also should initiate consultative meetings in all districts. Members of the public should be urged to attend them to listen to the discussions and to express their views. I think that the future strategy must be made to serve the interests of the grassroots more.....

8.00 pm

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

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

Question proposed, put and agreed to.

MR FREDERICK FUNG (in Cantonese): When formulating the strategy, the Government should completely discard its old method of doing things behind closed doors. In the making of a policy that will affect the interests of the public, the Government should listen to their views and do so sincerely and actively.

To sum up, in moving the present motion, my purpose is to express the hope that the Long Term Housing Strategy will be comprehensively reviewed and that a study will

be made to see if a strategy favouring the private sector is fit to play the dominant role in the housing market. I expect that an independent overall body will be established to conduct the review. It will not approach the housing problem solely from the supply and demand angle but will consider all variables, such as the prices of housing, population, land supply, Hong Kong's economy and the international economy, factors that affect the housing market. At the same time, its review should cover such community problems as have arisen since the laying down of the Long Term Housing Strategy. Examples are the effect of urban renewal on housing redevelopment and housing demand; renewal plans for settling and helping families in the lower income groups and the sandwich class; replanning of urban land use; and so forth. All these must be considered during the review of the strategy. During the review of the strategy, there should also be consideration of various means of assistance. Then, there will be a many-sided strategy that will take care of the different housing needs of Hong Kong's different classes. After the strategy is reviewed, public opinion should be consulted. The feelings of those who are personally affected should be listened to. This is what a responsible administration should do. Therefore, I move the motion.

Regarding the amendment motion, I am put into a somewhat awkward situation. This is because the motion for amendment shifts the focus of the motion to the sandwich class. Some points about the motion for amendment merit discussion.

(1) Is the amendment necessary? My motion already covers the sandwich class. Why not go on and discuss this class in the context of the original motion? Why not discuss the problems of the sandwich class on which attention is being focussed by all and in this way urge the Government to work for the interests of the sandwich class? Why have a different motion?

(2) Is the amendment urgently needed? The Government has already said that it will produce within half a year a scheme of housing assistance to the sandwich class. Whether it is half a year or longer, there will be ample time and opportunity to present views to the Government or to influence it.

(3) The amendment being moved is not an "amendment." It is a substitution, a changing of the subject. In fact, there is no conflict between the two subjects. I have discussed the matter with some Members. They agree with both motions but do not know how they should vote. They feel that it will be wrong not to help the sandwich class. They also feel that it will be wrong not to review the strategy. If they

vote for the amendment motion, they will be voting against the original motion. If they vote against the amendment motion, they will be doing something they do not want to do. This is precisely the awkward situation in which I am finding myself. This is because I see that the sandwich class has a problem and that the Government should help them. The existing system permits unlimited amendments to the wording and intent of an original motion. This is why we are having this amendment motion. The impression is that one does not know how to handle this administratively. I have expressed my views about this to the Clerk and to you, Mr Deputy President. I expect that, when the Standing Orders are reviewed in due course, a limit will be set on amendments to motions. Let me give an example. One Member moves a motion calling for better service by the bus company. Another Member moves an amendment urging better bus routes. If Members agree with both motions, how will they vote?

Mr Deputy President, based on the views expressed above, I move my motion. Thank you.

Question on the motion proposed.

DEPUTY PRESIDENT: Mr W S LAU has given notice to move an amendment to the motion. His amendment has been printed in the Order Paper and circulated to Members. I propose to call him to speak and to move his amendment now so that Members may debate the motion and the amendment together.

MR LAU WAH-SUM moved the following amendment to Mr Frederick FUNG's motion:

"To delete 'To resolve the housing predicament of the lower income groups and the sandwich class in Hong Kong,' and substitute the word 'That', and to delete the words after the word 'Government,' and substitute the following : "while continuing to ensure that the Housing Authority fulfils its commitment in the Long Term Housing Strategy for the lower income group, to take immediate steps to introduce, within the next 12 months, a Sandwich Class Housing Scheme involving public and private initiatives in order to mitigate the urgent housing needs of the sandwich class.""

MR LAU WAH-SUM (in Cantonese): Mr Deputy President, first of all, I would like to

explain why I am moving an amendment to the motion. The explanation is that, in my opinion, the Government's first and foremost task at this moment is not to review the housing problem of the lower income groups. That is the responsibility of the Housing Authority. Since 1987, when it laid down the Long Term Housing Strategy, the Housing Authority has been making quarterly reviews of progress in the public housing development scheme and annual reassessments of public housing supply and demand. Such reassessments have been made employing methodology approved by the Development Division and the Housing Authority in October 1988. For this undertaking, a special advanced computer model was developed. Each year, new data is fed into the computer model for the annual review of the Long Term Housing Strategy. Therefore, the Government should not waste resources by duplicating the work already being done by the Housing Authority.

As to the solution of the housing problem of the sandwich class, that indeed is a necessary and urgent task. Helping the sandwich class to solve their housing problem is an undertaking that certainly has the general support of the community. All these are beyond question. Therefore, as Legislative Councillors, we, too, do not have to waste time on consulting public opinion on the issues. What we need to do now is to get moving, to recommend specific ways that can solve the housing problem of the sandwich class.

Members of the Co-operative Resources Centre (CRC) have made an in-depth study of the problem. On the basis of that study, I now move that this Council urges the Government to take steps at once to establish a housing scheme for the sandwich class within 12 months, thus easing their pressing need for housing in a situation where "they are not eligible for public housing but cannot afford the present rents." The CRC recommends the immediate establishment of a committee composed of government and non-government members with terms of reference including the following:

- (1) In accordance with the Executive Council's guideline, define who are eligible for the scheme under which housing is to be sold to the sandwich class on favourable terms. (We think that the basic requirement should be that the an eligible person must be a first-time home buyer whose family income is between \$18,000 and \$40,000 a month.)

- (2) Be responsible for reviewing and approving applications and establishing an order of precedence.

(3) Set up a tender subcommittee to select developers who will construct housing for sale solely to the sandwich class, on land allocated for this purpose each year under a policy to be announced by the Governor in Council.

(4) Set the price and floor area of each dwelling unit.

(5) Assist owners of the units to set up incorporated bodies of owners, which will be responsible for the management of the completed buildings.

(6) Help owners to secure bank mortgages on favourable terms and to have assignments executed with the help of the Government or a professional body.

(7) Make and enforce rules regarding the transfer of ownership of the units and deal with the related matters. For example, lay down a rule which prescribes that ownership may not be transferred within 10 years without proper authorization but that units may be traded in the open market after 10 years.

I have the following suggestions to make concerning such a scheme:

(1) After the Government grants the land under the scheme, the said committee may, according to the level of financial subsidy it is committed to, set and announce the price per sq ft at which it will buy back the units after they are built by the developers. After this, it will invite tenders. The property developers participating in the tendering exercise must submit draft designs for the housing estates to be constructed on the land and the amount of their tenders. In their bids, they may specify that the proceeds from the sale of other parts of the housing estates, for instance, shop spaces and car park spaces will go to them.

(2) As to the criteria to be used by the committee in determining which tender is successful, they include the amount of the bid and how attractive the building design is to interested buyers. When granting land for the purpose of the scheme, the Government may receive premium from the successful tenderer for the right to develop the land. It will then turn over part of the proceeds to the Land Commission under Chinese control. However, the granting of land under the scheme should not affect the Government's land grants under the HOS for the lower income groups.

(3) After the property developer has built and completed a housing estate, the committee may, with help from the Government, from the Housing Authority or from

members of professional bodies, inspect it before taking it over. The quality of construction is to be monitored and controlled. For instance, rules may be made to require the developer to provide a three-year guarantee as to the structural quality of the buildings. Then the committee will buy back the buildings from the developer at the price that has been announced. Finally, the committee may directly sell the units to selected applicants. This work may be assigned to the developer and carried out under the committee's supervision. In this way, the private sector will become more involved with the scheme.

(4) The committee will help owners not only in matters of arranging mortgages and assignment of title; it will also help them in setting up owners' corporations. In this way, they will be able to manage their own housing estates.

When a government-subsidized group or a government-approved group, such as a teachers' association or a social workers' association, wants to apply for a grant of land for the construction of housing for its members, the committee may, within its terms of reference and subject to the special standards approved by the Government, handle the housing scheme matters for the group making the application. Standards are to be applied uniformly in all such cases.

Now that the prices of housing are soaring, I think that such a scheme is definitely necessary. The question is how many units we can make available each year. We must begin by building a first housing estate for the sandwich class on a trial basis. Then we will watch the reaction of the sandwich class. In this way, we can tell how many units will be needed.

I hope that the housing problem for the sandwich class will be solved within 10 years. The above are some of the CRC's ideas for a housing scheme for the sandwich class. We think that the housing needs of the sandwich class are urgent. We deeply believe that the scheme is feasible. I hope that the Government, my colleagues in this Council and members of the public will consider and discuss the scheme and support it. I hope that colleagues in this Council will supplement the details of the scheme in the course of debate by contributing their valuable opinions.

With these remarks, I move the amendment.

Question on Mr LAU Wah-sum's amendment proposed.

DEPUTY PRESIDENT: I would just remind Members of their agreement as to the limit on speeches and I therefore expect to be able to call on the Government to speak at or before 9.50 pm.

MR HUI YIN-FAT (in Cantonese): Mr Deputy President, ever since the 1970s, Hong Kong has been beset with problems of imbalance and lack of co-ordination between housing supply and demand. On the surface, the problem appears to be one of relationship between private sector housing and public sector housing with regard to the distribution of land resources. In fact, however, the problem involves the economic policy that the Government has been following for many years, including the high land price policy and the laissez faire attitude towards property developers. Therefore, if the Government wants to satisfy the home ownership desires of all social classes at any given time, it cannot rely solely on increasing land resources. There must be other policies and measures to complement or supplement it. However, this Council's debate today, on both the original motion and the motion for amendment, is focussed on the housing angle and on the solution of the housing problem of the lower income groups and the sandwich class. I think that, as a member of the Housing Authority, I have a responsibility to give an explanation to my colleagues in this Council and to members of the public concerning the system whereby the Long Term Housing Strategy is implemented and supervised, lest misunderstanding should cause the housing problem to be blamed entirely on the flaws of that strategy.

The Government's Housing Branch laid down the Long Term Housing Strategy in 1987. After that, the Housing Authority and the Housing Department under it took over the responsibility. They have regarded that strategy as their development strategy ever since. In order to stay within the objective, the Housing Authority set up a special Development Subcommittee, whose terms of reference include the supervision of the state of implementation of the Long Term Housing Strategy and the making of recommendations to the Housing Authority when a revision is needed. At its meeting tomorrow, the subcommittee will review the relevant plans in the light of the valuable data yielded by the 1991 census. I believe that it will perhaps make some recommendations for the revision of the projections on housing supply and demand.

There are many flaws in the existing plans. For example, a state of uneven distribution of resources has emerged in the effort to solve the housing problem of the lower income groups, while flaws in the computation base have caused estimates

to differ from the realities. However, if the wishes of the public are fully considered, and if efforts are to continue to improve the situation, I believe that, from the angle of administrative efficiency, the existing strategy still has its good points as well as indispensable value and functions.

As for the housing problem of the sandwich class, I think that it must not be attributed entirely to the omissions of the Long Term Housing Strategy or to mistakes in the assessment of private sector housing supply and demand. In fact, with its limited resources, the Housing Authority is already having a hard time coping with the housing needs of the lower income groups. Still, it did devise a plan for solving the housing problem of the sandwich class. That plan was dropped eventually only because the Housing Authority had limited funds and the Government did not want to continue provide funding.

The Government has now set up an internal inter-departmental working group to find ways of helping the sandwich class to solve their housing problem. The Housing Authority has also set up an ad hoc group to study solutions within the Authority's terms of reference. For communication and co-ordination between the groups, there will be government officials who are members of both. I think that, under the pressing situation today, such an arrangement is perhaps an acceptable expediency. I urge the relevant parties to complete their studies expeditiously and bring early relief to the pressing housing needs of the sandwich class.

Mr Deputy President, the housing problem alone has made many members of the public disappointed at, and unhappy with, the Government. What has made things worse is the steadily widening gap between the rich and the poor in Hong Kong. I think that the Government should act quickly and decisively to solve the housing problem of the lower and middle income groups, thus contributing to social stability and preventing the occurrence in Hong Kong of the likes of the recent riots in Los Angeles.

With these remarks, I support the Honourable LAU Wah-sum's motion for amendment which is more realistic.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, the original motion and the Honourable LAU Wah-sum's motion for amendment are different roads to the same destination. They have the same objective. It is difficult for me to favour either one more than the other. However, one point is quite clear. It is that the lower

income groups feel that the Government has all along been subsidizing their housing. Now it is the turn of the sandwich class to shout, "Help!" They want financial help from the Government. I feel that I have so far said many times that the citizens of Hong Kong should have a home and are entitled to it. The matter is not one of government subsidy. If the Government is short of money, it will raise taxes. So the Government merely does the planning as it should. One cannot say that the Government is so kind as to give financial assistance and provide housing. Even public housing charges rents. So I will never agree with those who keep on saying that housing is a charitable act of the Government. To say so is wrong.

There is no doubt that housing has become one of the heavy burdens of life for the majority of the citizens of Hong Kong. Since housing is a basic need of the citizens, Hong Kong really needs an ad hoc group or committee to make an overall development plan not only covering public housing and Home Ownership Scheme (HOS) housing but also covering private sector housing.

The provision of public sector housing should be the main element of Hong Kong's housing policy. The provision of private sector housing should be a supplement. Private sector housing in the marketplace cannot solve the needs of the general public. Nor can it easily become a safeguard for the lower income groups. Housing is a basic everyday need of the citizens. This being so, housing rents and prices should be maintained at reasonable levels, so that housing does not become too heavy a burden for the citizens. In the allocation of resources to public sector housing, the order of priorities is to look after the lower income groups first and the sandwich class next.

The Government should continue its public rental housing scheme, having regard to the financial situations of the middle and lower income groups, so that those without the ability to buy their own homes will still be able to enjoy the right to a home. At the same time, the Government should continue with the HOS and sell HOS housing to middle and lower income groups at reasonable prices.

The Government in 1987 began a policy of treating affluent public housing tenants differently. However, what it is doing now is contrary to the real spirit of that policy when it was first laid down. The policy towards affluent tenant households has become a disguise for a policy that makes higher rents compulsory. The Housing Authority intends to encourage affluent public housing tenants to buy HOS housing. As inducements, they are allowed to choose flats before the others and are allowed to use the green application forms. However, because the policy of linking HOS

housing prices to the market price has not changed, the prices of HOS housing have risen sharply and, in due course, attained levels that are beyond the public's ability to afford. The policy towards affluent public housing tenants has produced benefits for neither side. Since it has been in force fruitlessly for five years, the authorities should abolish it now and adopt other ways of inducing public housing tenants to buy HOS housing.

The Government has recently relaxed the income limit requirement for HOS housing applicants, adjusting the original \$14,000 to \$18,000. At the same time, however, the price of HOS housing in the latest offer has risen by 11.5% from the previous offer. The Housing Authority has sharply raised the upper income limit requirement for HOS housing eligibility in order to look after the sandwich class, but immediately following it the Authority has raised the price of HOS housing. Instead of helping the sandwich class, this has gradually moved the middle and lower income groups away from eligibility for HOS housing.

What Hong Kong faces now is the overall housing problem. The prices of private sector housing are rising frantically, affecting the prices of HOS housing. The Housing Authority is helpless in dealing with private sector housing. But it is carrying the burden of "being financially autonomous." As a result, it is setting HOS housing prices in a manner that is farther and farther away from that originally intended under Hong Kong's housing policy.

Obviously, the Housing Authority is no longer able to play its overall planning role under the rapidly changing social conditions of Hong Kong. The Government should set up a broadly based committee to look after housing matters in both the public and private sectors. This committee will comprehensively review the Long Term Housing Strategy, consider various specific proposals and then make policy recommendations to the Government.

For example, the Secretary for Planning, Environment and Lands told the Omelco Housing Panel last Monday that he was considering many options for solving the housing problem of the sandwich class. I welcome that. I hope that the Government will expeditiously make specific decisions on the housing problem of the sandwich class.

With these remarks, I support the motion.

MR ANDREW WONG (in Cantonese): Mr Deputy President, I fully support the Honourable

Frederick FUNG's motion calling for a comprehensive review of the Long Term Housing Strategy. I have been watching the housing problem for 20 years. I have presented papers on this subject at international conferences and often expressed views about it at district board and Legislative Council's relevant discussions and debates.

Housing has now become one of our most pressing problems. Yesterday, I released to the public a set of basic ideas concerning the Long Term Housing Strategy. Today, I would like to recapitulate them in 10 points.

(1) Sell all of the existing 650 000 public housing units to their sitting tenants, at prices that are 40% of the estimated value of this kind of housing.

(2) Those sitting tenants who do not wish to buy can remain as tenants. The buyer of a public housing unit shall be free to re-sell or let it and there shall be no time restrictions. Nor is he to be required to pay a premium.

(3) Though it is free to re-sell a public housing unit, the requirement is that the buyer must be a couple, a single parent family or a core family buying a home for the first time.

(4) Where a public housing estate is redeveloped, the Government should guarantee that the owner of each unit therein will, after the redevelopment, be provided in the same estate with a unit similar to his original unit in area.

(5) Without exception, nobody is to be able to buy a public housing unit more than once. This will curb speculation.

(6) Points (2), (3), (4) and (5) are also to apply to Home Ownership Scheme units (whether built by the Housing Authority itself or with the participation of the private sector). In other words, owners of such housing units should be subject to the same restrictions and entitled to the same rights as the buyers of public housing units. The Housing Society should follow the practices similar to those adopted by the Housing Authority, that is, the abolition of the time restrictions and premium with regard to the re-sale and letting of the units; the requirement to re-sell the units only to first-time home-buyers; ensuring that owners will receive units similar to their original units in the event of redevelopment and nobody will be allowed to buy a unit more than once.

(7) The Housing Authority must reassess the public's demand for public housing units offered for sale and their demand for Home Ownership Scheme units and then set numerical targets for public housing and Home Ownership Scheme units to be built in the future before taking immediate steps to build them.

(8) The upper limit of the monthly income of those eligible to buy new Home Ownership Scheme units should be raised from \$18,000 to about \$25,000. This is a rough figure. The upper limit of the income of those eligible to buy newly completed public housing units should be set at a lower level, such as \$15,000 a month or even less.

(9) The Housing Authority should provide low-interest mortgages to assist sitting tenants and end-users in buying public housing units and newly completed public housing units respectively. The mortgage rate is to be set according to each applicant's financial situation.

(10) The Government, on the basis of territory-wide family income statistics, should lay down a destitution line and a poverty line under the public assistance scheme. For those below the destitution line, the public assistance they receive shall cover their rents. Those between the destitution line and the poverty line are to receive housing allowances in amounts that vary with their financial situations. The Housing Authority must reserve a number of units for the elderly widowers and widows, orphans, single people with no children, the disabled, the chronically ill, and those on the ropes, as a kind of welfare benefit.

Mr Deputy President, I think that there is a need for a comprehensive review of the housing strategy. If action is taken on my ideas, then the needs of both the lower income groups and the sandwich class will be looked after. In my opinion, the Honourable LAU Wah Sum's amendment motion, although undoubtedly a good concrete proposal for solving the housing problem of the sandwich class, is completely different in spirit from the simple and neat ideas that I have expressed. I am afraid I am unable to support it.

The existing housing strategy has been riddled with problems for a long time. The Government knew only how to deal with the problems piecemeal and failed to come up with a fundamental solution for Hong Kong's housing problem. Now, I propose the basic ideas of a bold Long Term Housing Strategy. And I appeal to honourable colleagues in this Council, members of the Housing Authority and all the concern

groups in housing area to think about this question with a more open mind from a brand new perspective as I have suggested and then formulate a strategy to bring the housing problem to a close.

Mr Deputy President, Hong Kong is now in transition. I think that, at this point in time, the Government has all the more reason to show courage to conduct a thorough review of the Long Term Housing Strategy. This will demonstrate the Government's commitments to Hong Kong and enable the public to lead a prosperous and contented life. They will then feel a stronger sense of belonging as citizens of Hong Kong.

Mr Deputy President, I hereby submit my speech, sincerely supporting the Honourable Frederick FUNG's original motion.

MR EDWARD HO: Mr Deputy President, I rise to support Mr LAU Wah-sum's amendment to Mr Frederick FUNG's motion. It is quite apparent from reading the wording of the main motion and Mr LAU's amended motion that there exists a fundamental difference of approach to solving the housing problem of the middle income group as proposed by Mr Frederick FUNG and as proposed by the Co-operative Resources Centre (CRC). The CRC has perceived the housing problems of the middle income group, the so-called sandwich class in Hong Kong, as problems which have been overlooked and that they have to be addressed as a matter of urgency.

The case of the middle income group has been adequately and strongly argued during the debate on the Appropriation Bill on 25 and 26 March in this Council, during which opinions on the problem have almost been unanimous amongst Members of this Council, and were acknowledged by the Financial Secretary in his response to the debate and who has committed to examining solutions to the problem and coming up with recommendations within six months.

The approach taken by Mr Frederick FUNG which is to bring together the housing problems of the lower income group and the sandwich class by means of conducting a comprehensive review of the Long Term Housing Strategy will inevitably attract complications, and perhaps controversy as suggested by Mr Andrew WONG, which will delay resolving the housing problems of the middle income group whilst risking the pace of development of housing for the lower income group.

Since the Long Term Housing Strategy was initiated, the Housing Authority has, together with the Housing Society, produced a total of 273 425 flats

which, together with a total of 198 800 flats produced by the private sector, brought the total private and public flat production to 475 225 against the original target of 453 500. It should also be noted that to cater for the changing demand, household ability to afford flats from the private sector, and the revisions in housing policies, the original production target has actually been revised in three previous assessments resulting in a total of net increase in public sector production targets of 56 000 flats for the whole strategy period.

Insofar as home ownership is concerned, the figures from the latest census indicated that the percentage of owner-occupier households has risen from 35.1% in 1986 to 42% in 1991. This percentage, taken together with households that are already accommodated in public housing and excluding private sector households that are eligible for public housing, the net non-owner occupier in private sector not eligible for public housing is only 7.6%. Since a percentage of this last group of households can be assumed to be able to afford to purchase their own flats but have not chosen to do so, it can be seen therefore that the Long Term Housing Strategy has been largely satisfactory. The problem that we are facing therefore is a particular sector of our community which has been considered lower down in priorities in publicly assisted housing, yet not able to afford to purchase private housing at current market prices.

Within the framework of the Long Term Housing Strategy, the Housing Authority can and has undertaken reviews and made adjustments to various types of public housing to reflect demand and to co-ordinate with production figures of the private sector. A comprehensive review is thus not warranted at this point.

The proposal put forward by the CRC and which has been elaborated by Mr LAU Wah-sum is one option that can be put in hand almost immediately, as it merely channels part of the land disposal programme towards building for the middle income group.

Due to time constraint, I shall conclude by outlining a set of basic principles that should be followed in addressing the housing problem of the middle income group:

(i) that it should be a programme specifically designed to address the problem of the housing of the middle income group in the most expedient, efficient, and simple manner;

(ii) that the production of housing for the middle income group should not be at the expense of production of housing for the lower income group, thus additional

resources would be required;

(iii) that such additional resources should not constitute an inordinate burden to the community;

(iv) that the solution to the middle income housing problem should not in itself fuel further inflation in housing costs;

(v) that we must make full use of the resources of the private sector and not dampen its initiatives for production;

(vi) that in addressing problems, we should not enlarge the government bureaucracy nor further increase the ambit of the Housing Authority; and

(vii) that we must target specifically a defined group of middle income first-home-buyers that fall outside of publicly assisted criteria and yet not able to afford private housing.

Finally, Mr Deputy President, I have stated in this Council before that to combat speculation of housing in the private sector, we must take great care not to artificially intervene in our long-cherished free market philosophy which has been the cornerstone of Hong Kong's economic success. Our solution to rising prices must be to satisfy the demand by increasing supply, and increase in supply can only be achieved through additional supply of land and associated infrastructure for housing. In my speech during the Budget debate, I have elaborated how further land supply can be facilitated.

With these remarks, Mr Deputy President, I support Mr LAU Wah-sum's amendment motion.

MRS ELSIE TU: Mr Deputy President, Long Term Housing Strategy sounds good. What worries me is how this strategy is working out in practice, and whether we are dealing with people, rather than merely impressive figures. One would imagine with all the housing being built, the need would be greatly reduced. Yet I find that the housing need is increasing as rents in private housing, and now even buying in the Home Ownership Scheme or private housing, become prohibitive to an increasingly large proportion of the population. About 60% of all cases dealt with in ward offices are

still housing problems, just as they were 30 years ago. So obviously something has gone wrong with the strategy and I cannot agree to continuing that strategy.

I will pinpoint a few areas in which I find that the need for housing is not even being tackled, let alone solved:

First there are the young families on the waiting list who are prepared to accept housing anywhere it is available. The Housing Department seems to be playing a time game with them. They advise the applicants to change their choice from one estate to another to get earlier allocation, but when the applicants do so they merely find themselves on another waiting list and are told to wait until there is a suitable vacancy. In fact, from information supplied to ward offices, it is clear that there are only casual vacancies on all estates, and applicants are therefore being advised to opt for Tin Shui Wai. Even when they agree to do that, they find themselves on yet another waiting list no better than the lists for the other estates. Applicants can see housing being built everywhere, as well as many flats left vacant for years in existing estates. Yet none of it seems to be for them. I am forced to conclude that housing today is being built mainly for those who can afford to buy the ever-more-expensive Home Ownership flats, or for those who live in estates to be redeveloped because the Government wants the land to make more money on it. Little or no attention is paid to those suffering in private housing.

Another neglected group are the elderly. There is a policy to allocate priority housing to the elderly. What the elderly applicants are not told is that they will wait forever unless they are prepared to share with others. It should be common knowledge that many elderly people are afraid to live with others who may be sick or incompatible as co-tenants. Only very exceptional cases recommended by the Social Welfare Department are lucky enough to get a room for themselves. Money can be thrown around for consultants, or for every luxury under the sun, but to provide small single rooms for elderly people is regarded as a waste of money on plumbing! Consequently many elderly people live in cages, on stairways, under flyovers, or even on the streets. I find this shameful in our affluent society.

Another category of persons who cannot share in our housing miracle are those in the lower layer of what I call the club sandwich class. The bottom layer of the club sandwich are those who earn only a few dollars above the income for public rented housing, but who are well below the income required to buy in the Home Ownership Scheme. For example, a family of four earning a few dollars over \$9,700 will be rejected for

public rented housing because of over income. With those few dollars, which may be less than ten dollars, they are then expected to be able to buy into Home Ownership. That would cost them more than half their income in mortgage payments. They are then forced to rent substandard housing in the private sector, where they will pay over one third of their income for one room of a shared flat.

Many other policies need to be revised because they do not deal with actual people. I will give one example of the unfair policies.

In a demolition exercise, young childless couples are usually allocated only temporary housing or New Territories housing. I have no objection to that if the couples are in good health and both able to work. Unfortunately, the word "couple" is being interpreted also to mean one parent and a child. Sometimes a family of three is about to be allocated public housing when by misfortune the husband or wife dies or the couple is divorced. The remaining spouse is then told that the family is no longer a trio but only a couple; so they are no longer eligible for proper housing. Yet this kind of family is often in greater need than before. This is a callous misuse of a policy intended to be applied to an able-bodied working couple. Although I have succeeded in getting a fair settlement for individual cases, I call for this unreasonable policy to be changed.

Mr Deputy President, some real thought about real people and real needs should be introduced into strategy. Mr LAU's amendment deals only with the upper layer of the sandwich class and almost ignores the greater need of the bottom layer. I must therefore support the wider motion proposed by Mr Frederick FUNG.

REV FUNG CHI-WOOD (in Cantonese): Mr Deputy President, I will speak on the way that the existing housing strategy has led to increases in property prices, thus making the sustained high housing prices and rents beyond the reach of the public.

When it laid down the present housing strategy some years ago, the Housing Branch estimated that future household income would grow at an annual rate of 4.1% between 1990 and 1995 and at an annual rate of 4.5% between 1995 and 2001. However, in the year 1990-91, real wages showed a downward trend. With the threat of political instability probably rearing its head during the transition to 1997 and the continuous expansion of the labour importation scheme, the wage increase projections for the period from 1990 to 2001 are really overoptimistic. These overoptimistic

projections explained why the Government pinned too much hope on the public's affordability of decent homes in the private property market and underestimated the demand for public housing.

It is a common knowledge that housing prices have gone up exorbitantly over the past few years. What worries us is that the gap between wage growth and housing price increase has become wider and wider.

From mid-1987, when the Government laid down the Long Term Housing Strategy, to early 1991, the housing price index went up by 89.4%. By the third quarter of 1991, it shot up to 125.8%. The rent index increased by 83.3% and 87.9% over the same periods. As for the real wage index, it had climbed by a mere 6.9% between June 1987 and March 1991. The then Housing Branch's paper, "Review of Long Term Housing Strategy", which took nearly two years to prepare before it was finished in February 1987 to serve as the basis upon which the housing strategy now in place was formulated, commended the current policy as being instrumental in stabilizing the private property market (Paragraph 102d). The paper also specified that the first and foremost objective of the policy was to make sure that suitable housing will be made available to all households at affordable prices or rents. Regrettably, that wish has not come true. The frightful price increases have reached a level that is beyond the general public's affordability.

The policy in place which I have made reference to several times just now is "the strategy favouring the private sector." Under that policy, when the private sector is able to make sufficient housing available to people who wish to buy subsidized or non-subsidized homes, the Government will reduce the construction of Home Ownership Scheme (HOS) flats and those with private participation. If the private sector is not able to do so, the Government will then build more public housing to make up for any shortfall. As a result, in the supply of housing, the Government has been playing a passive and supplementary role. It must adjust the supply of public rental housing or public housing flats for sale to ensure that the private property market will not be affected. The Government now makes sure that at least 30 000 flats will be put on the private property market per annum. The fact that the Government has switched from its long-standing "supply-led approach" based on the community's needs to a "demand-led approach" adjusted to availability in the private property market amounts to the abandonment of the practice of using public housing as a damper on property speculation. The property market thereupon completely gets out of hand.

One may suppose that when the private sector is unable to make sufficient housing available, the Government should step in and stabilize the private property market by increasing the supply of public housing. But, the hard fact is, as clearly pointed out by the then Secretary for Housing, Mr TODD, that when the Government detects an undersupply, it would normally take two years before sufficient public sector housing could be constructed to make up for the shortfall. In other words, when housing prices remain high, the Government simply has no quick way of supplying enough HOS flats to keep down the prices. So the Government should make plans early.

Another protection that the current policy affords the private sector is that the units annually constructed by both the public and private sectors are to be maintained at roughly between 70 000 and 75 000 (Paragraph 62 a, "Review of Long Term Housing Strategy"). The paper said that housing construction in such a quantity would have no negative impact on the economy. What it failed to reveal, however, was that housing development on such scale would guarantee basic profits to the private sector. During the past three years, though more than 80 000 units of housing were constructed each year, the demand for housing still far exceeded supply. Housing prices are also expected to rise steadily. It is going to dash the dream of the home-buyers. Therefore, even if the present housing policy is not the main factor behind the rising property prices, it is definitely one of the contributing factors.

Mr Deputy President, with these remarks, I oppose the amendment motion.

DR CONRAD LAM (in Cantonese): Mr Deputy President, at present, the supply of housing of all kinds is falling short of demand. Against this background, I will speak on the Government's underestimation of housing demand in the past. My speech and that of the Honourable LAU Chin-shek are to point out that, unless the present policy is changed, it will be impossible to accomplish the objectives set out in Paragraph 29 of the Long Term Housing Strategy. These objectives include:

(1) by 1995, most outstanding demand for public rental housing from clearance and redevelopment of non-self-contained public rental housing flats could be satisfied;

(2) by 1996-97, the outstanding demand for public rental housing from waiting list applicants could be substantially cleared;

(3) by 2001, additional redevelopment could be accomplished; and

(4) by 2001, all identified outstanding demand for home purchase from both sitting tenants and eligible families among the general public could be satisfied.

With regard to the underestimation of the housing demand in private sector, I think the Government, when computing the supply of housing, intentionally or not, overlooked the fact that housing has investment value. In fact, buying property can be a way of investment to beat inflation. But the Long Term Housing Strategy failed completely to consider the fact that property has investment value apart from residential value. Thus, how could one avoid making a serious mistake if it is assumed that all private housing completed each year would get into the hands of end-users? The number of vacant private housing units in 1991 matched the number of those newly completed during that same year. Such a serious problem was of course related to the rising property prices due to favouritism shown to the private sector. With continuous rising prices, property takes on great value as an investment vehicle. Profits from investment in residential property are more reliable and greater than those secured from investing in non-residential property, bullion, shares or foreign exchange. Investment in property is less risky and less demanding on the investor's energy and time. This being so, the result is of course that speculation in property should become a rage and that property is increasingly regarded as a commodity. The ultimate result is a social tragedy in which some people have nowhere to live while some flats are left vacant.

Let us look at the explanatory booklet on the Long Term Housing Strategy. To one's surprise, it estimated that, if only 30 000 private housing units were completed each year, there would be an oversupply by 1990. However, the indisputable fact is that we have not seen any oversupply of private housing. On the one hand, the Government underestimated the demand for private housing; on the other, it overestimated the supply of public housing. This has greatly worsened the predicament of the lower income groups and the sandwich class in terms of housing. The Honourable LAU Chin-shek will analyse in his speech the causes of the overestimation of the supply of public housing.

With these remarks, I support the Honourable Frederick FUNG's motion.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, Dr Conrad LAM just now pointed out that the Government in the past underestimated the demand for housing. I will now follow up the line of argument and analyse how the supply of public housing has come to be overestimated. I will then discuss the undersupply of public rental housing.

The supply of public housing was overestimated because the now defunct Housing Branch failed to take three factors into consideration, namely, the large number of public housing units being left vacant, the practice in the old public housing estates of assigning two units to one family to reduce over-crowding, and the unpopularity of units in remote new towns. As time is running out, I will focus on the last factor. Most of the new public housing estates completed in recent years are situated in new towns in the New Territories, such as Tuen Mun, Tai Po and Sheung Shui. However, the insufficient community support facilities there have generally discouraged people from moving into public housing in these areas. In fact, when planning the new towns, the Government did not effectively look after the needs of their future inhabitants with regard to employment, access to the outside, children's schooling and the maintenance of original social contacts. The inhabitants of the remote new towns have thus become toiling pioneers. They have to pay higher fare for public transport and to spend more time on the road. They are provided with unsatisfactory community facilities. It is also difficult for them to maintain proper social contacts. What is even more ironical is that after they have successfully established a fairly satisfactory community with their efforts, the Housing Department will raise their rents because the price of land there has gone up. In short, because of these and other problems, public housing estates in the new towns have proved to be unpopular.

Because of the three factors mentioned above, it is believed that the Long Term Housing Strategy overestimated the supply of public housing during the period from now to 2001 by tens of thousands. In addition, there is the underestimation of housing demand as analysed by Dr Conrad LAM. It can be said with certainty that, under the present policy, it will simply be impossible to satisfy the demand for public rental housing units. The Government has pointed out that only 37.5% of the applicants on the waiting list are found eligible for public housing. In fact, however, 40% of the ineligible applicants will be eventually settled as their application may come within other categories. As for the remaining half, they may lose their eligibility for public housing because their income has exceeded the upper limit. Many such people, now living in private sector housing, have to take up

several part-time jobs in order to earn enough money to pay the high rents. And during the several years that they spend waiting for public housing, their income may have exceeded the upper limit for public housing tenants. In the final analysis, the problem is attributable to the Government's decreasing supply of land for public housing and the unrealistic upper income limit for public housing applicants. Therefore, the Government should substantially increase the supply of land for the construction of public rental housing estates and thoroughly review the income limits set for public housing applicants with an aim to solve the housing problem of the lower income groups.

Finally, I think the present policy is driving people to the property market. The prices of private housing are soaring continuously. To buy a home, people are trying to save by reducing their expenses on food and clothing and doing their best to secure financial assistance from the Government. Therefore, even if the Government overestimates their affordability, they have no other choice but to buy their own homes. They are afraid that, if they miss the chance now, they will regret it for the rest of their life. What is more, the double rent policy implemented in recent years and the ever higher rents have narrowed the gap between public housing rents and mortgage payments. This has reduced the attractiveness of public housing. More and more public housing tenants are being forced to go to the private property market. Even if this policy fails to force public housing tenants to vacate their units, it could help boost the coffers of the Housing Authority, and it erodes public housing residents' quality of life. The above measures appear to be inducements. They are in fact ways of coercing public housing tenants to buy their own homes by raising their home ownership expectation. The demand for private housing has therefore grown even greater. There will be tens of thousands of people unable to find suitable homes within the next 10 years. Therefore, I strongly urge that no favouritism should be shown to the private sector.

Mr Deputy President, with these remarks, I support the Honourable Frederick FUNG's original motion.

MR LEE WING-TAT (in Cantonese): Mr Deputy President, a moment ago, some Councillors who are members of the United Democrats of Hong Kong made strong statements about the harmful effect of the Long Term Housing Strategy, but the United Democrats are opposed to a strategy that favours a dominant role for the private sector. Our organization does not identify itself with the operating principles behind a strategy

that favours a dominant role for the private sector. Therefore, I intend to discuss matters of principle about such a policy, looking at them macroscopically. In 1987, the Housing Branch based the formulation of the Long Term Housing Strategy on two principles. These principles are: (1) Fair and effective use of limited resources to satisfy the housing needs of different income groups. (2) Improvement of living conditions and increase of home-buying opportunities to promote social stability and inspire a sense of community belonging.

With regard to the first principle, the United Democrats identify themselves with the use of fair principles for satisfying the housing needs of different income groups. By fairness, we do not mean that society's resources should be equally redistributed. We mean that society's resources should be used to help the middle income and lower income groups who cannot find suitable housing in the private property market. The resources will then be more fairly distributed, thus narrowing the gap between the poor and the rich. As for the principles of fairness mentioned in the Government's Long Term Housing Strategy, we think that they are only "false fairness" used to protect the interests of big consortia. Rev the Honourable FUNG Chi-wood, in his analysis of the causes of rising housing prices a moment ago, already showed that the Government's arrangements under the Long Term Housing Strategy as now being implemented are all in the best interests of big consortia, property developers, banks and many big and small speculators. For instance, the annual supply of housing is subjected to unnecessary and unreasonable restrictions. The Government and the Housing Authority initiated moves whereby the use of public sector housing for regulating private sector housing prices was abandoned. Certain housing policies, such as that concerning the pricing of Home Ownership Scheme (HOS) housing, are based on considerations one of which is that the private housing sector is not to be scathed. The Government often stresses that resources are limited; it regards short-term financial gain as a major factor to be considered. In fact, if the Government makes more housing resources available, thus enabling more people to own homes and to live under better environmental conditions, this will increase the public's sense of community belonging and be conducive to the establishment of a harmonious and stable community. However, the Government now is refraining from building sufficient public sector housing. As a result, the middle income and lower income groups who should receive financial help from the Government, as well as the sandwich class who needs help, are forced to turn to the private property market. They have thus become the victims of high land prices and high housing prices.

In regard to the second principle, we of course agree that the environment in

which people live should be improved. But the environment in which people live is only a part of life. If the environment in which people live is to be improved at the cost of a sharp drop in living standards, it will be the Government's responsibility to provide direct financial assistance to the affected households and adopt measures to restrain private sector housing prices, keeping them at a level that the sandwich class can afford.

The Long Term Housing Strategy as now being implemented is already arousing widespread discontent in the community. Such discontent is threatening long-term social stability. This is because rent payments or mortgage payments are creating heavy burdens for the public. Such stresses of life have become a potential cause of social unrest. The riots in the United States have shown us clearly that we must take a proper look at social injustices. Failure to take note of the feelings of discontent of the oppressed will exact a heavy price from society. Therefore, the United Democrats are opposed to a strategy that favours private sector housing and stress that housing is a basic need of life and that the Government has a responsibility to adopt sensible policies to enable every citizen to rent or buy a suitable unit within his means. Now that the present policy has failed to accomplish such a goal, it must be reviewed expeditiously.

If the Government is to reaffirm its responsibility in the housing area, the specific way to do so is as follows. Firstly, it should greatly increase the construction of public rental housing units for meeting pressing needs. It should sell public housing and HOS housing at prices which represent costs plus a slight profit margin. In addition, the Government should hold discussions with China so that more land may be made available each year. Appropriate measures should be taken to cool the private sector housing market. A home ownership housing scheme for the sandwich class should be put into effect. At the same time, the double rent policy should be revoked. It should be made possible for members of the public to save money and use the savings to improve the quality of life and to buy homes. Mr Deputy President, the United Democrats think that there is no substantive conflict between the housing needs of the middle income and lower income groups and those of the sandwich class. Both are victims of the Long Term Housing Strategy as now being implemented. The middle income and lower income groups are facing a hardship caused by the declining supply of public housing. The sandwich class are having to bear the consequences of rapidly rising housing prices. As to the nature of housing and the interpretation of the Government's role, I voice opposition on behalf of the United Democrats to the strategy of favouring private sector housing, which is an

element of the Long Term Housing Strategy. We propose a switch to a strategy of a mixed mode of public housing and HOS housing. Concerning the United Democrats' suggestions for the Long Term Housing Strategy, Mr James TO and Dr YEUNG Sum will be explaining them later on.

On behalf of the United Democrats, I voice opposition to the Honourable LAU Wah-sum's motion for amendment, on the ground that the motion for amendment indicates full acceptance of the Long Term Housing Strategy as now being implemented. This strategy is now causing private sector housing prices to rise rapidly, with the result that many people have to live in "caged" housing or in squatter huts or have to live in private sector housing and pay monthly rents of several thousand dollars. They will have to wait for many years before they get their chance to move into public housing. This is intolerable. The Honourable LAU Wah-sum proposes that the Government should produce within one year a scheme for solving the housing problem of the sandwich class.

We really are puzzled by this time-frame which is six months longer than the six months already promised by the Government. On behalf of the United Democrats, I voice opposition to the motion for amendment. I hope that the authorities will take action as soon as possible for solving the housing problem of the sandwich class and will not drag their feet unduly. Here, on behalf of the many "shell-less snails" now living in "caged" housing, squatter huts, public housing and private sector housing, I voice opposition to the Honourable LAU Wah-sum's motion for amendment. Thank you, Mr Deputy President.

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, I think that the original motion, as presented, fails to address the most pressing housing problem we are facing now. To use a term previously used by some colleagues, the motion is not directed against something specific and lacks a point of emphasis.

Our colleagues of the Co-operative Resources Centre (CRC) think that the most pressing task before us is to find the ways and means to resolve the difficulty of the sandwich class in home purchases. The Honourable LAU Wah-sum just now has said that, compared with the long-neglected predicament of the sandwich class, the review of the public housing policy for the lower income groups is clearly not the most pressing matter of the moment. In fact, according to recent government statistics for the supply of land for housing, land available for public housing flats catering for the lower income groups will remain plentiful by 1995. However, it calls for

our immediate action to give a hand to the sandwich class who find it very difficult in home buying before their predicament gets worse. The flood waters are rising above their ears, so to speak. I must stress that it does not mean that Hong Kong will have no need to review the provision of housing for the lower income groups from time to time. Yet I must say that everything has to be dealt with according to urgency. It is one hundred percent proper that what the Government should do at this moment is to resolve the housing predicament of the sandwich class.

The CRC's suggestions for solving the housing problem of the sandwich class were briefly described by the Honourable LAU Wah-sum and Edward HO a moment ago. I will give an account of what the recommendations are for the scheme as regards land allocation, the number and size of flats, pricing and restrictions on ownership transfers.

The CRC recommends that the Government allocate five hectares annually for the construction of 5 000 flats, the average size of which is 75 sq m or 800 sq ft. To a typical middle income family of four, this living space is relatively reasonable. I must stress here that our purpose in putting forth this idea of home ownership scheme for the sandwich class is to give real help to the sandwich class to rid their home-purchasing difficulty. We hope that people of this large middle class, as the mainstay of Hong Kong, are able to have a home in addition to a job, so that they may continue to make contributions to Hong Kong's prosperity. So this kind of housing for the sandwich class should be of a design that is competitively attractive. Such housing should not be of a second-rate design because it is cheaper than private sector housing.

How should the housing for the sandwich class be priced? As far as this is concerned, our views are close to those that have been expressed by the speakers before me. We think that the method of pricing used under the present Home Ownership Scheme, which is to fix the prices on the basis of the market value and then give a discount at a certain level, has been generally accepted by the public. Such a method has its merits. Therefore, the CRC advocates a pricing method which takes the market price and gives a 50% discount, bearing in mind that the sandwich class simply has no chance to buy suitable flats at current prices in the market. According to our computation, a flat of 800 sq ft, at 50% of the market price, will be priced at \$1.6 million or about \$2,000 per sq ft. If a 90% mortgage is made available with repayment spreading over 20 years, and the mortgage rate is 10%, then the monthly instalment is \$14,000, which is about 35% or one-third of the income of a sandwich class family.

We recommend a 50% discount of the market price because a home ownership housing flat for the sandwich class is bigger in area than an ordinary unit under the Home Ownership Scheme and carries a higher price tag. Only with such a discount will the sandwich class find the flats affordable.

Home ownership housing for the sandwich class is a product of government intervention in the market-place. Its objective is to help sandwich class families to buy their own homes. It is for these reasons that if the owner of such a flat wishes to sell it, he should be subject to certain restrictions. We suggest that should an owner wish to sell such a flat within 10 years from the date of completion, he can only sell it to an authority for home ownership housing for the sandwich class. The selling price is to be determined on the basis of the prices of new housing of this kind and reduce it by a depreciation rate. Ten years after their completion, flats under this scheme can be traded freely in the market. Under such an arrangement, owners of home ownership housing for the sandwich class will also be benefited by property appreciation due to rising property prices or inflation.

Mr Deputy President, we totally agree that the Government should regularly review the housing problems of different income groups and consult the public and listen to their views when formulating specific policies. But this is only the general principle. The present situation is quite clear. The sharp price increases in the property market in the past year has made housing an increasingly difficult problem for the sandwich class. Their predicament is so well-known that we do not need any further investigation or research to ascertain it. As for the housing problem for the lower income groups, there is admittedly much room for improvement. And the Housing Authority has a system in place to review the situation each year. However, their problem is comparatively less urgent than that of the complaining sandwich class, which has been long neglected. Therefore, the Government should see which is the real problem and immediately come up with a concrete scheme. We hope that the scheme the CRC is proposing today will meet with Members' valuable comments.

Mr Deputy President, with these remarks, I support the Honourable LAU Wah-sum's amendment motion.

MR FRED LI (in Cantonese): Mr Deputy President, after listening to the views of several Members in the course of the debate today, I feel that they sounded as if the Long Term Housing Strategy were something special for the Housing Authority to do, and

it is imperative to give the priority to the sandwich class in terms of housing arrangement. I am of the view that they were diverging from the entire discussion. The Honourable Frederick FUNG's suggestion is that the Long Term Housing Strategy should be comprehensively reviewed. In 1985, the then Secretary for Housing (this post has been scrapped), Mr TODD, undertook a study of Hong Kong's overall housing policy for the next 15 years and put together and published in April 1987, a "White Paper on the Long Term Housing Strategy". The policy as laid down in the White Paper is not one of the Housing Authority or the Housing Department, but the view of the central government. The Long Term Housing Strategy stated right from the very beginning that the authorities must carry out the basic objective of the policy, that is, to ensure that suitable housing would be made available to all households at affordable prices or rents for the public. If we go back to these words with today's property prices in mind, it is obvious that the objective has not been accomplished. This is why members of the Co-operative Resources Centre, members of the United Democrats of Hong Kong and other Members all feel that today's sustained high property prices are beyond the reach of the sandwich class. I think that this is our consensus. The difference lies in the question of emphasis. Some say that now is the time to look after the sandwich class, while matters concerning the lower and middle income groups should be left to the Housing Authority to review. I feel that this is slightly off the mark. I feel that the housing problem should be considered in its entirety, rather than dividing housing into private sector housing and public sector housing and then sub-dividing public sector housing into public rental housing, Home Ownership Scheme flats or super home ownership housing, that is, high quality home ownership housing. I think that we should take a panoramic view, instead of putting a special emphasis on urging the Government to look after the sandwich class. For its part, the Government also expresses its hope to be able to produce a report in six months. We should do our best to provide our views to the Government concerning the housing problem of the sandwich class. I feel that a comprehensive review is the crux of this debate.

Why is a comprehensive review needed? It is because when the Long Term Housing Strategy was put forth in 1987, it stated that in 15 years, that is, by the year 2001, the Government and the private sector should have built 1 085 000 new units (including new units from redevelopment), but that demand was to be met basically through a strategy favouring the private sector, which would play a dominant role. The strategy was based on three basic assumptions. Firstly, there would be increases of between 3% and 4.5% in household real income. However, there have basically been no real upward revision made to qualifying income limits under Home Ownership Scheme

and for public housing, making more people become ineligible for these units. Secondly, when assessing the demand, the Government failed completely to consider the market demand for private housing as an investment vehicle. In fact, this demand will fluctuate with the the market movement. The Long Term Housing Strategy had nothing specific to say concerning the public's affordability, leading us to doubt that, when laying down the Long Term Housing Strategy, if the Government gave any serious consideration to the public's affordability. Thirdly, the resources of the private property developers were not being fully utilized. So the private sector was left to play a dominant role. This view is very questionable. In a market economy, or indeed a free market economy, which, I think, will have many colleagues' support, when demand declines in one sector or its resources fail to be properly utilized, then some of its resources should be shifted to another sector for the manufacturing of other products. This is purely a question of supply and demand in a free market.

Why the Government still shows favouritism to the private sector to play the dominant role in the Long Term Housing Strategy, in spite of the fact that private sector resources are not being properly utilized? We can see from the statistics that public housing in urban areas is now no longer available to applicants. They can only resign to public housing in the New Territories. Nowadays, the supply of public rental housing is indeed as tight as it was five years ago, when the Long Term Housing Strategy was first laid down. Secondly, there are 170 000 people on public housing's waiting lists. The Housing Department estimates that among them only about 60 000 families will ultimately be able to move into public housing. On the basis of this calculation, with the supply of, say, 10 000-plus public rental housing flats each year, then by about 1997 or 1998, the target of meeting public housing needs of these 170 000 people (actually 60 000 households) on the waiting lists will have been achieved. But one must not forget that 30 000 new applicants will be added to the lists each year. By the same method of calculation, while 9 000 households will be moving into public housing estates each year, how long, then, must each year's new applicants wait before their housing problem can be solved? Very clearly, 2001 is not the year when we can see the end of the problem. What is more, there are also the squatter huts and temporary housing that have to be demolished. Therefore, the actual demand is really huge.

In view of various factors, I feel that the five-year-old Long Term Housing Strategy must be comprehensively reviewed. Therefore, I deeply regret that I cannot support the Honourable LAU Wah-sum's amendment motion because his motion only focuses

on the needs of the sandwich class. I feel that the housing problem must be looked at macroscopically in its entirety. As such, I feel that it is time to conduct a comprehensive review of the Long Term Housing Strategy.

Mr Deputy President, with these remarks, I support the Honourable Frederick FUNG's motion.

MR JAMES TO (in Cantonese): The high land price policy, coupled with high inflation and low interest rate, has driven up housing prices unremittingly. In recent years, Hong Kong people made a lot of money in the Pearl River Delta. This factor, together with the devaluation of the Hong Kong dollar caused by low interest rate, and the fact that investment in the property market is profitable but not too risky, people generally come to the view that the buying of flats, as a form of investment, is a good hedge against inflation. Consequently, large sums of money have been channelled to the property market, thus sustaining a bullish tone. The United Democrats of Hong Kong (UDHK) think that an excessive concentration of investment in the property market is unhealthy.

Under the present strategy of "favouring the private sector", private developers can put their completed flats on the market in numbers according to the demand. They almost take no risk but are assured of profitable returns. The only question is how large the profit is. On the other hand, the upper limit of public housing eligibility income is set at a level so low that many people are not eligible for the flats provided by the Housing Authority and they have no choice but to look for housing in the open market. Accordingly, their strong demand would then push the prices of private housing even higher.

The current property prices have reached a level beyond the affordability of the ordinary people. The UDHK think that housing is a basic necessity of the people. The lowly citizens have to spend their life's savings from hard work on buying homes and have to toil all life long before they can pay off the mortgages on their homes, only to see that their hard-earned money ultimately goes into the pockets of property developers. The Government really should take it upon itself to have a proper look at this question.

On the question of dampening property speculation, the UDHK think that it is yet to be seen how effective the Stamp Duty (Amendment) Ordinance will be for cooling

down the property market. The Government should closely monitor the effectiveness of the existing measures on mortgages and stamp duty for cooling down the property market. If they are found to be not very effective, the Government should take further actions to regulate the property market. In addition, the Inland Revenue Department should step up its effort for the collection of profits tax on housing transactions. Further limits should be set on internal subscriptions to flats as well.

At the same time, the UDHK suggest that the Housing Authority should consider building home ownership housing for the sandwich class, thus letting these families (with monthly incomes of between \$18,000 and \$40,000) buy their own homes. Our specific suggestions were made public the other day. I will not repeat them at length here. In the long term, the Government should grant more land and should increase the allocation of land to the Housing Authority. The Government also should collect a capital gains tax on property but waive it for end-users.

The Long Term Housing Strategy makes no commitment to one-member or two-member families. Let us look at the demand of such families for flats of their own. It is expected that the average size of the family will decline steadily. Besides, as a result of the redevelopment of old housing estates, the total number of households will increase through splitting. Under the circumstances, we suggest that the Government should build more small-sized public housing units to satisfy this demand.

As the physical infrastructure projects have been launched, a detailed study should be made on the use and allocation of the land around the present airport and the Western Kowloon Reclamation. At the moment, because of the severe shortage of urban land available for the construction of public housing and Home Ownership Scheme flats, most of the applicants on the waiting lists for such housing can only be assigned flats in very remote new towns. In contrast, the private developers hold a lot of land. The Land Development Corporation, working with private developers, acquires land for urban redevelopment projects and the flats they completed are sold at market prices. The market price is now more than \$3,000 per sq ft. A flat with a built-over area of a little over 300 sq ft, consisting only of a living room and a bedroom, has a price tag of \$1 million. The ordinary citizens simply cannot afford to buy flats in urban areas.

Housing prices remain high. The result is that only wealthy families can afford to live in urban areas. Citizens on the waiting lists for public housing are assigned

flats in remote areas like Tuen Mun, Yuen Long, Tin Shui Wai and Fanling. Should this trend continue, a day will come when only the rich would be living in the urban areas, while the lower income groups would be living in remote towns and, because job opportunities are lacking there, they have to spend long travelling time to go to their workplace.

A well-balanced urban area should have inhabitants coming from different classes. When making plans for granting land in the two large areas mentioned above, the Government should reserve considerable portions of them for the development of public housing estates and/or Home Ownership Scheme flats, thus giving people in the lower income groups the opportunity to choose whether to live in urban areas.

Mr Deputy President, with these remarks, I support the original motion and am opposed to the amendment motion.

DR YEUNG SUM (in Cantonese): Mr Deputy President, I intend to explain very briefly why it is necessary to conduct a review on the Long Term Housing Strategy now in force and the suggestions of the United Democrats of Hong Kong (UDHK).

The strategy of showing favouritism to private housing basically enables private property developers to play an active role and is partial to the interests of big consortia and causes social injustice. Relatively speaking, the strategy also helps lessen the Government's commitment to solve the housing problem of the lower income groups.

With regard to the policy-making process, at the time, that is in 1987, the Housing Authority failed to take an initiative to hold a public consultation concerning the housing strategy. It merely printed an explanatory booklet containing incomplete data. No formal consultation was held.

Unless the present policy is changed, two problems will become difficult to solve. Firstly, it will be difficult for the public to afford the sustained high housing prices or rents and their quality of life will decline as a result. Secondly, the supply of all kinds of housing, particularly public housing and Home Ownership Scheme flats, will fall far short of demand; the objectives of the present policy will not be accomplished, with the result that new housing from the year 2001 onwards will have to meet the increase in new demand as well as the demand of those who have not found suitable housing up to then, including the households who have been on public

housing's waiting lists for years.

The Housing Authority laid down the Long Term Housing Strategy in 1987 on the basis of a number of assumptions. One assumption, for example, was that there would be an excess of supply of public housing in the 1990s and an excess of resources on the part of private property developers. However, things have changed in the course of time. Projections and assumptions of the past are no longer valid today. Since 1989, Hong Kong has undergone vast changes politically, economically and culturally. In addition, there are factors to which no proper importance was attached in the past. Some examples are as follows:

Firstly, factors which were not considered at the time included the effects of the physical infrastructure projects on housing demand and the housing market and the insufficient supply of land.

Secondly, past projections were flawed, such as those on housing prices, wage increases, the average family size, the number of two-member families and their needs and the housing demand stemmed from the redevelopment of private housing.

Thirdly, the income limits which applicants for public housing are subject to are unrealistic. An upward revision of the upper limit will greatly boost the demand for public housing.

Now I will explain the UDHK's suggestions concerning the Long Term Housing Strategy.

The Long Term Housing Strategy should mainly consider three housing strategy options, namely, "public housing-led approach", "Home Ownership Scheme-led approach" and "private sector-led approach." What it means by a certain kind of housing to play a leading role is that particular kind of housing should be built in the largest quantity. The UDHK suggest the adoption of a "Public Housing and Home Ownership Housing Scheme-led approach." Such an approach has four characteristics:

(1) Public housing and Home Ownership Scheme flats to be the main source of supply.

(2) Public housing to play a leading role in meeting our housing needs.

(3) An increase in the supply of public housing that can be converted into Home Ownership Scheme flats.

(4) An increase in the supply of public housing and Home Ownership Scheme flats.

We feel that such a policy will forestall private developers to become the major supplier of housing. With public housing playing the leading role, the Government will scrape the practice of adjusting the supply of public housing according to the private housing market. Instead, the Government will be able to consider the real housing needs of the community. Such an approach will turn the Government's role from a supporting one to a dominant one, from a passive one to an active one. It will propel the Government to take up its basic responsibility for meeting the housing needs of the lower income groups and the sandwich class, thus improving the people's quality of life.

Finally, I wish to express some concern about the housing strategy. Mr Deputy President, housing is people's basic need. At the moment, 50% of our population live in Home Ownership Scheme flats or public housing built by the Housing Authority. Given that the rents of public housing are cheaper and a higher percentage of public housing tenants have employment, generally speaking, public housing tenants have more disposable income that can be used to improve their quality of life. Also, public housing tenants have lived in the same estates for a long time. They have established a kind of community spirit which is helpful to our social stability. Regrettably, in 1987, without fully consulting the public, the Housing Authority launched the Long Term Housing Strategy in which private housing was made to play the leading role, while the Housing Authority reduced its responsibility for the construction of public housing and Home Ownership Scheme flats. Moreover, in applying market principles, it linked the prices of Home Ownership Scheme flats to the market prices. This has undermined the significance of public housing as a type of social service. At the moment, public housing tenants are labouring under the burden of paying doubled rents. On the other hand, they cannot afford the expensive Home Ownership Scheme flats. They are indeed in a dilemma. Mr Deputy President, the current housing problem is not only affecting the general public but also dealing a blow to the quality of life of the sandwich class. Numerous are the members of the sandwich class who have been toiling most of their lives to meet mortgage payments. Should such a situation be allowed to go on unchecked, it will certainly become a time bomb for our social stability that may go off at any time. The UDHK strongly urge the Government to refrain from shirking its responsibility for building more Home Ownership Scheme

flats and public housing. Still less should it tolerate frantic property speculation in the name of the free market, thus eroding the quality of life of the sandwich class. Hong Kong is in the latter half of the transitional period. It is imperative for the Government to strengthen the community's solidarity and forestall anything that may undermine the public's sense of identity with the community. Mr Deputy President, the UDHK strongly urge the Government to review the housing strategy and expeditiously provide reasonable housing to the sandwich class.

Lastly, in consideration of the fact that the review of the Long Term Housing Strategy and the housing problem of the sandwich class are inter-related and integrated, the UDHK fully support the Honourable Frederick FUNG's motion and oppose the Honourable LAU Wah-sum's amendment motion.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, a moment ago, the Honourable Fred LI, my colleague of Meeting Point, has made an analysis of the Long Term Housing Strategy laid down in 1987 and given a response to the Honourable LAU Wah-sum's amendment motion. I will concentrate on why a comprehensive review of the Long Term Housing Strategy is called for.

The Long Term Housing Strategy has now been put into practice for five years. It has led to the various problems that are in evidence today and reached a point where it must be revised. The reasons for this are as follows: firstly, the property prices have been rising steadily and are now beyond the public's affordability. In the private housing market, mortgage payment is a financial burden that now takes up an average of more than 70% of household income. Even in the case of Home Ownership Scheme (HOS) flats, whose prices are linked to the market prices, the monthly mortgage payment accounts for 50% of household income.

Secondly, in fact, the rising housing prices have something to do with our economic structure. On the one hand, the Hong Kong dollar is pegged to the US dollar, and the US interest rate has remained low for a long time. The result is that the interest return on Hong Kong dollar deposits is negative in real terms. It is in sharp contrast to the property prices which are on the rise. This has further stimulated the demand for investment vehicles. On the other hand, due to the grant of land limited to 50 hectares per year, as stipulated in the Sino-British Joint Declaration, land available for new housing development has become even scarcer.

Thirdly, it is of particular significance that the Government heretofore relied heavily on the private sector for the solution of our housing problem. It is wishful thinking on the part of the Government to assume that Hong Kong's real estate market was a free market. But the fact is that our free market mechanism has been seriously impaired by some large property developers. Hong Kong's 10 largest property developers now collectively supply more than 80% of our private housing. What is more, they have built up huge land bank. For instance, Hong Kong's four largest property developers together hold nearly seven million sq m of land. If all the land is used for building 60-sq m housing units, it can produce 120 000 such units. This figure corresponds to four years' supply of private housing. Now let us look at another problem, which is the high vacancy rate of private housing. At the moment, the supply of private housing is about 30 000 units a year. Yet, according to the 1992 property review report, the vacancy rate for the past few years was shockingly high. It was 57.7% in 1989, 47.1% in 1990 and 54% last year. The total number of vacant units last year stood at more than 33 000. And housing prices kept on rising with no sign of easing. This shows that some people are hoarding housing units to jack up prices. The property developers' monopoly of land and the hoarding of housing units are a far cry from the operation of a free market expected by the Government. The land and real estate markets have now become the speculators' paradise. If the Government continues to carry out arbitrarily the private housing-led strategy, the ultimate victim will be the lowly citizens like us.

Fourthly, with regard to public housing, the latest information from the Government shows that there are still 114 000 households who are eligible for public housing but are still living in private housing units which are not their own property. In addition, there are 85 000 people still living in temporary housing or cottage areas and 290 000 people still living in squatter huts in the urban areas and the New Territories. All these people are waiting for public housing. The Government, too, admits that, if the method of computation of the income requirement for public housing eligibility is modified, to use the highest household expenses of the bottom one-third of the families (excluding rents and rates) as the basis of computation instead, the number of eligible households will jump to more than 170 000. This precisely shows that the demand for public housing indeed hinges to a very great extent on government policy.

Fifthly, the demand for HOS flats, too, is influenced by government policy. This is reflected from the fact that when the Housing Authority recently raised the income ceiling for HOS to \$18,000 a month, the number of households eligible to apply for

the Scheme immediately increased by more than 80 000 who are in the so-called sandwich class. This shows that the competition among the applicants for HOS flats will become more intense.

In view of Hong Kong's unique circumstances, Meeting Point think that our housing policy should adopt "a multiple-choice-public-housing-led approach." The reasons are as follows:

Firstly, the Government has always had a part to play in Hong Kong's housing and property market. All land is supplied by the Government. Therefore, the control of land supply is itself monopolistic. The land supply scheme has a direct bearing on housing prices. It has, after all, nothing to do with the question of intervention or non-intervention. Secondly, public housing is let or sold directly to the end-users and basically will not fall into speculators' hands. Thirdly, an increase in the supply of public housing will lead to a corresponding decrease in the demand for private housing and therefore cool off the speculative market. Fourthly, increasing the range of choices of public housing in terms of type, price, location and quality will make it less possible for the private developers to monopolize the property market. This will help to keep housing prices down.

Now I wish to discuss why it is impractical to subsidize private consumption. As housing prices are maintained at a high level beyond the affordability of ordinary households, some proposals have been made to help the sandwich class buy homes. Among them are to provide tax concession to first-time home-buyers and to expand the Home Purchase Loan Scheme. These proposed measures are actually subsidizing private consumption. Meeting Point wish to point out that subsidy of private consumption will in fact backfire and fuel demand. Now that housing is in short supply in Hong Kong, increasing demand will only make things worse and cause housing prices to go up further. In the final analysis, it will turn out that we are in fact subsidizing developers and speculators with taxpayers' money.

Finally, Meeting Point think that the time has come for a comprehensive review of the private housing-led strategy. It is hoped that the Government will carefully review our housing situation and give serious consideration to a Long Term Housing Strategy adopting a multiple-choice-public-housing led approach.

Mr Deputy President, these are my remarks. The three Councillors from Meeting Point, namely, Mr Fred LI, Mr TIK Chi-yuen and myself, all fully support the Honourable

Frederick FUNG's original motion.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, to put it briefly, the "Long Term Housing Strategy" laid down in 1987 was to replace the "public housing-led housing strategy" that had been in force since 1973 with a "private housing-led strategy" which is supplemented by public housing. The strategy has translated into the following housing policies: the scaling down of the construction of public housing, particularly of public rental housing; the introduction of the Home Purchase Loan Scheme; and the redevelopment of old urban housing estates. The Government has set a grandiose objective for the Long Term Housing Strategy, that is, to satisfy every family's wish to own its home. However, if one looks at either the substance of the strategy or how the specific policies were implemented, one will realize that the Long Term Housing Strategy in fact gives preferential consideration to financial gain. According to the Strategy, housing has been privatized and commercialized to reduce the Government's huge burden in the area of public housing construction and at the same time to increase the Government's financial gain from land sale.

The Long Term Housing Strategy has now been in force for nearly five years. It clearly has had three effects on the people of Hong Kong where housing is concerned:

Firstly, it underestimated the demand for public rental housing and has failed to solve the housing needs of the lower income groups. The Long Term Housing Strategy estimated that the public's demand for public rental housing would reach the saturation point in 1996, at which time the demand for public rental housing would become very limited. Guided by such an estimate, the Government decided to reduce gradually the construction of public rental housing. However, now that we are only four years away from 1996, the number of households on public housing's waiting lists is still as high as 114 000. At the present annual rate of supply of public housing, their needs will not have been met by the end of the century. What is more, the Housing Authority has decided to reduce the construction of public housing even further. If the Government continues the policies formulated under the Long Term Housing Strategy, these more than 100 000 households, as well as the stream of new applicants added to the waiting lists, will be doomed to pay high rents or put up with poor living conditions indefinitely.

Secondly, this strategy with a private housing-led approach has placed the public under the pressure of high housing prices. To carry out such a housing strategy,

the Government has insisted that the income limits required to be met by eligible applicants for public housing and Home Ownership Scheme (HOS) flats should be set at low levels. At the same time, it has kept the construction of public rental housing and public housing flats for sale at a low level. By these means, it has forced a large number of people in the middle and lower income groups to enter into the private housing market. In addition, it has, through the Home Purchase Loan Scheme, enticed former public housing tenants to enter into the private housing market as well. These measures, in turn, have indirectly sped up the rise in prices and rents of private housing. At the moment, the price of a flat in Hong Kong is more than 10 times the annual salary of a flat buyer. This is indeed intolerable. The Government really should review how the Long Term Housing Strategy has brought about such a price level.

Thirdly, residents of public housing have been forced to move to remote areas. With financial gain as its top priority, the Government has carried out redevelopment of old housing estates and used most of the cleared sites for the construction of Home Ownership Scheme flats or for sale to private developers. This has boosted the coffers. And new public housing estates are constructed in locations far away from town. This is undoubtedly a discrimination against the residents of public housing. Every day, they have to take long-distance rides at high fare and to make do with poor community facilities. Domestic trouble and family problems have often arisen for low income families in these new public housing estates as a result.

In short, the negative effects of the Long Term Housing Strategy include its failure to solve the housing needs of the middle and lower income groups; the commercialization of housing which has increased the burden for members of the middle and lower income groups; the aggravation of social injustice and the driving up of housing prices. These would intensify social conflicts. For these reasons, I will support the Honourable Frederick FUNG's motion. A comprehensive review of the Long Term Housing Strategy really cannot brook one moment's delay.

MRS SELINA CHOW (in Cantonese): Mr Deputy President, I support Mr LAU Wah-sum's amendment motion. Mr Frederick FUNG has just now raised three points concerning whether or not the amendment motion is really necessary. First, does it really need to be amended? I believe that the sandwich class has been consistently ignored for years. But their voice is very weak. They do not have organizing ability to advance their common cause, nor are their views taken seriously. To have some idea about their situation, one merely has to take a look at how, today, in his Council, many colleagues have spoken up only for the lower income groups with regard to their needs of public housing and the necessary improvements. We already have a large Housing

Authority that is making plans for those living in public housing and for those eligible to live in public housing who are now on waiting lists. Conversely, members of the sandwich class have been ignored for years. Honourable colleagues have been championing the cause of the sandwich class for 11 years to no avail and still, no policy has been framed particularly to help them solve their housing problem.

What do we mean by the "sandwich class"? The sandwich class refers to young skilled or professional persons. Most of them are salary earners with stable incomes. They are relatively well educated or have received professional training, or they are intellectuals. All of them are pillars of the community. And our stability owes much to their contribution. They are the so-called "pragmatists." However, they spend most of their time on their jobs. They work nonstop, so as to make both ends meet.

Members of the sandwich class come from many different professions. OMELCO panel members and those of us who are responsible for education matters have exchanged views with teachers who came to OMELCO. It has come to our knowledge from these meetings that, even when a couple is earning \$20,000 or more a month, their lives are still hard. I believe that their lives are harder than the lives of some people now living in public housing. This is because they receive no subsidy whatsoever as far as housing is concerned. Several of our colleagues have interviewed them and found that they are in great need of help.

I will now talk about these people. Due to time constraint, Mrs Rita FAN asks me to express the following views which, I think all of us concur. The people in question are teachers working in subsidized schools. Many of them are members of the sandwich class, particularly those young teachers. In face of soaring housing prices, there is no way for them to afford the mortgage payments if they are to buy their own homes. To enable them to buy their own homes at reasonable prices and stop worrying about rising rents so that they may educate our children with heart and soul, we strongly support a special housing scheme for the sandwich class. Through this scheme, they can have a flat while leading a prosperous and fruitful life. I hope that the scheme will help to keep our teachers in Hong Kong and to maintain the quality of education. We are convinced that such a scheme will help. Of course, teachers are not the only group in need of assistance. Professionals of other kinds of subsidized agencies, such as social workers, also need such help. As long as one is a member of the sandwich class, he should be entitled to enjoy the benefits of this scheme.

We feel that the Government really must take a good look at this problem. While the interests of some members of the sandwich class are represented by well-established organizations, some are not. For the latter, arrangements may have to be made by a committee, like the one proposed by Mr LAU Wah-sum a moment ago. We believe that the sandwich class is facing a very unique problem; so it calls for a unique solution and scheme. The Housing Authority should continue its efficient work to help the lower income groups. But the sandwich class has deep-rooted grievances and the problem is quite serious. The authorities should take immediate and effective measures to solve the problem without any hesitation and there is no need to conduct any further studies, reviews, consultations or debates. Therefore, we support Mr LAU Wah-sum's amendment motion and we appeal to other colleagues to support it. Mr Frederick FUNG has said just now that the amendment motion has put him in an awkward position. We think that it should not have made him feel awkward. Actually, I believe that his views have many supporters in this Council. But there are already many channels in place through which we can continue our fight for a solution to the housing problem plaguing the lower income groups. For this reason, we think that it is imperative to direct our effort at the solution of what is now the most pressing problem. We believe that this is the only way to force the Government to lay down some practical and feasible schemes within one year.

The authorities said that a report on the findings of their study will be submitted within six months. However, we know from the past that consultation will have to be held following the release of many of such reports and that the consultation will take another six months or a year; and then the result of the consultation will have to be further studied, taking perhaps another six months. With things dragging on like this, one cannot tell when a real solution will be found for those who are in dire difficulties. As such, we hope that all honourable colleagues will agree to the proposal of setting a 12-month limit. In other words, we make a time-table for the Government and press the Government to identify some solutions, and to produce a substantive scheme for ending once and for all a pressing and real problem.

I support Mr LAU Wah-sum's amendment motion.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, I would like to speak on the Honourable LAU Wah-sum's amendment motion. Why did I say that I felt the Honourable LAU Wah-sum's amendment motion had put me in an awkward situation? The answer is

that my original motion already covered the sandwich class. Should I vote against the amendment motion, it would seem that I am against speaking up for the sandwich class. This is the awkward situation that I referred to. In fact, I never intended to be against speaking up for the sandwich class. In comparison with the amendment motion, the original motion appears on the surface to have aimed at merely the lower income groups. (The motion says clearly, however, that the motion is also moved for the interests of the sandwich class.) The amendment motion is trying to force us to stand aside or to corner us. I feel that the original motion already covered the sandwich class. This is clear from our documents and from my speech. I do not wish to repeat here. Members may remember I have said that the sandwich class, despite having to pay a lot of tax, receives no financial assistance, no welfare benefits and simply nothing. I did say so.

Secondly, I wish to talk about current market conditions. The sandwich class used to be able to afford to buy their own homes. But now they cannot. Therefore, we need to help them. I fail completely to see how we have failed to speak up for the sandwich class. Meanwhile, after listening to the suggestions of my friends in the Co-operative Resources Centre (CRC), I was made to feel even more awkward. It happens that they share our views. How so? Two things. First, their definition of the sandwich class is those earning between \$18,000 and \$40,000 a month. I would like to tell them that families with an income of \$18,000 a month are among the top 22% of Hong Kong's highest-income families, while families with a household income of \$40,000 a month are among the top 5%. In other words, my friends in the CRC are asking the Government to provide a housing service to 95% of the population of Hong Kong. At the moment, only 46% are receiving housing benefits provided by the Government. Yet this figure has already been criticized as being too high. Why, then, are they asking to raise the figure to 95%?

The second point where the CRC's views are like ours is their recommendation that the Government should provide each sandwich class family with 800 sq ft of living space and give them a 50% discount off the market price. Such housing is no difference at all from the present Home Ownership Scheme (HOS) flats. They are indeed the same in nature. This demonstrates precisely a public housing-led approach, not a private housing-led approach. I feel that we hold the same view in this respect. And the only difference between us is the course of action, not a difference in spirit. I hope that our speeches today will bring home to the Housing Department and the Buildings and Lands Department that Legislative Councillors are now united in spirit over certain issues and that we would like to have a housing policy in which public

housing is to play the dominant role. Having said that, I am afraid I cannot totally accept the policy as proposed by the CRC, as a long term structural strategy. I do not agree that the Government should provide housing to 95% of the population, for that would be too much. Still less can I accept their proposed discount rate since the pricing the HOS flats at 70% of the market price has already been regarded as free lunch. What kind of free meal will it be then if the discount is set at 50%? After all, we feel that our difference is really not too great. And I thank the CRC very much for making such a good proposal to the Government.

May I remind honourable colleagues once again that I do not wish to see any polarization among us. The most important thing in fact is to solve our housing problem. I will try to cite some statistics objectively. I hope that honourable colleagues will see from these statistics the plight of the various sectors in our community. Then, I hope to be able to persuade our friends in the CRC to withdraw their amendment motion or to support my motion because I feel that we are in agreement. What, then, is the first element of the plight? At the moment, there are 1.73 million independent housing units in Hong Kong, but we have only 1.6 million households. In other words, we have an excess of 130 000 units. If each household is to be provided with one unit, then meeting the demand will be no problem. If the 35 000 hotel rooms and 20 000 vacant public housing units are again deducted from the approximately 1.7 million units, we will still have 75 000 units. The problem, therefore, is not one of supply and demand. Very clearly, something else is making it impossible for each family to be provided with one unit. I think that there are two possibilities. One is speculation or investment as a hedge against inflation. The other is external factors. Other than the 1.6 million households of Hong Kong, there are external factors creating a housing demand with the result that some of us cannot have flats of our own. The external factors may be that people in China are investing in Hong Kong with the money that they have made or that overseas companies are buying flats for their staff as quarters.

Here I wish to cite another set of statistics for the information of the public. According to press reports, from now until 1997, it is estimated that there will be a shortfall of 19 000 public housing units and 29 000 Home Ownership Scheme flats, while the supply of private housing will be ample. In the years to come, the annual supply of private housing will be 50 000 units. Among them 15 000 are redeveloped units, and the remaining 35 000 are new units. In other words, the supply of private

housing will not be a problem. The problem is the speculation activities.

Where the housing problem is concerned, the population of Hong Kong may be divided into three sectors. The first is the lower income groups. Their incomes are too high to make them eligible for public assistance. But, after paying rents, they are financially rather tight. The second is those living in private housing. Even though they are eligible for public housing, their chances are slim in view of the long waiting lists. Then there is the marginal sandwich class. Their incomes barely exceed the upper income limit for public housing, but not enough to afford them to buy HOS flats, not to mention private housing. They, too, have to pay high rents for the private housing in which they live, just like the sandwich class. The third sector is the sandwich class. Now I wish to show you the ratio of these three sectors. Numerically, there are 110 000 households waiting for their turns to move into public housing (the waiting time is 10 years for urban public housing, seven years for that in Sha Tin and three years for that in Fanling). There are 75 000 households who fall into the category of the marginal sandwich class. To use Mr EASON's definition, we have 30 000 households in the sandwich class. In terms of ratio, it would be 3.7:2.5:1. What if one uses income comparisons? If one uses the upper income limit of those eligible for public housing, it is \$9,700. If one uses the highest income limit for the white form applicants used by the marginal sandwich class households, it is \$18,000. The upper income limit for the sandwich class is \$40,000. Then the earning power ratio in terms of incomes of the lower income groups, the marginal sandwich class and the sandwich class is 1:2:4. Therefore, from this angle, it can be seen that all the three sectors are in difficult situations. All of them warrant our attention. But will the Housing Authority really solve the housing problem of the lower income groups and the marginal class?

Now I wish to give honourable colleagues another set of statistics. Two years ago, in the Housing Authority's housing supplies, the ratio of public housing to HOS flats was 3:1. That is to say, for every 30 000 units of public housing, there were 10 000 HOS flats. This year, the ratio is 1:1. There are 15 000 HOS flats to 15 000 units of public housing. Does this mean that the livelihood of those on public housing's waiting lists has been improved? On the other hand, in formulating the Long Term Housing Strategy, the Housing Authority asked the Government for \$6.5 billion. The Government was generous enough to allocate the Authority \$10 billion. However, two years ago, when I became its member, the Housing Authority said that it had a deficit of \$2.7 billion. Why? What happened was that the figure of \$5.6 billion was worked out on the assumption that the inflation rate would be 6.5%. But

the fact is that from 1988 to 1990, the annual inflation rate of the construction cost was 40%. Thus, despite the fact that the allocation is \$3.5 billion more than the amount asked for, it was still insufficient. The Housing Authority has made a total of three requests to the central government for loans but been told that not a single cent can be spared. This being so, how can the Long Term Housing Strategy be implemented in order to solve the housing problem of the lower income groups and the marginal sandwich class?

It can be seen from the above that all three sectors have difficulties and problems. In terms of ratio, number and economic resourcefulness, I feel that the lower income groups and the marginal sandwich class need far more help than the sandwich class. Still, I feel that we cannot deny service to the sandwich class in view of the current situation in the property market. How is this service to be provided with? In what form? How are resources to be distributed? I feel that we should look at these questions in a broad manner. This is why I hope that friends in the CRC and independent Members, after listening to my speech and the statistics cited, will feel that there is in fact no disagreement between us. The Legislative Council as a whole is working to solve the housing problem of the people in Hong Kong. The truth is that all of us would like to see the Government intervene in the market so that people in question could have independent, self-contained permanent homes of their own.

Thank you, Mr Deputy President.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the wide-ranging views and comments on the housing needs of our community put forward by Members today are most welcome. In response may I say at the outset that the Long Term Housing Strategy, or LTHS in short, is the most important source of guidance for the Housing Authority's planning and operations and its continual review and implementation is accorded top priority by the Authority. To illustrate this, I would like to take Members through the origin, objectives, and progress to date of the LTHS.

Origin of the LTHS

In 1986 the Administration carried out a comprehensive review of housing policy to identify measures necessary to meet the housing needs of Hong Kong up to the year 2001. Six basic objectives were identified, which were briefly these:

(a) to ensure adequate housing at an affordable price or rent for all households;

(b) to satisfy the growing demand for home purchase;

(c) to ensure the timely provision of housing to meet demand;

(d) to improve living conditions by redeveloping sub-standard older public and private housing;

(e) to secure the most effective use of both the public and private sectors in housing production; and

(f) to ensure the efficient use of public resources by relating housing subsidy to need.

Based on surveys and projections in 1986, it was estimated that about one million new housing units would need to be built to satisfy all demand by 2001. Using affordability as the main criterion for assessing how this demand might be met by various types of housing, it was concluded that the private sector would need to build an average of about 30 000 flats and the public sector about 38 000 a year. Of the public housing units, the ratio of rental units to assisted home purchase units was set at approximately 1.4:1. In addition, it was assumed that a proportion of private sector production would be taken up with assistance from the Home Purchase Loan Scheme.

In drawing up programmes to implement the LTHS, it was recognized that production would need to be higher during the earlier years to facilitate clearance and redevelopment programmes, and that there would need to be a gradual but significant shift from public rental to Home Ownership Scheme production during the LTHS period to meet demand.

The LTHS was formally accepted as government policy in April 1987. The strategy covers the period from 1985-86 to 2001-02.

Progress

The early period of the LTHS has seen production exceeding the original targets. Some 545 000 units were produced from 1985-86 to 1991-92, over a target of 528 000

units. In particular, the private sector contribution surpassed the target by almost 11%.

I will give a few illustrations of how these numbers translate into improved housing. First, all urban squatters other than those on private land are now scheduled to be cleared by 1995. Second, good progress is being made to clear non-self-contained public housing blocks. The last of the Mark I and II blocks went in 1991 and action has now shifted to Mark III and later blocks.

Third, the programmed supply of new flats plus casual vacancies over the next five years, after allowing for redevelopment and clearance demands, should enable the outstanding effective demand in the waiting list for public rental housing to be met by 1997-98. This will be only one year later than originally targeted, and is mainly because of growth in demand arising from the recent increase in the waiting list income limit. Priority is currently given to the elderly, and because of this, demand from single person households will take longer to satisfy. But both are areas of concern and special attention is being given to them by the Housing Authority.

Fourth, of the blocks scheduled to be redeveloped by 2001 under the comprehensive redevelopment programme, some 30% have already gone and the remainder should also be cleared on target, provided some of the existing tenants are prepared to be rehoused outside their district.

Finally, even though HOS and PSPS sales are often over-subscribed, the public and private sector production targets for the first part of the LTHS period have been more than met. So long as production targets for the remainder of the period are achieved, only about 12 000 households will constitute the outstanding demand for assisted home purchase by 2001.

Overall, therefore, the LTHS as originally conceived has so far been implemented very successfully. Production targets have been met and remarkable progress has been made against specific goals, considering the enormity and complexity of the challenge involved in moving and rehousing hundreds of thousands of people.

Review

Nothing I have said so far is intended to suggest there are no issues to be faced and resolved. But the fact that the strategy is basically on course is due in no

small measure to its being subject to regular review and fine tuning. Because it is a demand led strategy, the roles of the public and the private sectors should complement each other. To ensure its continued applicability in the face of changing circumstances, the LTHS is reviewed comprehensively each year, with demand being re-assessed and production programmes adjusted accordingly.

Reviews of the LTHS since its commencement have led to the original production targets for the public sector being increased by 56 000 units. The latest review indicates that a further 29 000 public housing flats will be required by 2001. This shows that the LTHS is a dynamic not a static strategy. It is responsive to changing needs. In any public policy, it is a fact of life that assumptions made at any point of time will not remain valid permanently. The thing is to recognize the need for review.

Production in the private sector, as I mentioned earlier, has been running at a higher level than originally envisaged at around 33 000 units a year, but account must be taken of affordability. The affordability of housing is a corner stone of the LTHS, with public housing programmes seeking to meet demand which cannot be satisfied by the private sector. If, in spite of the high private sector production levels, prices also remain high for various reasons, public sector production must be maintained at a high level. Here I think we need to bear in mind the presence of investors in the private sector market alongside home buyers.

The latest review of the LTHS suggests that the demand for private housing as such, taking into account affordability and the slow down in new household formation, will fall by 67 000 units up to 2001. This means that the split of public housing between rental and sale units will need to be revised. The current split provides for 64% of the production to be sold by 2001. On the basis of the latest review, this may well need to be adjusted downwards. The current public housing block design provides the necessary flexibility for the method of disposal to be adjusted to meet changing needs.

Increasing the supply of public housing means additional land requirements. The Administration and the Housing Authority are actively pursuing this and I am confident that requirements will be met.

Sandwich class housing

The housing related problems of the sandwich class remain a continuing matter of concern. As I advised Members during the Budget debate, the Administration will be studying this issue over a six-month period. An inter-departmental Working Group on Sandwich Class Housing, which I chair, is already meeting. The group includes representatives from various government branches and departments, such as the Finance Branch, Rating and Valuation Department, Housing Department and Buildings and Lands Department. In addition, the Housing Authority which conducted a useful study of this issue in 1989-90, has decided to take a fresh look at the problem again within the limits of its responsibilities.

The Administration's working group has agreed on a programme of work. One of its first tasks is a detailed examination of the definition of the sandwich class and the housing problems which the target group faces. This is necessary to ensure the remainder of its work is based on somewhat firmer foundations than the often subjective and under-researched estimates offered by various parties so far.

The working group is also considering several imaginative approaches suggested by different groups and individuals. Examples of the ideas being pursued are assisted housing schemes dedicated to the sandwich class and joint ventures with the private sector. Other suggestions concern legislative and fiscal measures, private sector initiatives and so on. The thoughts and suggestions put forward by Members today will provide further material for careful consideration by both the Administration's working group and the Housing Authority.

At this stage, the working group does not have any preconceived ideas as to the direction its recommendations may take and I do not wish to predict the outcome of our deliberations. The working group has set itself the target of completing its task in September this year, sooner if possible. If its recommendations involve, for example, drawing on existing and predicted ready supplies of flats, then clearly solutions are more likely to be implementable in the near term, subject to the availability of any necessary resources. However, should the production of fresh housing stock either by the public or private sector be required, then a longer lead time will inevitably be involved.

The Administration fully appreciates and is entirely in sympathy with the concern of Members and the public that something should be done for the sandwich class, and done sooner rather than later. We are also conscious of the need both to avoid heavy-handed intervention in the market and to ensure that assistance for the sandwich class is not achieved at the expense of lower income groups and beneficiaries of

existing public housing programmes. The issue of sandwich class housing will therefore have to be approached with a mixture of vision and imagination, balance and pragmatism. This is our aim and in keeping with the spirit of the views expressed by many Members of this Council.

Consultation

The Housing Authority's intention is to ensure that housing policies are sensitive to the needs of all sectors. This means that every effort must be made to assess demand as accurately as possible for this purpose. Information is obtained from a variety of sources, including the territory-wide household Census, and is carefully assessed and evaluated. Other recognized channels for obtaining information and consulting end-users include discussions with district boards, meetings with other bodies particularly concerned with public housing, and surveys.

The LTHS is reviewed regularly by the Housing Authority and its standing committees, which include representatives of public housing residents and other sectors of the community and reflect a wide range of opinion. Major changes or new initiatives aimed at improving the services of the Housing Authority are invariably the subject of formal consultation exercises. The findings of the 1992 LTHS review and any changes emanating from it will be considered by the Authority at its June meeting. The review will also be the subject of discussion between the Authority and Administration. Once agreed, it will be published widely and reactions to it will be monitored carefully. Similarly, the process of examining the problems of the sandwich class will also involve progressive consultation, that is during and after the period of the working group's studies.

Conclusions

To sum up: arrangements already in place for LTHS implementation, the LTHS review process, the special study of the housing-related problems of the sandwich class and normal consultation procedures can fully serve the various aims which Members in today's debate have urged the Government to pursue. There is therefore no fundamental divergence between the thrust of the debate and the Administration's approach to the community's housing problems.

Question on Mr LAU Wah-sum's amendment put.

Voice vote taken.

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

DEPUTY PRESIDENT: Would Members now please proceed to vote?

DEPUTY PRESIDENT: Are there any queries before the results are displayed? The results will now be displayed.

The Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mrs Rita FAN, Mr NGAI Shiu-kit, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, 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, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG and Mr Howard YOUNG voted for the amendment.

Mr Martin LEE, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Andrew WONG, Mr Jimmy MCGREGOR, Mrs Elsie TU, Mr Albert CHAN, Prof Edward CHEN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, 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 TIK Chi-yuen, Mr James TO, Dr YEUNG Sum and Mr WONG Wai-yin voted against the amendment.

THE DEPUTY PRESIDENT announced that there were 25 votes for the amendment and 22 votes against it. He therefore declared that Mr LAU Wah-sum's amendment was approved.

DEPUTY PRESIDENT: I understand that Mr LEE Wing-tat wishes to speak on the amended motion, which he is entitled to under Standing Orders.

MR LEE WING-TAT (in Cantonese): I know that many honourable colleagues are in a hurry

to go on to the next debate. So I will keep my speech very brief. Mr Deputy President, when I am standing here to talk about the issue, I do not think that we are in an awkward situation nor the issue comes into conflict with other questions. I know very clearly that I support the original motion. There is an essential difference between the original motion and the amendment motion. Councillors who are members of the United Democrats of Hong Kong have all indicated in their speeches that we are against the principle adopted in framing the Long Term Housing Strategy, that is, showing favouritism to the private sector. In fact, some colleagues have also talked about the correlation between the Long Term Housing Strategy and the housing problem of the sandwich class. One colleague feels that there is a contradiction between the two. But we do not see any contradiction at all. The housing problem of the sandwich class is a pressing one and a study would be completed within half a month to find a solution. As for the Long Term Housing Strategy, it is targetted at dealing with housing problems up to the year 2000. So we can map out a plan to address the housing problem of the sandwich class and review the Long Term Housing Strategy as well.

From the speeches delivered just now, I learnt that both colleagues who are members of the United Democrats and colleagues who are members of Meeting Point were opposed to the Long Term Housing Strategy for its siding with the private sector. They queried the role of private developers in the supply of housing. However, I failed to hear any objection from other colleagues to the way the strategy was laid down. Neither did I hear them indicate whether they found the present prices of private housing acceptable or what role private developers should play in determining the prices of property. Today of course is not the occasion for debating all these questions. However, I think that we should make our different views clearly known. It is for this reason, members of the United Democrats who speak later will elaborate why we are opposed to the amendment motion.

Thank you, Mr Deputy President.

DEPUTY PRESIDENT: As must be apparent, every Member is strictly entitled to speak on the amended motion; so I will therefore entertain a request to speak and that includes the Government.

DEPUTY PRESIDENT: Mr K K FUNG, you wish to reply, I believe.

MR FREDERICK FUNG (in Cantonese): I would like very much to respond to the Honourable LEE Wing-tat's reference to "awkwardness". I feel that it would be ideal if, as a legislature, we could reach a consensus and collectively urge the Government to do one and the same thing. Normally, an ideal is something that one goes after. I am still going after an ideal that has not yet been attained. After listening to Members' speeches, I feel that there are two "points of agreement" and two "points of disagreement" in this Council.

The first "point of agreement" is that nobody has ever voiced opposition to letting public sector housing play the dominant role in a strategy for solving Hong Kong's housing problem. As I have perceived and analysed it, it is also the suggestion of members of the Co-operative Resources Centre (CRC) to let public sector housing play the dominant role, since they want the Government to build high-priced home ownership housing. This can be the suggestion of the United Democrats of Hong Kong, of the Meeting Point or of the Hong Kong Association for Democracy and People's Livelihood. So I feel that we are all in agreement on this. Also, there is the call for the construction of another type of home ownership housing -- home ownership housing for the sandwich class with due financial assistance from the Government. Its price is to be 50% of the market price. Comparing this pricing with the present pricing of the Home Ownership Scheme (HOS) flats, which is 70% of the market price, one sees no difference in principle. Any difference is technical. So I feel that we are all in agreement in these respects. The second "point of agreement" is that we all feel that Hong Kong's housing problem affects all and sundry. The difference is that the CRC wants to "emphasize" the sandwich class, while we want to "emphasize" the lower income groups and the marginal sandwich class. But we do not deny that the problem affects the sandwich class. So, on this point, too, we are in agreement. I feel that all three classes of people have a housing problem. The disagreement is over how resources are to be distributed and in what order. This is the first "point of disagreement." The second "point of disagreement" is over the extent of financial assistance. Here is an example. If a sandwich class family earns \$40,000 a month (being therefore in the top 5% of Hong Kong's richest families), do we still want the Government to provide a housing service to this kind of high-income family? I do not think so. Also, HOS flats at present are priced at 70% or 65% of the market price. Why must home ownership housing for the sandwich class be priced at 50% of the market price? To this, too, I disagree. I also do not agree with the CRC's view. If I am giving out free lunch, then the CRC is giving out free dinner. Normally,

dinners are more substantial than lunches. What I feel awkward about is that there could have been agreement. There could have been agreement in calling on the Government to ameliorate Hong Kong's housing problem. But what is essentially a matter of disagreement on priorities is being made to look like a case of polarization. In fact, it is not polarization. I hope that the above will answer the Honourable LEE Wing-tat's query as regards "awkwardness".

I would like to draw some conclusions; I hope that the Government will take note of my views. I have no formal suggestion to make about how to solve the housing problem of the sandwich class. I would like, however, to cite some statistics for all. There are now 1.6 million families in Hong Kong and there are 1.73 million units of housing in the territory. After deducting hotel rooms and vacant public housing units, there are still 75 000 units. Why, then, is it that not every family in Hong Kong has its share of one unit? Very clearly, the question is not one of distribution, or one of supply and demand. The problem lies with the way the market operates. Some are not able to buy any unit. Others buy more than one unit each. I feel that the fixed exchange rate is one factor; it causes people to invest their money or engage in speculation as a hedge against inflation. Another factor comes from the outside. People from outside come to Hong Kong to buy housing units. I feel that, if help is to be given to those who are without resources or the ability to buy housing, the Government must intervene. Who else can intervene?

All our friends in the CRC hope that the Government will intervene. I think that we are all in agreement here. I hope that the Government will heed this view. Who needs help? I would like to show the Government the answer by describing three things about the sandwich class. According to statistics from the Housing Authority, after the income limits required to be met by eligible applicants for public housing were relaxed in April this year, there are 110 000 people in the lower income groups; 75 000 people in the marginal sandwich class, their income being \$18,000 a month or less; and 30 000 people in the sandwich class as defined by Mr EASON. The ratio is 3.7:2.5:1. As regards income, that of the lower income groups is \$9,700 a month; that of the marginal sandwich class, \$18,000; and that of the sandwich class, \$40,000 at the higher end. The ratio with regard to income is 1:2:4. It is clear from the above that the numerical ratio is just the reverse of the economic resourcefulness ratio. It can be seen clearly from the above statistics that, among all the people who live in private sector housing, counting members of the lower income groups, members of the marginal sandwich class and members of the sandwich class, the housing problem affects members of the lower income groups in the largest number. This is beyond

doubt. I did not fabricate the statistics. They are supplied by the Housing Authority and the Government. Does the Housing Authority really have the resources for looking after their needs? I repeat that the Government up to now has never allocated sufficient land to the Housing Authority for housing construction use. The Housing Authority has held three meetings with the Finance Branch and asked if it can borrow from the Government. Each time, the Government's response was that there was "no money to lend." I would like to tell Members that I had a private meeting with the Financial Branch (the press not being notified) and asked if money could be lent to the Housing Authority at a 5% interest rate. That request, too, was denied. How can a Long Term Housing Strategy with so many limitations help to solve the housing problem of the lower income groups and the marginal sandwich class? I would also like to tell Members that I made to the Housing Authority a suggestion on a home ownership housing scheme for solving the housing problem of the sandwich class. I suggested that housing be sold to the sandwich class at 100% of the market price of HOS flats. By 100% of the market price of HOS flats, I mean between 70% and 80% of the price of private sector housing. For example, in Tai Po, where the price of a 400 sq ft unit of private sector housing is \$2,500 per sq ft, the price of a similar unit of HOS flats will be between \$2,000 and \$2,200 per sq ft. That is also the market price of HOS flats. Is such a price beyond the sandwich class' ability to afford? I would not want to say that that was my only suggestion. I feel that conditions in Hong Kong are very complex; so we should have multiple suggestions and a multi-action agency with power to deal with the problems. I will not repeat what I have just said.

Finally, I would like to highlight people's concern for the housing problem and I will do so in ways that are not too abstract or too "rigid", ways that are more "perceptual." With some colleagues of this Council, I attended a seminar held in the United Kingdom on 3-5 April. With me were Dr YEUNG Sum of the United Democrats and Mrs CHOW of the CRC. The purpose of that seminar was to urge university students and members of professions (originally from Hong Kong) to return to Hong Kong in a reverse brain drain. My job was to talk about housing, the last question on the agenda in the discussions of the reverse brain drain. Among the seminar's participants were holders of bachelor degrees, master degrees or doctor degrees and people who had already left university. All of them harped on the same tune. Because of the recession, racial problems and lack of opportunities for advancement in the United Kingdom, they thought that returning to Hong Kong for career development was really not a bad idea. But one thing deterred them. What worried them was not the transfer of sovereignty, but the prospect of being without housing after they returned to Hong

Kong. They thought that, if they returned to Hong Kong to do the same kind of work, they would earn more than what they were earning in the United Kingdom, but they would have no place to live in. In the United Kingdom, they at least had roofs over their heads. They said to me, "Frederick FUNG, you go back to Hong Kong and fix Hong Kong's housing problem first. Then you will not have to worry about the brain drain."

I would like to tell Members a true story about a young man. He had worked for 13 years. He was not married. He had moved his place of residence nine times, about once every 18 months. At first, he packed his things in apple crates and cardboard boxes. He would unpack them at his new place. Then, even before he finished unpacking, he found that he had to move again. In the end, he simply did not bother to unpack. He slept with the boxes, so to speak, until he bought his own home. Then he began buying furniture and began feeling that he had a place of his own. Then he began feeling a sense of security and the warmth of a home.

I always feel that Hong Kong is my home. I remember that the poet Du Fu in the Tang Dynasty a thousand years ago wrote a poem containing these lines: "It will be nice to have thousands of spacious mansions. Poor people of the land, finding shelter, will smile with delight. In a storm, they will feel safe and sturdy as a mountain." I believe that colleagues and I are having the same dream as Du Fu's. But the question is: How are we to find so much housing for supply to the general public, be they members of the lower income groups or the sandwich class? I can tell Members this. By himself, a man may be able to solve some of his personal problems. Where his personal problems cannot be solved by himself and where many others have the same problems, then these become social problems. When there are social problems, we must solve them with the allocation of resources according to an order of priority. I feel that providing a home to people and inspiring in them a sense of security and a sense of belonging is a very meaningful thing to do. People are a community's resources. Here, I would like to tell Members that I have never asked for a free lunch. But I do feel that the Government must be charged with a mission, and that mission is to enable every person in Hong Kong to afford to own a home and to feel at home. Thank you, Mr Deputy President.

Question on Mr Frederick FUNG's motion as amended by Mr LAU Wah-sum's amendment put.

Voice vote taken.

DEPUTY PRESIDENT: We shall need a division. Council will proceed to a division.

The division bell will ring for three minutes and the division will be held immediately afterwards.

DEPUTY PRESIDENT: Would Members now please proceed to vote?

DEPUTY PRESIDENT: This appears to be one person short. Have all Members registered their presence? Now all have been accounted for. Do Members have any query before the result is displayed? The result will now be displayed.

The Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mrs Rita FAN, Mr NGAI Shiu-kit, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Jimmy MCGREGOR, 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, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG and Mr Howard YOUNG voted for the motion as amended.

Mr Martin LEE, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Andrew WONG, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr MAN Sai-cheong, Mr TIK Chi-yuen, Mr James TO, Dr YEUNG Sum and Mr WONG Wai-yin voted against the motion as amended.

THE DEPUTY PRESIDENT announced that there were 27 votes for the motion as amended and 18 votes against it. He therefore declared that the motion proposed by Mr Frederick FUNG as amended by Mr LAU Wah-sum's amendment was carried.

Adjournment

FINANCIAL SECRETARY: I move that this Council do now adjourn.

DEPUTY PRESIDENT: Mr MAN Sai-cheong has given notice to raise a matter for reply by

the Government. Could I remind Members that in an adjournment debate there are 45 minutes for Members to speak. At that point or after all the Members wishing to speak have spoken, whichever is the earlier, I will call upon the Secretary for Planning, Environment and Lands and the Secretary for Home Affairs to reply.

PUBLIC CONCERN OVER THE PROFESSIONAL QUALIFICATIONS AND ETHICAL STANDARDS OF ESTATE AGENTS AND PROPERTY MANAGERS

10.32 pm

MR MAN SAI-CHEONG (in Cantonese): Mr Deputy President, the subject which I propose for today's adjournment debate is: public concern over the professional qualifications and ethical standards of estate agents and property managers.

According to figures provided by the Consumer Council, complaints about estate agents have risen from 88 cases in 1988 to 248 cases in 1991, by almost three times. Cases being handled by the Independent Commission Against Corruption (ICAC) concerning estate agents have also risen from 63 in 1989 to 80 in 1991; they involve corruption, fraud and the charging of excessive commission. Estate transaction involves enormous amounts of money and property buying for most Hong Kong people is a big venture costing one's entire life savings. It is for this reason that people's rights have to be protected. However, estate agents are not governed by any legislation. Anyone can become an estate agent by business registration. Since it is so easy to enter the profession, some of its practitioners do not have any formal training and they are not able to handle enquiries from their clients. There is no code of conduct for practitioners; there is no professional examination to ensure quality of service. There is no statutory union or association to regulate practitioners and penalize the unscrupulous ones among them. In this regard, it can be said that over 10 000 estate agents of the over 3 000 estate agencies are effectively not bound by any rules or regulations. There is at present a proliferation of all sorts of malpractices by estate agents. Some of them, in order to get a speedy transaction, give misleading information to the consumer regarding, for example, the age of the building and flat size, whilst withholding some vital information. This kind of vital information is usually not included in the preliminary sale and purchase agreement prepared by the estate agent. Consequently, although the consumer may later on discover that the preliminary agreement is a trap, once he has signed it, he could only give up his deposit if he does not want to be forced to complete the

transaction. ICAC investigation reveals that some estate agents have actually pocketed the difference between the buying and selling prices, while both buyer and seller are kept in the dark, by acting as a confirmor in the transaction. Apart from profiting from the difference, this kind of transaction also contributes to the inflation of property prices. It is worth noting that, according to statistics released by the Government for the period between October 1990 and October 1991, transactions involving a confirmor numbered 310 in Taikoo Shing, accounting for 17.8% of the total yearly transactions in the area; 541 in Whampoa Garden, accounting for 21.7% of the total yearly transactions in the area. This is a point worth noting. Other malpractices are also so rampant and so frequently complained about by buyers or consumers in general that they can no longer be tolerated. They include mishandling of clients' money, keeping buyer's deposit from seller for longer than is necessary, charging commission before completion of transaction, prescribing buyer to use a chosen bank or law firm in order to obtain a kickback or even to cheat buyer and seller, and so on. There is no way the Government can continue sitting around and doing nothing about the situation. The United Democrats propose that estate agents be regulated by legislation. We also hope that the Government can set up a rational licensing system for the industry in order to make sure that estate agents have the professional qualifications required and abide by a professional code of conduct. We need to have the legislation in place, and urgently. The United Democrats propose that the relevant details should be studied and a Bill drafted as a matter of priority; public consultation should also be conducted on the Bill.

One of the advantages of legislation is that the preliminary sale and purchase agreement will be standardized such that it will provide accurate and detailed information about the property regarding its age and size and whether the seller has the lawful title to the property, and so on. This is to ensure that the estate agent will not be able to mislead the public and cheat them of their money. Another advantage is that the basic quality of service of the estate agent can be ensured, and his basic responsibilities formulated, such that irresponsible estate agents who breach the law will be penalized. For example, according to the Estate Agents Act 1979 of the United Kingdom, the Director General of Fair Trading is empowered to ban an estate agent who does not observe the law from practising, and investigate property transactions to deter and penalize any unscrupulous estate agents. Legislation has also the advantage of providing channels for complaint, and a statutory code of conduct applicable to the whole industry, so that consumer rights are properly protected. The Estate Agents Act 1979 of the United Kingdom also explicitly states that the buyer's deposit will be kept in an escrow account; consumer protection is

in this way enhanced. It is up to the estate agents to improve their professional ethics. Apart from self-regulation, a licensing system will in the long run enhance the professionalism of estate agents. The adoption of a licensing system is not to be taken as a means of making it more difficult for one to enter the profession. The licensing system in many foreign countries usually requires estate agents to study short courses and pass certain examinations in order to make sure that practitioners meet the minimum standards. In the long run, a reasonable licensing system is actually a goal which all estate agents should strive for, for the good of their profession.

As publicly proposed by Mr A R SCOTT, head of the Division of Corruption Prevention of the ICAC recently, regulation may take place along the following lines.

(1) The Government should legislate against unlicensed and unqualified estate agents from practising in Hong Kong;

(2) It is up to the real estate sector to rigorously enforce regulations and disciplinary actions to combat unscrupulous estate agents, or alternatively, a monitoring body should be set up to do the job.

(3) Channels should be made available to enable property buyers and sellers who have been cheated by estate agents to lodge their complaints and applications for compensation more speedily and efficiently.

It is clear from the above analysis that legislative control, industrial discipline and a licensing system are three, mutually compatible, ways of ensuring professional ethics and standards of estate agents. It is up to the authorities concerned to get on with the legislation as a matter of priority to make sure that home buyers are duly protected. Both the Consumer Council and the ICAC have proposed legislative control and licensing as measures to be taken. May I ask the Secretary for Planning, Environment and Lands to explain whether it is because of insurmountable difficulties that decision has not been taken even now to legislate against the malpractices.

I would also like to talk about the professional standards and ethical conduct of property managers.

Some private building management companies do not conduct their business ethically. For example, management fees are randomly raised without the need to

secure the consent of the vast majority of individual owners. Litigation costs arising from mismanagement or negligence of the management company are invariably to be borne by the individual owners. Books of account are in a mess. It is due to such problems that the United Democrats propose that some of the unfair clauses of the deed of mutual covenant governing private building management should be legally rectified. The Government should also legislate to clearly define the legal responsibilities of the property managers so that they will not be able to pass the buck to the individual owners. Legislative means should also be used to make sure that the property managers are not able to randomly raise the management fee, and that they have to keep a clear account, so that the rights of the individual owners will not be trespassed upon by the unethical management companies.

The professional standard of property managers is also a matter of public concern. The best monitoring mechanism is the setting up of a registering, licensing and scrutinizing system which will promote a systematic training programme. Licensing by category will enable the property management companies to, each according to their size, have a given number of trained property managers in their employ, and improve their management quality generally. I understand that the relevant professional property management associations, including the Hong Kong Chapter of the British Institute of Estate Management, have also thought about devising a code of conduct. The public will of course welcome self-regulation and the formulation of a professional code of conduct. But if we want to find a radical solution to the problem of estate management, we will have to meet the most important requirement that both legislation and a licensing system must be in place to ensure the quality of professional estate management service and the protection of the rights of property buyers.

With these remarks, I propose we proceed with the adjournment debate.

MR MARTIN BARROW: Mr Deputy President, Hong Kong has one of the most active real estate markets in the world.

Real estate is a vital feature of our economy. This is true both in terms of the wealth creation process in its widest sense and also, of course, in terms of government revenues. Furthermore Hong Kong real estate development and management practices are becoming increasingly relevant to China's budding real estate industry.

The health and well being of our real estate industry are therefore legitimate concerns of this Council.

Hong Kong has a wealth of outstanding and thoroughly professional talent working in its real estate industry both among the development and investment companies themselves and also among the agency firms that serve them. Unfortunately there are also a few bad apples as has become apparent in the recent speculative boom. This is a problem not unique to Hong Kong.

I submit that the right policy for Hong Kong should be to create an environment in which the healthy development of our property services industry will be encouraged. Our first priority should be to encourage the good to drive out the bad.

I am convinced that the property services industry has both the motive and the will to clean its own house. My reasons for saying this are:

Firstly, the danger to the industry as a whole and thus to the livelihoods of the major participants posed by leaving matters unchanged;

Secondly, the fact that responsible members of the industry have already, in response to the same concerns that prompted this debate, gone ahead and formed the Hong Kong Association of Real Estate Agents and the Association of Property Management Companies with the specific objective of moving these industries towards professionalism and self regulation as well as earning the esteem of the community and the Government.

What this Council needs to do is to give them the tools to do the job. This would include empowering the governing bodies of the associations I have just mentioned to penalize, deregister or otherwise discipline their members in the same way as other professional bodies are able to do.

Mr Deputy President, I suggest that the approach I have outlined should provide Hong Kong with an efficient and ethical real estate services industry at no cost to the public purse (other than that of enacting some simple legislation) and with no additional government bureaucracy.

Finally, Mr Deputy President, Mr Ronald ARCULLI has asked me to say that he endorses these remarks.

Thank you.

MR JIMMY MCGREGOR: Mr Deputy President, Hong Kong, with its unique economy, has always been a place where speculation has been an important, indeed essential, element of business development. Hong Kong, following a free enterprise, free trade philosophy has always provided ample opportunity for speculators. We have been a territory where the devil takes the hindmost and there has been little sympathy for the loser. To the victor the spoils.

That philosophy has nurtured our economy and we have been greatly successful. Other economies have learned from us and some have copied us with good results.

But the end result of economic growth and success must be a fair division of wealth and a society in which unfair advantage is restrained. As our economy has grown, the people of Hong Kong have also benefitted and have earned continually improving real wages. These have been used to provide better education for their children, and a better living environment for their families. A large proportion of our working people have entertained the hope that they might buy and own a home. In every country, home ownership is a vital element in the stable development of the society. The Government of Hong Kong realized in 1953 that an essential ingredient in domestic stability was the provision of housing for families. The resettlement over many years of over two million people in government housing had an enormous stabilizing effect allowing parents to concentrate on earning wages and raising families. As the economy improved and savings increased, the Government and the private sector combined to build homes not for rent but for sale. The partnership has produced hundreds of thousands of family-owned homes.

Our economy is very strong by world standards and real wages continue to increase. The demand for homes therefore is almost insatiable. Our massive home building programme progresses but does not fully meet the needs, nor will it ever do so.

In this situation, where demand outstrips supply by a considerable margin, the temptation for developers, and agents, to manipulate prices and take unreasonable profits must be very great. We have seen a very large upward movement in price for new homes during the last two years, to a worrying extent. A high proportion of all new homes appears to be in the hands of speculators. We have seen disturbing evidence of triad involvement in the allocation of purchasing rights for new homes in some

cases leading to intimidation and violence. We have noted that some developers have appeared unwilling or unable to control initial sales effectively and fairly.

We have also noted that homes are sold on the market under differing measurement criteria for the saleable area and that there is no compulsion on developers and salesmen to provide standardized information on homes placed on the market and advertised. Apartments advertised as having 1 500 sq ft may have less than 1 000 sq ft of saleable floor space. The system by which saleable area is advertised is not regulated by law in all cases. Private developers and property agents are not required by law to disclose the saleable area for all premises advertised for sale. Prospective purchasers may well be misled. Since an apartment may be the most important purchase ever undertaken by an individual or family, there must surely be a clear legal protection of the rights of the purchaser to know exactly what is being purchased including the precise saleable area and facilities.

In addition, the standards which estate agents have exhibited have shown substantial differences. Some have been good and sometimes very good. Others have been, unfortunately, very, very bad. It is not necessary for me to spell out the common faults. They are well known and my colleagues in the Council have set out many of them already. Complaints have been directed at the Government and at the Consumer Council many times and with justification. The professional bodies which represent estate agents agree that standards must be established and then maintained by law since self-regulation has not worked and will not work in the face of speculation and greed. I am therefore in favour of action by the Government to set up a committee charged with the examination of the present situation and to put up proposals to provide protection to a long suffering public in the purchase of their homes. I note, incidentally, that this debate has already galvanized the real estate industry into making various useful proposals in this direction. It is a pity in my view that such action was not proposed long ago when it became clear that estate agents were not playing the game with the buying public.

I also take this opportunity of suggesting that the management of private sector housing estates should be a subject for detailed examination by the Government. Here again, we have examples of very bad managers being able to continue to manage large private housing estates whose individual apartment owners feel deeply aggrieved that their rights are not being respected yet who cannot do much themselves to improve the situation.

I am dealing at present with one such case where, oddly enough, the managers are of the highest quality, yet where a most serious dispute which has lasted for several years has not yet been resolved. The circumstances of this particular dispute seem to me to warrant a public inquiry. It would certainly provide a very good case study in what can go wrong without adequate legal protection and a satisfactory system of arbitration for use by all the parties concerned.

MR ALBERT CHAN (in Cantonese): Mr Deputy President, I will speak on the issue of property management. It is estimated that about 60% of Hong Kong people live in private buildings. However, the Government has always failed to formulate a sound policy and to establish proper monitoring mechanism with regard to the management of private buildings, which has consequently become a most controversial social issue.

Insofar as the management of private buildings is concerned, given that most of the management companies are in fact the subsidiary companies of the developer, there is no way the small proprietors can protect their own interests. Unfair clauses are commonly found in the existing deeds of mutual covenant, including the prohibition of small proprietors from forming an owners' corporation to manage their building by themselves. Secondly, the management right is given to the subsidiary company of the developer, either for good or for an extended period of time. Thirdly, the management company approved by the developer has the absolute right of formulating and amending the provisions governing the building without the need to seek in advance the views of the majority of the small proprietors. Fourthly, litigation costs and compensation arising from mismanagement or negligence of the management company are to be met by management fees paid by the small proprietors. It is obvious that the small proprietors have been deprived of the right to manage the building in which they live. There is no way they can check irregularities, involving unreasonably high management fee, inadequate supervision on expenditure, and problems relating to tender selection. They will have to grin and bear it. For even if they decide to take legal action and actually win the case in court, the costs and indemnity will have to be paid for by the small proprietors themselves. It is not worth the trouble after all.

On the other hand, that there is no way for them to supervise the management company has given rise to a lot of problems. For example, the deed of mutual covenant (DMC) has been breached in the case of Luk Yeung Sun Chuen managed by the Estate

Management Office of the Mass Transit Railway Corporation (MTRC). According to Section 6H(2) of the DMC of Luk Yeung Sun Chuen, the management company has to put into a separate bank account the fund deposits paid by flat occupants and the surplus from management fees. However, during the period from the start of 1984 until September 1991, the money has instead been put into the consolidated account of the MTRC. The MTRC dutifully paid interest to the residents on the deposits, but since it is not a financial company, it is liable to pay an interest tax to the Government. It has taken the working group on finance of former owners' association two years to work out, towards the end of 1989, that the interest tax paid by the MTRC from 1984 to 1989 actually cost the residents a total of \$240,000. This incident was reported in the February 1 edition of the Pai Shing Semi-monthly. I have taken it upon myself to put out a special pamphlet on the issue. I requested the management company to give permission for me to distribute the pamphlet and questionnaires in the Estate to canvass views of the residents, but the request was turned down. Subsequently, some proprietors quoted that, at a meeting of proprietors held on 27 March 1991, they received a letter from the MTRC in both English and Chinese versions admitting a breach of the DMC. But on 3 May of the same year, the MTRC wrote to the proprietors of Luk Yeung Sun Chuen to state that it had not breached the DMC. The inconsistency has left many small proprietors quite puzzled. Although the MTRC agreed eventually in September 1991 to open a separate account for the residents of Luk Yeung Sun Chuen, the letter from the MTRC reiterated that it had not broken the DMC and would not acknowledge any responsibility for the consequences. The fact is that we can see from the case of Luk Yeung Sun Chuen that the rights of the small proprietors are not protected at all. Even an elected Councillor returned in that constituency has not been able, being repeatedly thwarted by the MTRC Estate Office, to canvass views of the residents or present a work report to them; indeed, the questionnaires delivered on the doorsteps were fished out one by one by the security guards. Residents' queries of the security department and the management company have not received reasonable explanation. Residents have no channels of to air their grievances at all. If this can happen to a large company such as the MTRC, the seriousness of the problem with smaller companies is not hard to imagine.

Due to the various management problems of private buildings, I and the other UDHK Members of this Council propose that the Government set up as soon as possible a sound system of registration, licensing and scrutiny. It should be stipulated that each management company should according to its size have a proportional number of professionally qualified staff and it will not be allowed to operate until it has been properly registered and issued with a licence after careful assessment by the

Government. Management companies may be divided into three categories. Category one companies can manage all kinds of buildings and large estates. Category two companies can manage an estate of two to six blocks. Category three companies can only manage a single building. Any management company which has committed mismanagement or other very serious offence is liable to have its licence revoked. Due to the lack of proper monitoring of the management companies, I believe this problem is actually a time bomb. In the event of a management company closing down or flying by night with their clients' money, it is likely that over tens of millions of dollars will be involved. Should it continue to turn a blind eye to this problem, I think, if any mishap takes place, the Government must be held accountable for it.

Mr Deputy President, these are my remarks.

DEPUTY PRESIDENT: Five Members have yet to speak. At 11.20 pm I shall call on the Government to reply.

PROF EDWARD CHEN: Mr Deputy President, in Hong Kong's booming property market, estate agents play a very active role in the transactions of properties, particularly second-hand properties. They are also active in promoting overseas properties. Unfortunately, incompetent, deceptive and/or unethical practices of the trade have become a source of consumer grievance. In the past three years, the Consumer Council received a total of 430 complaints against estate agents, which grew from 67 in 1989 to 248 in 1991. The magnitude of the problem is most likely far greater than has been suggested by the number of complaints received, as in many cases neither the purchaser nor the vendor is aware of the fact that he has been the victim of malpractice or fraud.

To improve the protection to consumers in the second-hand property market, it is the view of the Consumer Council and many professional bodies that there is a genuine need to regulate the operation of estate agents in Hong Kong; specifically, legislation which eventually leads to a full licensing system of all estates agents should be enacted.

As the establishment of a full licensing system would take time and there is an urgent need to regulate the present malpractice of many estate agents, an Estate Agents Ordinance ought to be enacted first to set out the minimum standards to be

met and duties to be performed by all estate agents. The Government should also explore the possibility of regulating the sales of overseas properties. At present, the Securities and Futures Commission is given the task of monitoring the promotion of overseas immigration funds in Hong Kong. A similar monitoring of the promotion of overseas properties should also be undertaken by a relevant government department.

Since May 1991, self-regulation has been initiated by some parties within the trade of estate agents. It is understood that the Government has deferred decision on the legislative control of the trade pending the outcome of self-regulation.

While self-regulation can certainly raise the professional standard of the trade, nothing short of legislation can ensure universal compliance to any code of ethics or requirements for professional qualifications. A steering committee should be set up by the Government with a view to working out the legislative framework to regulate estate agents. The committee should also lay down the terms and conditions on which self-regulation is based.

The Consumer Council also received many complaints against property management companies. For the years 1990 and 1991, the number of complaints were 51 and 52 respectively, complaining about excessive maintenance fees, poor quality of service, and lack of building maintenance.

The Administration is urged to consider the following: First, it is more reasonable for the owners to be able to terminate the appointment of the property manager upon a resolution reached in voting by owners of not less than one half of the undivided shares, instead of not less than two thirds. Second, a standardized and equitable system for the allotment of undivided shares in the determination of the contribution to management fees should be formulated. And lastly, a tribunal should be set up to deal specifically with property management disputes.

MR SIMON IP: Mr Deputy President, complaints against estate agents are increasing. We have heard statistics from other speakers and those that have been provided by the Consumer Council show that in 1990, 115 complaints were received and in 1991, 248 complaints were made. These complaints vary in nature but are usually serious, involving dishonest or unethical practices. Some of the more common complaints include, for example, confirmor sales by agents who push up the price of a property between the time it leaves a genuine seller and is bought by a genuine

buyer; deception of the vendor or purchaser or both as to the value and size of the property; mishandling or misappropriation of clients' money; manipulation of the terms of sale to the disadvantage of the vendor or the purchaser; coercion of clients over the choice of a solicitor or a bank in order to benefit from commission payments from that solicitor or bank.

Given our buoyant property market, we are seeing more and more individuals profiting as estate agents, often at the expense of the consumer. Many of them are without any qualification and need no more capital than the cost of a newspaper advertisement and a mobile telephone. Their activities are wholly unregulated by legislation and there are no ready means of redress by those who are victims of their malpractices.

It is against this background of rising complaints and a booming property market that I urge the Government to initiate measures to regulate and control estate agents.

The strong presence of speculative elements in the residential property market makes it all the more important to protect genuine investors and end-users from unscrupulous operators.

I urge the Administration to introduce an Estate Agents Ordinance which would, among other things, provide for the licensing of estate agents, set minimum standards to be observed by them, provide legislative sanctions against dishonest or unethical practices, offer redress to consumers, mandate a standard form of preliminary agreement for sale and purchase, specify conditions under which clients' money is to be held and establish an independent body to monitor the practices of the trade. Licensing should be a pre-condition to practice as an estate agent. To obtain a licence, an agent should demonstrate a suitable level of knowledge of estate agency law and practice and be judged by a licensing body as a fit and proper person.

The licensing body should be vested with the power and responsibility to regulate and monitor the actions of its members, and to discipline those who fall below accepted standards of ethical conduct.

A compensation fund should be set up to compensate clients against defaulting agents who cannot satisfy claims from their own resources.

Mr Deputy President, in view of its public importance and the lack of any visible

action by the Government to deal with the problem, I urge the Government to address this issue with urgency.

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, I have to first of all declare that my surveying firm is related to estate agencies. Today's subject for the adjournment debate addresses both estate agents and property managers, who are engaged in fact in two quite different lines of work. Given the time constraint, I will only focus on the issue involving estate agents.

I sometimes have the feeling that Hong Kong is really a very strange place. In terms of real estate transaction, Chinese people attach the greatest importance to a comfortable place in which to live and Hong Kong people, low and high income earners alike, are most keen on owning a comfortable home. It is for this reason that the real estate industry has always been so prosperous in Hong Kong. However, these important business activities have never been regulated by the Government. Consequently, even though the price of a flat is as high as \$2 million, making property absolutely a big ticket luxury item, its buyer does not enjoy any greater protection as a consumer than the buyer of a piece of vegetable in the fruit market.

Since property transaction involves millions of dollars, the estate agent as a go-between should have wide and expert knowledge of the law and financial management. The Government has so far paid no attention to professional qualifications of estate agents and their code of conduct. The Co-operative Resources Centre (CRC) takes the view that this kind of extreme laissez-faire policy which completely disregards the impact on consumers should be immediately abandoned.

A competent estate agent should, I think, receive training in the three following areas. First of all, he should have the legal knowledge associated with the property sale and purchase agreement. He, as a facilitator of the property transaction, should have the basic legal knowledge about transaction contracts in general, and contracts concerning property in particular, for otherwise there is no way he could tell whether a contract is legally binding or not. Secondly, he has to have the legal knowledge associated with the transaction of real estate. For example, the recently passed amendment Bill relating to stamp duty has extended the scope of stamp duty. It is up to the estate agent to provide the expert knowledge and service to his clients. He should be very familiar with the laws and be professionally upright in order that the rights of both seller and buyer are protected. The third area of training is

in the knowledge of financial management. The estate agent has to regularly handle the deposit money of buyers on behalf of the sellers and other moneys in the course of property transactions. It is absolutely necessary that he should have the knowledge of financial management and adhere to a strict code of conduct so that he can appropriately handle the money in his temporary care.

But what is the real situation like? I think everyone knows the answer. It is true that in recent years training courses are organized by some estate agents and a code of professional conduct is in the early stages of being formulated. However, there have been two associations set up within the industry which, generally speaking, is still very much a free-for-all. Put in another way, most of its practitioners are still not trained in their trade and, theoretically speaking, anyone can become an estate agent.

CRC believes that in order to get rid of the black sheep in the industry and to protect the rights of consumers, the Government should change its longstanding attitude of live and let live. The trend towards self-regulation of estate agents in recent years is an encouraging development, but the Government has so far failed to provide any legal base or parameters for their self-regulation. No attempt has been made to reconcile the differences between the two associations of estate agents. Self-regulation has not been able to proceed beyond the first step.

CRC believes that self-regulation is a very good concept. Most of the professions, such as the medical, legal, accounting and surveying professions, are regulated by means of self-regulation. But what is indispensable in this whole business of self-regulation is that a body of law has to be available for compliance to ensure that the self-regulatory rules devised by the professions are really in line with the public interest.

Indeed, estate agents are already regulated in many developed countries nowadays. The Government can refer to the overseas experience to come up with a system which is suitable to Hong Kong. For example, the Government can make it obligatory for estate agents to receive a given amount of training as well as establish a licensing system such that anyone breaching professional ethics or the law will have his or her licence revoked. Both the Consumer Council and the Independent Commission Against Corruption have asked the Government to legislate to regulate the estate agents; the Government cannot afford to waste any more time by not acting. Mr Deputy President, CRC reiterates that the Government should immediately study specific means

of exercising supervision over estate agents. It is not an issue of whether or not to act, but one of how to act. Thank you very much.

MR JAMES TO (in Cantonese): Mr Deputy President, it is vitally important that the quality of property managers should be improved. We can refer to some background information.

First of all, half of Hong Kong's population or more live in private multi-storey buildings. Improvement of the management of multi-storey buildings has far reaching implication to law and order, environment and public hygiene. Secondly, the Home Ownership Scheme (HOS) estates are in the process of transferring to the management of private firms and this will have an implication to more and more people. Thirdly, the Government will shortly introduce a Bill to repeal Section 2A and to rectify the inequity of the Deed of Mutual Covenant (DMC). It is for this reason that there is a greater demand for high quality managers. Improvement of quality is inevitable; the question is how to bring this about.

Indeed, the present climate is already too favourable to the companies already in the industry. We need a system and climate which can improve quality for it is only through competition that improvement can come about. There is no competition to speak of in the present practice. First of all, the big proprietors tend to appoint their favoured management company through the DMC; the big developer usually leaves the management to a subsidiary company while the small developer simply gets friends or relatives to do it. There is no improvement without competition. If they have not done a good job, the paying small proprietors have no way of dismissing or choosing another management company. Secondly, the management company is almost risk free. Not even the factor of inflation need to be taken into account in terms of cost outlay because the manager's fee is calculated according to a percentage of expenditure and all costs are effectively paid for by the small proprietors. Inflation will push up expenditure but it will also boost the manager's fee as well. Thirdly, if the management company does not discharge its duties properly, it need not take any blame for it. Monetary compensation resulting from litigation will be paid out of a contingency fund to which the small proprietors are contributors. If you sue him for dereliction of duty, he will use your money to fight the legal battle with you. That is extremely unfair.

We believe that to solve the problem, we have to first of all encourage a

competitive environment. First of all, Section 2A and all other provisions and systems, which get in the way of the small proprietor asserting his rights and taking over the right and the freedom to choose the manager, should be abolished. Secondly, the legal responsibilities of the manager should be explicitly spelt out by means of legislation. It should be explicitly stipulated in the legislation that if the manager acts incompatibly with his role as a trustee or maliciously derelicts his duties or commits any criminal offence, then the legal consequences and monetary compensation which result will be borne by the manager, instead of by the small proprietors. Serious dereliction of duty could even be regarded as a criminal offence. We understand that the Government, as a first step, is going to release a bill rectifying the unfair provisions regarding estate management but the above point has not been taken into consideration. I hope that the Government will be able to make a response before long. Thirdly, the quality of managers has to be improved. Presently, there is a shortage of professional managers in this area. We suggest that formal training courses should be organized by professional bodies, the universities and the polytechnics to produce more professional managers. Meanwhile, in-service training should also be held for serving Housing Officers or Housing Assistants in order that they will have more opportunities for further studies to upgrade the general quality of management. My UDHK colleagues have already spoken on the issue of setting up a licensing system. Also, we also suggest the setting up of a private buildings tribunal so that disputes could be settled expeditiously and cost-effectively.

Lastly, I personally like to bring up a point concerning a bill to be introduced by the City and New Territories Administration (CNTA), which in its drafting stage stipulates that the Secretary for Home Affairs may send staff to inspect some of the accounting records of the relevant companies. I wish to issue a warning again on this occasion that in the transitional period many small management companies will seek to take advantage of the chaotic situation. I hope that CNTA will increase staff to exercise its power to monitor the transitional arrangements of the companies involved to forestall small proprietors, particularly the so-called dang-tou-lou (that is, single building) small firms, from engaging in serious irregularities. Lastly, as the United Democrats spokesman on private housing matters, I would like to urge the Government to seriously consider, as some Members have proposed just now, the immediate formulation of an estate agents ordinance.

MR HOWARD YOUNG (in Cantonese): Mr Deputy President, we have spent nearly two hours

today debating the housing problem and we have also mentioned the sandwich class. As property buyers the sandwich class are the most vulnerable to exploitation by the unscrupulous estate agents. The money they use to buy property could very well be the largest expenditure of their life time. Many practices of the estate agents are in fact in violation of the interests of these home buyers. Generally speaking, the normal practice in Hong Kong is for the buyer to pay the commission to the estate agent, through whom he conducts his transaction. It should be the case that when someone buys something, and pays his agent a commission, then the agent is expected to act in the interest of the person from whom he receives his commission, but the contrary is true in a lot of cases. For example, the malpractice of pocketing the difference between the buying and selling prices is not uncommon in the process of the estate agent finding a flat for the client buyer. Actually, Mr MAN Sai-cheong has just talked about the estate agent acting as a confirmor; with the property price being raised artificially, the estate agent receives commission from the client buyer at the same time as he is acting against the latter's interest. In the second scenario, the estate agent, having found a flat for, and received the deposit from, the client buyer, then goes out to persuade the seller to renege and give up the deposit. He says that he has found a buyer who is willing to pay a higher price than the agreed price in the morning and that it is better to pay back double the deposit to the buyer in order to re-sell to the higher-bidding buyer. But he has already accepted the commission of the original buyer. I think that this kind of malpractice creates great injustice to the sandwich class whom we sympathize with and wish to help.

I recall a visit to a flat selling site at Ma On Shan at Easter. Two gangs were already handing out pamphlets outside the entrance even before the flat sale began. One was saying, "If you want a flat here, some people make \$230,000, some \$80,000, some \$30,000. Please contact Estate Agency X." Another was saying while handing out the pamphlets, "We offer a good price to buy the flat you have been allotted." The flat sale did not begin until the following day. The third party is sometimes confused as to whether these estate agencies are in the property business or the speculation business. This is a real puzzle to many people. It was early on reported by a television station that anyone who sets up at the entrance to a building site a desk with pieces of paper on it can call himself an estate agent and start operation there and then.

Mr Deputy President, there is an industry whose agents used to be complained of by consumers for violating their interests and proposals were made for the Government to regulate it through legislation. Subsequently, with legislative regulation also

came self-regulation, and the industry has been able to develop healthily since. This in turn has led to an improvement of the image of the industry as a whole, not to mention the protection of consumer rights and reduced number of complaints. I am not predicting the future, I am in fact telling an old story. The tourism industry was in a similarly bad shape years ago; now it has been revamped with self-regulation in various aspects, including office floor area, professional qualifications of staff, size of running capital, and permission to advertise, and so on. I hope the Government will regulate the estate agencies as soon as possible, in the light of this experience. Thank you.

11.20 pm

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, I will speak first about estate agents. Then the Secretary for Home Affairs will speak on property managers.

I agree with Members who have pointed out that estate agents play an important role in property transactions. The public are right to expect estate agents to be competent and honest.

Real estate brokerage is the primary business of about 2 700 companies registered in Hong Kong. Over 90% of them employ less than 10 people. Unlike the larger firms, which tend to have professionals on their staff, the smaller companies are often run by people with no qualifications in the property field. We need to consider therefore whether it would be practical to require property transactions to be undertaken only by professionally qualified people. Indications are that more property transactions are handled by estate agents without formal professional qualifications than by those with them. In addition, in many cases sellers and buyers with no relevant expertise manage to agree basic terms of a property transaction without much assistance. We therefore need to steer a careful course, particularly in the short term, between demanding more professionalism and giving the power of indispensability to a limited supply of professionals. The consumer will not thank us if we achieve the latter and produce an inferior rather than a better service as a result.

The problem of unethical conduct by estate agents can range from sloppy service to outright fraud. I share Members' concern at the increasing number of complaints lodged against estate agents in recent years. Although the number of complaints may

seem rather small, and the increase may be due in part to greater consumer sophistication, the trend is significant and cannot be ignored.

The Administration shares the view that the community should be assured that the standards of service our estate agents are aiming for are sufficiently high. Up to now, estate agents have been left to operate largely on their own. As a first step towards any proposals for regulation or control of estate agents' operations therefore, we need to obtain a better understanding of the trade. With this in mind, the Administration has been having discussions with representatives of the trade since last summer.

The major theme in these discussions has been how to promote the standards and practices of estate agents so as to inspire greater consumer confidence and provide better consumer protection. The discussions have also reflected the acceptance by many operators in the trade of the need to meet the increasing expectations of the public that service will improve.

Two trade associations have been formed: one in October last year and the other in February this year. Their membership recruitment efforts have met with an encouraging response so far. The associations plan to promote professionalism among their members and increase public awareness of their services, draw up a code of practice, organize training courses in co-operation with educational institutions and set up a public complaints procedure. These developments are all in the right direction.

The Administration has also reached an understanding with the two associations that the introduction of some form of regulation of estate agents through licensing should be pursued. In this process, a better definition of the level of professional competence required than is presently available will have to be established. It will also be important to provide an adequate opportunity and sufficient time for practising estate agents to receive the necessary training and achieve the required standard.

Any regulatory system will need to be carefully worked out. Questions such as the required standards to be attained before a person can practise as an estate agent or operate an estate agency, whether an estate agent should operate as an intermediary between seller and buyer or represent only one party's interests, likely effects on the commission charging system, possible enforcement mechanisms, and so on, will have to be addressed. If legislation is proposed, resources will be required for

administration and enforcement. As we are all aware, any bid for such resources will have to compete with others for priority.

Mr Deputy President, some headway has already been made in bringing about the self-regulation of estate agents. The Administration will pursue its discussions with representatives of the trade, monitor the progress of their efforts and listen to their views and those of other interested parties in seeking the way forward. We will be looking beyond self-regulation and examining the form of possible regulatory controls. The suggestions put forward by Members today, for which I am most grateful, will certainly encourage us in our further deliberations.

SECRETARY FOR HOME AFFAIRS: Mr Deputy President, I would like to thank Members for their views on the standard of property management.

The Government encourages flat owners to take a direct interest in the management of their own buildings. In many instances, owners' corporations are formed in private buildings to promote that interest. Caretakers are employed to take care of the communal areas and to guard the buildings. The standard of management is normally very satisfactory and professional managers are not required.

Property managers in both the private and public sectors are generally well qualified. Those in managerial and executive positions are mostly in possession of qualifications of the Institute of Housing (Hong Kong Branch) or the Royal Institution of Chartered Surveyors or the Hong Kong Institute of Surveyors. These are all long-established professional associations. In addition, a couple of associations have been set up in Hong Kong in recent years with comparable membership. They are the Hong Kong Institute of Housing and the Society of Hong Kong Real Estate Administrators.

In order to foster greater public confidence in the standards of property managers at all levels, the Government has encouraged the above mentioned bodies to form the Hong Kong Association of Property Management Companies Limited which was incorporated in January 1990.

The Association's main objectives are to establish, improve and maintain standards for the professional management of land properties; and to safeguard public interest by effective supervision of the membership of the Association.

In performing its self-regulatory role, the Association has drawn up a Code of Conduct to be observed by all its members. A member is liable to reprimand, suspension or expulsion if its conduct is found to be in contravention of the Code or otherwise inconsistent with the aims of the Association.

In view of the very active and positive stance taken by the Association, the case for a licensing scheme in respect of the qualification and standard of property managers is less than pressing.

We do see it as our best option to allow the Hong Kong Association of Property Management Companies Limited to continue to develop and to perfect its self-regulatory role. For the time being, we will be monitoring the situation closely and will keep an open mind on other options should it become necessary to consider them.

We cannot solely rely on property managers alone to bring about good property management. The owners have a key role to play in successful management as well. There must be a spirit of co-operation between them so as to create and maintain a good living environment in their homes. The Government is also concerned with property management, having the duty to provide an effective legal and administrative framework.

Members will be pleased to note that most of the points raised by them in respect of building management are covered in an amendment Bill to the Multi-storey Buildings Owners Incorporation Ordinance which will be introduced into this Council before the end of the current Session.

MR MARTIN LEE: Mr Deputy President, with great reluctance I must draw your attention to the following facts --

First, there does not appear to be a quorum; and secondly, all ex officio Members have apparently gone home including, in particular, the ex officio Member who had moved that this Council do adjourn.

DEPUTY PRESIDENT: Mr LEE, as you have now pointed out to me that a quorum is not present, I am unable to put the question on the adjournment. I would therefore use common sense and adjourn on my own initiative. I therefore now adjourn the Council

until 2.30 pm on Wednesday 13 May 1992.

Adjourned accordingly at twenty-eight minutes past Eleven 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.