

1 HONG KONG LEGISLATIVE COUNCIL -- 27 May 1992

HONG KONG LEGISLATIVE COUNCIL -- 27 May 1992 1

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 27 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 STEPHEN CHEONG KAM-CHUEN, C.B.E., J.P.

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, O.B.E., J.P.

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

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

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

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

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

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

THE HONOURABLE LAU WAH-SUM, O.B.E., J.P.

DR THE HONOURABLE LEONG CHE-HUNG

THE HONOURABLE JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE VINCENT CHENG HOI-CHUEN

THE HONOURABLE MOSES CHENG MO-CHI

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

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

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

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE MISS EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

THE HONOURABLE 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 PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE ZACHARY WONG WAI-YIN

ABSENT

THE HONOURABLE EDWARD HO SING-TIN, O.B.E., J.P.

PROF THE HONOURABLE EDWARD CHEN KWAN-YIU

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

THE HONOURABLE NG MING-YUM

THE HONOURABLE HOWARD YOUNG

IN ATTENDANCE

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

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

MR CHAU TAK-HAY, J.P.

SECRETARY FOR TRADE AND INDUSTRY

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

MR IAN ROBERT STRACHAN, J.P.

SECRETARY FOR SECURITY

THE CLERK TO THE LEGISLATIVE COUNCIL

MR LAW KAM-SANG

Papers

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

Subject

Subsidiary Legislation L.N. No.

Employment Agency (Amendment)

Regulation 1992.....
159/92

Import and Export (Fees) (Amendment)

Regulation 1992.....
160/92

Merchant Shipping (Certification of Officers)

(Amendment) Regulation 1992..... 161/92

Merchant Shipping (Fees) (Amendment)

Regulation 1992.....
162/92

Merchant Shipping (Launches and Ferry Vessels)

(Amendment) Regulation 1992..... 163/92

Tenancy (Notice of Termination) (Exclusion)
(Consolidation) (Amendment) Order 1992..... 164/92

Rules of the Supreme Court (Amendment)
Rules
1992..... 165/92

Tax Reserve Certificates (Rate of Interest)
(No. 2) Notice 1992.....
166/92

Sessional Papers 1991-92

No. 77 -- Report of the Police Complaints Committee 1991

No. 78 -- Kowloon-Canton Railway Corporation
Annual Report 1991

Addresses by Members

Report of the Police Complaints Committee 1991

MRS PEGGY LAM: Mr Deputy President, on behalf of the Police Complaints Committee, may I present the Committee's Annual Report for 1991.

The Committee is an independent body, appointed by the Governor, to monitor and review the investigation of complaints made by the public against the police. Investigations are carried out by the Complaints Against Police Office (CAPO) of the Royal Hong Kong Police Force. CAPO's reports, together with the relevant files, are examined by the Committee, which is assisted by an independent secretariat. A case is finalized only after the investigation result has been endorsed by the Committee.

For the benefit of the careful readers who compare the figures in one part of the report with those in another part, let me make two clarifications.

First, the number of complaints received is not the same as the number of allegations. A complaint may, and usually does, contain more than one allegation.

Secondly, the number of complaints received in a year is not the same as the number of reports examined by the Committee in the same year. For obvious reasons, not all the complaints received in one year can be fully investigated within the same year.

I shall now highlight some of the contents in the Committee's Report.

In 1991, 3 158 complaints were received. This represents a drop of 7.8% against the 1990 figure. It is also the lowest since the setting up of the Committee in 1986.

Even this all time low figure may appear to be hardly satisfactory. However, we should see it in the proper perspective. By the very nature of their work, police officers frequently come into situations which render them liable to complaints because of inconvenience caused to citizens. To give an idea of the frequency of such situations, 1.08 million persons were stopped and checked in the street and 1.63 million traffic summonses and tickets were issued in 1991. These are, of course, only two examples of the type of police duties which might give rise to conflict if there were a lack of understanding on either side.

While the total number of complaints received in 1991 represent an all time low since 1986, the number of complaints alleging assaults -- 1 699 in 1991 -- is the highest among these years. It represents a 3.3% increase over 1990 and a 36% increase over 1986.

I should point out, however, that in both absolute and percentage terms, more and more such allegations were either subsequently withdrawn by the complainants or were not pursuable because the complainants refused to give sufficient information. In the investigation reports endorsed by the Committee in 1986, 47.3% of the assault allegations were subsequently withdrawn or not pursuable. The percentage has steadily increased to 85.3% in 1991.

That brings me to the examination of CAPO's investigation reports. In 1991, 3 333 reports have been endorsed by the Committee after examination and where necessary, queries and suggestions raised with CAPO. (Believe me, this auspicious figure of three-three-three-three has come about by accident and not design.)

These reports deal with 4 580 allegations, of which about two-thirds were withdrawn or not pursuable. Only 2.3% of these allegations were substantiated.

Some may point to the low percentage of substantiated allegations and suggest that the present complaints system is ineffective. Such an inference is invalid because it assumes that most complaints are justified. While we should not easily dismiss a complaint as misguided, it is equally important that we should not disbelieve a complainee simply because his account of the incident differs from the complainant's. This is the reason for the 27.1% of allegations which were classified as "Unsubstantiated". Nearly all these cases involve the complainants' words against the police officers', with no independent witness for either side.

To support the view that a complainant's words are not easily dismissed as misguided, I should mention that of the 4 580 allegations considered by the Committee in 1991, only 84 or 1.8% were classified as "False". Consideration was given in each and every such case on whether to prosecute the complainant for wasteful employment of police time.

With regard to the 3 333 CAPO's reports endorsed by the Committee in 1991, the final conclusions reached in these reports incorporated 123 suggestions made by the Committee, mainly on further investigation required and classification of result. In addition, 269 comments and queries were raised and CAPO's subsequent explanations were accepted.

During the year under report, the Committee also held extensive discussions with CAPO on new procedures in dealing with complaints.

As a result, with effect from 1 January 1992, new procedures have been adopted to deal with sub judice complaints, that is, complaints which are likely to be raised again by crime suspects during the court case against them. After considering the advice of the Attorney General, the Committee has accepted his and CAPO's suggestion that normally only a preliminary investigation should be carried out before the court hearing. Each case is to be considered by the Legal Department on whether or not a full investigation into the complaint is necessary. The sub judice complaints procedures will be reviewed in mid-1993.

The Committee has also accepted CAPO's suggestion that with effect from 1 January

1992, minor complaints such as those alleging abusive language and impoliteness should be resolved informally, if the complainants so agree, through the personal intervention of a senior officer of Superintendent or above. Such informal resolution would save the time which would otherwise have to be spent on a full investigation, would give the complainant a more satisfactory result and also, would be an opportunity for the senior officer to give the complaineé some personal advice.

Finally, on behalf of the Committee, I would like to place on record our appreciation of the co-operation given to the Committee by the Commissioner of Police, and in particular, his officers in CAPO.

Kowloon-Canton Railway Corporation Annual Report 1991

FINANCIAL SECRETARY: My Deputy President, in accordance with section 14(5) of the Kowloon-Canton Railway Corporation Ordinance, I table the annual report and accounts of the Kowloon-Canton Railway Corporation for the year ending 31 December 1991.

The Corporation continued to maintain a strong financial position in 1991. Operating revenue stood at \$1,849 million, an increase of 16% over 1990. Including income from property development, net profit for the year was \$449 million. A dividend of \$140 million was paid to the Government. This represents a return to the taxpayers on the substantial public investment in the Corporation. It also underlines the Corporation's ability to operate on a prudent commercial basis.

At the end of 1991, total assets of the Corporation stood at \$5.4 billion and borrowings at less than \$1 billion. The year-end debt to equity ratio was 1:4.3. Cash generated by the operating divisions was sufficient to cover ongoing capital expenditure and debt repayment.

The Kowloon-Canton Railway carried 189 million passengers in 1991, an increase of 5% over 1990. Passengers to and from Lo Wu increased by 13% to 31 million, while through train traffic between Kowloon and Guangzhou rose by 7% to 2.5 million.

Major improvements were made during the year to enhance services. Ninety-six new train cars were delivered by October 1991. The new train timetable achieved an average punctuality of 96%. A programme to install additional escalators and replace old ones also started in 1991.

Freight business dropped slightly owing to keen competition in the Hong Kong/China freight market, resulting in a 4% decline in overall traffic. A study to evaluate future options for the Corporation's freight strategy has been carried out.

The Light Rail Transit System carried 95.7 million passengers in 1991, an increase of 11.6% over 1990. The three regional links in Tuen Mun were all commissioned by February 1992. Work has started on the Tin Shui Wai Extension for completion in early 1993. Thirty new light rail vehicles will be delivered starting this October. Improvements to the cooling capacity of the existing vehicles' air-conditioning system have also begun.

Over the next five years, the Corporation has budgeted \$4.6 billion for infrastructure and service improvements. Major projects include redeveloping the Ho Tung Lau Depot and Maintenance Centre to provide better maintenance and more stabling area for the KCR fleet; improving the signalling system and station facilities; expanding the Kowloon Goods Yard for better cargo handling; and providing additional light rail vehicles and noise abatement measures. The substantial investment demonstrates clearly the Corporation's continued commitment to upgrade its systems to provide high quality services.

In sum, the Corporation has continued to operate successfully. I would like to thank the Chairman, the Managing Board, the management and all staff of the Corporation for their achievements in the past year.

Oral answers to questions

Hung Hom immigration control point

1. MRS PEGGY LAM asked (in Cantonese): Will the Government inform this Council whether there are plans to improve and expand the Immigration Department's control point at the KCR Hung Hom Terminal, so as to enable through-train passengers to complete their arrival/departure formalities more comfortably and efficiently?

SECRETARY FOR SECURITY: Mr Deputy President, the existing terminal was not designed

to cope with international travel. It was built in 1975, four years before the through-train system was considered, at a time when all passengers for China had to change at Lo Wu. Therefore, no provision was made for customs or immigration facilities. These had to be improvised within the limits of the existing building.

We have explored the possibility of providing a purpose-built hall with better facilities for the comfort of passengers. But the existing terminal offers little scope for this and it is not likely that significant improvements can be made in the near future. The only immediate improvement we can make is to air-condition the customs and immigration hall. We are discussing with the KCRC and hope to do so by mid-1993.

MRS PEGGY LAM (in Cantonese): Would the Administration consider setting up an additional control point along the KCR line to improve the flow of passengers at Hung Hom station?

SECRETARY FOR SECURITY: Mr Deputy President, this would be very difficult because some passengers might get off the trains as well as get on them. I think it would be very difficult for control purposes.

MR LAU WAH-SUM: Mr Deputy President, the present situation, in summer time, of the Departure and Arrival Hall is really intolerable. It is very hot and the ventilation is very bad. May I ask why we cannot install window air-conditioners in shorter time -- why we have to wait for one year to install air-conditioning?

SECRETARY FOR SECURITY: Mr Deputy President, I agree with Mr LAU that the conditions are very, very difficult. We are considering how quickly we can do this. I understand that window air-conditioners may not be the right answer but I will look into this.

MR MOSES CHENG: Mr Deputy President, will the Administration please advise this Council why it is not possible to establish separate facilities for Hong Kong residents as those offered at Kai Tak Airport, as inevitably this will encourage an

improved flow of passengers checking through the immigration area?

SECRETARY FOR SECURITY: Mr Deputy President, I will consider this. There are at present 14 counters -- seven in each direction. And I will consider this proposal.

MR ANDREW WONG: Mr Deputy President, judging from the supplementary answer that the KCRC might do this by mid-1993, if agreement has not been struck between the Government and KCRC can the work really be done within a year, or less than a year? It is bound to be less than a year as this is mid-1992 now.

SECRETARY FOR SECURITY: Mr Deputy President, the present proposal is that the KCRC would install the air-conditioning for the Government and we would pay the maintenance costs.

"Sun Kam Fat" incident

2. MR STEVEN POON asked (in Cantonese): Regarding the incident of the barge "Sun Kam Fat" with its load of vehicles and the tug-boat "Yau Luen No. 7" being intercepted by the Chinese public security officers and its crew of eight being taken to the Chinese Public Security Bureau on 21 April 1992, will the Government inform this Council:

(a) whether the barge and the tug-boat were in Chinese waters or in Hong Kong waters when the incident took place;

(b) whether there has been any negotiation with the Chinese side over the incident; if so, what is the latest development; and

(c) whether arrangements can be made with the Chinese side to allow these crewmen to meet their families; if not, why not?

SECRETARY FOR SECURITY: Mr Deputy President, when the Marine Police and an Auxiliary Air Force helicopter arrived on the scene, both the barge and the tug-boat were in

Chinese waters. The Chinese side have subsequently confirmed to us that their patrol vessels first intercepted the two Hong Kong boats in Chinese waters. At no time were any of the vessels observed by the Hong Kong authorities inside Hong Kong waters.

There has been no negotiation with the Chinese side over this incident, although immediately afterwards and again on 7 May we sought information from them about the incident and the whereabouts of the crew of the barge and the tug-boat.

Whether the members of the crew can be permitted to receive visitors is a matter for the Chinese authorities. We are awaiting their response to our enquiries about the crew.

MR STEVEN POON (in Cantonese): Mr Deputy President, it is considered reasonable and humane in Hong Kong for a person in custody to be allowed to receive his relatives. Given the increasing close working relationship between the Hong Kong and the Guangdong authorities, would the Administration inform this Council whether arrangements, by way of other channels such as the Sino-British Joint Liaison Group or meetings of the Commissioner of Police with the Chinese authorities, can be made to enable the members of the crew to meet their relatives?

SECRETARY FOR SECURITY: Mr Deputy President, I believe the best solution in these circumstances is to use the normal diplomatic channels, and this we have done on two occasions since this incident took place.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, apart from waiting for response from the Chinese side, will the Administration inform this Council whether it will take the initiative to send officials to visit the members of the crew in custody with the object of understanding the course of the event that day, and identifying and offering any assistance the crew might seek from the Government of Hong Kong? If not, what are the reasons?

SECRETARY FOR SECURITY: Mr Deputy President, as I stated in my opening statement, we believe from the information available to us that this incident took place in Chinese waters. We believe the best way to resolve this is through diplomatic

channels.

MR JAMES TO (in Cantonese): Mr Deputy President, it is mentioned in the third paragraph of the main reply that whether the members of the crew can be permitted to receive visitors is a matter for the Chinese authorities. Besides diplomatic channels, are there indeed any other channels available to help these people to meet their friends or relatives? Has the Administration made any other attempts in this regard?

SECRETARY FOR SECURITY: Mr Deputy President, I think I have already answered this question. We believe the answer is to use diplomatic channels; we do not believe there are any other practical channels that we could use in these particular circumstances.

DR CONRAD LAM (in Cantonese): Mr Deputy President, in the second paragraph of his main reply, the Secretary mentioned that the Administration had, immediately after the incident and again on 7 May, sought information from the Chinese side about the incident. Have the Chinese authorities indeed provided the information required in response to the two requests? Could this Council be provided with that information, if available? Was this barge with its load of vehicles involved in smuggling activities?

DEPUTY PRESIDENT: Certainly, the first part of the question is within the ambit of the main question and answer, Secretary for Security. I do not think the second part of the question arises from the main question or answer.

SECRETARY FOR SECURITY: Mr Deputy President, with regard to the first part of the question, we have not yet had a reply from the Chinese side to either of our two requests.

MR ANDREW WONG: Mr Deputy President, the Secretary has said that at no time were any of the vessels observed by the Hong Kong authorities inside Hong Kong waters. Could we have a legal definition of "Hong Kong waters" and be advised whether the definition

is accepted by the Chinese?

SECRETARY FOR SECURITY: Mr Deputy President, the waters are defined legally and they are clearly known to both the Chinese authorities and to the Hong Kong Marine Police and other enforcement agencies.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, would the Secretary inform this Council whether the Marine Police and the Auxiliary Air Force helicopter arrived on the scene following receipt of the emergency call; if yes, how long did they take to reach the scene following receipt of the call?

SECRETARY FOR SECURITY: Mr Deputy President, a report was received at 1445 hours on 21 April from a male person to the police through a 999 call. On receipt of this report, the Marine Police despatched police launches and a helicopter to the scene. The marine police vessels, as it happened, reached the scene first at 1509 hours. At that time the two vessels and the Chinese patrol vessels -- there were two Chinese patrol vessels -- were all in Chinese waters.

MR STEVEN POON (in Cantonese): Thank you for allowing me to ask one more supplementary question, Mr Deputy President. According to the report on vessel movements by Cha Kwo Ling Marine Office, "Sun Kam Fat" still berthed at the cargo working area of the marine office at 1130 hours that day; in other words, the barge did not depart before 1130 hours. Would the Administration inform this Council whether it would be possible for the barge to reach Chinese waters in two hours or so at 1445 hours?

SECRETARY FOR SECURITY: Mr Deputy President, I cannot verify that question, simply because I do not know at what time that vessel left Hong Kong waters.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, could I ask whether representatives have been sent by the Administration to visit the eight members of the crew in jail or in custody? If not, is it the obligation of the Hong Kong Government to do so? Would this constitute a dereliction of duty if the Administration fails to do its best to understand the course of the event and provide protection to the people of Hong Kong?

SECRETARY FOR SECURITY: Mr Deputy President, we do wish to protect Hong Kong people when they are outside Hong Kong. We believe the way to do it, in these circumstances, is through diplomatic channels. We do not believe it is appropriate to use any other method.

Right of abode in Hong Kong

3. MISS EMILY LAU asked: Will the Government inform this Council:

As Article 24, Chapter III of the Basic Law refers to Chinese nationality and the period of residence in Hong Kong as criteria in determining the right of abode, whereas the existing legislation refers to the Chinese race and the period of residence in Hong Kong as criteria, will the Government inform this Council what progress has been made in ensuring that Hong Kong residents who are of Chinese race with foreign nationality and who have satisfied the residence requirement will automatically enjoy the right of abode in the Hong Kong Special Administrative Region after 1997?

SECRETARY FOR SECURITY: Mr Deputy President, talks are under way within the Joint Liaison Group with a view to aligning the provisions of the Immigration Ordinance with the relevant provisions of the Basic Law. The status of ethnic Chinese with other nationalities will be clarified as part of that process. We hope to be in a position to announce progress as soon as these discussions are completed.

MISS EMILY LAU: Mr Deputy President, will the Government confirm to this Council whether it is true that, unless an agreement is reached with the Chinese, these Hong Kong people who have acquired foreign nationality will lose their right of abode in Hong Kong in 1997; and, in that event, how many people the Government would estimate would be effected?

SECRETARY FOR SECURITY: Mr Deputy President, if I may answer the second part first. We do not know how many people fall into that category; it is simply not possible

for the Government to have such statistics. As to the first part of the question, it is possible for the Hong Kong Government to unilaterally go ahead and pass such legislation, but we do not believe that this will help us through the transition and, in particular, our primary objective is to align Hong Kong legislation with the Basic Law.

MR SIMON IP: Mr Deputy President, the Basic Law contains two terms, one is "Chinese Nationals" and the other is "Chinese Citizens". Will the Secretary please tell this Council whether those two terms are interchangeable, or if there is a difference, what the difference is?

SECRETARY FOR SECURITY: Mr Deputy President, it is one of the issues that we do wish to discuss with the Chinese in the context of the talks in the Joint Liaison Group.

MR ANDREW WONG: Mr Deputy President, I think the gist of Miss Emily LAU's question is whether or not, under paragraphs 1 and 2 of Article 24, -- not section (4) which relates to foreign nationals acquiring the right of abode in Hong Kong -- those persons of Chinese race who were born in Hong Kong or who have been resident in Hong Kong for seven years, once they have been given the right of abode in Hong Kong, could lose it by simply acquiring a foreign nationality. Will that be a part of the negotiations, and what is the Government's position on that question?

SECRETARY FOR SECURITY: Mr Deputy President, the declaration that people would have to take for right of abode in Hong Kong will not affect their nationality. If I have not answered Mr WONG's question properly, perhaps he could put it to me again.

DEPUTY PRESIDENT: I think it was a rather long question, Mr WONG.

MR ANDREW WONG: Mr Deputy President, it is a rather complicated question. I think the gist of the question is not about section (4) of paragraph 2 of Article 24 of the Basic Law which relates to foreign nationals acquiring the right of abode in Hong Kong, but about persons of Chinese race either born in Hong Kong or born elsewhere who have been resident in Hong Kong for seven years; they have been given the right of abode in Hong Kong in that their Identity Cards bear the stamp of "right of abode

in Hong Kong". The question is whether or not they can lose that status once they acquire a foreign nationality?

DEPUTY PRESIDENT: Have you got the question, Secretary for Security?

SECRETARY FOR SECURITY: Yes, thank you, Mr Deputy President. I do not see that once one has acquired the right of abode one will lose it when one takes another nationality.

MR MARTIN BARROW: Mr Deputy President, will the Secretary confirm that, in pursuing this matter through the Joint Liaison Group, the Government will ensure that those of Chinese race with foreign nationality will have consular protection in the future?

DEPUTY PRESIDENT: I am not sure that arises from the main question, Mr BARROW.

MR JIMMY MCGREGOR: Mr Deputy President, will the Secretary take note of the possibility, at least, of many thousands of persons of non-Chinese race, who at present have the right to land in Hong Kong, being given the right of abode by unilateral decision? That, though, is not a part of this particular question, as far as I am aware.

SECRETARY FOR SECURITY: Mr Deputy President, yes, we are aware of this. The Secretary for Security made a statement in response to a written question from Miss Emily LAU in this Chamber, I believe, in the middle of November. That statement still stands.

MR JAMES TO (in Cantonese): Mr Deputy President, will the Secretary inform us whether the Administration's stance or orientation is purely to clarify with the Chinese side the status of persons of Chinese race who have acquired a foreign nationality or to seek and ensure that the right of abode can automatically be given to those who have met the requirement of the period of residence?

SECRETARY FOR SECURITY: Mr Deputy President, clearly I do not want to go into the details of the discussions, but may I say that there are a large number of issues which do need to be discussed in order to align our existing immigration legislation with the provisions of Article 24 of the Basic Law.

MISS EMILY LAU: Mr Deputy President, given that the Government has been negotiating with the Chinese for quite a few years over the right of abode for expatriates in Hong Kong who have lived here for seven years and still have got nowhere, is the Government confident that it will be able to reach a satisfactory agreement with the Chinese on the Hong Kong Chinese people who have acquired foreign nationality? And further, Mr Deputy President, will the Government tell this Council what sort of rights these people would lose should the Government fail to reach an agreement with the Chinese? Would these people then presumably lose their right of abode in Hong Kong in 1997.

SECRETARY FOR SECURITY: Mr Deputy President, we will seek to ensure the rights of Hong Kong people as they exist at present in our discussions with the Chinese. It is not true that we have not made any progress. First of all, in the context of non-Chinese people in Hong Kong, we have of course reduced the unconditional stay from nine to seven years. As for Hong Kong people, we have brought in the concept of right of abode which is a major step forward and was introduced into this Council in 1987.

As to the second part of Miss LAU's question, it is hypothetical; so I choose not to answer it.

DEPUTY PRESIDENT: Could you repeat the second part of your question, Miss LAU, and let me rule on whether it is hypothetical?

MISS EMILY LAU: Yes, Mr Deputy President. My question was: If the Government fails to reach an agreement with China over this issue of whether the Hong Kong Chinese who have acquired foreign nationality will be given the right of abode in Hong Kong after 1997, what sort of rights which they are enjoying now will they lose?

DEPUTY PRESIDENT: I do not see that it is hypothetical; it is a policy question. There is either an answer or there is not, Secretary for Security.

SECRETARY FOR SECURITY: Mr Deputy President, I am not in a position to answer this question at present because we have not got that far in our discussions with the Chinese to be able to answer it.

DR LEONG CHE-HUNG: Mr Deputy President, can the Administration inform this Council what progress has been made towards the right of abode status for non-ethnic Chinese, that is, expatriates, before 1997, who have been in Hong Kong for seven years or over?

DEPUTY PRESIDENT: Dr LEONG, that is outside the ambit of the main question, although it arose as an example in Miss LAU's question.

Education for mildly disabled children

4. MR VINCENT CHENG asked (in Cantonese): In view of the well accepted principle that mildly disabled children (including partially sighted, partially hearing and mildly mentally handicapped) should be encouraged to receive education in ordinary schools, will the Government inform this Council:

(a) whether an ordinary school is entitled to reject a mildly disabled student who has been offered a place in the school through the Government's central allocation system on grounds of the student's disability;

(b) what kind of training is provided to teachers in ordinary schools who have to teach these students and how often such training is organized;

(c) whether the Government has received complaints from parents in the past three years regarding inadequate care and support provided to their mildly disabled children studying in ordinary schools; if so, the number of such complaints and the form of assistance given to the parents; and

(d) what measures the Government will take to further encourage mildly disabled

children to receive education in ordinary schools?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, the Government's policy is that disabled children should receive education in ordinary schools, unless the degree of disability makes it necessary for a child to be placed in a special school. By and large, mildly disabled children are able to benefit from education in an ordinary school, given some extra help in the form of special classes and other services.

An ordinary school is not entitled to reject a mildly disabled student on grounds of that student's disability. Where a disabled child is considered by the headmaster of an ordinary school to be unduly disruptive or incapable of benefiting from education in that school, the case must be referred to the Special Education Section of the Education Department for a ruling. If the results of an assessment by experts in the Special Education Section indicate that the child is unable to benefit from an education in an ordinary school because of his disability, that child will be recommended for transfer to a special school.

Teachers in ordinary schools who are required to teach students in special classes may attend the Two-year Part-time In-service Course of Training for Teachers of Children with Special Educational Needs. This course is operated by the Sir Robert Black College of Education and admits trainees every year. Additionally, the Special Education Section organizes short introductory courses on "Helping Pupils with Problems in the Classroom" for teachers of ordinary classes so as to familiarize them with the general techniques of handling children with special educational needs. These courses are organized twice a year.

The Education Department has received only one complaint during the past three years regarding a mildly disabled child studying in an ordinary school. In that instance, a parent complained that a secondary school had failed to apply to the Hong Kong Examinations Authority for the allocation of an appropriate centre for her physically handicapped daughter sitting a public examination. The school quickly rectified the oversight and satisfactory arrangements were made with the Examinations Authority.

To encourage and enable mildly disabled children to receive education in ordinary schools, the Education Department provides special classes in ordinary schools and

a range of remedial and advisory services for them or their parents. These include the Integrated Kindergarten Programme for mildly disabled pre-schoolers, resource classes and Resource Teaching Centres for children with learning difficulties, peripatetic advisory services for hearing impaired pupils, resource teachers for blind integrators, and so on. These services are regularly reviewed and improved to enhance effectiveness and to ensure that they meet the specific needs of the students.

MR VINCENT CHENG (in Cantonese): Mr Deputy President, in view of the fact that the result of allocation of places for the new school year is to be announced soon, could I ask the Administration which officer of the Education Department parents of disabled children should turn to if the school authorities concerned show signs of reluctance to admit their children when they bring them to school for registration? What is the telephone number of this officer? I believe it will be very difficult to ask the Secretary to give the telephone number off hand; but I hope this could be provided in writing.

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, by a stroke of good fortune I do have the telephone number. A parent who is faced with that sort of situation should contact the Principal Education Officer (Schools Administration) in the Schools Division of the Education Department Headquarters; the telephone number is 839 2225.

MR MOSES CHENG: Mr Deputy President, in the second paragraph of the answer the Secretary informed this Council that an ordinary school is not entitled to reject a mildly disabled student. Would the Administration please advise this Council whether the Education Department is aware of cases where parents are being pressurized by a school to transfer their mildly handicapped children to another school because the teachers are facing difficulties in handling the children? How would the Department be dealing with such cases?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, according to information available to the Education Department, they have no record of specific instances of schools creating difficulties in the way that Mr CHENG has described. Should such a situation arise, then the parents concerned have the right to complain to the

Education Department, to the Principal Education Officer of the Schools Administration, and if such cases are referred to the Education Department, then the Special Education Section will arrange for a detailed professional assessment to be undertaken to ascertain whether the child is or is not capable of benefiting from an ordinary education.

DR LAM KUI-CHUN: Mr Deputy President, would the Secretary for Education and Manpower supply this Council with some facts showing how well these disabled students are integrated into the classes for ordinary students? For example, what percentage of such disabled students require the remedial and advisory services mentioned in the fifth paragraph of the answer?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, there is of course a very wide range of disabilities. I think some disabilities, particularly the milder physical disabilities, have probably very little bearing on the child's capacity to learn. Other disabilities, particularly those involving a mental handicap, would probably have a more immediate impact. As far as statistics are concerned, our assessment is that the total population of mildly disabled children, who are capable of integrating in ordinary schools, was about 36 000 in the 1991-92 school year and, of these, just under 8 000 required intensive remedial or other supporting services.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, would the Administration inform this Council of the employment situation of the mildly disabled persons who have reached the age of 16 and have completed nine years of compulsory education? As the largest employer in the territory, has the Administration taken the lead to set an example to the industrial and commercial sectors in giving priority to mildly disabled persons in employment?

DEPUTY PRESIDENT: That is not really relevant, I think, to the main question, Mr LAU.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, one scenario may be that parents in general may not be in favour of school, in which their children study, admitting mildly disabled children. Has the Administration done anything to improve the

situation?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, I believe this question probably touches on the wider area of public education aimed at changing the community's attitude towards disabled persons. I believe, although I am not responsible for this subject, this is one of the matters which are discussed in the recent Rehabilitation Green Paper.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, in the second paragraph of his main reply, the Secretary said and I quote "If the results of an assessment by experts in the Special Education Section indicate that the child is unable to benefit from an education in an ordinary school because of his disability, that child will be recommended for transfer to a special school." Could I ask the Secretary why they will only be "recommended" and not immediately arranged for a transfer? In general how long will these school children wait in order to be allocated places in a special school? How will the Administration ensure that these children will benefit from education in an ordinary school during the waiting period?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, the allocation of a child to a special school would involve obtaining the consent of the parent, which is why the word "recommended" was chosen in my reply. Should an allocation be accepted, there is at present no difficulty at all in arranging for placement. In fact, as of September 1991 there were more than 9 000 places in special schools and the actual enrolment was only about 8 000.

Manpower situation of medical and nursing staff in public hospitals

5. MR WONG WAI-YIN asked (in Cantonese): Will the Government inform this Council:

(a) of the establishment and vacancy position of doctors and nurses in the Department of Health and Hospital Authority;

(b) whether any complaint has been received in the past two years regarding delay in treating patients, if so, what is the number of complaints received;

(c) what measures the Government will take to ensure that there is no delay in treating patients owing to shortage of doctors and nurses; and

(d) what immediate and long term measures the Government will take to resolve the problem of shortage of doctors and nurses?

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

(a) As at 1 May 1992, the Department of Health has a total establishment of 463 doctor posts and 1 247 nursing posts with vacancies of 17 and 84 respectively. As for the Hospital Authority, funding is provided for a total of 2 385 doctor posts and 16 809 nursing posts with vacancies of 121 and 1 328 respectively.

(b) In the past two years, the Department of Health has received a total of 23 complaints on failure to obtain an appointment at out-patient clinics. No breakdown by nature of complaints about public hospitals for the past two years is available. However, it is the intention of the Hospital Authority to develop a more detailed analysis on the nature of complaints in future according to the hospitals, specialties, service units and personnel involved.

(c) Arrangements have already been made by the Department of Health to facilitate priority treatment of urgent cases at general out-patient clinics. The Nursing Officers and Medical Officers in-charge have flexibility to exercise their discretion to grant special appointments for such cases. As regards specialist clinics and the Accident and Emergency Departments in public hospitals under the management of the Hospital Authority, professional staff will screen patients to assess the severity of their injury or illness and accord them with priority treatment where appropriate.

(d) As I indicated in the written reply to a supplementary question raised in this Council last October, the Government has made strenuous efforts in the past few years to improve the employment terms, career development, training opportunities, working conditions, professional status and job satisfaction of doctors and nurses.

Measures introduced for doctors include revision of salary structure, enhancement to career prospects, honorarium for long working hours and better manning

of clinical units.

Measures for nurses include revision of pay scale, improved career prospects and training opportunities, residential allowance for student nurses, intensified recruitment drive, overtime allowance for Registered Nurses, Part-time Nurses Scheme, introduction of Ward Stewards and Clinic Assistants and greater use of Chinese as medium of instruction for student nurses.

In the long term, we intend to build on the existing foundation and explore further ways to attract and retain doctors and nurses. Various recommendations made by the Working Party on Primary Health Care, such as the development of family medicine in general out-patient clinics and the concept of health nurse, will also help enhance the professionalism and status of nurses. In addition, plans are already in hand to introduce the Nurse Specialist Scheme and actions are being taken to review the manpower situation in the light of recent wastage and recruitment rates.

MR WONG WAI-YIU (in Cantonese): Mr Deputy President, will the Secretary inform this Council whether the present manpower shortage situation, compared with that of the previous year, has improved or further deteriorated? Can he provide us with the relevant figures? And have the past efforts of the Administration to recruit additional medical and nursing staff brought about any notable improvement? If not, why not?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the improvements that we have introduced were initiated in the past two years. It will be too early at this stage to assess the long-term effect. However, as regards the wastage rate of doctors, it has shown an improvement over recent years. Whereas the wastage rate of doctors in 1989 was about 12%, it has now gone down to about 6%. And as regards the nurses, the wastage rate is now remaining stationary at about 10%.

MR MICHAEL HO (in Cantonese): Mr Deputy President, part (d) of the main question concerns "what measures the Government will take" instead of "the various measures that have been taken", and the measures like allowance for student nurses, intensified recruitment drive, Part-time Nurses Scheme and appointment of Ward Stewards mentioned in the reply were in fact introduced more than two years ago. Are there any specific

plans that the Administration is going to carry out? Furthermore, it was also mentioned in part (d) of the main reply

DEPUTY PRESIDENT: Mr HO, it is a very, very long question and there are lots of Members wanting to ask supplementaries. Could you ask one question, please?

MR MICHAEL HO (in Cantonese): I would try to rephrase my question. The payment of allowance and the introduction of the Part-time Nurses Scheme mentioned in part (d) of the reply were introduced more than two years ago. What are the initiatives and specific measures the Administration have in mind to improve the recruitment of nurses? Besides it was mentioned that Chinese would be used as the medium of instruction for student nurses. In fact this was what the nursing profession disagreed with and felt strongly about. Why does the Administration think that this is helpful towards improving the recruitment of nurses?

DEPUTY PRESIDENT: There are two questions there, Secretary for Health and Welfare. Have you got them both?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the improvement to the nursing recruitment and retention situation is on an ongoing basis; so while we have done a lot in the past, more will continue to be done in the future. The measures that we have introduced will continue to be carried on in the future. As regards Mr HO's request about definite plans in the future, in fact the Hospital Authority has established a Working Group on Nursing Services to look into the overall provision and shortfall of nurses, measures to alleviate the shortfall, education and training for nurses, development of the career structure for nurses, redefinition of nursing duties and the development of professional standards, and guidelines and procedures for nurses. So future action will continue to be undertaken, especially by this working party, on the nursing services established in the Hospital Authority.

As regards Mr HO's query about the applicability of introducing Chinese as the medium of instruction, in fact this is already being studied at the Yan Chai Hospital and we will have to wait and assess the effectiveness of this scheme. Anyway, this is one of the measures to improve the recruitment of nurses.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, at present we are facing shortages of both doctors and nurses while there is a large number of doctors and nurses from mainland China who cannot practise here. This is in fact a waste of manpower. Why does the Government not provide them some enhancement courses to upgrade their standard to a level that meet our professional requirements so that they can register and practise here?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, first, to answer the part on nurses. Nurses from other countries, including China, may apply for registration in Hong Kong subject to requirements set down by the Nursing Board. In tackling the problem of manpower shortage, we must bear in mind the interests of patients and ensure that only those who can meet the required professional standards are allowed to register for practice in Hong Kong.

As regards the question of doctors, Members of this Council will be aware that recently the Medical Registration (Amendment) Ordinance has already been introduced and this provides the opportunity for limited registration. If there be a need for meeting the special needs of Hong Kong which cannot be met locally, this limited registration could also be given consideration. It will be up to the Medical Council to promulgate and determine the nature of employment suitable in Hong Kong's circumstances.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, the Secretary has not answered my question. As we all know, one has to sit the qualifying examinations before one is allowed to practise here. Why does the Administration not run some training courses to help them in passing the examinations?

DEPUTY PRESIDENT: That part of the question is slightly at a tangent to the main question and answer, Secretary for Health and Welfare. If you do not have the answer readily, would you be prepared to supply it in writing?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I will attempt to answer the

question raised by Dr HUANG. As regards the provision of facilities to assist people to take examinations, in fact in the Nursing Board there is a CENTOHK Scheme where nurses who have been trained outside Hong Kong will have the opportunity to undergo training. As regards doctors whose degrees are unregistrable in Hong Kong, there will also be the opportunity, when they sit the Licentiate Examination, of assistance from the two universities.

DR LEONG CHE-HUNG: Mr Deputy President, I refer to paragraph (a) of the answer by the Secretary, which basically implies that there are not that many vacancies existing amongst doctors. Will the Administration therefore confirm or otherwise the recent rumours that doctors who have completed their compulsory housemanship may not be able to find employment in either the Department of Health or the Hospital Authority? And if so, will the Administration conduct an in-depth study of manpower projections of doctors to rationalize the intake of medical students by the two medical schools in the future?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, as I mentioned in my main reply, there are 121 and 17 vacancies in the Hospital Authority and the Department of Health respectively for the medical graduates. The recruitment policy of the Hospital Authority is an internal matter for the Authority. My understanding is that, as in previous years, a majority of the graduates will be employed to meet service requirements. Job opportunities are also available in the two universities and in the private sector. Some of the graduates may also decide to go overseas for further studies. As regards the long-term assessment for medical manpower, the Government will remain to be advised by the newly established Health and Medical Development Advisory Committee on the long-term manpower needs and projections.

Budget revision

6. MR SZETO WAH asked (in Cantonese): As the actual surplus at the closing of the Government's accounts for the last financial year is greatly in excess of the original forecast made at the time when the budget for this financial year was prepared, will the Government inform this Council whether the budget for this financial year will be revised to increase the personal tax allowances and provisions for social services (including social welfare and education services)?

FINANCIAL SECRETARY: Mr Deputy President, as a result of the higher than expected surplus for 1991-92, we were in the fortunate position of being able to forgo one of the measures which would otherwise have been necessary to raise the revenue that we need to meet our commitments over the coming years. I refer of course to the increase in general rates.

The 1992 Budget took account of our expenditure commitments, the need for adequate reserves and the possibility of changing fiscal and economic circumstances over the period up to 1996-97. The combined effect of this year's additional surplus and the decision to defer a general rates increase is that our medium term fiscal position remains unchanged. I do not therefore have any intention of making changes to the 1992 Budget, which has already been approved and put into effect.

On the two specific areas mentioned by Mr SZETO, I will only comment that I have already given assurances on increasing personal tax allowances in my next Budget, and that we have already provided for significant real increases in expenditure on social services.

MR SZETO WAH (in Cantonese): Mr Deputy President, the Secretary mentioned in the third paragraph of his reply that "we have already provided for significant real increases in expenditure on social services". Will the Administration inform this Council what "significant real increases" means and how much the total expenditure of these "significant real increases" is?

FINANCIAL SECRETARY: Mr Deputy President, the figures are, of course, a matter of public record. For convenience, the real growth in recurrent expenditure in some key areas, for example, are: 4% real increase in welfare for 1992-93; 9% real increase in health; and 5% real increase in education. Those are all figures given in the Budget speech. The figures, in dollars, are again a matter of public record.

MR ERIC LI (in Cantonese): Mr Deputy President, as far as I know, when the Secretary prepared this year's Budget, he relied on the information up to January and underestimated the revenue from land sales and stamp duty. In reality, prices of

stock and property have been moving upward incessantly. When the Budget for 1992-93 was announced, were there provisions for increases in his projection that property prices would soar to over \$5,000 per sq ft, and stock index would rocket to 6 000 points? When the Secretary revises the budget at the end of this year, if the revenue yields far exceed that of his projection, will consideration be given to increasing expenditure on various services?

FINANCIAL SECRETARY: Mr Deputy President, the question of course relates to the out-turn for the previous financial year, not the out-turn for the current financial year; and I have already answered that question.

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, the Secretary indicated in the second paragraph of his reply about "defer(ring) a general rates increase", and that would not be the same as "foregoing a rates increase". Will the Secretary inform this Council of the time he intends to effect a rates increase, and also of the level of increase?

FINANCIAL SECRETARY: Yes, I am happy, Mr Deputy President, to reassure Members that I have no view on the question of whether or not there should be any further rates increases in the future.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, given that Members relied on the financial figures provided at the time of the Budget debate to decide how they would vote, and that the Administration has now revised the surplus figure and the sum is that staggering, will the Administration inform this Council whether the current practice of having a revised estimate after the Budget has been put to vote is sound, whether Members may change their vote afterwards, and how the Administration would deal with that?

FINANCIAL SECRETARY: Mr Deputy President, I do not know which question to answer?

DEPUTY PRESIDENT: You can perhaps confine yourself to the first question only. Have

you got the first question? It is just the first part of the question that you are asked to reply to.

FINANCIAL SECRETARY: Mr Deputy President, I think, as a matter of fact, the revision was announced by me before the voting on the revenue measures. But it is true that it was after the voting on the expenditure measures, if my memory is correct there. But of course there is no question of re-voting.

MR FRED LI (in Cantonese): Mr Deputy President, the Secretary just now mentioned that there would be 4% real increase in welfare. In view of the huge surplus, will the Administration consider foregoing the original plan of reducing social welfare expenditure by 2.2% and 2.6% in 1992-93 and 1993-94 respectively?

DEPUTY PRESIDENT: I do not think that really arises out of the main question and answer, Mr Fred LI.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, the Secretary once informed this Council that according to calculations, inflation fuelled by the airport projects would be at 11% whereas the Medium Range Forecast put it at 8.5%. Could the Secretary inform this Council whether it would be possible for him to base the calculation of the real growth of welfare expenditure on the 11% inflation rate of the Airport Core Programme?

FINANCIAL SECRETARY: Mr Deputy President, I find it difficult to trace any connection between what is being assumed for inflation on the Airport Core Programme and the question which I have been asked to address which relates to expenditure decisions taken in the last Budget.

Written answers to questions

Harassment of tenants

7. DR HUANG CHEN-YA asked: In view of the frequent occurrence of incidents in which occupants of private premises are forced to vacate their premises by unlawful means, will the Government inform this Council:

(a) how many such cases were reported to the police in the past twelve months; and

(b) whether new cases are dealt with by the relevant authority differently from those cases in which repeated harassment has been reported; if so, what different procedures are applied and how are they different; if not, why not?

SECRETARY FOR SECURITY: Mr Deputy President, there is no offence, per se, of "forcing occupants of private premises to vacate their premises by unlawful means." Such incidents may in the first instance be reported as "criminal damage", "criminal intimidation", and "burglary". The fact that unlawful means are used to force the occupants to vacate a private premises may not be apparent at the time of reporting to the police. Statistics relating to such cases are therefore not readily available.

Each case is dealt with based on its own circumstances. If a clear case of harassment is established, the police will first conduct preliminary investigations. If there is evidence that a crime has been committed, a full investigation will be carried out and if necessary criminal charges laid. The police will also assist in the investigation of harassment cases where the parties involved are un-cooperative or believed to be connected to triads.

In handling disputes between landlords and tenants involving alleged harassment and illegal eviction, the police officer will bring to the attention of the concerned parties the provisions on landlord harassment of tenants under section 70B of the Landlord and Tenant (Consolidation) Ordinance. This section provides that any person who unlawfully evicts the tenant or sub-tenant of occupation of any premises, or commits any act to interfere with the peace or comfort of the tenant or sub-tenant, is liable to a fine of \$500,000 and imprisonment for 12 months on subsequent convictions. The court may also require him to compensate the tenant or sub-tenant.

Where no criminal activity is involved, the Rating and Valuation Department will try to resolve the dispute by mediation and advice.

Noise pollution caused by piling works

8. DR HUANG CHEN-YA asked: In view of serious noise pollution caused by certain piling works, will the Government inform this Council:

(a) how many complaints were received by the Environmental Protection Department and the Police Force in 1991/92 about noise pollution caused by piling works; how many prosecutions were successfully brought against the contractors concerned; and

(b) what legislation and measures are available to control piling activities at construction sites in residential areas; whether there are any plans to review the relevant legislation and measures?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, in 1991, 19 complaints of noise pollution caused by piling works were received by the Environmental Protection Department and the Royal Hong Kong Police Force. Of these, four were dealt with by the police, and 15 by the Environmental Protection Department. Six successful prosecutions were brought against contractors for non-compliance with permit conditions. The remaining 13 cases were the subject of verbal warnings and the contractors took immediate steps to remedy the breach of the permits. 478 construction noise permits were issued for percussive piling activities in 1991.

Section 6 of the Noise Control Ordinance, enacted in 1989, provides for the control of piling activities. Such activities are prohibited between 7 pm and 7 am on weekdays or at any time on general holidays, and are restricted to several periods of operation on weekdays. Construction Noise Permits are issued by the Environmental Protection Department for percussive piling activities carried out on weekdays. These permits restrict such piling to three, five or 12 hours of operation depending on the proximity of noise sensitive receivers, such as domestic premises and schools. In built-up urban and residential areas, percussive piling is restricted to three hours during the less sensitive periods of the day, namely between 8 am and 9 am, between 12.30 pm and 1.30 pm and between 5 pm and 6 pm.

In order to further improve controls on percussive piling activities, the Environmental Protection Department is liaising with the building industry and relevant government departments to promote the use of quieter piling methods in the

urban areas. In addition, from October 1992 onwards, it is proposed to stipulate in the general specifications of contracts for civil engineering works (to be issued by the Works Branch) that contractors should regularly conduct noise monitoring at construction sites where piling works are carried out.

Thailand's political unrest

9. MR LAU CHIN-SHEK asked: In view of the present political unrest in Thailand, will the Government inform this Council whether measures have been taken to ensure the safety of Hong Kong residents currently touring or working in Thailand? If so, what are these measures?

SECRETARY FOR SECURITY: Mr Deputy President, we have been closely monitoring the situation in Thailand via the British Embassy in Bangkok. With the outbreak of violence, the Immigration Department issued a press release advising people to avoid certain areas in Bangkok and to travel there only for essential visits. The Department also set up two hotlines to answer enquiries. Callers were given advice on proposed visits to Thailand and where Hong Kong residents in distress there could get help. The Department was also ready to handle requests for assistance from relatives of Hong Kong residents travelling or working in Thailand. So far, no enquiries or requests for assistance have been received.

Inland Revenue Department's computer system

10. MR ERIC LI asked: At the Legislative Council Sitting on 6 May 1992, the Financial Secretary indicated that the actual surplus for 1991-92 exceeded the amount of \$14 billion as announced earlier by \$6 billion. In view of the fact that the Inland Revenue Department has already had a computer system to calculate the revenue generated from direct taxes such as Salaries Tax and Profits Tax, and that the last financial year had actually ended when the Financial Secretary gave his concluding speech on the 1992-93 Budget Debate on 1 April 1992, will the Government inform this Council:

(a) whether Inland Revenue Department's computer system has been inefficient in calculating the revenue generated from direct taxes resulting in a time lag of three

months in calculating the surplus for the last financial year; and

(b) if so, whether consideration will be given to further enhancing the efficiency of IRD's computer system?

SECRETARY FOR THE TREASURY: Mr Deputy President, the Inland Revenue Department computer system is perfectly adequate for the purpose of calculating the revenue generated from direct taxes.

Only about 20% of the difference of about \$6 billion between the estimated budget surplus mentioned by the Financial Secretary in his Budget speech, and the surplus according to the "first closing" of the Government's accounts, was attributable to increased tax revenue collected by the Inland Revenue Department. The largest contribution to the Inland Revenue Department's "share" of the additional surplus was Stamp Duty (about \$670 million).

The estimated surplus announced in the Budget speech was based on the revised estimates of revenue and expenditure made at the end of January. The Inland Revenue Department had then to make an estimate of the total tax revenue it would collect in the following two months, up to the close of the financial year. In the case of Stamp Duty, collections for March turned out to be exceptionally high because of the buoyant property and stock markets.

Kindergarten places

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

(a) of the annual provision of kindergarten places and the actual enrolment figures over the past five years, and the size of population of children in the corresponding age group;

(b) whether the Government had received any complaints from parents about insufficient kindergarten places in their respective districts and if so, how the Government dealt with these complaints;

(c) whether the existing Fee Remission Scheme for kindergartens will be adjusted,

and if so, what criteria will be followed; and

(d) what annual provision will be allocated for the pre-primary education in the next five years and what the average rate of assistance to each pupil is?

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

(a) The provision of kindergarten places, actual enrolment and size of the corresponding age group as at September of each of the past five years were:

	1987	1988	1989	1990	1991
Number of places	239 440	234 719	224 267	224 718	223 376
Enrolment	225 108	214 703	201 750	196 466	193 658
Population aged 3-5	257 900	247 200	236 200	227 200	225 000

(b) The Education Department has not received any complaints from parents about insufficient kindergarten places in their respective districts.

(c) The Kindergarten Fee Remission Scheme was introduced in the 1990-91 school year and provided with additional funding in 1991-92. The Government aims to bring it more in line with the scheme for senior secondary pupils by relaxing the criteria for eligibility over the next few years. At the same time, the Education Commission is expected to propose further improvements in its fifth report due for publication in June.

(d) The present and forecast provisions for kindergarten education for the 1992-93 to 1996-97 financial years, not including any additional provisions which may result from the improvements in (c) above, are as follows (at March 1992 prices):

	92-93	93-94	94-95	95-96	96-97
	\$Mn	\$Mn	\$Mn	\$Mn	\$Mn

Rent and rates	112.5	112.5	112.5	112.5	112.5
reimbursement to non-profit-making kindergartens					
Kindergarten Fee	25.6	27.3	28.1	28.1	28.1
Remission Scheme					
	138.1	139.8	140.6	140.6	140.6
	==	==	==	==	==

The average rate of assistance to each pupil under the Kindergarten Fee Remission Scheme as at April 1992 was:

Average rate of assistance
per pupil per month

Pupil attending whole-day class \$460

Pupil attending half-day class \$209

Training for retail industry employees

12. MR HOWARD YOUNG asked: Having regard to the statistics published by the Hong Kong Tourist Association that shopping accounted for over 50% of the tourism receipts in 1991, will the Government inform this Council:

- (a) of the plans to meet training needs in the retail industry;
- (b) what resources are set aside for this training; and
- (c) to what extent the Vocational Training Council will be playing a role?

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

(a) The Government provides training through the Vocational Training Council (VTC) to meet the needs of the retail industry. In 1992-93 the VTC plans to provide

for the retail sector 2 140 full-time and 980 part-time places in the relevant training centre and 160 one-year full-time and 60 two-year part-time certificate places in the technical institutes. At the request of the Provisional Retraining Fund Board, the VTC will soon put on a retraining course on basic retail sales techniques for 120 local workers. Such provisions serve to complement the training provided by the Hong Kong Tourist Association (HKTA) and individual employers. For example, the HKTA provides training for in-service tour operators and guides, restaurant personnel and sales personnel. For the retail sector, the HKTA conducts around 26 short courses a year, providing mainly customer service oriented training to some 650 participants who are mostly employees of the retail trade members of the HKTA.

(b) For the financial year 1992-93, the VTC has set aside resources in the order of \$10 million (at 1991 prices) for the training described in subparagraph (a) above. We are also aware that the HKTA, which derives most of its income from a government subvention, spends about \$1.4 million annually on retail trade training.

(c) The main role of the Vocational Training Council is to advise on the measures required to ensure a comprehensive system of technical education and industrial training suited to the developing needs of Hong Kong and to put in place such measures as are approved by the Government. To this end, the VTC has operated relevant courses under its Wholesale/Retail and Import/Export Trades Training Centre and eight technical institutes. Regular manpower surveys are conducted by the VTC to assess the training needs of the industry.

Signage at Kai Tak

13. MR HOWARD YOUNG asked: Will the Government inform this Council whether action can be taken to improve the signage outside the departure hall at Kai Tak Airport to facilitate vehicles dropping off passengers closer to their check-in counter, thus easing pedestrian flow within the airport?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, action can and will be taken to improve signage outside the departure hall at Kai Tak. This is a problem which has been given much thought over the years, but the physical constraints of the departure hall frontage, combined with the large number of airlines which will require to be identified at each dropping off point have made it difficult to design a workable solution.

The approach which is now being pursued is to indicate the location of check-in islands by means of reference letters displayed along the frontage of the departure hall. Departing passengers will be guided as to which airlines operate from which check-in islands by means of prominent signs along the approach roads to the airport.

The current refurbishment of the departure hall has involved some re-allocation of airlines to different check-in islands. Improvements to the signage outside the departure hall will therefore be implemented as soon as possible after the completion of this refurbishment exercise.

Land resumption at Wing Lok Street

14. DR YEUNG SUM asked: Regarding the decision to resume land at Wing Lok Street/Queen's Road Central for the implementation of a development scheme by the Land Development Corporation, will the Government inform this Council:

(a) what effort has been made by the Corporation to negotiate with the affected owners for an acceptable price for their properties;

(b) what the price offered by the Corporation to the property owners was; and

(c) whether the price offered would be sufficient for shop owners to purchase shop premises of similar sizes in the locality so that they can carry on their business in the area?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the implementation of the Land Development Corporation's proposals at Wing Lok Street/Queen's Road Central required the acquisition of 66 private interests. The Corporation and its agents started to acquire these interests in mid-1989 by making written offers to, and discussions with, the owners. The extent of the negotiations varied according to the response of individual property owners.

The purchase offers made by the LDC were based on valuations made by an independent firm of chartered surveyors and supported by a second opinion obtained from a different firm, plus an added amount for incentives. The Director of Buildings and Lands confirmed the offers were not less than the current market value of the property

interests.

Notwithstanding the efforts of the Corporation to secure ownership of the interests by agreement, 30 out of the original 66 interests remained to be acquired after almost three years of negotiations. Some owners simply refused to enter into discussions with the LDC, some counter-demanded excessive prices, and some had title problems. The LDC also invited the owners to find their own valuers to assess the value of the properties, with professional fees to be covered by the eventual purchase amount, but this came to no avail. In order to enable the redevelopment scheme to proceed, the Governor in Council approved the resumption of the outstanding interests in April 1992.

Details of the offers made by the Corporation and counter-claims made are private to the parties concerned and it would be inappropriate to publicize them without their consent.

As regards non-domestic premises, the Corporation had to assess business losses or disturbance on the basis of information provided by the individual businesses. Much therefore depended on the co-operation of the business owners. On the basis of available information, the Corporation's offers for non-domestic premises, including shops, were not less than the current market value of the interests compared with evidence of sales of similar premises in similar locations and having regard to age, tenure and the nature of the business carried on or, where appropriate, the redevelopment value of the site, whichever was the higher. These amounts should enable the affected shop owners to purchase shop premises of similar trading potential.

It should be added that on resumption, the normal compensation terms in government clearances apply. If the owners remain dissatisfied, they have the right to refer the valuation assessment to the Lands Tribunal for a determination.

Area Committees

15. REV FUNG CHI-WOOD asked: Will the Administration inform this Council which districts apart from Tai Po and North Districts are without area committees; what are the reasons for not forming area committees in these districts; whether Government has any plans to establish area committees in these districts; if not, what is the

reason for not doing so?

SECRETARY FOR HOME AFFAIRS: Mr Deputy President, Area Committees were first formed in 1972 primarily to promote public participation in the Keep Hong Kong Clean Campaign and Fight Violent Crime Campaign. They evolved later to become an additional channel for advising the Administration on matters affecting the well-being of local residents. They were formed only when there was a perceived need to supplement existing channels of consultation within a district.

At present, Area Committees exist in all the districts except North and Tai Po. In these two districts, where many areas are still predominantly rural, the Rural Committees provide a very effective channel of communication between the Government and local residents, including both the indigenous villagers as well as new town residents. In addition, there is a well balanced geographical representation on the district boards and their committees. Furthermore, other local advisory committees such as the District Fight Crime Committee, the Civic Education Campaign Co-ordinating Committee and the Summer Youth Programme Co-ordinating Committee comprise of members who come from a wide spectrum of social background and interests. Many of them are representatives from local Owners' Corporations and Mutual Aid Committees.

Because the channels of communication between the Administration and the local residents are already effective and adequate in North and Tai Po, there has been no need to establish Area Committees in these districts, nor are there any plans to form Area Committees in the near future. The situation will be kept under review.

Control of signboards

16. MRS PEGGY LAM asked: Will the Government inform this Council:

(a) whether any legislation is in place to regulate the sizes and shapes of sign-boards occupying public spaces; and to ensure that their contents are related to the business being operated, that such sign-boards are hung up only with the approval of the authorities and after the payment of licence fees, and that they are removed once the business operations have been wound up or moved to another location;

(b) if so, which Departments are now responsible for the control and subsequent removal of the sign-boards; how effective such control is;

(c) if not, what the reasons are; what measures the Government will take so that those untidy sign-boards will not become eyesores?

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

(a) Approval for the erection of signboards is required from the Land Authority if the conditions of the land lease would be contravened or if the sign would encroach upon government land. The content of signboards may be controlled under the conditions of the land lease, the Control of Obscene and Indecent Articles Ordinance, the Objectionable Publications Ordinance, the Smoking (Public Health) Ordinance and the Undesirable Medical Advertisements Ordinance; but there is no requirement that the content must relate to any particular business function.

At present, there is no statutory control on the size and shape of advertisement signboards as such. The Administration's primary concern is in relation to the safety of overhanging signboards. Where signboards pose a threat to public safety, they are removed either by the owners themselves or, where necessary, by the Buildings Ordinance Office (BOO) of the Buildings and Lands Department.

(b) Under the Public Health and Municipal Services Ordinance, the Director of Buildings and Lands has the power to remove or to render safe signboards which are considered dangerous or likely to become dangerous. As part of its enforcement activities on building safety, staff of the BOO seek out dangerous signs on a daily basis as well as relying on notification through public complaints. Since April 1987 (when the BOO took over the control of dangerous signs), 5 682 notices have been served on sign owners and 65% of these signs have been removed voluntarily. The remaining signs were removed by the Government Contractor on default by the owners. Objectionable signs are removed by the police under the Objectionable Publications Ordinance.

(c) The Director of Buildings and Lands is empowered by the Public Health and Municipal Services Ordinance to deal with dangerous signs. A full system of control, erection and maintenance is not in place because it would involve substantial resources which would not be commensurate with the degree of risk involved and

unlikely to be recoverable through charges. Signs which are untidy but do not pose a public safety hazard are tolerated as their removal on aesthetic grounds could, again, not command priority for resources. Nevertheless, building owners, under the Multi-storey Buildings (Owners Incorporation) Ordinance, may do anything necessary to enforce obligations contained in the deed of mutual covenant for the control of their building, including the removal of unsightly or abandoned signs.

Special Industries Area in Tuen Mun

17. MR NG MING-YUM asked: With regard to the Government's proposed plan to develop a large special industrial zone and construct an inland terminal depot in Area 38 and Area 47 of Tuen Mun respectively, will the Government inform this Council whether any effort has been made to assess the impact of such developments on the environment and the already serious traffic problem in the district; if so, what the findings are; and if not, why not?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the Administration commissioned consultants to investigate the feasibility of developing a Special Industries Area (SIA) and a River Trade Terminal (RTT) at Tuen Mun. The initial environmental impact assessment has shown that, if appropriate mitigation measures are taken and modern standards of pollution control are applied, the site is suitable for the purposes described. The development will not have an unacceptable environmental impact on the residential areas of Tuen Mun to the east or the marine environment off the new reclamation. While the traffic noise problem faced by the occupants of some residential and school buildings in the area may be worsened by further development in Tuen Mun West, this will not be attributable to the development in Area 38 alone.

The environmental mitigation measures recommended in the study include the re-provisioning and extension of the submarine outfall and the emergency by-pass of the Pillar Point Sewage Treatment Plant, and the construction of a by-pass along the Castle Peak foothills between Butterfly Estate and Wong Chu Road to reduce traffic noise near the residential areas along Lung Mun Road. In addition, future operators at the SIA will be subject to separate, project specific and detailed environmental impact assessments at the project planning stage.

The transport implications assessed under the study indicate that the proposed developments would impact mainly on Lung Mun Road, Wong Chu Road and Tuen Mun Road eastbound towards Tsuen Wan as well as northbound towards Yuen Long. Improvement measures which should have been completed before the SIA and RTT are fully developed include:

(a) dualling of the section of Lung Mun Road between Pillar Point and the western part of Area 38, scheduled to commence in early 1994 for completion by early 1996; and

(b) improving grade-separated interchanges at key junctions, including the ones at Wong Chu Road/Lung Mun Road and Wong Chu Road/Tuen Mun Road. These improvement works will start in early 1994 and be implemented in stages over five years.

The long-term external transport implications of the development of Areas 38 and 47 are being investigated in detail under the Tuen Mun Port Development Study. A longer-term improvement will provide a by-pass from Wong Chu Road to the part of Lung Mun Road south of Melody Garden. This project is scheduled to commence in early 1994 and be completed by 1999. This, together with the Route 3 Country Park Section, should provide effective relief for Tuen Mun Road.

Hong Kong's capital share in the Asian Development Bank

18. MR DAVID LI asked: At present, Hong Kong has a 0.60% capital share and a 0.86% voting share in the Asian Development Bank (ADB), whereas Taiwan, for example, has shares of 1.19% and 1.34%, respectively. Has the Government considered increasing the territory's capital share and voting share in the ADB?

SECRETARY FOR MONETARY AFFAIRS: Mr Deputy President, the size of a member's subscription to the Bank's capital stock is basically determined by reference to a member's economic capacity as reflected by Gross Domestic Product figures adjusted for population, tax revenues and exports on a weighted basis. Whilst there are no present plans to increase Hong Kong's capital share and voting power in the Bank the occasion may arise in a year or so's time in the context of the next General Capital Increase to replenish the Bank's capital stock.

In the meantime, the Government is keeping under review other means of increasing Hong Kong's participation in and support for the activities of the Bank. The Government will shortly be approaching the Finance Committee of this Council for approval to contribute to the fifth replenishment of the Asian Development Fund, which is used for loans to the neediest developing country members of the Bank.

Financial assistance from the Asian Development Bank

19. MR DAVID LI asked: What steps has the Government taken to solicit financial and/or non-financial support from the Asian Development Bank (ADB) for the various infrastructure initiatives which comprise the Port and Airport Development Strategy (PADS)?

SECRETARY FOR MONETARY AFFAIRS: Mr Deputy President, the Government has been in informal contact with the Asian Development Bank since early 1992 to explore the possibility of the Bank participating in the financing of some of the PADS projects. These informal soundings are still in progress.

AIDS protection for local sportsmen

20. DR LAM KUI-CHUN asked: Will the Government inform this Council what measures are available or will be available to protect local sportsmen from contracting AIDS through injury while participating in body contact sports in Hong Kong or in international sports competitions, such as the forthcoming Olympic Games?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, AIDS is normally transmitted through sexual intercourse, blood and from an infected mother to her child. It is not transmitted through saliva, sweat, tears, urine, swimming pool water, communal bath water, toilets, food or drinking water.

In theory, there is a possible risk of transmission when one infected athlete with a bleeding wound or a skin lesion comes into bodily contact with another athlete who also happens to have a skin lesion or exposed mucous membrane that could serve as a possible portal for entry of the human immunodeficiency virus. In practice,

the risk is very low. Furthermore, there is no risk if one party does not suffer bleeding wounds or other skin lesions.

Still, for guidance to sportsmen, the World Health Organization has developed a Consensus Statement in consultation with international sports associations including the International Olympic Committee. The advice includes medical counselling for infected sportsmen, interruption of sports for immediate treatment of wounds and prompt reporting of skin lesions to responsible personnel. These procedures are part of the general hygiene and first aid practice for all sports and are observed worldwide. According to the World Health Organization, there is no medical or public health justification for testing or screening for AIDS prior to participation in sports activities.

Local sports organizations are encouraged to consult the Department of Health for advice and health education on AIDS.

First Reading of Bills

MAGISTRATES (AMENDMENT) (NO. 2) BILL 1992

POLICE FORCE (AMENDMENT) BILL 1992

GOVERNMENT FLYING SERVICE BILL

BUILDINGS (AMENDMENT) (NO. 2) BILL 1992

CHIROPRACTORS REGISTRATION BILL

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

Second Reading of Bills

MAGISTRATES (AMENDMENT) (NO. 2) BILL 1992

THE ATTORNEY GENERAL moved the Second Reading of: "A Bill to amend the Magistrates

Ordinance."

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

The Criminal Procedure Ordinance provides for orders which may be made by the Court of Appeal upon criminal appeal from the High Court or from the District Court. Where an appellant succeeds upon a technical point only, the Court of Appeal may affirm the conviction if it considers that no miscarriage of justice has actually occurred.

In the case of criminal appeals from a magistrate, the Magistrates Ordinance gives the appeal judge a residual discretion to "..... make such other order as he thinks just". For many years it was assumed that this permitted the judge to refuse appeals where there was no miscarriage of justice, on a similar basis to that allowed in the case of District Court and High Court criminal appeals.

But in December 1988, in the case of *Fai Ma Trading Co. Ltd. v L S Lai* (Industry Officer) the Court of Appeal held that this assumption was wrong. The Court reached its conclusions reluctantly, and recommended that the law be amended so as to permit the rejection of appeals made on technical grounds. The Court said that the expeditious and fair dispatch of appeals from magistrates in Hong Kong would be greatly facilitated.

As suggested by the Court of Appeal, the proposed Bill adds the proviso contained in section 83(1) of the Criminal Procedure Ordinance to section 119(1)(d) of the Magistrates Ordinance.

High Court Judges engaged in criminal work have been canvassed and consider that there is a pressing need for amendment. The current law allows appeals to be brought and succeed on technical issues, and compels judges to order new trials with the attendant costs of time and money.

The Chief Magistrate and Director of Legal Aid also support the proposal in the Bill.

The Bar Association and the Law Society have expressed concern that such a proviso could operate unfairly against an accused person. They feel that a magistrate's record may be insufficient for an Appeal Judge to identify potential miscarriages of justice when considering the use of the proposed proviso. I have given the legal profession's

concern very careful consideration, but I am satisfied that judges will have no such difficulty.

The Magistrates Ordinance obliges magistrates to take, in writing, a full minute of the evidence, and objections to and rulings on the admissibility of evidence. If a defendant appeals, the magistrate must supply a statement of his findings on the facts and other grounds of his decision.

Furthermore, pursuant to the proposed amendment, a judge will only be able to dismiss an appeal if he is satisfied that no miscarriage of justice actually occurred by the verdict of the magistrate. In practice, appellants are already allowed considerable latitude to explain alleged miscarriages which they claim are not apparent from the record or the magistrate's statement of findings.

I would like to point out that in the manner of recording a case, the Magistrates Court does not differ from the District Court. Like magistrates, District Judges take their own handwritten notes. A proviso applies in appeals from the District Court, and is administered successfully by the Court of Appeal.

I believe that judges will be well able to identify any case where a miscarriage of justice could occur by the use of the proposed proviso; and I have regard to the fact that the amendment does no more than to restore to judges a power which they had exercised for many years prior to the Fai Ma Trading case. The proposed Bill will assist in the better administration of justice.

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

Question on the adjournment proposed, put and agreed to.

POLICE FORCE (AMENDMENT) BILL 1992

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

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

The Bill seeks to amend the Police Force Ordinance to ensure that the Ordinance will be compatible with the Bill of Rights Ordinance and the Letters Patent. The provisions of the Bill seek to ensure that an individual's right not to be subjected to arbitrary arrest or detention, or unlawful interference with his privacy, is protected in the exercise of powers under the Police Force Ordinance. The Police Force (Amendment) Bill specifies clearly the situations in which police powers to stop, search, detain and arrest can be exercised in order to remove uncertainty and to avoid the possible arbitrary exercise of powers.

The Bill provides that the power to arrest a person reasonably suspected of being guilty of an offence will exist if the offence is one for which the sentence is fixed by law or for which a person may be sentenced to any period of imprisonment. The power to arrest can also be exercised if it appears to the police officer that service of a summons is impracticable. The power to arrest a person who may be charged with any offence is replaced and restricted.

On the power to search an arrested person, the Bill provides that a police officer may search for and take possession of things which he reasonably suspects will be of value to the investigation of any offence that the person has committed or is reasonably suspected of having committed. The general power of search and seizure under a magistrate's warrant is amended along similar lines. In addition, a magistrate may authorize the temporary detention of a person who possesses anything that may be seized and who, if not detained, might prejudice the purpose of the search.

The Bill provides that the power to stop and search can be exercised in two scenarios. The first relates to a person found in a public place who acts in a suspicious manner. In such a case, a police officer may stop the person to demand that he produce proof of his identity, detain him for a reasonable period while the officer enquires if he is a suspected offender and, if necessary, search the person for anything that may present a danger to the officer. The second scenario relates to a person found in a public place who is suspected of having committed, or intending to commit, any offence. In such a case, a police officer has the same power to stop and detain as I have just outlined, and may also search the person for anything likely to be of value to the investigation of any offence that the person is suspected of having committed, or of intending to commit.

We believe the Bill strikes a sensible balance between the need for protection of individuals' rights on the one hand and adequate powers for the police to fight

crime on the other.

In presenting this Bill today, I am conscious that comprehensive proposals on the whole area of law relating to arrest are expected from the Law Reform Commission within the next few months. This Bill is not intended to anticipate those proposals but merely to ensure as far as is possible in the interim that the Police Force Ordinance is not inconsistent with the requirements of the Bill of Rights Ordinance.

The Law Reform Commission is still considering its conclusions but in broad terms the provisions of this Bill are not at odds with the approach favoured by the Commission. I think it fair to say that I expect the Commission's proposals to further advance the clarification and delineation of police powers begun in this Bill.

Members will recall that a fortnight ago, the Crimes (Amendment) Bill 1992, which relates to loitering, was introduced into this Council. That Bill provides that a person commits the offence of loitering if he loiters in a public place with intent to commit an arrestable offence, that is, an offence exceeding 12 months imprisonment.

We believe the offences relevant to police powers of arrest and those which trigger the loitering offence should be different. In the former case, a person is arrested because a police officer has reasonable grounds to suspect that he is guilty of an offence. In the latter case, the loitering provision makes it a crime in certain circumstances merely to intend to commit an offence. It follows that the circumstances which trigger the arrest for the loitering offence should be more serious than those which trigger a wider general power of arrest.

Mr Deputy President, the Police Force Ordinance will become subject to the provisions of the Bill of Rights Ordinance on 8 June 1992. In the event that this Bill is not enacted before 8 June, I am already discussing with the Commissioner of Police how best to ensure that police officers are instructed to exercise their powers at present conferred under subsections 1 and 6 of section 50 in a way which accords with the proposed modifications of this Bill. These two subsections, in particular, present specific problems vis-a-vis the Bill of Rights.

The power of arrest conferred by subsection 1 of section 50 will be exercised in respect of offences for which there is a sentence fixed by law or a sentence of imprisonment and offences where it appears to the police officer that the service of a summons is impracticable; but not in respect of any offence as the law at present

permits.

Likewise, the wide powers of search contained in subsection 6 of section 50 will be limited to searching for, and taking possession of, things that the police officer reasonably suspects will be of value to the investigation of the offence for which a person has been arrested.

Clearly it is important that this Bill is enacted as soon as possible. A prolonged period of uncertainty will be unhelpful to police officers on the streets as they seek to maintain the law. I understand that Members have, earlier this afternoon, established an ad hoc group to examine this Bill. I very much welcome this prompt action. May I assure Members that the Administration will work closely and urgently with the ad hoc group to explain the rationale behind these proposed amendments and to seek speedy enactment.

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

Question on the adjournment proposed, put and agreed to.

GOVERNMENT FLYING SERVICE BILL

THE SECRETARY FOR SECURITY moved the Second Reading of: "A Bill to establish a Government Flying Service and to provide for connected purposes."

He said: Mr Deputy President, I move that the Government Flying Service Bill 1992 be read a Second time.

The Government Flying Service will be a full-time civilian disciplined force performing the functions now carried out by the Royal Hong Kong Auxiliary Air Force (RHKAAF). This Bill will establish the Government Flying Service in its intended roles, provide a framework for the conduct of its membership and provide for discipline. In this respect the Bill is similar to the legislation establishing the other disciplined services.

Before taking Members briefly through the more important features of the Bill I would like to explain why we intend to reconstitute the RHKAAF as a civilian disciplined force and to say a few words on its recent development.

The RHKAAF has its origins in 1949 as a part-time volunteer air defence squadron to provide local support to the Royal Air Force. In the event of a call-out in times of emergency it would come under the command of the Commander Royal Air Force in Hong Kong. The legislation which established the RHKAAF is essentially the same legislation under which it operates to this day. However, its roles today are not military. It is staffed largely by full-time personnel supported by a small number of volunteers. These practical realities need to be reflected in the legislation under which it operates.

An important function of the RHKAAF is to provide air support to police operations. We believe it is essential that this role is performed by a disciplined force and we therefore propose that the legislation governing the Government Flying Service should establish it as a civilian disciplined force, like the police, Fire Services or Customs and Excise. This will reflect the existing reality under which RHKAAF members are paid under the General Disciplined Services pay scales. Arrangements for discipline will be modelled on the arrangements for the other disciplined services.

The RHKAAF provides flying services to the Hong Kong Government. Since 1986 it has undergone an expansion programme to ensure that it can act as the provider of all flying support to the police, including support to the police in their new role on the border, support for PTU, for anti-crime operations, and for the Anti-Smuggling Task Force. It also provides a medical evacuation service and a search and rescue capability at night and in bad weather. Last year, it operated 340 emergency medical evacuation flights, 125 search and rescue operations, including the major rescue of survivors from the capsized oil support barge DB 29 on 15 August 1991, when RHKAAF helicopters rescued 35 survivors. On the helicopter side, it operates three search and rescue and five general-purpose helicopters; these will be augmented by two larger troop-carrying helicopters in January 1993. On the fixed-wing side it has two aircraft for air reconnaissance and search and rescue, one aircraft for air survey work and four small training aircraft. The latter are extensively used to train new pilots under a localization programme.

As a civilian organization the Government Flying Service will be bound by civil aviation legislation. We are currently completing all the formalities to make this transition: for example, to ensure that the aircrew, ground crew and aircraft will have appropriate civilian certification and to finalize, in conjunction with the Civil Aviation Department, the civil operating procedures for the Government Flying

Service. We anticipate all will be completed by 1 April 1993 which we intend should be the commencement of this Ordinance. I now turn to the Bill itself.

The Bill

Clause 3 establishes the Government Flying Service and its functions are set out in clause 5. These mirror the existing functions of the RHKAAF. Under clause 7(2) there is an overriding directive to ensure the safe operation of the Government Flying Service aircraft.

The administrative structure of the RHKAAF will be reviewed late this year when the new Controller (designate) of the Government Flying Service takes up his post. Funding for this post was approved by Finance Committee on 22 May 1992. We have not therefore specified in the legislation this administrative structure. The powers and duties of the Controller are set out in clause 7 of the Bill.

We propose that the Government Flying Service should continue to be able to call on the services of suitably trained auxiliaries. Clause 9 provides for the creation of an auxiliary section with the Governor as Commandant and a senior auxiliary member to be responsible to the Controller for the administration of the section. The auxiliary members of the RHKAAF have performed sterling services to Hong Kong; indeed, very recently two auxiliary members were awarded the Queen's Commendation for Valuable Service in the Air Force for their part in the rescue operation of the survivors of the DB 29 incident. We believe that auxiliary members will continue to have an important role to play in the future.

In Parts III and IV, the Bill provides the parameters for discipline and the operation of a welfare fund for those injured or killed on duty or who otherwise fall on hard times. The details of these regulations and of the general regulations under clause 18 will be gazetted at a later stage and, as subsidiary legislation, will be tabled in this Council.

Finally, Part VI of the Bill provides for the repeal of the Royal Hong Kong Auxiliary Air Force Ordinance and makes various transitional arrangements.

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

Question on the adjournment proposed, put and agreed to.

BUILDINGS (AMENDMENT) (NO. 2) BILL 1992

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

He said: Mr Deputy President, I move the Second Reading of the Buildings (Amendment) (No. 2) Bill 1992, the basic purpose of which is to improve building safety.

The Bill will help make owners more directly responsible for the maintenance and repair of their buildings by enabling the Building Authority to require an owner of a building in suspect condition to have it investigated to establish what remedial work is needed.

At present the Buildings Ordinance requires the Building Authority to specify in an order the remedial work to be done when he considers a building dangerous or liable to become so. The Buildings Ordinance Office therefore has to conduct exhaustive surveys of suspect buildings so that their defects can be described before an order for repair work to be done is served on the owner. While the focus was on prewar buildings the workload of the Office was manageable. But there are now many postwar buildings which, largely as a result of poor maintenance, require survey and repair. To enable this to be done within a reasonable time frame, resources available in the private sector to carry out surveys need to be brought to bear to augment those of the BOO.

Since the prime responsibility for ensuring the proper maintenance and repair of buildings lies with their owners, the Bill proposes to empower the Building Authority to serve an order on the owner of a building which is in suspect condition, requiring him to appoint an authorized person to carry out detailed investigation of his building and to propose remedial work. Thereafter, the carrying out of the work will be ordered. If the owner fails to comply with the initial order, the Building Authority will be able to carry out the investigation work and recover the costs from the owner.

The Bill also seeks to give the Building Authority similar powers to deal with defective building drainage works.

In planning the division of building investigation work between the BOO and the private sector, we intend to take account of the ability of building owners in particular cases to organize and to pay for the professional services required.

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

Question on the adjournment proposed, put and agreed to.

CHIROPRACTORS REGISTRATION BILL

THE SECRETARY FOR HEALTH AND WELFARE moved the Second Reading of: "A Bill to provide for the registration of chiropractors, and disciplinary control of the professional activities of registered chiropractors, and for related matters."

He said: Mr Deputy President, I move the Second Reading of the Chiropractors Registration Bill.

Chiropractic is an alternative form of treatment distinct from allopathic practice of western medicine and surgery. In Hong Kong, chiropractors have been operating for some 20 years. There are now 26 of them, all trained overseas.

In the public interest, it has been our policy progressively to register key health care professions: to ensure high standard of service and to enhance the status of our health professionals. This Bill is part of our continuing efforts to achieve those objectives.

The Bill before Members seeks to establish a Chiropractors Council to be responsible for registration, setting of standards, regulation of conduct and administration of discipline for chiropractors. Having regard to both professional and public interests, the Chiropractors Council will have an equal number of chiropractors and non-chiropractors.

In the process of formulating our proposal, we have throughout maintained close consultation with the chiropractic profession through the Hong Kong Chiropractors' Association. We have fully taken into account their concerns and accommodated their legitimate requests where practicable. We have also discussed the draft Bill, line by line, with the chiropractors.

I am pleased to report that this Bill has their support. Nevertheless, there remains one outstanding issue. This concerns the Chinese title for chiropractors.

The Chiropractors' Association considers that the proposed title would place chiropractors in the same category as "therapists" or sub-professionals. It further contends that as primary health care professionals on a par with practitioners of medicine and surgery, they should be entitled to use the term " " and be addressed as either " " or " ".

We in the Administration recognize the professional status of chiropractors. We appreciate their role in our health care system. We are, however, concerned that people should not be misled into thinking that chiropractors are qualified to practise medicine and surgery. Accordingly, we have proposed the Chinese title " " for chiropractors. It distinguishes them from "therapists" (" ") and supplementary medical professionals (" "). At the same time, it is a well respected designation in use by other primary health care professionals.

Mr Deputy President, I move that the Second Reading debate on this Bill be now adjourned.

Question on the adjournment proposed, put and agreed to.

PREVENTION OF BRIBERY (AMENDMENT) BILL 1992

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

Question on Second Reading proposed.

MR SIMON IP: Mr Deputy President, the Prevention of Bribery (Amendment) Bill 1992 and the next Bill on the Order Paper, namely the Independent Commission Against Corruption (Amendment) Bill 1992, seek to make amendments to the two principal Ordinances to remove provisions which are almost certainly in conflict with the Bill of Rights Ordinance. The two principal Ordinances were exempted from the operation of the Bill of Rights Ordinance for a period of one year from 8 June 1991.

An ad hoc group set up to study the two Bills has held altogether five meetings.

It has invited submissions from various organizations and sought clarification from the Administration. I shall not describe in detail the submissions received but wish to place on record my appreciation of the views of those organizations, which have facilitated the deliberations of the ad hoc group.

Mr Deputy President, I now turn to the major issues on these Bills which the ad hoc group has considered. First, I shall deal with the Prevention of Bribery (Amendment) Bill. The first matter arising on that Bill is the power to detain any person during a search.

The ad hoc group has considered the proposed repeal of the provisions that enable an investigating officer to detain any person during a search under sections 16 and 17 of the Ordinance. The Administration's view is that the power to detain "any person", which could include a person who is not a suspect and who has nothing to do with the matter being investigated, could well be arbitrary interference with the privacy of a person contrary to Articles 5 and 14 of the Bill of Rights Ordinance. Besides, the powers of search and seizure provided for in those sections are not concerned primarily with searching for persons; they are in most instances used to search for and seize evidence. The Administration has confirmed that the proposed repeal would not present any operational difficulties for the ICAC, and that the present powers of arrest sufficiently provide for the arrest of suspects. The ad hoc group is satisfied with the explanation and assurance given.

The second matter arising under that Bill, the granting of bail to persons about to leave Hong Kong after the commencement of an investigation.

The ad hoc group has sought the views of the Administration on the proposed repeal of section 17C(3) and section 18 of the Ordinance which provide for the power to arrest and remand on bail or in custody for a period not exceeding 28 days a suspect without that suspect having been charged. The Administration does not consider that the existing provisions would withstand a challenge under Articles 5 and 8 of the Bill of Rights Ordinance. It has also clarified that the present statutory provisions whereby a suspect may be granted bail either by a senior officer of the ICAC or by the court, coupled with the power to require surrender of his travel documents, are adequate to ensure that the suspect returns to or remains within the jurisdiction. The Administration does not envisage a need to replace the repealed sections. The ad hoc group has been assured that the operational effectiveness of the ICAC will not be hampered as a result of these amendments.

The third matter arising under this Bill is the offence to disclose the identity of persons being investigated.

The existing section 30 of the Prevention of Bribery Ordinance makes it an offence for any person to disclose to any other person the identity of a suspect under ICAC investigation, or any details of such investigation. This section has been criticized as limiting the freedom of the press as it restricts publication of details of ICAC investigations. The section could be challenged as being contrary to Article 16 of the Bill of Rights Ordinance in that it limits freedom of expression. The difficulty here is to strike the correct balance between the basic right of the community to know what the ICAC is doing, against the needs to protect the integrity and confidentiality of ICAC investigations and to protect the reputation of the subject of investigation, particularly where criminal proceedings do not follow investigation.

The Bill proposes amendment to the section so that it will no longer be an offence to disclose the identity of a person who is the subject of an investigation or the details of the investigation after that person has been arrested.

Different views have been expressed by various organizations as well as by Members of the ad hoc group about the proposed amendment. They range from the suggestion that disclosure of identity should only be made after the person has been charged, to a further relaxation of the section so as to permit disclosure in a wider range of situations.

The ad hoc group notes the expression of concern that prevention of disclosure of information may permit or encourage the repressive use of powers under cover of censorship. On the other hand, it also recognizes that corruption is a difficult crime to detect and often requires the conduct of covert investigations before sufficient evidence is obtained to sustain a prosecution. Premature disclosure could prejudice those investigations.

The Administration has explained to us that the primary purpose of section 30 is to preserve the integrity of investigations. By way of a side-wind, its existence assists in the protection of the reputation of individuals against whom reports of corruption are made but in respect of whom thorough investigations later exonerate them. Article 16 of the Bill of Rights Ordinance recognizes the protection of the

reputation of others as a legitimate limitation on the right to freedom of expression. Experience shows that the number of persons arrested and charged only constitutes a small number of cases reported. As an illustration, of the 2 411 reports made to the ICAC last year, 1 759 were pursuable reports and from these, 649 persons were arrested and only 334 were charged. Thus, only 13.8% of cases reported have led to prosecutions in 1991.

The balancing exercise I have mentioned is not at all an easy one to perform. The Administration has undertaken to reconsider the new section 30 in the context of a continuing review of the Ordinance after passage of the Bill. In the light of this, Legislative Council In-House has decided that this proposed amendment be supported.

I now turn to the Independent Commission Against Corruption (Amendment) Bill 1992.

This Bill raises the same concern as in the Prevention of Bribery (Amendment) Bill that the Commission may detain "any person" found during a search even if he is not a suspect. The views of the ad hoc group in this respect have already been mentioned in the context of the Prevention of Bribery (Amendment) Bill and I will not repeat them.

Moreover, the Bill seeks to repeal section 13(1)(c) of the ICAC Ordinance which gives power to the Commissioner to require any person to provide any information which the Commissioner considers necessary. This subsection could be challenged on the grounds of arbitrary interference with privacy contrary to Article 14 of the Bill of Rights Ordinance. The ad hoc group is satisfied that this section should be repealed and that resumption of Second Reading be supported.

Finally, I turn to other provisions of the two principal Ordinances not covered by the two Bills. The ad hoc group believes that there may be other provisions in the principal Ordinances which could be at risk of being held incompatible with the Bill of Rights Ordinance. But to undertake a full and comprehensive review at this stage would result in delay in bringing about the amendments proposed in the two Bills. Members have, therefore, agreed that the ad hoc group should be retained to continue studying the two principal Ordinances with the Administration with a view to implementing further changes in future if necessary.

With these remarks, Mr Deputy President, I support the Prevention of Bribery (Amendment) Bill 1992, as well as the Independent Commission Against Corruption (Amendment) Bill 1992 next on the Order Paper.

MR MARTIN LEE: Mr Deputy President, I rise to voice my strong objection to the insufficiency of the proposed amendment to section 30 of the Prevention of Bribery (Amendment) Bill 1992. I believe both the Executive Council and the Legislative Council In-House have been short-sighted and careless in allowing this amendment to go forward, and this short-sightedness is likely to cause harm to the ICAC in the long run.

As Members all know, the freeze period under the Bill of Rights will expire at the end of next week. Yet, for some reason, it is only recently that the Executive Council has approved Bills to amend the offending portions of the six frozen Ordinances and submitted them to this Council for scrutiny. The delay is reprehensible. The Hong Kong Government first announced that Hong Kong would have a Bill of Rights a full three years ago, a White Bill was introduced into this Council more than two years ago, and the formal Bill of Rights was passed on 6 June 1991. Yet, for some reason, it is only now at the eleventh hour that the Government and the Executive Council have approved amendments to Ordinances that the Government has known for three years would have to be amended.

Now that we are pressed to the last minute, the ICAC says it does not have enough time to carefully consider necessary amendments to the Bill. When some Members of the ad hoc group voiced our dissatisfaction with the proposed amendment to section 30 -- a section whose flaws have long been publicly criticized in the community -- the ICAC replied: "All of these changes require careful thought and careful drafting. It is not easy to see how they can be achieved, with necessary care, in the few remaining weeks of the freeze period." Careful thought and careful drafting -- this was exactly what the Government has had three years to do! And, certainly, this is supposed to be the Executive Council's role: to carefully examine possible amendments to ensure that the amended Bill will be in full conformity with the Bill of Rights. I would like to ask: what has the Government been doing? Why were these questions not raised and carefully considered before this Bill was presented to this Council? I find it inexcusable that important amendments are not being made to this Bill because the Government says it has not had enough time.

My second area of dissatisfaction is the standard that the Government has adopted in amending the frozen Ordinances. The standard is that the Government will only propose amendments to provisions which are "almost certainly inconsistent with the Bill of Rights Ordinance." In other words, if the Government is 99% sure that a provision would violate the Bill of Rights, then it will propose amendments. But, if the Government is only 80% or 90% sure that a provision would offend the Bill of Rights -- a law that both the Executive Council and this Council have stressed is of the highest importance to Hong Kong -- then the Government will not seek to amend that provision. Rather, it will leave it to the courts to decide.

I am afraid that in passing this amendment today, this Council will be adopting a similar attitude. I find this attitude to be both irresponsible and short-sighted. Last year, this Council approved the Bill of Rights, and Members spoke strongly about the need to provide Hong Kong with a baseline of fundamental human rights that has been accepted by countries all over the world. Yet, now when faced with a section that many Members believe is likely to be in contravention of that Bill of Rights, we do not take the responsibility to use our own judgment and demand that the section be properly amended. Rather we wash our hands of the matter and leave all the responsibility to the courts.

Such an irresponsible attitude in the long run will serve only to harm the ultimate purpose for which we are passing this Bill which is to ensure the integrity and effectiveness of the ICAC. Yet, let us consider what the net result of allowing laws to stand that are likely to violate the Bill of Rights. In the course of a prosecution under these laws, the defence will challenge the validity of these laws and the courts are likely to rule the laws to be in violation of the Bill of Rights, thereby allowing the criminals to get off scot-free. The failure of the prosecution will only undermine public confidence and support in the ICAC and hamper the effectiveness of the ICAC, for as we all know, public confidence and support is absolutely essential if the ICAC is to remain the effective anti-corruption body that it is today.

I will not go into every detail of the Bill today, though I am afraid that there are several aspects that are likely to be overturned by the courts. Rather, I will focus on what I believe to be the most egregious insufficiency in the proposed amendment to section 30 of the Prevention of Bribery Amendment Ordinance. Under the proposed amendment, the press is not allowed to report any details of an ICAC investigation until the suspect has actually been arrested by the ICAC. Any step short of arrest -- no matter how public that step may be -- would not lift the

prohibition against reporting.

This means that if the ICAC came into a person's office in the middle of a press conference with a search warrant and demanded to see all of his files, the press would still be barred from reporting the event. Or, similarly, if the ICAC has persuaded a court to confiscate a person's passport, the press would also be committing a crime to report this fact. Such a result is wholly untenable. Surely, the public has a right to know if the Government is taking overt actions against various members of the community. There is little justification for clouding such actions in secrecy.

What, then, is the purpose of this provision? The ICAC has maintained that section 30 is necessary to ensure the Commission's operational effectiveness. Yet, it cannot be said that reporting of a search would hamper the investigation of a suspect, for a suspect whose office has been searched or passport confiscated is already well aware that he is the subject of the investigation.

The provision as it stands seems clearly in conflict with Article 16 of the Bill of Rights, which guarantees freedom of expression, including freedom of the press to report. While the Bill explicitly provides for a limitation of this freedom, those limitations must be necessary -- and I emphasize the word necessary -- to respect the rights or reputations of others or to protect public order. In this case, an absolute prohibition on reporting an overt action such as a search can hardly be justified as necessary on these two grounds. The amendment fails the balancing test required under the Bill of Rights, for it places a blanket restriction on press freedom where a more limited and more carefully drafted restriction would be more appropriate. In striking a proper balance, it is important to remember that there are no such restrictions on the press in reporting police actions. Hence, if the police were to conduct a search of the home of a suspected gang member alleged to have committed murder and robbery, the press would be free to report all details of such event, even though this would alert other gang members of the police investigation.

I cannot over-emphasize the importance of the freedom of the press in protecting all our other freedoms. While everyone in the community wishes to see the ICAC maintain its high level of effectiveness in fighting corruption, we must not sacrifice other vital freedoms, such as the freedom of the press, in order to keep a restriction that will have little bearing on the actual effectiveness of the ICAC. Indeed, we may be doing the ICAC a disservice. For in exposing the ICAC to the risk of an adverse ruling by the courts we risk a loss in the public confidence and support that are

so necessary for the ICAC's effective action.

Hence, with these remarks, I voice my strong dissatisfaction with the amendment Bill as it now stands. Mr Deputy President, in fact, the ICAC did put forward a much better amendment to section 30 which would have a much better chance of withstanding any challenge under the Bill of Rights. Unfortunately, the Legislative Council In-House chose to reject it in preference to the original proposed amendment which is now before this Council. Thus, this Council is now faced with the unpalliable choice of approving a flawed amendment or retaining an even more flawed original. In the circumstances, the United Democrats of Hong Kong would abstain on the voting of this Bill and urge the Government to come forward as soon as possible with further amendments that will once and for all ensure the full compatibility of the Ordinance with the Bill of Rights.

MR RONALD ARCULLI: Mr Deputy President, the Independent Commission Against Corruption (Amendment) Bill 1992 and the Prevention of Bribery (Amendment) Bill 1992 are the first two Bills which seek to amend two out of six Ordinances covered by the freeze period under the Bill of Rights Ordinance. Concern has been raised within and outside the ad hoc group that certain sections of the two principal Ordinances may be inconsistent with the Bill of Rights Ordinance but which may not have been fully covered by the amendments proposed under the two Bills we are now dealing with, and may thus require further amendment.

When this Council enacted the Bill of Rights Ordinance last June, the Administration proposed and this Council accepted that it was right to include six Ordinances within the freeze period so that the Bill of Rights Ordinance would not override such Ordinances in the event they were held to be inconsistent. It was implicit that, by adopting that course of action, the responsibility of assessing whether and the extent to which the six Ordinances might be inconsistent rested with the Administration. If the Administration were satisfied that such inconsistency existed, amendments would be made by way of bringing amending Bills to this Council. It is at this stage that Members of this Council would be charged with a duty of scrutinizing the amending Bill. In the course of such scrutiny, Members, particularly those with a legal background, may feel that the Administration has not covered each and every inconsistency and may therefore wish the Administration to introduce additional amendments. It is therefore not easy for those who are not lawyers to assess whether their lawyer colleagues or the Attorney General's Chambers,

or indeed the OMELCO Legal Unit, is right.

In my view, it is not always advisable for Members to approach this area of the law on the simplistic basis that, in the event of doubt, we should press for or indeed make an amendment. In the present case this applies even more because we have been given a clear undertaking by the Commissioner of the ICAC that there will be a further review of the two principal Ordinances and, in the course of such review, the concerns raised by some members of the ad hoc group will receive close scrutiny. Whilst it may not be entirely satisfactory to rely on the courts striking down an inconsistent provision, because a person would have been charged and possibly tried with an offence, it may be helpful to remind my colleagues that if a provision is held to be inconsistent, no offence would have been committed. I therefore cannot agree with the remarks of the Honourable Martin LEE about criminals being set free. I believe that this is putting the position on the wrong footing and that the position is as I have stated.

As for the Bills before the Council today, it would not be right for us to ignore the legal advice given to the ICAC by the Attorney General's Chambers on the extent of the amendments. Nor would it be right for this Council to decide legal arguments, particularly those that are finely balanced. This, Mr Deputy President, is the responsibility of our courts.

Mr Deputy President, subject to these comments, I support the two amending Bills.

MISS EMILY LAU: Mr Deputy President, with less than two weeks to go before the end of the one-year freeze period under which six draconian laws have been protected from challenges arising from the Bill of Rights, I am happy to see that some of the sweeping powers of the ICAC are to be removed.

Amendments to the Prevention of Bribery Ordinance, which is possibly one of the most draconian laws in the Colony, were introduced into this Council on 26 February. Because of the pressure to meet the 8 June deadline, the ad hoc group which studied this amendment Bill was unable to have a thorough review of this piece of legislation on all aspects relating to the Bill of Rights Ordinance.

Our Legal Adviser has prepared a paper, drawing our attention to sections in the Ordinance which have not been identified by the Government as causing obvious consistency problems with the Bill of Rights. I am sorry we have only got our job

half done, Mr Deputy President, but I welcome the pledge from the ICAC Commissioner that he fully intends to conduct a comprehensive review of the Ordinance and I look forward to seeing the result of that review in the next Session of this Council.

Of the sections identified by our Legal Adviser, the area which gives me the most cause for concern is section 13 -- The Special Powers of Investigation. This section empowers the ICAC Commissioner to authorize ICAC officers to exercise very extensive powers of investigation which include demanding from any person any document or article relating to a person named or otherwise identified in the authorization and any information relating thereto. The only safeguard, Mr Deputy President, is that it must appear to the Commissioner that an offence under this Ordinance may have been committed by the person named in the authorization.

Mr Deputy President, Article 14 of the Bill of Rights Ordinance provides that no one shall be subjected to arbitrary or unlawful interference with his or her privacy. One cannot help but wonder whether such a potentially extensive invasion of privacy under section 13 can survive a challenge in the courts.

The list of problem areas is long, and I look forward to scrutinizing further amendments put forward by the ICAC in the next Session. On sections which the ICAC was prepared to make amendments, I am most disappointed with section 30, Mr Deputy President, which has been dubbed "The Press Gag Law". This section prohibits the disclosure of the identity of any person who is the subject of an ICAC investigation, or any details of the investigation. As Mr Simon IP said, the Bill seeks to amend the section by allowing disclosure after the person has been arrested. I think the amendment does not go far enough.

During the 22-year history of this Ordinance, section 30 was invoked only seven times, involving nine defendants. On three occasions it was used against the press. The ICAC's argument for retaining this section was outlined by Mr IP and I shall not repeat it. However, I have great difficulty in accepting the ICAC's arguments because the Police Force, which also has to investigate very complex and sensitive commercial fraud cases, do not enjoy such sweeping powers.

Furthermore, the ICAC told us that it was not aware of any other jurisdiction in the world which has a similar provision. So, Mr Deputy President, although corruption of course is not unique to the Colony, I must say it is a funny feeling to know that we are the only jurisdiction in the world which gives our law enforcement

agency such sweeping powers.

Giving the ICAC such powers is particularly disturbing, given the fact that it is only accountable to the Governor. I would be much more comfortable if the ICAC were to receive regular scrutiny from this Council. After all, parliamentary oversight of law enforcement agencies is a common feature in established democracies.

Mr Deputy President, I regard the current review of the Prevention of Bribery Ordinance as just the beginning of a series of constructive dialogues with the ICAC, with the clear objective of making sure that it fully complies with the Bill of Rights, and also to ensure it does not undermine the effectiveness of the ICAC.

Mr Deputy President, there is widespread concern that Hong Kong will see an upsurge in corruption in the run-up to 1997, and I believe we need an effective ICAC. However, the sweeping and draconian powers of the ICAC have to be balanced against the standards for protecting human rights, which are set out in the Bill of Rights Ordinance. It is a fine balancing act and we owe it to the community to get it right.

ATTORNEY GENERAL: Mr Deputy President, I am most grateful to Mr Simon IP and members of the ad hoc group for their thorough consideration of and support for this very important Bill.

A number of Members have spoken about the proposed amendment to section 30 of the Prevention of Bribery Ordinance. As we have heard, the amendment will permit disclosure of the identity of a person under investigation and details of an investigation after the arrest of that person.

There are some who are of the view that the amendment is too cautious, that the scope of section 30 should be much more severely limited, or that possibly the section should be dispensed with altogether. In the detection of corruption offences, covert investigation is frequently essential at an early stage. In the course of the investigation, officers of the Independent Commission Against Corruption often seek information in the exercise of their statutory powers from institutions such as banks. Disclosure of information relating to those investigations, prior to the arrest of the person under investigation, would in many cases thwart totally the investigation. The operational effectiveness of the Commission would be substantially and adversely affected. That, in my view, is not what the community desires.

The proposed amendment to section 30 is one which seeks to strike the balance between the need to protect the integrity of investigations and also the reputations of those against whom the allegations of corruption are made -- but against whom no criminal charges are subsequently brought -- and of what some would call the community's right to know. I believe that the proposed amendment succeeds in striking that balance and will ensure section 30's compatibility with the Bill of Rights Ordinance.

Mr Deputy President, there are other provisions in the Prevention of Bribery Ordinance about which members of the ad hoc group have expressed reservations and concerns. Many of these provisions concern the Commission's powers of investigation. However, in the absence of authoritative decision by the courts in relation to the Commission's legislation, sweeping changes to the Commission's powers are thought to be neither sensible nor appropriate. The Commissioner of the Independent Commission Against Corruption has nevertheless asked me to assure Members that it is not his intention, with the enactment of this Bill, then to put aside further consideration of the Commission's legislation and its compatibility with the Bill of Rights Ordinance. He is committed to a continuing review of the legislation in the light of legal advice and decisions of the courts. This Council and members of the ad hoc group will be kept fully informed of the progress of that review.

Some Members, in their speeches this afternoon, have also referred to the Independent Commission Against Corruption (Amendment) Bill. I would like to take this opportunity to say that the Commissioner has also asked me to reassure this Council that the amendments proposed in that Bill will not have any adverse effect upon the operation of the Commission. And the review to which I have just referred in respect of the Prevention of Bribery Ordinance will also embrace the Independent Commission Against Corruption Ordinance.

Thank you, Mr Deputy President.

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

Bill read the Second time.

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

INDEPENDENT COMMISSION AGAINST CORRUPTION (AMENDMENT) BILL 1992

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

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

Bill read the Second time.

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

Committee stage of Bills

Council went into Committee.

PREVENTION OF BRIBERY (AMENDMENT) BILL 1992

Clauses 1 to 6 were agreed to.

INDEPENDENT COMMISSION AGAINST CORRUPTION (AMENDMENT) BILL 1992

Clauses 1 to 3 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

PREVENTION OF BRIBERY (AMENDMENT) BILL 1992 and

INDEPENDENT COMMISSION AGAINST CORRUPTION (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: In accordance with recent practice, Members have agreed to place a voluntary limit upon the length of speeches.

INDUSTRIAL DEVELOPMENT STRATEGY

MR HENRY TANG moved the following motion:

"That in view of the rapid structural changes in the economy of Hong Kong, this Council urges the Government to review Hong Kong's industrial policies with a view to ensuring that the present strategies are effective in enhancing industrial competitiveness and development."

MR HENRY TANG: Mr Deputy President, I rise to move the motion standing in my name on the Order Paper.

Starting from a tiny fishing village, Hong Kong has done very well. We have grown and flourished to become the tenth largest trading nation in the world, a leader in manufacturing exports; our goods are sold to almost every part of the world and today we can rightfully claim to be a world class financial centre. Our Gross Domestic Product reached HK\$230 billion averaging about 8% growth per annum since 1970s and our per capita income has reached HK\$86,000 in 1990, one of the highest in Asia. I would like to add that for this GDP and for this capita income we are in fact higher than Taiwan and South Korea, the other two little dragons. Such achievements from a tiny place with a population of barely six million is highly commendable.

Whilst we pride ourselves on our achievements, we should not blind ourselves with an illusion of grandiosity. One only need to go to Guangzhou, to see the rapid changes and robust growth and development in this region. The impact of their growth can be felt by their numbers:

- Last year, Guangdong Province's GDP growth reached US\$44 billion representing a real growth rate of 12.5% a year since 1980. Its industrial output rose 15% per annum and in the first seven months of 1990 its industrial output was 25% higher than the same period last year;
- Hainan, Fujian and Shantou all posted nearly 15% growth last year while
- Shenzhen and Zhuhai achieved an incredible 40% growth.

We should not sit back and pat ourselves on the back and say "see what a good job we are doing for China" and forget about moving ahead ourselves. We must not be complacent or we will wake up one day and find that we have lagged far behind those we strive to lead, and it will be too late. Hong Kong's economy is doing very well with service; thank you very much, but our industries are not doing nearly as well. We need a cohesive industrial development policy to ensure Hong Kong's economic growth is sustainable and to spur our economy into the next century. And we should begin now.

Recently, much talk has been focused on Hong Kong's industry transformation and that we are undergoing a structural change, namely, that we are transforming from a manufacturing to a service-oriented industry together with an unprecedented shift of our manufacturing sector overseas, principally into mainland China. Nevertheless, what is the true extent of such a "move" into the mainland; how much of each company's operation has been relocated into China and what is left behind that is performed by the Hong Kong companies? Are Hong Kong companies solely performing marketing or simply re-invoicing? All these we do not know enough to have a definite answer, but one thing we know for sure is that many of our manufacturing firms are closing; there is no new major factory opening; employment in the manufacturing sector shrunk from 900 000 in 1984 to 730 000 last year; our electronics industry continues to produce principally OEM products with little or no innovation; and almost 97% of our toys industry has moved its operations out of Hong Kong into China; manufacturing's contribution to our GDP fell from 32% in 1980 to 18% last year. All these factors point to an undisputable fact that Hong Kong's industrial base is dwindling.

In the face of such structural changes in our economy, are we ready for the impact? Is Hong Kong's economic growth in the next few decades reliant on our service industry, and is this heavy reliance on one particular sector of our industry dangerous? Whilst

other countries are working and developing to boost their industries, Hong Kong seems to be only letting things go by. This is called laissez-faire.

We do not have a defined industrial policy that would spur our economic growth during this transformation period into the next decade, nor do we have a cohesive strategy that will encourage reinvestments. The Hong Kong Government's industrial policy so far appears to be lagging far behind other dragons.

In South Korea, industrial policy is well synchronized with educational and infrastructural developments. It has a comprehensive Five Year Plan which sets the following goals:

- In its Seventh Plan between 1992 and 1995 an estimated US\$38 billion will be invested into the development of hi-technology;

- The Plan comprises US\$16 billion earmarked for R&D into microelectronics, mechatronics or robotics, fine chemicals bionics, optics and aviation technology;

- Another US\$22.6 billion will be invested into developing manufacturing facilities;

- There is a concerted effort from the Government to make low interest loan available to small and medium-sized enterprises and also that investment in scientific and technology investment will likely rise to 4% of GNP by 1996.

For Taiwan, this is the same case; they have a six-year development plan that will cost nearly US\$300 billion to spur economic growth and development. It has a comprehensive tax system to attract investments and reinvestments and also has an Institute for Information Industry, Information Tax Research Institute and a Development Centre for Bio-technology. It sounds very comprehensive.

And finally what we would best like to compare is our nearest competitor, what we call the third little dragon, Singapore. Since 1985, after an initial setback on its industrial policy, the Singapore Government developed a blueprint hammered together by the government with the assistance of industry and academics. The blueprint identified strategic industries for nurturing and development. Concerted efforts were put in to co-ordinate resource and education policies to integrate with that of its industrial development policy. Its manpower training begins at lower

secondary level to technical institutes, vocational training councils, polytechnics, universities and right up to joint government and private sector effort to run schools, scholarships to train engineers in targetted specialized areas.

Manufacturing accounts for a quarter of Singapore's GDP, and despite its emphasis on going hi-tech, equal importance is given to assisting small and medium-sized enterprises in increasing higher value added by greater automation, application of robotics and technology.

- To put that perspective into numbers, nearly 1% of Singapore GNP is allocated to R&D;
- In 1989, Singapore earmarked S\$60 million for its Bio-technology Master Plan; and
- Singapore boasts a 9% growth per annum in manufacturing productivity.

All the above three little dragons have impressive economic growth and commendable export performances that exceed those of Hong Kong's. Their keen competition pricing policy is no doubt deeply felt by many of our industrialists in the very competitive international market place. In other words, we are losing market shares to those countries because of their policy.

Let us take a quick look at Japan, which has risen out of the ashes of the Second World War like a phoenix to establish itself as the world feared and foremost industrial powerhouse.

Japan commenced its industrial development policies right after the Second World War. A range of programmes aimed at improving the national technological standard such as tax incentives, R&D subsidies and loans were given by the government. In the 1960s Japan has already entered into an era of rapid economic growth and today we all know that Japan is one of the world's topmost leaders in technology equal to that of the United States and Germany.

A booklet published by JETRO, which is Japan External Trade Organization, on Japan's industrial policy, states that Japan's industrial policy by the 1980s has already reached a level whereby its "vision" need not pinpoint any selective industries to develop through special development effort. The reason for that is because Japan's technological level has already achieved the level of western

countries and therefore it is unable to advance technologically by introducing foreign technologies. Hence, the 1980 vision need only to urge all industries to strive for greater knowledge-intensiveness through R&D, and there is no need to provide any special development effort any more. Such outspoken confidence and pride in one's own country's success did not come through luck but through a determined single-purpose goal-oriented policy together with the collective effort of all Japanese people.

Coming back to home, are we content that our industry will remain laissez-faire and market driven, confined to producing mostly OEM products with little innovation and low value added? How long can we go on making toasters, T-shirts and ninja turtles?

As announced in our latest Budget, Hong Kong has earmarked HK\$200 million or 0.05% of our GDP to assist R&D under the auspices of the Industry and Technology Development Council. It is good news; it is a good start and it is a commendable effort by the Government but it pales against the amount of funds injected by other governments towards R&D: Singapore injects, by comparison, 1% of its GNP, Taiwan 1.9% and South Korea 3%.

No doubt, active participation can be seen by the Government in the work of the Hong Kong Productivity Council and the ITDC and the Government is now studying establishing a Science Park as well as other infrastructural developments.

On our human resource, the Government is planning to increase the number of postgraduate research programmes by admitting more students, up to 3 500 places by 1994-95. The establishment of the University of Science and Technology is likely to bring in a few more engineers and scientists. However, are these programmes co-ordinated; how much efforts have been made to ensure that our technical institutes, vocational training councils, polytechnics and universities are producing technicians, engineers and scientists who integrate with our industrial needs and complement economic goals?

Let us take a look at a few numbers in which we are falling behind our competitors. Our GDP growth in the last three years averages 3%. In a report recently issued by the Asian Development Bank, Hong Kong's GDP growth for 1992 and 1993 is estimated to be around 5.8%, while the other three little dragons are projected to achieve GDP growth of nearly 7% per annum in the next two years. Such projections are disturbing.

Hence we need to know what is causing such low growth; we also need to know how far behind we are in terms of technological and industrial development, where we do stand and what we should embark on to catch up or to keep pace. And in terms of R&D on hi-technology, such as bio-technology and information technology, what level of technology has Hong Kong reached and which level of technology or area of industrial development should we focus on that would enhance and ensure growth and prosperity in our economy?

Mr Deputy President, most of us, when we talk about industrial development, jump to the conclusion that we want to move hi-tech. I am not sure I agree entirely that we have to move to hi-tech because there is some technology that is suitable for Hong Kong while there is some other that we may not think of developing. However, whichever way we intend our technological level to achieve, there is still a need for Hong Kong to maintain its manufacturing industry, to strike a healthy balance between service and manufacturing. Though the service industry is of vital importance to our economic growth, industry is the crucial wealth creation component. We should seek to maintain our industrial manufacturing base through more automation and higher value added products. Manufacturers are the most committed investors, as when one opens up a factory in Hong Kong, the factory cannot be telegraphically transferred to Singapore in one second. Here I would like to add that Hong Kong's gross value added had remained constant at around 26% in the last five years; that is a very low figure and I think much needs to be done.

The shift towards a service-oriented industry is not unique to Hong Kong. Singapore, Korea and Taiwan all experienced a drop in their manufacturing percentage of GNP. However, through concerted effort by their governments since 1980s, the contribution ratio for Taiwan is now 43% for manufacturing, South Korea is now 46%. Their steering of such economic balance commenced several years ago when we had not even started doing anything about this.

The importance of a strong manufacturing base cannot be sufficiently stressed and its contribution to the creation of a nation's wealth cannot be lightly dismissed. We should make a concerted effort to maintain our industrial base and not let it dwindle further. Particular emphasis should be given to the small and medium-sized enterprises, as we can see the efforts put in by our neighbouring countries. Recently, Brigadier General LEE Hsien Loong of Singapore, in the face of the country's falling manufacturing output, once again expressed its government's interest in maintaining manufacturing -- signifying his concern on the over-reliance of its manufacturing

sector on moving its operations to neighbouring countries. We are no different. There is now an urgent need to strengthen our manufacturing industrial base to ensure prosperity and spur economic growth.

External trade factors are also pushing Hong Kong towards a new era where the need for a co-ordinated and proactive industrial policy is even more urgent. Rising protectionism, closing markets due to saturation and fierce competition, the forging of trade blocs by our trading partners which stretch from the EC single market to extended EC-EFTA, which includes Norway, Sweden, Switzerland, Finland and Austria. The ASEAN Free Trade Zone, now on the drawing board, and the North American Free Trade Agreement all exclude Hong Kong. We are the outsider and nobody wants us in.

How and where does Hong Kong feature in this new scenario? We participate in GATT and other international trade conventions including APEC (Asia Pacific Conference), but is this sufficient to safeguard our interests? Anyone who truly believes that GATT has enough teeth to protect our rights must have a halo over his head. We must look after our own interests. The Joint Declaration bestows on Hong Kong full autonomy in our international trade relations, but Hong Kong is not competing amongst ourselves but against such strong forces of forged trade links. Are we able to stand alone? There is no room for complacency. There is no time to procrastinate -- we need to forge ahead and keep pace before we become redundant.

When the issue of a debate on industrial development policy became known, I received widespread support and encouragement. A snap poll conducted by the Federation of Hong Kong Industries reveals a general consensus that Hong Kong needs a co-ordinated industrial policy with defined strategies and targets -- a policy that will propel our economic growth, create wealth and prosperity for all to share. We can no longer be reactive; we need an industrial policy that is proactive, one that foresees needs and changes and strives towards our goals.

I have only touched on the subjects of manpower, training, education, funding for high tech and small and medium businesses. I will leave to my colleagues to elaborate them further.

Mr Deputy President, it is with these remarks that I urge the Government to undertake a review of our industries from base zero. We need to challenge fundamental assumption of our industrial base and look at its future from a totally fresh perspective without preconception.

Mr Deputy President, while I have advocated a review of our present strategies, I urge the Government that, after having reviewed our present strategies and if they find that our present strategies are deficient, they should undertake to revise the strategies in order to enhance the competitiveness and development of Hong Kong's industry. And with these words, I move the motion.

Question on the motion proposed.

MR ALLEN LEE: Mr Deputy President, we, members of the Co-operative Resources Centre, in our deliberations of our shared values, have placed the economy of Hong Kong high on our agenda. We conclude and believe in:

- (a) ensuring that Hong Kong remains an important financial, industrial and commercial centre;
- (b) maintaining and enhancing an infrastructure which will facilitate economic growth;
- (c) promoting sound management of the economy;
- (d) promoting and maintaining an environment which is conducive to investment;
- (e) actively promoting Hong Kong in the international community; and finally;
- (f) ensuring adequate economic wealth is generated to fund social programmes.

Mr Deputy President, industry is still the backbone of our economy. In the recent years, there is a significant change in our industrial structure. Due to the open-door policy adopted by China, the industrialists have shifted our manufacturing base to the Pearl River Delta area to take advantage of a vast supply of inexpensive labour and the availability of factory sites. We have managed well in the production of consumer products to compete in the world market. We have experienced a boom in our re-export trade. However, local industries still employ 700 000 people. It has to move up-market and concentrate on high value added products and higher technology goods.

There is a distinct lack of support from our Government in the development of

higher technology. We are unable to compete with our Asian competitors such as Korea, Taiwan and Singapore. There is a lack of overall industrial development strategy. Our Government realizes there is a problem in this area and therefore embarked on a programme to establish a technology centre. However, this is far from sufficient to lead Hong Kong in the area of high technology development. I believe our Government should adopt a two-pronged approach.

Firstly, we should vigorously pursue a policy of attracting overseas investment in high technology. I have suggested before, and I am now suggesting again, that the overseas investment promotion activity should be transferred from the Government to the Trade Development Council (TDC). The TDC has a worldwide network of offices. The TDC has done well in promoting Hong Kong's trade and I am certain that given the responsibility of promoting overseas investment in Hong Kong, they will do equally well. I hope our Government considers this proposal immediately.

Secondly, we should utilize our existing institutions, such as the Hong Kong Productivity Council, to be responsible for our internal high-tech development. The HKPC has for many years been assisting industries to improve productivity. It is an appropriate organization, given the resources, to promote high-tech in Hong Kong. We have been putting adequate resources in education by the establishment of the University of Science and Technology; therefore there will be no lack of talent coming out of our tertiary education sector. We must provide opportunities for our young people to engage in research and development. In turn, they will contribute towards our overall industrial development.

Mr Deputy President, Hong Kong survives on a thriving economy. Our future depends on our ability to compete and compete effectively. Unless our Government adopts the attitude and allocates sufficient funds in support of high-tech development, I can see we will run into the danger of not only losing sight of the world trend, but we will be unable to compete in the future. We have come this far in becoming one of the major trading territories in the world; we must make a determined effort to maintain and facilitate our future economic growth.

I am in full support of my colleague Henry TANG's motion. I commend the Government to review Hong Kong's industrial policy with urgency.

MR STEPHEN CHEONG: Mr Deputy President, today's western way of life and sense of values

were led by the Industrial Revolution. Throughout the past 100 or 200 years, we have seen how different societies of this world progress. We have seen today's world economic development led by consumer products and services. We have also seen how the countries, after the Second World War, like Japan, West Germany, Hong Kong as a territory, Taiwan, South Korea and Singapore develop. Industry plays no small part in such development.

Hong Kong has been lucky so far, Mr Deputy President, because we have been able -- in the expanding world economic situation and world trade -- to find certain niches in our consumer product oriented manufacturing base. We have also been lucky because we went into the market earlier than the other dragons. Therefore we learnt faster and we had a share of the market which we are unlikely to give up. Nevertheless, the world technological scene is able to develop very quickly and we lacked certain foresight in comparison with the other three territories as mentioned by the Honourable Henry TANG and the Honourable Allen LEE.

It might not necessarily have been the Government's fault because the Government has always believed that it is best left to the market place and to the people involved to find the best development for their products. That is not necessarily wrong in itself, but I put it to the Administration, Mr Deputy President, that times have changed. We have got to look at issues in a slightly different light because as our society develops and as our quality of life improves, naturally the costs of production would increase. And if we do not increase our productivity by adopting automatic processes, we will certainly be left out in the competitive game.

That has partly contributed -- apart from China opening up her own markets and adopting an open-door policy -- to the loss of competitive edge which has also pushed most of our industries into moving across the border, and even seeking lower production costs elsewhere in this particular region.

What does this do to Hong Kong, then? Medium term, because of China's economic development, loss of employment opportunities in the manufacturing has been compensated by jobs created in the service sector through the growth of our internal economy which has been fuelled by China's growth of economy. But in the medium term how are we going to cope? I would say that -- touch wood -- as long as the Chinese economic open-door policy continues, I think in so far as economic development for the whole territory is concerned it should be all right and that the service sector is going to be able to absorb more and more people. But alas, there must be a certain proportion of our people who need to seek employment opportunities and they may not

always be able to find suitable employment in the service sector. There is a need to maintain a manufacturing base in Hong Kong, if for nothing else, to provide job opportunities to our citizens so that there will be stability and prosperity. Along those lines, that is how I think the Government should start thinking of a longer-term strategy of industrial development.

I would say that research and development is a topic which the Administration has never thought about carefully, and I think it is absolutely necessary that the Administration takes the lead from the success of Japan, West Germany, Singapore and Taiwan, and to consider ploughing in more resources into this particular area. Simply spending a lot of money on education and tertiary education to produce the engineers and the scientists is not going to be enough because if the industrial sector is not going to be able to move along to keep pace, there will be no job opportunities for these people in Hong Kong, but in other places. So on research and development a meagre \$20 million is simply a drop in the ocean, and I really honestly think that the Government should review it. In that regard, I think the Government should be able to encourage better interaction between the private sector and the tertiary sector. And the Government can also take a lead by using the tertiary institution's people for certain consultancy projects which they are certainly capable of.

There is also one area that I would ask the Government to concentrate its efforts in and that is in bio-technology development. Bio-technology development, in the next decade, is going to be very important for the world and so far Hong Kong has not lagged so far behind because the other places in the world have not raced ahead of us so much. So if the Government is going to spend more money in research and development, it is better spent in bio-technology than in telecommunications or information technology where we lag so much behind. That is an area I would like the Administration to look at.

Last, but not least, I would like the Administration, in reviewing its industrial policy, to see what Hong Kong can do to facilitate our manufacturers as well as our investors, be they local or foreign, in making use of our own advantage and experience in marketing, distribution, financial services and our better communications with the rest of the world in order to team up with China and use China as a production base. The Administration can take a lead from the Japanese manufacturers already. There is a decline in employment in the Japanese industry. They have moved most of their production processes elsewhere, outside of Japan, some in China, some in Southeast Asia, some in South America, some maybe even in Africa. To that extent

they will still be able to maintain a thriving economy for their citizens. It is that road that I think Hong Kong should travel. It is that road that the Administration should be able to concentrate its efforts on in its review of industrial policy.

In short, Mr Deputy President, I would like the Administration to consider industrial development, not so much in terms of subsidies to the industries concerned, but in terms of how the Hong Kong economy is going to develop 10 years from now. What proportion of employment opportunities should be provided by the manufacturing sector? What type of products it should turn out? Then based on this, the Administration is to develop a cohesive policy to co-ordinate all its other efforts, inclusive of education, trade promotion, investor promotion and so on, with it.

Mr Deputy President, I agree with the Honourable Allen LEE that industry will still remain the backbone, not just of Hong Kong's economy, but any society's economy. To that extent, let us not sit on our laurels any more, and let us really think of a way and think long term. The laissez faire attitude that we have had in the past may not necessarily be applicable in today's competitive world.

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

DEPUTY PRESIDENT: I understand Mr McGREGOR would like to speak out of turn because of other commitments.

MR JIMMY McGREGOR: Mr Deputy President, thank you very much for allowing me to jump the queue and I do apologize to Mr Martin LEE and my other colleagues whose place I have taken.

Mr Deputy President, before we consider positive actions which can be taken to help develop the potential and scope of Hong Kong's manufacturing industry, I think it would be wise to consider first the negative factors that militate against particular categories of development. There are also some negative policy considerations, in my view.

Taken together, the negative factors help to determine where positive actions may be possible. I am assuming of course that our economic structure will continue to diversify but will always need a substantial industrial sector as a contributor to our Gross Domestic Product.

Let me touch upon the industrial negatives as I see them.

Industrial land is, and has always been, in short supply. The price of industrial land in Hong Kong is very high by most international standards. It is normally sold at auction to the highest bidder. Over many years, it has been the developer, not the industrialist, who buys the site. This usually means that the site is developed to the highest capacity in terms of usable floor space. Most industrial buildings are high rise therefore and are not dedicated to specific industries. Some desirable industries cannot operate in standard high rise industrial buildings. Those requiring custom made dedicated layouts with operational needs of a specialized nature often cannot locate in such buildings. Those that can are usually in the relatively labour intensive, export oriented, contractor industries.

The Government recognized this problem in the early 1970s. I was personally associated with a change in industrial land policy which provided special sites for special industries, those which could not operate in high rise buildings, which needed fairly large sites with special characteristics and which offered Hong Kong special industrial benefits. These included high technology products. Among the companies to benefit and to provide support for Hong Kong industry were Dow Chemical and Outboard Marine on Tsing Yi Island. They have done all they promised to do for Hong Kong.

That policy was extended to the formation of industrial estates and again land sites have been made available to both local and foreign companies which cannot use high rise buildings but which can and do make a very large contribution to Hong Kong's industrial technology and output.

So, in this case, a negative factor has been to some extent neutralized by positive government action.

There are other disincentives. For example, we do not enjoy an unlimited water supply; so heavy water using industries are not welcome.

We do not have a secure domestic market which will provide protection against imported products as in many countries. Our production is almost exclusively for export. Our production is not subsidized in any way and must compete effectively on quality and price.

We have not been able to develop products which sell on a brand name. It is difficult to think of many Hong Kong products which are sold here or in overseas markets by virtue of their brand names. There are, of course, exceptions but broadly speaking our manufacturing industry is not producing to its own industrial designs. We are, to a large extent, a contractor industry, manufacturing to foreign designs, specifications and standards. We do this extremely well and we have a tremendous reputation for high quality production but this situation has resulted in substantial problems.

Our innovative and design skills are not given full play nor is their full potential being exploited. We have many fine designers but the nature and character of our industry cannot fully utilize their talents. This picture improves steadily but the negative factor remains. Our markets are far distant and that often requires our designers to work in overseas countries or to co-operate with overseas designers in assessing consumer tastes not related to the Hong Kong market.

The character of our manufacturing industry and the relative unimportance of our domestic market has meant that our industrial research and development functions have developed very slowly in Hong Kong. Our universities and polytechnics produce very high quality graduates, among the best in the world and in demand in other countries. But our universities and polytechnics do relatively little professional research and development work for our manufacturing industries. The capability exists but at present there is a gap between it and the technical level of demand in manufacturing industry. That picture is also changing but slowly.

Oddly enough, another negative factor for Hong Kong's industrial development has been the China factor. Industrialists finding themselves under severe pressure in competitive markets by virtue of high land and rental costs and higher wages in Hong Kong have been able to take advantage of the massive work force available over the border in China. At our highest point, our industry employed 920 000 workers. We still employ about 700 000 industrial workers. That means that about 3.7 million industrial workers are now employed by Hong Kong companies here and in China. That does not simply represent a movement of our industry across the border but a massive expansion of our industrial production essentially under our own control and all of it exported to overseas markets. This, therefore, represents a fundamental change in our economy, far beyond the changes foreseen in the 1979 Economic Diversification Report.

This huge additional production is almost all being processed in and through Hong Kong. It has greatly expanded our service industries and the nature of our Gross Domestic Product. It has provided a lifeline to our manufacturers and opened up new channels and new opportunities for expansion of our international trade and our China related investment. This is in fact an exciting picture.

But, it has also reduced the pressure on our industrialists to move up-market, to introduce new technology, to spend large sums of money on new state-of-the-art equipment to improve the range and quality of their products and to seek higher productivity.

The pressure on industry to retrain workers to meet higher technical standards of skill and application has also tended to be less than it might have been. Lastly, the growth in our service sector and the many new jobs and opportunities that this has provided, together with continually improving educational standards and job expectations by our young people, has reduced interest in industrial jobs. The swing from industry to services has been very marked during the last 10 years. Most industrialized countries do not experience such rapid change but every industrial economy sooner or later goes through the same economic and social changes we are now experiencing.

What can be done about our manufacturing industry? I believe that we must recognize and accept that it will continue to decline in relative terms as a contributor to our GDP and to employment. That seems to me to be inevitable. Given the circumstances, it is not a calamity and it does not need emergency or panic measures by the Government.

We can, however, take some steps to change the character and quality of the manufacturing industry that will continue to operate in Hong Kong. Higher technology in our industry will rely upon an increasingly higher level and range of technological and scientific skills being turned out by our tertiary training system. That is already being done and is well directed as a joint venture between the Government and the private sector.

Industrial productivity must continue to be improved in a proactive way using all the facilities open to us including the Hong Kong Productivity Council, the Hong Kong Management Association and the Government's many related institutions. I know this work too is co-ordinated and frankly I believe it is quite impressive in scope.

Science parks and technology centres are necessary to provide the basis for development of imported technology related research, development and production.

This also is in train and will serve us well. Our tertiary training establishments will be able to work closely with the foreign industrial and research companies attracted to Hong Kong. We must therefore make it easy for them to come here and to bring their technology with them. I am glad that government foresight many years ago now enables us to offer full protection for their intellectual property rights.

The institutional system which supports the development of Hong Kong's industrial sector must be comprehensive and work to established standards and objectives. It is in this area that I am somewhat doubtful about our efficiency. I have pressed on several occasions for the establishment of an Economic Development Board (EDB) with very broad terms of reference, with statutory and executive powers and with the necessary funds to carry out trade and industrial promotion here and abroad, something along the lines of Singapore's EDB. That idea has not been favoured.

As one stage short of an EDB therefore I suggest we might consider an Industrial Development Board (IDB) with executive rather than advisory powers and with the overall responsibility to promote industrial development in all its many aspects. These might include industrial promotion, industrial land and planning issues, industrial environmental considerations, various industrial support systems and industrial training and technology. I am well aware that many of these functions are undertaken by different organizations and departments. I am also aware that misunderstandings and rivalries can upset co-ordination. It seems to be the case that the present Industrial Development Board does much of its work in secret. To my recollection the IDB has not reported to this Council at any time in the past few years. So, at the very least, there seems to be a lack of liaison between the IDB and Legislative Council. It is time that we knew more of the work of this important Board.

So I will close by making two suggestions:

The first is that the Government should not change its established policy of not directly subsidizing the establishment or function of selected industries. This would be a rather dangerous precedent and probably wasteful of public funds.

Secondly, however, the Government should continue to provide, or help to provide, the means to remove disincentives to industrial expansion and improvement where it is clear that the private sector cannot do so.

In the final analysis, our manufacturers will react to market opportunity and will use high technology if that makes market sense.

5.23 pm

DEPUTY PRESIDENT: We will take a short break and resume in 20 minutes.

5.47 pm

DEPUTY PRESIDENT: Council will resume.

MR MARTIN LEE (in Cantonese): Mr Deputy President, the future of Hong Kong's industry depends on the development of advanced technology and the application of hi-tech to industrial use and commercial production. Nowadays, economic competition relies increasingly on technological advancement and products' outward appearance and functions. In fact, the economic success of Japan and Taiwan has owed much to their hi-tech industrial development.

In the past, Hong Kong's industrial development concentrated on light industry which is labour intensive and ensures quick return. Our light industry enjoyed rapid growth in some 20 to 30 years after the War. However, in the 1990s we face challenges from some newly industrialized nations (NIC), like Thailand and the Philippines, which possess favourable conditions such as cheap labour and low land price. In view of the growing competition and challenges on our export markets, many manufacturers have to figure out how to deal with this problem.

Unfortunately, the Government has all along adopted a positive non-intervention policy towards the market and there is a general lack of long-term planning in the encouragement of technology development. As a result, we have fallen behind the

other three Asian dragons in terms of industrial technology. At present, many local industries rely on the cheap labour and factory buildings available in southern China. However, if there are changes in China's open-door policy or international protectionism gets worse, Hong Kong's economy will be greatly affected. The United Democrats believe that the Government should participate in the development of hi-tech industries in order to diversify our industrial development and to strengthen our industry for future challenges.

The United Democrats hold that Sino-Hong Kong co-operation plays a very important part in the development of advanced technology. The Government should help promote co-operation, such as taking the initiative to act as a "middle man" and setting up bodies like a Sino-Hong Kong technology co-operation and exchange centre, which may serve as a central data bank to gather information on China's research units. And local industrialists can then liaise with these research units to see whether it is possible to apply their research achievements to industrial and commercial uses.

China indeed has enormous technology research resources, and a large team of scientific researchers. But it often fails to utilize the achievements in researches for commercial purposes, and seldom does researches with the needs of international markets in mind. On the other hand, local industrialists have a good grasp of the ever-changing international market, and wide experience on package and market promotion, but they lack a solid technological research foundation while the medium and small manufacturers do not have the resources for hi-tech production.

Therefore, the United Democrats are of the view that Hong Kong can join hands with China for the development of hi-tech products. China can serve as our research base; we may introduce its achievements in researches into Hong Kong and employ them in industrial production before marketing the products overseas.

Lastly, I wish to emphasize that the Government should also create a suitable social environment to enhance local industrial development. On top of more funds for education to train a larger pool of manpower, our existing favourable tax rate must be maintained to make it attractive to foreign investors. Three other Members from the United Democrats will speak on other aspects later.

With these remarks, I support the motion.

MR NGAI SHIU-KIT (in Cantonese): Mr Deputy President, in recent years many Asian Pacific countries enjoy rapid economic and industrial development. They are fast catching up with the four little dragons of Asia. As one of the little dragons, Hong Kong is showing signs of lagging behind in terms of resources and technology. This will cast a shadow over our continued economic development in the future.

The Government's policy on economic and industrial development has always been one of positive non-intervention. However, faced with more competitors and keener competition in world markets, is the policy of positive non-intervention still appropriate? Should the Government lay down a strategy for our industrial development, so as to enhance the competitiveness of local industries? All this calls for careful consideration.

Mr Hamish MacLEOD, the Financial Secretary, has told the press that the positive non-intervention policy has lost its effectiveness. There are more and more instances of government involvement in the operation of the economy through the setting up of a supervisory or regulatory regime to make up for deficiencies in the market system. The Financial Secretary has agreed that that indeed is the case. Likewise, the Government should also consider abandoning the positive non-intervention policy when laying down a strategy for industry. It should be noted that governments of Asian Pacific countries are sparing no effort to encourage and promote industrial development. They have put in place various policies and measures with regard to taxation, resources development, foreign capital infusion and technology transfer in order to actively promote development in all these areas. In contrast to this, the Hong Kong Government has formulated no overall policy for the development of our industries; it just hangs on to its positive non-intervention policy. Industrialists with limited resources are often restricted to short-term investment and do not have much initiative in improving technology. Moreover, the Pearl River Delta is also developing fast, its superiority in land and manpower resources will attract many industries to move north, which will to a certain extent cause the shrinkage of the local industrial base and weaken the competitiveness of our products. Under these circumstances, if the Government still insists on sticking to its present policy, local industries will decline.

Mr Deputy President, the existing institutions providing support services for industry have not considered the need to co-ordinate resources and services. At present, there is no co-ordinating organ to lead the various bodies such as the Industry Department, the Productivity Council, the Industrial Development Board, the

Council on Science and Technology in the promotion of industrial development plans. Although the Industry and Technology Development Council established early this year has the responsibility for co-ordination, it has not as yet put forward a comprehensive industrial development plan; its effectiveness is open to question.

Moreover, the Government often fails to give long-term consideration when designing industrial support plans. Take Applied Research and Development Scheme as an example. The whole project runs on a fund of \$200 million, and the costs of individual research topic should not be more than \$10 million, with a maximum investment period of three years. This project overlooks the point that technological or industrial research development needs fairly long periods of time to transform a technology into commercial production. Even for an advanced world technological power as Japan, with its so-called "Fuzzy Logic" technique for development, it still needs eight to nine years to successfully research and turn out a new technological product. This proves that technological research cannot be achieved overnight, and the investment involved is therefore huge.

The setting up of the Industry and Technology Development Council and the Applied Research and Development Scheme can do little by way of help to technological development and upgrading of industrial technology, and the transformation of industry. It can be said that the industrial sector is quite disappointed with the Government on these two aspects.

Mr Deputy President, as a member of the industrial sector, I hope that the Government will not use 1997 as a time limit in carrying out its administration of the territory. This is particular so in respect of industry, which need to have a long-term objective. The industrialists can thus co-operate with the Government, and lay down a long-term development strategy. Together we can build a better future.

In view of the gradual structural change of Hong Kong's economy, the manufacturing sector's share in GDP is reducing, and its place as the largest employer in Hong Kong has been replaced by the service industry. The Government should play a more active role in encouraging the manufacturing industry to upgrade and develop new technology in order to achieve a balanced economic development. As the service industry relies more on global economic development, decline in the world economy will deal a blow to the service industry. Comparatively speaking, the manufacturing industry faces less risk. Take a simple example, when there is a recession, people will tend to give up their travel plans, but will still buy home appliances, perhaps just a few

items less. This is to say that Hong Kong cannot rely too heavily on a certain industry; we should rather adopt a diversified approach to balance the economic development. The Government may provide assistance to certain industries or certain enterprises, but it is its own responsibility to provide an ideal and favourable investment environment to attract local and foreign manufacturers. As to what industries and what enterprises will operate here to best advantage and yield the most profit, we can leave that to the market and investors to decide.

As the representative of the industrial constituency in the Legislative Council I strongly urge the Government to undertake a comprehensive review of the existing industrial policy. I think a new industrial policy should have the basic objective of completing, within 10 years at the most, the initial phase of Hong Kong's industrial transformation from labour intensive to technology intensive production. The interim objective should be to catch up with the other little dragons on their industrial technology, while the long-term objective should be to regain Hong Kong's leading position among the four. All these demand a more positive and more attractive strategy.

There are at least two areas in which the Government can work to bring about improvements. Firstly, grant the Industry and Technology Development Council greater power; let it be headed by a member of the industrial sector; provide it with sufficient staff and resources; and make it an influential and authoritative body to assist the Government in drawing up its industrial policy. How to allocate government resources and arouse the commercial and industrial sector's interest to invest more in applied technology research and development is a difficult and long-term task. In view of the success of the Trade and Development Council, I believe that with determination and perseverance there must be ways to attain this.

The second area concerns the creation of an investment environment. The Government should relax the Inland Revenue Ordinance, such as the provisions relating to the deduction of taxable profits and the depreciation rate of factory machinery. The existing Ordinance provides that monetary contributions by individuals or companies to approved institutes of scientific research and technology training is tax deductible provided that the research and technology training concerned is related to the individual or company's business or profession. This provision is not in line with the principle of encouraging and supporting technology research and should be repealed so as to encourage taxpayers and companies to make more contributions to the overall research work and technology training. As for the

depreciation rate for factory machinery, I consider that the tax allowance provided under the existing Ordinance is insufficient to encourage the emergence of new technologies and new industries. I suggest that the Government add an extra provision in the Ordinance to the effect that manufacturers and companies employing advanced technology will be granted 100% tax allowance to cover the costs of acquiring certain items of advanced technological equipment. As to what kinds of equipment should enjoy such exemption, it can be left to the Industry and Technology Development Council to decide, who will ensure that such equipment is useful for the setting up of new hi-tech industries. Singapore already introduced a similar scheme of tax concessions in 1984.

In order to encourage long-term research, funds set aside from profits to finance technological research should also be tax deductible.

Apart from profits tax concessions, tariff concessions on import of advanced technological equipment to encourage technology transfer may also be considered.

Moreover, the Government should consider granting tax holiday to investors who set up new industries, for example, by exempting them from profits tax for a number of years after operation. Similar measures have been adopted in Singapore, Taiwan, China, Thailand and Malaysia. The Government should see if Hong Kong need to give such concessions to improve our competitiveness.

I believe the above measures will be of help to both large and small enterprises, and will also be attractions to local and foreign investors.

Mr Deputy President, I have to point out that Hong Kong is undergoing industrial transformation. This will have a bearing on the role of industry as an active component in the overall economy of Hong Kong, or the development of the economy. While the Government was sitting back with folded arms, academia held a symposium in 1986 on "the role of advanced technology in Hong Kong's industrial development", and last year they put forward a proposal on "the direction of Hong Kong's technological development", in which they stressed that information technology, bio-technology, supplies technology and environment technology were industries with great commercial development value. Academia's effort really merits commendation by this Council. However, whether their efforts will be wasted or whether the industrial sector will be willing to adopt their recommendations will depend on a lot of factors, the principal factor being whether the Government can provide an

attractive investment environment.

Lastly, if Hong Kong is to earn itself world repute in 10 years' time for its new technology intensive industries, on top of its labour intensive manufacturing industries, the Government will have to act today, so that the industrial sector can respond, which will benefit the service industry and eventually bring economic gains to the whole economy. I would like to reiterate that what the industrial sector expects of the Government is not direct assistance to individual industry or intervention, but far-sighted, long-term plans as well as stable support.

With these remarks, I support the motion.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, Hong Kong's tremendous economic achievement is closely related to our industrial development in the last few decades. Hong Kong is labelled one of the "Four Little Dragons of Asia" not only because our industrialists are sensitive and quick to react to changes in the market but also because our work force is responsible and hardworking. Recently, there has been a rapid structural change to our economy, with the emphasis moved from the manufacturing industries to the service industries. But this does not mean that our manufacturing industries are no longer important. At present, there are some 600 000 workers in the manufacturing industries, and many of the service industries such as trade, finance, transport and speed delivery, gain from the manufacturing industries. Moreover, Hong Kong needs a diversified economy to strengthen its adaptability, so that in case of any changes in our economic environment, we can shift our economic emphasis to make adjustment.

Although industry is still of great importance to Hong Kong, the Government has very little undertaking of industry. The Government has always adopted a positive non-intervention policy. There is no ready assistance for industries and no guidance for their long-term development. The Government believes that the market mechanism is sufficient to enable our industries to develop. This principle might perhaps be appropriate in the past, when our industries were labour intensive and low-tech. However, our industries are moving towards high-tech and high value added production; the suitability of a policy of laissez-faire is questionable.

In fact, a major problem with our industry, and hence a cause for worry, is its relatively low technological level which reduces its competitiveness. Other

emerging industrial countries that are Hong Kong's neighbours have, with active government assistance, taken to high-tech intensive and high value added industries. In view of this, local industries have no alternative but to move their production lines to mainland China to take advantage of cheap labour and land there to help lower the costs. However, a strategy of marketing low cost and relatively low quality products cannot survive long in the competition which is getting keener in international markets. This, coupled with consumers' preference for better quality, though expensive, goods, will make it more difficult for Hong Kong to retain a firm foothold on international markets if the quality of our products is not improved.

Therefore, the Hong Kong Government should review its industrial development strategy and offer assistance to our industries. Although industrialists have moved the labour intensive parts of their production processes to mainland China, Hong Kong still needs to develop higher knowledge-based manufacturing undertakings by way of support activities, such as product development, design, and quality control. The Government can give greater support in these areas.

Besides, Hong Kong's industrial development and its overall economic development are closely related with that of southern China. In fact, we should give more consideration to better co-operation with China for the sake of Hong Kong's industrial development. For example, although China possesses much advanced technology, there is failure to appropriately apply it to commercial production, and thus no best use has been made of technology. If the Government can act as the middle man and co-ordinate exchange and co-operation between Hong Kong's industrial sector and China's research units, China's knowledge in advanced technology can help enhance the competitiveness of Hong Kong's products. A while ago the Honourable Martin LEE showed understanding in this respect and this has given me some comfort.

On the other hand, in the long run, Hong Kong should develop hi-tech and high value-added industries, and should not rely wholly on southern China. To develop hi-tech industries, the Government will have to invest more to upgrade our scientific research capability so as to promote commercial applications of research results. At present, here in Hong Kong, government funding for research, expressed in terms of GDP, is the least among the four little dragons. No wonder Hong Kong's industrial technology lags behind the other three little dragons. I hope that the Government can allocate more resources to launch Hong Kong on the road to high quality and hi-tech industrial development.

Mr Deputy President, I would like to emphasize that we should not overlook manpower training while our industries are moving in the hi-tech direction. A high quality work force is essential. Our work force will have a lot of knowledge and skills to learn, no matter whether it be for the purpose of directly operating the advanced technological processes or providing production support services. So the Government should provide retraining for our workers. At present, the Government is obviously not doing enough. In fact, it has tried to shift the responsibility to employers who import foreign workers. This act of shifting of responsibility is short-sighted, and disappointing. If our work force does not receive sufficient training to cope with hi-tech production and management processes, our industrial transformation will fail and this will have an impact on the overall economy.

Lastly, I hope the Government will understand that in the course of our industrial transformation, a group of middle-aged and elderly workers, who contributed so much to our past industrial and economic development, are being faced with the prospect of job displacement. They worked so hard to lay the foundation for Hong Kong's present prosperity; now that they are old, they cannot be retrained to join the service industry or hi-tech industry. They are in dire straits. So once again, I urge the Government to help them to find jobs and to consider helping these workers, through some form of social insurance, lead a secure life in their retirement.

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

MR RONALD ARCULLI: Mr Deputy President, I have noted with interest the different approaches which my honourable colleagues have taken on the motion before us. However, before I offer my comments there are two observations that I would like to make. The motion refers to the rapid structural change in the economy of Hong Kong as well as Hong Kong's industrial policies. I believe it will be helpful if the Administration would offer its views on how and when the Administration realized that our economy commenced this rapid structural change, what steps if any were taken to anticipate or cater for such changes and what lessons there are to learn so that we can cope with further changes. As to the review of Hong Kong's industrial policies perhaps I could remind the Administration that the ultimate aim of the Government's current policies is to improve the real earnings of employers and employees in industry by helping them to improve real output per head. Against this background perhaps the Administration can advise us as to what changes have taken place over the past 15 years or at least since China announced her modernization programme. Mr

Deputy President, I will now deal with the one area which I believe has been and will continue to be of major importance to the continued success and well-being of our industrial competitiveness and development, namely, overseas investment in our industries.

The Industry Department has two objectives: the first is to assist in improving the competitiveness of the manufacturing industries and to facilitate production and the second is to promote and facilitate inward investment in manufacturing and manufacturing support services. The actual financial provision for the year 1990-91 for the first and second objectives was \$62.7 million and \$22 million respectively whilst the revised provisions for 1991-92 were \$75.3 million and \$24.8 million respectively. The increase for improving competitiveness and facilitating production was 20% whilst the increase for promoting and facilitating inward investment was 12.7%. The provision for the first and second objectives in 1992-93 is \$80 million and \$25.3 million respectively, increases of 6.2% and 2% respectively. In assessing the Department's performance under the second objective we are told that technology transfer to enhance productivity, quality and creativity in manufacturing, reinforcing international confidence, the amount of overseas investment and the sectors in which investments are made are some of the more important indicators of the Department's success. The total value of overseas investments at original cost at the end of 1990, this being the latest data available, stood at about \$31 billion compared to some \$11.5 billion in 1984. This is almost three times over a six-year period. Indeed, some might say a rather trying period for Hong Kong. To further illustrate the importance of overseas investments this sector employs some 90 000 persons or about 13% of the work force in the manufacturing sector. The number of expatriates out of this 90 000 stands at a very modest number of about 1 150. In 1990 we only had 88 companies in the manufacturing sector employing 500 or more and out of this 48 companies had overseas investments factor in them. This accounts for 54.5% of our largest manufacturing companies and yet they only employed 18.8% of the work force within this grouping of companies. What is, however, quite staggering is that this sector had total sales in 1990 of \$73 billion with \$45 billion in export sales and the balance in local sales. So, the Honourable Jimmy McGREGOR's reference to the lack of local sales may not be entirely correct. The export sales for 1990 were about 20% of our total domestic exports. One can readily see that the dollar value in export sales per person employed in this sector of our manufacturing industries is quite impressive but is even more so in terms of total sales. Mr Deputy President, can there be any doubt of the importance to our industrial policies that we must continue and indeed increase our efforts in attracting overseas investments

in our industrial sector?

Mr Deputy President, I do not believe that it was entirely luck that brought overseas investments into Hong Kong. When it comes to choosing a territory for investment in industry one does not have to be a genius to work out that some of the more important factors include labour cost and productivity, banking facilities, infrastructure, government economic policy and the availability of managerial, professional and technical skills. If we look at this against the four major industries from which some 60% of the total sales come, namely, electronics, textiles and clothing, electrical products and chemical products we can see that there is a fairly heavy concentration in these four sectors. Is this what we set out to attract to Hong Kong or did the investments come because of conditions prevailing at the time investments were made? Are we still happy that potential overseas investments continue to make investments in these businesses or do we want to give them a steer into other areas? It seems to me that there is one factor that has changed: Hong Kong no longer has an abundant supply of low cost labour nor do we have a constant injection into our work force of new recruits. The more mature members of our work force may be less adaptable to job changes and will certainly require retraining to acquire new skills. Potential and indeed existing overseas investors will take these matters into account in considering whether they should set up or expand in Hong Kong. Mr Deputy President, we have been told on numerous occasions that our current high inflation is due in no small measure to structural changes in our economy as well as to high wages as a result of a very tight labour market. These are also important considerations to a potential or existing overseas investor. In reviewing our industrial policies we must tackle these issues.

Perhaps it has not escaped my honourable colleagues' attention that Hong Kong is not without competitors. Our neighbours in southeast Asia with perhaps the exception of Singapore have more land and labour than we do. Most, if not all, of our neighbours often offer incentives to potential overseas investors in order to attract them to make investments in their respective countries. These incentives include and range from reduced rates of taxation to tax exemption for a fixed or extendable period of years, product development assistance, research and development assistance, accelerated depreciation allowances, property tax relief and guarantees against war and non-commercial risks of expropriation. I am not suggesting that we follow our neighbours but I do want to highlight the point. Continued competition by under-developed economies to attract overseas investment means that we must not be complacent and we must examine very carefully the options open to us. We are

extremely fortunate to have a natural partner in our neighbour, namely, the Guangdong Province because without this some of our industries would not be as competitive as they are today. However, with the shifting of a fairly sizeable part of our manufacturing sector into Guangdong Province we have to rethink our industrial strategy. It is easy to say that we must upgrade our products to higher price items but what incentive is there for an existing and successful manufacturer to do so? I believe the answer lies in part in a different and much more focused strategy in attracting overseas investments to Hong Kong and it is an effort that calls for close co-operation between the Government and the private sector. Mr Deputy President, with these observations, I support the motion.

DEPUTY PRESIDENT: On the basis of Members' voluntary restraint, I expect to be able to call on the Secretary for Trade and Industry to reply at 7.05 pm. With eight Members still to speak, that reduces the average time per speaker to just under six minutes.

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, Hong Kong is a unique international city. I think I would do well to trace Hong Kong's development from no earlier than the 1950s when large influxes of refugees from China started. From then on till the 1960s, Hong Kong developed its light industries, and many manufacturers and businessmen emerged to make their mark. In the last decade, Hong Kong's manufacturing industries were affected by expensive land prices, scarce land, higher living standards, rising wages and labour shortage. Many manufacturers and businessmen, though not outright bankrupt, could not avoid being displaced. Fortunately, China started introducing an open economic policy at that time, which has helped our manufacturers and businessmen by way of background support and solved the above mentioned problems. This has given rise to quite a number of wealthy businessmen. In the past, to make a yearly profit of a few million dollars was difficult enough, but now with more opportunities available, businessmen can make tens of millions, or even hundreds of millions of dollars in a year.

Although the Chinese Government has not been affected by the 4 June incident, it has in fact given local manufacturers and businessmen a great help. Why? It is because foreign and Taiwan investors have reduced their investment in China and set up fewer factories there. So there is less competition. There are so many manufacturers and businessmen from overseas; how can the local manufacturers possibly

compete with them in terms of experience, marketing network, technology and capital?

There have been major and obvious changes in the development of the whole of Hong Kong's society: we now earn with our brains, instead of with our hands. Under these circumstances, an industrial development strategy is very important. The Government has long been practising a laissez-faire policy of positive non-intervention. Although the policy did have some success, non-intervention alone would not be sufficient to promote our future development. There should be active guidance and support. I will not go into further details. I just hope that the Government will learn from past experience and make improvements. I have the following four points to make by way of views. I would not say they are brilliant points, but they really merit consideration by the Government.

Firstly, a committee on economic and industrial development be set up to be responsible for the co-ordination and provision of guidance to local manufacturers on the future development direction, in particular the development of advanced technology which many of my colleagues who spoke before me have referred to as meriting assistance. Nevertheless, the manufacturers and businessmen should not be required to follow the Government's advice word by word; it is not surprising that they might have cleverer ideas than the Government has.

Secondly, tertiary institutions should introduce more related subjects, so that their graduates can help promote Hong Kong's overall development in the future and have an opportunity to apply what they learnt.

Thirdly, in order to encourage manufacturers and businessmen to invest, I support the Honourable NGAI Shiu-kit's suggestion of tax exemption, or even the granting of loans for modernizing their facilities. Of course, this is just an ideal, perhaps an unattainable ideal.

Fourthly, the good work and endeavours of the Trade Development Council in various parts of the world should be fully made use of. The Trade Development Council has always been very successful. It can provide information obtained from various parts of the world to local manufacturers, so that they can know more and gain more experience.

I hope that the Government will put the above into practice, which, I believe, will be a driving force, to a lesser or greater extent, to enable our restructured

economy to forge ahead.

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

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, as the United Democrats' spokesman on economic policy I shall speak and comment on Hong Kong's industrial policy.

Hong Kong is in the process of economic restructuring. Therefore, we need to identify the direction of our future development in order to review and reformulate our industrial policy. In the past 10 years, Hong Kong's labour intensive industrial production lines have been moving to mainland China and the manufacturing industries' share in GDP has been declining gradually. Does this imply that industry is no longer important to Hong Kong or perhaps will even become extinct, and that we need an industrial policy no more? The answer is no. We should not view Hong Kong's industrial development within the narrow confines of temporal and spatial limitations; we should not let our horizon dwindle and reach no further than south of Shenzhen. We should understand that in the pre-1997 period, Hong Kong's industry will play a significant role in the industrialization of China. It should be on the basis of such understanding that Hong Kong's industrial strategy is to be formulated.

At present, there is a shortage of basic industries in China; returns from its mainstream industries are low and hi-tech industries are next to nonexistent. In the past, China had over-emphasized military industry and heavy industry and neglected consumer light industry. China needs now to develop its export-oriented light industry. The movement of Hong Kong's production lines to the north helps promote China's light industry and effects transfer of managerial and business expertise. Hong Kong's ever dynamic industry will be the driving force to bring China's industry to a more advanced technological level.

Secondly, China's talents in science and technology are ever kept away from the enterprises, making it quite difficult to raise China's technology level in industry. The achievements of science and technology personnel have no way of translating into commercial production. This is really a waste. Actually there are some 340 000 science researchers in China, but only 17.5% are currently working for enterprises; so talents are not being fully utilized. This powerful team could help open the door

to the most advanced technologies for Hong Kong's industries.

Thirdly, the rapid economic growth of Japan is largely due to Japan's emphasis on the gathering and dissemination of knowledge. This has enabled industry to develop side by side with technology, and to respond quickly to market needs. If Hong Kong will continue to maintain freedom and human rights after 1997, it will be in a better position than other cities in China to gather and disseminate technological and market information.

Fourthly, because of the generally low level of knowledge and management or business expertise, it is difficult for China's industries to digest and assimilate the technology introduced to them and this has resulted in industrial bottlenecks. Hong Kong can thus help China to assimilate and utilize new technology.

In view of the above, Hong Kong can be the vanguard of China's industrialization and give an impetus to its entire economy. Thus, Hong Kong's industrial strategy should go beyond 1997 and the Shenzhen River, with the emphasis placed on the development of capital and technology intensive industry. The industries of the two places should seek to complement each other and avoid duplication and clashes. We should therefore encourage research and development, and try to attract foreign investment so as to obtain new technology.

Technology intensive industry is different from traditional industry in the following aspects: (1) It involves huge capital outlays on research with its attendant high risks. Traditional industry reserves only 3% of its profit for research, while Japan's electronic industry reinvest 20% of their profits for this purpose. (2) Products are not durable. Products of the iron and steel industry last several decades, cars last several years, while new electronics products last about only six months. (3) The nexus of relationships between research and commercial production is complicated. The more advanced the technology involved, the lower the return for the individual enterprise. Therefore, many governments find it necessary to lay down an industrial policy to support their hi-tech industries.

Most of Hong Kong's factories are of small or medium size, operating on limited manpower and capital. The 1997 issue further dampens confidence in long-term investment. If the Government sticks to its traditional non-intervention policy, it will be difficult for hi-tech industries to develop.

Foreign investment is a major avenue for technology transfer, the advantages of

which include the lowering of costs incurred in respect of information and data gathering upon entering the international markets, and the strengthening of managerial and marketing capability. In recent years, foreign investment in Hong Kong has decreased. New investment in fixed assets was \$2.8 billion in 1988, \$2.67 billion in 1989 and \$2.36 billion in 1990; but Singapore has been enjoying a gradual increase in foreign investment. In 1990, Japan invested \$1 billion in Hong Kong and \$3.33 billion in Singapore. During the same period, the United States invested \$0.58 billion in Hong Kong and \$4.96 billion in Singapore. So we can see that there is really a need to review the policy on attracting foreign investment.

The United Democrats are of the view that the Government should not just look on with folded arms, and let Hong Kong's economic restructuring run its course unattended. Nevertheless, we will not support any move by the Government to direct our economy by means of administrative directives. Neither will we agree to giving special support to certain designated industries, because this will only lead to improper distribution and waste of resources. The United Democrats believe that the Government should adopt market-conforming method of interventions to assist Hong Kong in establishing its capital and technology intensive industries. These methods include the following:

- (1) macroeconomic policy favourable to industrial development;
- (2) upgrading of the technological skills of the workers, and increase of industrial manpower;
- (3) strengthening of the linkage between the market and scientific research;
- (4) provision of support for research and development, and on the taxation and capital fronts;
- (5) improvement of our competitiveness to attract foreign investment so as to facilitate technology transfer;
- (6) promotion of technological and industrial co-operation between Hong Kong and China.

Mr Deputy President, the United Democrats have full confidence in the future of Hong Kong's industry. We strongly believe that Hong Kong will be the major driving

force to promote China's industry. I have summarized the United Democrats' broad principles on industrial policy. The Honourable Martin LEE has spoken already. Later the Honourable LAU Chin-shek and the Honourable MAN Sai-cheong will further elaborate.

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

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, the honourable colleagues who spoke before me criticized the Government for its lack of a long-term industrial development strategy. I think that by and large we do have some sort of consensus on this. But in discussing how to promote Hong Kong's industrial development, we should not overlook the dire straits several hundred thousands of our manufacturing workers are in and the prospects of employment they are faced with.

The report A Perspective on Manpower in the 1990s published by the Education and Manpower Branch recently forecasts that in the year 1996 the labour market will have a surplus of 864 000 workers of junior secondary standard or below, and a surplus of 2 400 skilled workers. So we can anticipate that the workers from "sunset" industries and those of lower education level will face an even dimmer future.

Local industries are undergoing transformation. Our products are less competitive, and the unemployment and underemployment rates are rising. In view of all these, the Government should intervene and assume a guiding role in industrial development. Unfortunately, in the past few years, not only did the Government fail to take an active lead in local industrial development, it did much to arouse the labour sector's discontent. It has adopted the short-sighted policy of importing workers, while at the same time devising various measures to further assist the movement of production processes to mainland China on a massive scale. This has deprived our workers, who have contributed so much to Hong Kong's prosperity in the past few decades, of their means of living and, at the same time, has hampered local industry in its progress towards hi-tech and high value added production.

General analysis has it that the local industrial profile is transforming from secondary industry (industry) to tertiary industry (service). But unfortunately, the development of our service industry is not because of higher productivity resulting from automation and technological advances in our secondary industry which makes release of surplus labour to the service industry possible; rather it is to

a greater extent the result of the development of the finance and property sectors and Hong Kong's role as China's entrepot in the past decade.

In fact, in comparison with the other three little Asian dragons, Hong Kong is lagging behind in advanced technology development and productivity. Our productivity is the worst among the four little dragons and we are in a disadvantageous position with regard to research and development. According to the 1985 International Trade Standard Category, among the 28 items of advanced technology, Hong Kong takes the lead in only four of the items, namely, watches, photographic appliances, mark-free power operated and non-power operated home appliances.

Hong Kong manufacturers have been establishing their factories in the Pearl River Delta; they employ more than two million manufacturing workers, which is twice the total number of employees in Hong Kong's manufacturing trade. This suggests that our existing industrial profile still stays labour-intensive in terms of manufacturing industry, while the service industry concentrates on re-export externally and serving the finance and property sectors internally.

However, this existing model of industrial make-up will be facing a diverse range of uncertainties and imponderables. The re-export business is vulnerable to risks and crises that are not within our control, for example, China's political or policy changes and the possible outbreak of a Sino-American trade war. These crises may lead to economic recession in Hong Kong. Moreover, if the manufacturing industries in the coastal areas of Guangdong Province keep relying on low wage, labour intensive production processes, they may not be able to maintain their dominant position for long, because countries in South East Asia and Eastern Europe are already developing their labour market to join the competition. Then, what about Hong Kong's dominant position in re-export? Can we maintain it? Furthermore, a service industry led by speculative businesses, such as finance and property, would be most vulnerable to volatilities brought about by global, regional or local changes on the political or economic front or confidence crises. This would impact on the majority of the people.

In the final analysis, to rely solely on the re-export trade and speculative service industries without the backup of a strong manufacturing industry would be really an extremely risky development strategy. In fact, if we are to maintain our economic stability and development in times of world economic slowdown or upheaval, we must have a strong and easily adaptable manufacturing industry. Moreover, if the Government still chooses to neglect the job displacements and loss of skills affecting tens of thousands of workers brought on by decline of the manufacturing industry,

I believe it will have a bad effect on the unity and development of society.

So the Government should face the predicaments of our industrial development squarely, and should not simply pay regard to our trade relationship with China and the recent development of the finance and property sectors and be thereby lulled into sacrificing the benefits of local workers for short-term gains. It is obvious that local industry should develop in the direction of hi-tech and high value added production. The Government should especially emphasize the training of already highly skilled manufacturing workers. The principle of training should include two aspects: firstly, training to upgrade the individual's skills. This is to make the most of the adaptability and keen sensitivity of our labour force as well as advanced technology, fine skills, craftsmanship and machinery wherewith to compete. Secondly, the upgrading of skills should not lead to job-finding difficulties for older workers; more emphasis should be placed on the fact that skills improve with years of service. Besides, Hong Kong should make use of the dominant position in international markets that it has built up in the past few decades to improve the quality of its products, and to increase the value of individual products.

At the same time, the Government should try to guide and induce the redirection of investment capital from the financial markets to the manufacturing industry, so as to consolidate the foundation for industrial investment.

Lastly, I believe that employees should be given the chance to participate in the process of industrial development and transformation. With the co-operation of the Government, industrialists and workers, a more stable industrial development strategy can be drawn up.

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

MR FRED LI (in Cantonese): Mr Deputy President, I will concentrate on the role of the Government in industrial development and my colleague of Meeting Point, Mr TIK Chi-yuen, will give a detailed analysis of the situation of Hong Kong's industry.

The assistance a government can offer to industrial development generally takes two forms. Firstly, general assistance. The most common measures are the granting of tax concession to private concerns which undertake relevant research projects and the organizing of training programs by universities and technical institutes.

Secondly, discriminatory assistance. It usually involves an identification of a strategic development direction following a comprehensive examination of economic development, in order to offer supports to key industries, which may include the establishment of a science park which identifies key industries and carries out related technological researches; there may also be support in terms of taxation, land grant and physical infrastructure.

Hong Kong Government has always adhered to a positive non-intervention policy and only provided general support to industrial development, such as depreciation rate for machinery and provision of good communication and transport network. The newly built University of Science and Technology and a technology centre are two examples in this regard.

Where discriminatory assistance is concerned, it is not non-existent, though the Government has been hesitant in offering this kind of assistance. For example, the clothing industry training institute and the construction training institute offer courses which are tailor-made for some specific industries. However, the Government is playing a rather passive role in providing such assistance -- it is only when certain industries are well developed and require lots of workers, will the Government offer the support.

Meeting Point consider that this passive and conservative attitude cannot do much to relieve local industry of its present predicaments. What shall the Government do then? It is the crux of this debate and we should speak on this question.

We think that neither general nor discriminatory assistance provided by the Government at current level is adequate. For general assistance, apart from a 75% depreciation rate for machinery in the first year of operation, there is no other incentive whatsoever to encourage manufacturers to move upmarket. As we all know, research development projects require huge capital and are very risky, and will not bear fruit overnight. Without support, individual manufacturers may be unwilling to make such long-term investment.

As for the few discriminatory assistance available, the specific industries identified and the training services provided may not necessarily meet the long-term needs of our economic restructuring.

Last year, the Government made a provision of \$200 million for researches and

the promotion of development projects. According to the scheme, in the next three years, the Government will join hands with the industrial sector to conduct researches; this is a significant and positive move.

However, this subsidized scheme has many problems. For example, it is Industry Department which is responsible for examining and approving applicants' research topics, but does the department have sufficient expertise to do the job? And what are the criteria that decide which topic deserves more funds?

We are of the view that a long-term industrial development strategy should be drawn up, and we also consider it necessary for the Government to consult the industrial sector when laying down such policy. Meeting Point suggest that an independent statutory body should be set up to advise the Government on measures to support our industry, and to examine and approve applications for funds. This function can be performed by a new body or taken up by the Industry and Technology Development Council just set up in January 1992. We consider it unsatisfactory for the Council merely to serve as an advisory body.

In encouraging industry to move upmarket, the Government can provide direct assistance, such as to set up a science park, encourage technological researches and technological transfer in key industries, establish a loan program for small-sized industrial establishments, assist small manufacturers to produce high quality goods and to promote the application of new technology to industrial use. For funding of research, the Government and manufacturers can make equal contribution to ensure that while the Government offers assistance, the manufacturers must also make a commitment. Besides, corresponding training programs are also very important.

We consider it acceptable if the Government offers taxation concession to local industry for moving upmarket. However, to put this idea into practice, it will have a certain impact on our existing simple and low taxation system. Meeting Point and I consider it acceptable to grant tax concession to local industry to encourage moving upmarket. But to pay for the subsidy, the Government has to tap new source of revenues and this will call for a review on the whole taxation system. In other words, we will go back to what we used to advocate, namely, a comprehensive review on the whole taxation system. A major change in merely one aspect or item will get us nowhere.

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

MR MAN SAI-CHEONG (in Cantonese): Mr Deputy President, I will concentrate on technology research and its significance to industrial development strategy. I will also explain how government intervention in technology research is essential for our industrial transformation and development strategy.

The production level and competitiveness of our industries, in particular the long-term competitiveness of our export industry, depend largely on research and development (R & D). Although Hong Kong enjoyed rapid economic growth in the past, the Government has been negligent in its investment in technology research. Our investment in technology research only makes up 0.05% of our GDP, quite out of proportion with our economic growth, and is less than that of South Korea's 2.6%, Taiwan's 1.9% and also far less than Singapore's 0.9%. No wonder people say that Hong Kong comes last in the four little dragons in respect of industry and technology. If our export industry is to maintain its competitive edge, the overall technological level has to be improved and considerable investment in technology and development to be made. The Government has a very important role to play in this respect. We have to understand how investors think: in face of 1997 and the huge investment involved in technology research, they tend to make short-term investment on industry with quick return and few are willing to take the great risk involved in the technology research investment in the development of new technology and new product. Moreover, most of Hong Kong's manufacturing establishments are of medium size; they lack the financial means and manpower to launch major R&D projects. For these reasons, the Government should play a greater part in technology research and development. The introduction of a new product or a new technology or any relevant improvement will indeed benefit the whole society, not just a few manufacturers. It is because of this that half of the fund on technology research and development in Taiwan comes from their government, while in Singapore it is 40%. In Hong Kong, the situation is far from satisfactory. It is not until very recently that our Government makes a long overdue move by subsidizing private firms for research of commercial application with \$200 million. In Singapore and Taiwan, strategic industries secure strong financial assistance from the government. But in Hong Kong, we do not have any specific strategic industries. That is why our expenditure on R&D is less than that of these economies. However, in the long run, if our industries are to transform from labour intensive to capital and technology intensive, an increase in the expenditure on R&D is undoubtedly a must.

Mr Deputy President, the United Democrats of Hong Kong have the following

suggestions with regard to the development of Hong Kong's industry in terms of technology research:

Firstly, the Government must make available more funds for R&D including fundamental research. For example, the University and Polytechnic Grants Committee (UPGC) has merely allocated \$30 million as start-up fund for research purposes, and will only increase it to \$120 million in three years. The small amount of funding will not help our universities much in developing fundamental research projects. Moreover, the tertiary institutions have failed to build up close co-ordination with the industrial sector. This has led to much restriction on the application of their research projects, such as information system, biological engineering, to commercial use. I would like to urge the Government to increase its funding for fundamental research, and to encourage the co-ordination between the tertiary institutions and the industrial sector, so that the academic sector can provide technological support to our industries and facilitate the channelling of new technology to commodity production.

Secondly, I would like the Government to provide more funding and infrastructure support, and to give direct assistance to applied R&D in the private sector in the form of subsidies and loans, tax concession and fund for entrepreneurship. These are not new measures in other countries. For example, in Australia, if any R&D project is of importance to their economy and has sufficient Australian participation, the enterprise involved may enjoy a 150% tax concession. In France, to finance and support applied R & D work, the government will grant interest-free loan for new technological items, which may be as high as 40% of the total investment involved. The French government also provides grants to some specially selected items. I believe their experience merits our consideration. These measures may also relieve private enterprises of certain risks and motivate them to carry out R&D projects on industrial front.

Thirdly, the Government should give the Industry and Technology Development Council a more important role. Efforts should be made to turn it into a quasi-government organization, patterned after the very successful Trade and Development Council. It should explore any possible means to speed up the transformation and to improve the present technological level of our industries, namely textiles and clothing, electronics, plastic, toy and printing, which make up 86% of Hong Kong's manufacturing industry. Then, the Council should seek to understand the needs of multinational corporations, so as to attract them to invest in local hi-tech

manufacturing industries, and promote technology transfer. Another role of the Council which needs to be strengthened is to help the building up of new industries, which may include environmental protection industry, micro electronics, biological technology, communication technology and software engineering. These are very promising industries. Any technological breakthrough may usher in thousands of other applications. They also have large market, and are indeed of great potential. Perhaps our future industrial development will move in this direction.

In concluding, I think the Government should play a more active role in industrial development strategy, to take the lead rather than just sit back and watch. It should make more commitment to R&D, lay down policy for transforming our present industries to technology intensive industries and facilitate technology transfer, for the future development of Hong Kong's economy. Industry is a major pillar of our economy; it employs some 900 thousand workers and has a bearing on the livelihood of between two and three million people. It is also one of the driving forces behind service industry. As such, for the further development of Hong Kong's industry, it is necessary for us to draw up a comprehensive industrial policy and put it into effect.

With these remarks, I support Mr Henry TANG's motion.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, the economic structure of Hong Kong is in the process of gradual change. Manufacturing industries' share of GDP declined from 31% in 1970 to 17% in 1990, while the share of service industries increased from 60% to 69%.

The development of our industries has been faced with many difficulties. With the rapid development of the economy in the 1970s and 1980s, the quality of our work force has shown much improvement, and wages have gone up as well. Coupled with demographic changes, our manpower is in fact in short supply. The low quality products churned out in the 1960s and 1970s by cheap labour with labour-intensive production method have no market nowadays. Recent years have seen operations of our manufacturing industries moving across the border. This actually reflects that local manufacturing industries have lost the competitive edge, and need to tap other supply of cheap labour.

On the other hand, our export-led manufacturing industries are vulnerable to worrying protectionism in the European and American markets. Whether it is in the

form of quantity control, that is, to impose quota system to limit the imports of Hong Kong products, or in the form of tariff barrier to reduce the competitiveness of our products, local manufacturers who are still producing low quality products will suffer after all.

Meeting Point is of the view that in order to maintain the competitiveness of our exports, we must move upmarket and become technology-oriented. The Government should play a more active role in this respect.

I believe that nowadays very few people will stubbornly insist on a "laissez-faire" policy of non-intervention, even the Financial Secretary said that the policy of "positive non-intervention" would no longer serve our needs.

The question is how to intervene, and to what extent.

As early as mid-1980s, Meeting Point made the suggestion to the Government to set up an economic review committee with wide representation, so as to carry out a comprehensive review on our economy and the Government's economic policy on the basis of wide public consultation.

Let us pause to think: when our production costs are too high to retain our competitive edge, and our technology is no match to our competitors, what kind of future will be in store for our industry? In the long run, where does our competitiveness lie? What production processes and products still maintain their competitiveness? We have to give these questions some serious consideration.

Perhaps some may say, by moving our labour-intensive production processes to mainland China, local manufacturers can make use of the cheap labour there and thus solve the problems. This is undoubtedly very short-sighted.

We understand that the moving of traditional labour-intensive and low technology industrial production to China is an unavoidable trend. In the review and planning of Hong Kong's long-term economic development, the co-ordination of the two places is indeed a factor that must be taken into consideration.

However, if we are complacent about this situation, we will slow down the industrial transformation and lag behind our competitors as a result.

Take the four little dragons in Asia as an example, the governments of Taiwan, Singapore and South Korea are all sparing no effort in providing various measures to urge their industries to move hi-tech. Comparing with the amount the other dragons have spent on technology research, Hong Kong is really well behind them. Let us look at technology research's share of GDP in the four economies in 1990:

Taiwan	:	1.9%	Singapore	:	0.9%
South Korea	:	2.6%	Hong Kong	:	0.04%

Since local manufacturers can move their operations to China within a short period to make use of the cheap labour there to solve the problem of high costs, and the investment in technology research calls for huge capital and poses great risk, it will be quite difficult to expect manufacturers to initiate the industrial transformation. Therefore, the Government should work with vision: review the economic structure of Hong Kong, lay down our development direction and provide back-up measures to key industries, such as establishing a science park to identify key industries before related technology research is launched and granting tax concessions and other support (like land grant, physical infrastructure), in order to promote the further development of our industries.

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

DR SAMUEL WONG: Mr Deputy President, the present industrial development policy has grown over the years from an underlying general policy to leave things alone, what is generally known as "laissez-faire". This has resulted in the Hong Kong economy being principally led by market forces and more recently also by technology. Because these forces do not always act in the best interests of the community (they can ignore long-term interests, produce excessive pollution, create a bad image and so on), the Government sometimes has to step in. This is generally known as "crisis management".

In the last few years two factors have had a major impact on industrial development. First, from 1985 onwards, outward processing has shifted a massive proportion of our manufacturing base to China. This has been left so far entirely to market forces, which may not provide stability. There is a body of opinion that many of our cross-border enterprises, particularly those that are not sufficiently flexible technologically, will fail as market demand varies. Secondly, we have not kept pace

with the rapid development of high technology. We are now at a disadvantage compared with our neighbours, particularly Singapore, Taiwan and South Korea, all of whom have comprehensive industrial development policies and have overtaken us in many aspects of technology, especially information technology. Their governments' direct subsidy or investment-tax-credit programmes have produced robust diversified industrial sectors. The Hong Kong alternative, mainly to depend on low taxation, does not focus on specific areas needing encouragement.

The Government has lately taken some laudable steps, including the establishment of the Industry and Technology Development Council, but the adjournment debate on 29 January revealed such a shortfall from what was needed to support R&D that I regard today's motion debate as inevitable.

One result of the Hong Kong policy has been a gradual shift from manufacturing to a service based industry. But this too may not be optimized within a laissez-faire policy. For example, the huge resource of expertise gathered to build the Mass Transit Railway was allowed to disperse without using the cream of it for an international consultancy. Furthermore, service industries tend to be more volatile and need a stable complement in manufacturing.

Another result in Hong Kong has been that the low level of government involvement has been carried out by staff with expertise in neither business nor technology.

I therefore support the opinion that a review is urgent and essential. It should address itself to the stability of both the service sector and the manufacturing base in China. It should examine future technological trends and the support needed by our industries to follow those trends. It should examine the government needs for expertise in providing that support and in formulating policy. In particular, it should examine the viability of forming an international airport consultancy from the expertise gathered here over the next few years. By implication the body carrying out the review should itself have the necessary expertise to do it professionally.

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

MR PETER WONG: Mr Deputy President, accountants are not trained in industrial development strategy, nor are we conditioned to take the necessary risks involved in any such policy. Our training has always been to reduce risk. However, our

experience of industrial policy decisions made in the past will mean that we are in a unique position to comment on and criticize any downside possibilities.

I would commend the Administration to consider the effects of taxation in all its aspects on any decision to promote industrial development or to enhance the returns of existing investments so that the industrialist will not consider moving his capital elsewhere. Not only must we look at direct taxes such as those on profits, income or capital gains or imposts based on turnover such as sales tax, we also need to look at withholding taxes on such items as interest, royalties and management fees. We should even look at the treatment of losses. It will be a worthwhile exercise to survey our industrialists to see the extent to which depreciation allowances on capital items affect their investment decisions and timing.

Traditionally, the Financial Secretary has been against tax incentives benefiting specific sectors of the economy, but this policy is no longer sacrosanct. Recently, amendments to the Inland Revenue Ordinance will exempt Hong Kong registered international shipping from taxation, and this is but one example of specific benefits to a specific sector.

Mr Deputy President, I urge that when reviewing the overall strategies to enhance our industrial competitiveness, the Administration keeps taxation uppermost in its mind.

With these words, I support the motion.

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, the Government continuously reviews its policies and services for industry to ensure that they are effective in enhancing competitiveness and development. During a time of rapid structural change in the economy, it is particularly important that this process of review is relevant to the needs of industry and to the economy generally.

Restructuring and its effects on industry

The structural changes in the economy over the last five years or so -- especially in so far as they relate to manufacturing industries -- have been dramatic. Manufacturing industries' share of total GDP declined from 21.9% in 1985 to 16.7% in 1990. The manufacturing labour force has been reduced from 849 000 to 655 000

between 1985 and 1991. Since the opening of China in 1979, Hong Kong's industrialists have made considerable use of lower labour and land costs in southern China for the manufacturing -- on a much larger scale -- of goods that used to be produced in Hong Kong and for the outward processing of goods which are ultimately finished in Hong Kong.

A number of Members have presented these changes in somewhat negative terms. But in reality the evidence indicates clearly that these developments are making positive contributions to Hong Kong's economy generally and to its manufacturing industries in particular. The reduction in manufacturing industries' share in Hong Kong's GDP is balanced by rapid advances in other sectors of the economy, such as trading, transport and communications, and one of the main impetus for the advances in other sectors is the need to support our much enlarged production base in southern China. In real terms, industrial output in Hong Kong increased substantially at an average annual rate of about 9% in almost the whole of the 1980s and has remained stable only since 1989. This means that, in spite of the changes in the structure of our economy, Hong Kong still has a substantial manufacturing sector which is today producing, in real terms, 80% more than it did 10 years ago.

Secondly, although the manufacturing labour force has declined in numbers, productivity per person -- largely the result of greater automation, more efficient production processes, and a concentration on higher-value products -- has grown at an impressive rate: in quantitative terms, productivity per person has increased by an average 10.5% per annum between 1986 and 1991. This figure compares favourably with the equivalent rates for developed industrial economies and for newly industrialized economies in the region.

Thirdly, the movement of industries to southern China has often been described as an "exodus". But it would be more appropriate to view it as an expansion of Hong Kong's industrial base. The continued reliance of many of southern China's industries on Hong Kong for investment, management, linkage materials, finishing, and re-exporting demonstrates this. The restructuring of Hong Kong's industrial base in this way has released labour in Hong Kong for other expanding sectors of the economy and has enabled the industries that remain in Hong Kong to concentrate on higher-value, higher-quality products.

Fourthly, there is no evidence that these structural changes have done anything to diminish Hong Kong's price competitiveness in world markets. This has been made

possible both by improvements in productivity and by the development of outward processing activities across the border. Thus Hong Kong products have been able to maintain their competitiveness in world markets.

The Government's role in the development of industry

The Government believes that its policies have contributed to an economic environment in which manufacturing industries have the best possible chance of success. The principles behind these policies have been those that have underpinned our free market economy: minimum intervention, but maximum support and encouragement. We believe that attempts to frustrate or otherwise interfere with the operation of market forces will tend to damage the healthy growth of the economy. Under this philosophy, industries -- or indeed any economic activity -- not keeping pace with their competitors decline; those maintaining a competitive edge reap the full benefits of their success. This both ensures an efficient allocation of limited resources within the economy and enables industries to maximize their returns.

Minimum intervention means that we let businessmen, not civil servants, make business decisions; that we do not protect or subsidize industries which are unable to survive through free competition; and that we do not provide discriminatory incentives, such as tax breaks. Given Hong Kong's simple tax system and low tax rates, tax concessions or tax holidays would, in any case, be unlikely to be effective in encouraging overseas manufacturers to establish themselves here. Moreover, experience has shown that investors prefer a simple, stable low tax structure to short-term incentives.

Maximum support means that we seek to ensure that the best possible infrastructure is available to enable industries to survive; that we identify constraints to growth and suggest ways of building on strengths and overcoming weaknesses; and that we provide the services needed to promote industrial development through productivity growth, quality improvement and product innovation.

All these elements of support rely for their effectiveness on a continuous process of review. In the provision of infrastructure, the Industry Department critically examines the policies and services in other programme areas -- such as education and manpower, planning, and economic services -- to ensure that they are adequate to meet the needs of industry. Through its regular techno-economic studies on each of the four major manufacturing sectors, the Department commissions outside consultants to

report in detail on the state of the industry, how it has changed, and what actions are needed to help it develop further. Direct services to industry -- for example, through the Industry Department's Standards and Calibration Laboratory or through such organizations as the Hong Kong Productivity Council -- are continuously reviewed to ensure that they have the capability and expertise to meet the demands of manufacturers.

The Industry Department currently has seven consultancy studies either in progress or due to begin this financial year. They include three techno-economic studies, a study to examine the impact on industries of the proposals contained in the White Paper on Environment, a study on whether a science park should be established in Hong Kong, and studies on industrial automation and industrial databases.

Such reviews and consultancies are not empty, theoretical exercises. They have in recent years led to a number of important initiatives. For example:

- The Industrial Technology Centre, due for completion in 1994 but already providing some services, will provide accommodation and facilities for small, high technology businesses in Hong Kong.

- The Applied Research and Development Scheme, to begin later this year, will provide \$200 million of government money for investing in R&D by industries in Hong Kong.

- A third industrial estate is being developed in Tseung Kwan O, and will be ready in 1993. This will add to the land already available at the Tai Po and Yuen Long industrial estates for the diversification and upgrading of Hong Kong's industries.

These initiatives are complemented by actions in other policy areas, such as the creation of the Hong Kong University of Science and Technology, the New Technology Training Scheme, and the increasing provision of funds for academic R&D which has more than doubled over the last two academic years. All these developments have taken place in recognition of the importance of strengthening the technological capability of our industries.

Hong Kong has benefitted from the import of technology in the past, and is bound to continue to rely on the adoption of overseas technology in the future. Through the Industry Department's inward investment programme, the Government strives to

attract overseas investors who can bring in useful technologies. The programme takes a proactive approach to selected companies in a range of targeted industries. The targets are identified and reviewed regularly, having regard to the findings of Hong Kong's tertiary institutions, recommendations in the techno-economic reports and the assessment of project officers on the ground. The continued flow of overseas investment into Hong Kong suggests both that the programme is achieving some success and that Hong Kong continues to have much to offer to new and diversified industrial projects from overseas. In an age in which technological advances are rapid and complex, and in a world where competitiveness depends increasingly on technological know-how, the Government has a definite role to play in providing support to Hong Kong's industry in responding to technological developments around the world.

To underline the vital connection between industry and technology, the Government has established this year a new Industry and Technology Development Council, which has replaced the old Industry Development Board and the Committee on Science and Technology. With its expanded terms of reference and a more focussed and co-ordinated approach, this new Council will be better placed to advise the Government on the overall development of industry and technology in Hong Kong. The Council, together with the Committee on Applied Research and Development Scheme under it, will help the Government to administer the new Applied R&D Scheme. Furthermore, under the Council, we will set up a Technology Review Board, whose membership will include distinguished scientists from overseas as well as from Hong Kong and which will provide advice on broad strategies in technological development having regard to global technology trends and Hong Kong's circumstances. The Industry and Technology Development Council will, over the course of this year, be examining its own role and work methods to ensure maximum effectiveness.

Some Members have raised the question of whether the ITDC should be transformed into a body along the lines of the Economic Development Board in Singapore. This question was considered by the former Industrial Development Board which concluded that, having regard to Hong Kong's circumstances and the investment promotion activities already undertaken by the Government, such a change would not be appropriate.

Conclusion

The Government shares the views expressed today about the importance of a strong industrial base in Hong Kong: it creates wealth through exports; it provides

employment for more than 23% of our working population; it contributes to the diversification of our economy, allowing for flexibility and adjustment; it is an important user of services in other sectors; and, in providing a stimulus to industrial development in economies within the region, it creates new users of Hong Kong's financial, technical and export services. We also recognize that, in an increasingly sophisticated economic structure, the various major sectors are in fact functioning in a highly complementary manner. Our aim for the manufacturing industries is to continue to provide them with the support and services they need to flourish.

I have attempted to show that, within the overall objectives of minimum intervention and maximum support, our industrial policies have been -- and will continue to be -- subjected to a vigorous process of critical review and adjustment, resulting in the implementation of a number of new important initiatives and the greater focussing on linking technology with industry. These initiatives are the results both of careful research and of listening to the advice and requests of industrialists. The success of these policies is evident from the large increases in productivity per person, the continued competitiveness of Hong Kong's products in overseas markets, and the increasing influence of Hong Kong's industrial management and production methods in the region. We have no intention of altering the principle of allowing free play to market forces, on which our policies are based: that principle has worked well, and has allowed Hong Kong's industries the scope, flexibility and imagination they need to flourish in an export-led economy.

Mr Deputy President, this debate has provided a very timely and very welcome focus of attention on an important sector of our economy. Let me assure Members, first, that the many and varied views expressed today will be borne in mind in our continuing review of industrial policy; and secondly, that the Government fully accepts the thrust of today's debate which is that, whatever our economic success, we cannot allow ourselves to be complacent.

It is of vital importance that the Government, with the help of the Industry and Technology Development Council, should continue to review the adequacy and nature of its industrial policies and services if Hong Kong's manufacturing industries -- and indeed its economy generally -- are to remain healthy, productive and competitive.

MR HENRY TANG: Mr Deputy President, I wish to thank my colleagues for having taken

the time this afternoon to express their views on an industrial policy for Hong Kong, and also our Secretary for Trade and Industry for agreeing to some of them.

It seems to me that the thrust of nearly all the views I have heard is that they all stress the importance of maintaining a manufacturing base in Hong Kong. The importance of having manufacturing facilities in Hong Kong is that the location of such facilities here is a major contribution to the economy of Hong Kong and it should be maintained here.

On the other hand it is also an inevitable fact that the Chinese factor -- the open-door policy of the Chinese Government, the reform policy that has been initiated since 1978 -- has contributed greatly to the development of Hong Kong's industry in the sense that because of the abundance of Chinese cheap labour and the abundance of cheap industrial land, low tax, or no tax, and also the assembly of many electrical appliances and toys, various sectors of our industry have transformed and shifted their production across the border. As the Honourable CHIM Pui-chung has said earlier, the opening up of China has really contributed greatly to the wealth of Hong Kong's economy as a whole.

It is also indisputable that Hong Kong's industrial development should transform and change into a higher-tech capital intensive industry. I think this is where the views of Hong Kong industrialists and many of those I have heard this afternoon actually differ from what the Secretary for Trade and Industry has said. We believe that although the Government is taking a first step in terms of the ITDC, we feel that the Government could be doing more in terms of either reviewing our taxation system for R&D write-off or participating more in research and development to see whether Hong Kong is already lagging far behind the three other dragons. The Secretary for Trade and Industry has implied that our technology is either on par or not behind. I therefore urge the Government that, rather than arguing with this Council as to whether we are behind or not, it is time we should at least take a first step to review whether we are indeed behind, and if so, how far behind. I think the important thing is that we do not want to argue on whether we agree that we are behind or not, but we want to establish where we go from here. It is because where we go from here will propel our economy into the next century and determine how our products will remain competitive in the international market place.

I believe that Hong Kong is still an excellent place to invest in. We have a simple tax system, we have many facilities that are conducive to investment, and we

also have a government that understands investors as well as the well being of Hong Kong people.

Hong Kong industry has transformed recently. The Secretary for Trade and Industry has said that the labour that has been displaced from the transformation of Hong Kong's industries has been taken up in the service industry; I am very glad that this has happened. But I would like to warn that a situation like this may not continue and I do not see this happening continuously because in the course of the transformation I already see that in certain sectors our workers are already facing either shortage of work or they are facing unemployment, due either to their age or that the economy has transformed to such a stage where it is difficult for them to switch to another industry. So I urge the Government to take a real look at that sector and take steps to remedy the situation.

So I think the one last thing I would like to mention is the Chinese factor. The Honourable Martin LEE has said earlier that China has an abundance of scientists and technicians and Hong Kong can take advantage of this by closer co-operation with China. I could not agree more with the Honourable Martin LEE because I have several industrial undertakings in China and it is abundantly clear to us that the level of the technological achievements of many of our Chinese counterparts is at a superior level to Hong Kong. I am a member of the University and Polytechnic Grants Committee and it was upsetting for Hong Kong University students, at one of our institution visits, to learn that one of the professors said that the level of English of students in Beijing is higher than that at Hong Kong University. I am sure they were most unhappy to have heard that.

So I think at the end of the day I would like to take this opportunity to urge the Government to take the first step with us together. Let us not argue as to whether we are behind or we are not behind in terms of technology. Let us review whether we are behind; let us get somebody who does not have a vested interest in either being an industrialist or in being part of the government to review whether we are behind, and if so, how far we are behind. And I would like to urge the Government not to deny us of this opportunity.

And lastly, I would like to thank the Deputy President for having read out my motion. Although it is shorter than the Honourable Conrad LAM's last week, I would still like to thank you, nevertheless.

Question on the motion put and agreed to.

TAXI POLICY

MRS MIRIAM LAU moved the following motion:

"That this Council urges the Administration to comprehensively review its policy on regulation of taxi services to ensure that such policy is effective to enhance taxi services to meet public needs, prevent unhealthy speculative activities relating to taxi licences, encourage quality services to be provided by the taxi trade and ensure that taxi fares are fair to passengers, drivers and operators."

MRS MIRIAM LAU (in Cantonese): Mr Deputy President, I propose a motion debate today on the Government's taxi policy with the purpose of getting the Government to address seriously the problems within the taxi industry in recent years and to adopt realistic measures to solve those problems so that the taxi industry can develop in a healthy manner and deliver services which are worthy of Hong Kong as a great international city.

Following the comprehensive review of its taxi policy in 1988, the Government took the view that the ever increasing demand for taxi services must be balanced against what our roads can bear in terms of traffic flow and the policy of issuing new taxi licences according to a yearly quota was reaffirmed. As a matter of fact, the Government is aware that the quota licensing system would push up the price of taxi licence. But it also reiterates the point that the price of the licence will not become a factor of consideration in terms of deciding whether taxi fare is to be raised or not. It is for this reason that licence price is not pegged to taxi fare and that, high or low, the cost of acquiring a taxi licence will not be shifted to commuters. In order to curb speculation in taxi licences, the Government has required that successful bidders should complete the procedure for acquiring a taxi licence from the Transport Department within six months. Meanwhile, the bidding deposit has been raised from \$25,000 to \$50,000. But the reality of the past three years is that the Government's effort has not been able to achieve its desired effect. Speculation in taxi licences has become even more rampant, while the standard of taxi services tends to decline.

In July 1988, the average bidding price of an urban taxi was \$694,000; it went up to \$1.512 million in December 1991, more than double the old price. Compared with

the price of \$164,000 in 1984, the increase has been over eight times. The price for an urban taxi licence has gone up to a new height of over \$1.7 million so far this year; the price of a New Territories taxi licence, meanwhile, has gone up from \$442,000 in July 1989 to nearly \$1 million this year. The current price level of a taxi licence is completely incompatible with the profit achievable from taxi operation. Taxi licence has apparently been transformed from a licence to operate public transport services to a commodity for speculation. I think that the following are reasons why taxi licence has become an object of speculation:

(1) The existing government policy to issue no more than 400 urban taxi licences every two years is inconsistent with market demand. As capital goods which are in limited supply, taxi licences, like all scarce goods which tend to be hoarded, have quite inevitably become very attractive to investors;

(2) Nearly all land in Hong Kong is leased and cannot be held indefinitely. But even then, restricted land leases have become objects of speculation in recent years. Given that taxi licences are held indefinitely while freely transferable, offering an advantage which is not unlike permanent land ownership, it goes without saying that it has the greater appeal; and

(3) Hong Kong has seen in recent years property prices repeatedly reaching new heights. Given the low interest rate and the high risk involved in foreign currency speculation, there is not much outlet for hot money investment. Taxi licences as scarce commodities have become very attractive objects of investment under the circumstances.

Hong Kong, being a society which has always been the champion of free enterprise, should support normal investment activities. However, the exorbitant prices for taxi licence have effectively transformed what originally was healthy investment into irrational speculation. This has a direct impact on taxi services at the same time as it jeopardizes the role of the taxi as an important mode of transport in Hong Kong. This is a situation which we cannot afford to ignore.

According to information provided by the Transport Department, most of the taxi licences issued in the past five years have been acquired by big corporate groups or major taxi companies with the successful bidders often paying a higher price for the licences than their market prices. There is a view that the corporate groups are trying to monopolize taxi licences and they are the arch culprits of speculation.

Though it may not be the complete truth, and speculation has to be based on market need and a degree of support, what we can be quite certain about is the fact that the business methods of the big corporate taxi companies are the main cause of the speculative activities. These taxi companies, upon acquiring taxi licences at high prices, will resell them at still higher prices to profit from the difference in licence prices and from the commission which they receive through arranging bank mortgages for their clients. Though there is nothing very wrong about the companies trading in licences, their practice of serving as guarantor for their clients for higher than normal mortgage loans from the banks, to entice them to pay for the high licence price as it were, will certainly encourage more buyers of highly priced taxi licences, people who may not otherwise have the means or the willingness to buy. The latter, in doing so, unwittingly join the ranks of speculators, pushing the price of taxi licence to ever new heights. Whether it is the taxi companies or the market itself which is pushing up the licence price, this unhealthy, abnormal speculation in taxi licences is very real. I think that if this state of affairs should be allowed to continue, it would have a grave impact on taxi services of Hong Kong, in the following ways:

(1) The ever increasing price of taxi licence means that the ordinary taxi driver is completely unable to afford it. However hard he works, he will never be able to become an owner-driver under the present circumstances. His only option is to continue to rent and drive for a living, making between \$6,000 and \$7,000 per month. Working drivers have no prospect of promotion, no sense of belonging to speak of; no wonder one can hardly talk about improving the standard of services in this context;

(2) Though the price of taxi licence is technically not directly linked to taxi fare, the high taxi licence price will constitute pressure on taxi rental. The taxi owner who acquires his licence at a high price will try every means of raising the taxi rental. When taxi licence is pitched at a high level, taxi-owners will want to sell their old licences. Consequently, the affected drivers will be forced to approach other taxi owners, and more often than not, the rental will be more expensive. This means that the driver will suffer in terms of income and to compensate for the loss, taxi fares have to be adjusted. However, the fare adjustment will lead to the owner raising the rental again. The driver will not end up achieving any significant improvement in terms of real income and very soon there will be a need for another fare adjustment. The vicious circle contributes to fare increases and the victims will be the commuting public eventually. According to the information provided by many taxi drivers, the taxi rental has increased from \$70-75 per shift in 1985 to

\$240-250 per shift now. There has been an increase of over 200% in the short space of 6 to 7 years;

(3) Whether it be the taxi owner who paid the high price to obtain a licence, or the taxi driver who paid the high rental, they all wish to make the most profit of the taxi. Given that middle to long distance journeys are more profitable, the situation soon arises that some taxi drivers would refuse to carry short distance travellers, picking up only those whose destinations suit them. Some taxi drivers even resort to overcharging travellers at times when taxi services are needed most, such as morning and evening peak hours and stormy weather days. There are unscrupulous taxi drivers who tamper with the meter, or otherwise charge travellers, foreign visitors in particular, over and above the metered fare. These malpractices mean that the public are not able to get the quality of taxi service that they deserve. The image of Hong Kong as an international city is tarnished. According to the Transport Complaints Unit, there has been a marked increase since 1988 in the number of complaints involving malpractice of taxi drivers. The number of taxi complaints between 1987 and 1988 was 1250, of which 1160 were made against taxi drivers. The number of taxi complaints between 1990 and 1991 shot up to 1520, of which 1465 were made against taxi drivers. Complaints against taxi drivers fall into three categories, namely, refusing and picking hire, overcharging, failing to observe regulations and poor driving. Complaints falling into these three categories for 1987-88 were 406, 301 and 210 respectively whereas comparable figures for 1990-91 were 374, 429 and 311.

The falling standard of taxi services is an issue which the Government should address. I believe that the high price of obtaining a taxi licence and the high taxi rental are contributing factors. In this connection, a radical solution to the problem of slipping standard is to curb speculation in taxi licences so that taxi licences will stabilize at a reasonable price level. I feel that in order to alleviate speculation, the Government should review its present policy of maintaining the number of taxis at around 17 000. Consideration should be given to break through the existing licensing system such that the number of taxis can be increased according to road capacity and market need, in an attempt to satisfy public demand for taxi services. I believe that achieving a balance between supply and demand is a radical solution in terms of curbing, or even eradicating speculation in taxi licences. In addition, improvement to the manner in which licences are issued is also an important aspect of fighting speculation. I believe that the Government should not announce beforehand the number of licences to be issued for the year in order to make it

difficult for the big corporate taxi companies to win tenders with high bids. The Government may also consider making it a requirement that all bidders should be full-time taxi drivers who are without taxi licences. It can also restrict the resale of licences such that the new licence holder also need to be a taxi driver, in order to encourage ownership among taxi drivers.

The first consideration in terms of improving the quality of taxi service is to raise the professional standard of taxi drivers. For example, the present taxi driving licence examination should be reviewed and if it is found to be too lax, then more rigorous tests may be introduced. Consideration may also be given to the feasibility of a demerit point system, to ensure that all local taxi drivers have excellent driving skills, professional knowledge, and ethical conduct.

Furthermore, in order to curb overcharging and reduce bad service attitude, the Government should, without delay, require that the identification paper of the taxi driver should be displayed inside the car compartment so that the passenger can provide adequate information to the authorities concerned if he or she wishes to make a complaint. Even without the adequate mechanism to ensure self-discipline of taxi drivers, under the present situation, passenger complaints have a certain effect on taxi drivers refraining from malpractice.

Although taxis are not a mode of public transport, in the real context of Hong Kong, they have become a vital part of our public transport services. In 1991, taxis carried a daily passenger volume of 1.25 million; it is a reflection of the extent of public demand for taxi services. Taxis are no longer a luxury mode of transport nowadays; rather, they provide supplementary transport service which is indispensable in our city.

The Government's policy on taxi fare is that urban taxi fare should be fixed at five to seven times the level of mass carrier fare and the New Territories taxi fare three to four times that. On average, urban taxi fare last year was up to five times that of the mass carrier fare and the New Territories taxi fare more than three times that. From the passenger's point of view, the existing taxi fare is already quite reasonable and it should not be further pushed up. But taxi owners and drivers may not think the same. I consider that in deciding on taxi fare, the Government should take into account the interests of various parties. Meanwhile, given the fact that taxis are an indispensable mode of supplementary transport, the Government should be mindful of the inflationary impact of any taxi fare increase on the public, and

also of the issue of fairness.

Mr Deputy President, I have given an account of the major problems existing in the taxi industry. I understand that the Transport Advisory Committee has in the past months been conducting a review of the taxi policy and is actually in the process of sounding out the opinions of district boards, the taxi industry and the public on the related problems. I hope the opinions expressed by Members in today's debate will help the review now underway. I hope the Transport Branch will give thorough consideration to the views expressed by Members today.

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

Question on the motion proposed.

MRS SELINA CHOW: Mr Deputy President, in this debate, my colleagues from the Co-operative Resources Centre (CRC) will address several aspects of the taxi policy which require attention. Mr Steven POON will cover the prevention of speculative activities relating to taxi licences, Mr Gilbert LEUNG will address the relationship between New Territories and urban taxis, Mr Moses CHENG will look at the role of taxis within the overall transport system, and the quality of taxi services will be covered by Mrs Peggy LAM. I will concentrate on the structure of taxi fares.

It is the stated policy of the Government to maintain a reasonable fare differential between taxis and other forms of public transport as a means of regulating the growth in demand for taxis. This policy is based on the assumption that taxis are a complementary form of transport and not essential for everyday use. Over the years, however, taxis have become indispensable and are in fact supplementary to the different forms of transport that people of all classes and trades use to get around Hong Kong. Unlike elsewhere, it is not restrictively available to only the very affluent and is called upon as a popular alternative to other modes of public transport.

If we examine the differential between taxi fares and fares for other forms of mass transport, it can be seen that in 1979 the average fare per passenger was seven and a half times that for mass carriers. From 1979 to 1987 the difference between the two groups of fares followed an overall trend of decline, falling to three and a half times in 1987. At this point, the Transport Advisory Committee made a

conscious decision to increase the gap between taxi fares and those of other forms of public transport thereby rendering taxis as a transport mode for the more affluent. From 1988 onwards the Transport Advisory Committee recommended the differential of five to seven times between taxis and other public modes. Following this decision, the differential between taxi fares and mass carrier fares has steadily increased. The average taxi fare is now slightly over five times the average mass carrier fare. As a result of this conscious decision, we have seen that taxi fares are becoming more expensive in relation to other forms of public transport. In addition, the increase in taxi fares over the past five years has overtaken the rate of inflation. If taxi drivers receive the go-ahead to increase the flag-fall, taxi fares will further outstrip the rate of inflation.

We believe that the reasonable differential that the Government set out to maintain has already been achieved. A further increase would prevent taxis from continuing to be a viable option as a form of public transport. CRC does not support the widening of the price gap and urges the Government to review this policy in the light of the wide public support and reliance on the taxi service.

Taxi companies have expressed their wish to discourage passengers from taking short trips. In order to do so they have proposed to increase the initial flag-fall by a considerable amount, by charging a minimum fare based on three instead of two kilometres. According to information put to us by some taxi drivers, of the 25 trips in a shift, about seven are short trips which only cost the initial \$9 flag-fall, about 15 are medium trips which range in cost from \$10 to \$30, and the rest fall into the category of long trips, that is, those which cost over \$30. Such a split seems to refute the claim that customers for short trips are squeezing out medium and long distance ones. If taxi companies succeed in substantially increasing the initial flag-fall with a view to discouraging short trips, this could have adverse effects for both consumers and the companies themselves. The short distance passengers might decide to forego taxis in favour of alternative forms of transport as a result of this increase. However, it is doubtful whether the market offers enough medium and long distance passengers, who are the preferred customers of taxi drivers, to fill the void created by the shift of short trip users. If not, then increasing the flag-fall would only alienate more users than it gains. Taxi drivers might end up spending longer periods of time on the roads cruising for passengers.

In attempting to pick and choose among the different types of passengers who take taxis, taxi companies neglect to address the fact that people do not only use distance

versus cost analyses in making their decisions. The convenience of door-to-door service, as well as the time that taxis save, are also factored into the decision. Furthermore, for many people taking taxis is the only viable means of transportation. In Hong Kong, riding in a taxi is not a luxury as it is in some other parts of the world. People from a wide variety of backgrounds hire taxicabs and most people use a combination of transport forms, of which taxis are only one component, to reach their destinations. Therefore a substantial increase in the flag-fall might at best be a short-lived deterrent to short trip users, and before long everybody would simply end up paying more.

Now I would like to turn to the issue of fare malpractices. Last year, a total of 455 complaints were about overcharging. For the first four months of this year, 429 complaints about overcharging have been registered. Since this latter period only covers one-third of the whole year, this substantial jump raises some questions that need to be answered. There are several possible reasons for this year's high number of overcharging claims. People may be more willing to make formal complaints to the Transport Complaints Unit than in the past, or overcharging may be increasingly prevalent. On the other hand, it may also be possible that at present only a very small minority of passengers, who have overcharging complaints, take the time to register these complaints with the Unit; so the figures that we do have only represent the tip of the iceberg. In any case, the Transport Department needs to investigate the cause of this problem and step up the remedies to curb it.

To further address the problem of malpractice in fares, I will focus on three specific problem areas. Opportunities often arise for taxi drivers to charge per passenger rather than according to the meter. When demand for taxis is extremely high during the morning rush hour or at popular picnic spots during public holidays for example, unscrupulous taxi drivers engage in a practice known as " ". There are also other cases when catching a cab becomes something like attending an auction, with the taxi going to the customer with the highest bid. In addition to these two types of fare abuses, overcharging the radio booking fee is also widespread. The fixed \$4 surcharge for using radio booking service is often not observed. During bad weather, and at other times when demand for taxicabs is very high and supply for them very short, the passenger has little choice but to pay whatever he is asked to pay.

More often than not the laws and regulations governing the above situations are not observed or enforced. Shortage of manpower and resources is no justification for poor enforcement. The Government must come up with ways and means to ensure

strict compliance. Blatant disregard and widespread contravention of the law render protection for the consumer non-existent, while on-the-spot bargaining creates safety risks for our already busy streets during rush hours

Mr Deputy President, I support the motion.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, the problem of poor taxi services, even following each fare increase, and of the exorbitant rise of the price for taxi licence, has actually been a longstanding one. It has always been a matter of public concern but it is indeed disappointing that the Government has so far failed to take any real action in response to the repeated appeals for it to conduct a serious review of its taxi policy. The taxi licence has already been pushed, thanks to abnormal speculation, to a new high, adding to the burden of taxi drivers. Meanwhile, there has been no noticeable improvement to our taxi services. If the Government still does not have the determination to review its taxi policy, the problem will definitely be further aggravated.

Indeed, the biggest problem with the entire taxi policy rests with the licensing policy. The Government regards the taxi licence as a commodity which is then sold to the highest bidder in an open auction. This practice leads to monopolization of taxi licences by a handful of corporate groups. Given that the speculation in taxi licences is considered to be a way to make a fast buck, the taxi driver who aspires to become a taxi owner is faced with an increasingly heavy burden, in terms of meeting mortgage payments for his vehicle. Speculators of taxi licences are able to take advantage of the situation and reap huge profits.

The pressure is already considerable for the driver of a rental taxi. Each time the Government gives the approval for taxi merchants to raise fares, taxi rentals are bound to rise. Taxi drivers are not able to benefit much from the fare increase, but it is they who will have to face the prospect of dwindling patronage due to higher fares. As a matter of fact, the greatest beneficiaries of fare increases are the taxi merchants instead of the taxi drivers. It is not possible for the general public to obtain better taxi services as a result of taxi fare increase.

In this regard, under the double pressure of high licence price and high taxi rental, both working drivers and mortgage paying owner-drivers are in a dire plight. Presently, most of the taxi drivers are making around \$8,000 only per month, after

deducting taxi rental, gasoline cost, and so on. Bearing in mind that they have to work long hours, are not entitled to any fringe benefits and have no job security, it is not difficult to imagine that some of them will want to resort to refusing and picking hire, overcharging, and other malpractices, in order to make a little more money and to save some running costs.

Mr Deputy President, in order to curb speculation in the taxi licences and to protect the interests of consumers, I think the Government should seriously review the entire taxi licensing system. This is to forestall monopoly of taxi licences by corporate groups, to the detriment of public interest. I agree very much with the suggestion of the Motor Transport Workers General Union that the Government may consider the adoption of a licence rental policy in its future issue of taxi licences and, depending on the year-by-year road traffic condition and passenger demand, the issue of a given number of taxi licences to be awarded, by means of a lucky draw, to taxi drivers who will then use the licences to earn their livelihood. Upon receiving a licence, the taxi driver may be required to pay a reasonable licence rental fee on a yearly basis, with the rental contract running for as long as the normal life span of a taxi, and specifying that the driver is not allowed to sublet or otherwise transfer the use of the licence to someone else. Meanwhile, the Government can also set out certain guidelines to monitor the ethical conduct of the taxi drivers during the contract period such that the licence will be revoked in the event of serious violation of the regulations.

Such a rental system can effectively curb the speculation in taxi licences and spare the drivers the plight of having to contend with the skyrocketing licence price. The adoption of the system will also reduce the impact on the quality of service because the driver will not worry about the taxi owner or taxi merchant keeping on raising rentals. Meanwhile, the Government will also be in a position to monitor effectively the ethical conduct of taxi drivers and the public then can expect fare increase will bring about improved services.

On the issue of taxi fares, I would like to stress that taxis are in fact a very vital mode of public transport and that they should not be regarded as a luxury for big time consumers. In this regard, the Government should try its best to set the taxi fare at a reasonable and acceptable level. If taxi fares are set at an unrealistically high level, then they will not be acceptable to the public and the victims will eventually be members of the public, including not least the drivers themselves.

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

MR MARTIN BARROW: Mr Deputy President, I would like to draw Members' attention to the fact that the quality and reputation of our taxi services is not simply a matter concerning Hong Kong residents but is also of considerable importance to the tourism industry. The majority of visitors to Hong Kong make use of taxis during their stay here and the impression they gain from the standard of service and treatment received is certainly significant in forming their overall view of the territory.

From a survey of departing visitors carried out at Kai Tak Airport last year, we can infer that 61% of our tourists used taxis while they were here. Given that we welcomed a record 6 million visitors last year, we are talking about an additional 3.7 million customers of taxi services. Furthermore, the survey showed that taxis are the most used form of public transport by visitors. Taxi operators and drivers are therefore very much in the front line, along with personnel in hospitality, retail, dining, entertainment and tour organizing sectors, when it comes to dealing with visitors and representing Hong Kong.

Given the trend among visitors to enjoy independent travel and do-it-yourself sightseeing programmes, the use of taxis is very likely to rise even further. Consequently, the Hong Kong Tourist Association and the tourism industry in general strongly support any proposal which will help improve taxi services. From the industry's point of view, the aim should be to ensure service efficiency and availability, to upgrade standards of courtesy, and to promote drivers' communication skills.

While a system of regulation can go some way to improving availability, there is also a need to raise awareness among operators and drivers of the importance of service through promotional and educational programmes. I believe that this approach can produce results. Judging from letters received by the Tourist Association complimenting individual drivers here for their service, we have a good base on which to build. There has been a positive response to the various initiatives undertaken by the Association in this respect, producing 10 000 copies of a trilingual handbook for drivers in 1989, organizing the Courtesy Awards for taxi drivers last year, and providing a quick guide for easy communication with tourists.

I am sure that with the right blend of legislative and promotional encouragement, our taxi services could be as good as anywhere in the world. As a leading centre of international commerce and Asia's most popular tourist destination, Hong Kong should not settle for anything less.

With these words, I support the motion.

MRS PEGGY LAM (in Cantonese): Mr Deputy President, there are many modes of transport in Hong Kong, but taxis are about the most personalized mode of public transport. Taxis not only provide a relatively speedy service which will enable the commuter to get from one point to another; as a mode of public transport, they are highly flexible in that they do not run on fixed routes and have no fixed charges. It goes without saying too that taxis are an indispensable means of transport in the daily lives of Hong Kong people. Taxi fares used to be very much higher than the fares of mass transit carriers, which is why taxi services were a luxury in the old days. However, with the rise in population in recent years, the number of taxi commuters has also been on the increase. The daily taxi passenger volume in 1991 stood at 1.25 million, 38% over and above the number recorded 10 years ago.

There are now 15 000 urban taxis. Since there are tens of thousands of working taxi drivers, it is not surprising that there are also some black sheep among them. It is regrettable that these unscrupulous taxi drivers have engaged in malpractices which tarnish the reputation of their law abiding colleagues, who are in the vast majority.

In 1990, the Transport Complaints Unit received a total of 1 480 cases of complaint against taxi services, as opposed to 1 670 received in 1991. It is estimated that the reported cases reflected only about 10% of the real situation, given the fact that Hong Kong people are busy and do not want to get involved in any trouble. In this regard, the increase of 190 complaints is worthy of our attention.

Many people in Hong Kong have the experience of not being able to catch a taxi during rush hours or when they are in a great hurry. The problem is not so much the absence of taxis as taxis thronging the streets but downing flag and refusing and picking hire. Recently, a friend of mine was in a hurry to go from Wan Chai to Sunning Plaza at Causeway Bay to attend a meeting. It was a rainy day and it was only after a lot of hassle that my friend managed to stop a taxi. But when told about the

destination, a short distance away admittedly, the driver stuck out a "not-in-service" sign. My friend was forced to get off the taxi. The sign was definitely not on when the taxi was hailed. This is a most common phenomenon at Tsimshatsui East, particularly at night; unless one gives the signal of an additional 20 to 40 dollar tip, there is no chance at all of getting taxi services. On the issue of overcharging, when one dials for a taxi on a stormy day, one has to be prepared to pay not only an additional four dollar surcharge, but another five to 10 dollars tip on top of that. Furthermore, there are the malpractices of tampering with the meter, taking a circuitous route to destination, failing to carry the passenger to destination, and "mud-fishing", and so on, all of which are very rampant. Occasionally, there are also disputes with passengers regarding the luggage fee. As a matter of fact, it is due to a lack of clarity of the government guidelines on luggage that the taxi drivers can take advantage of the situation. Such selfish, unlawful and unethical behaviour is really the cause of public resentment.

From another point of view, the Government licensing system cannot be blameless for the slipping standards of taxi services and the bad attitude. The licensing system is an encouragement of speculation; taxi has become a commodity. The taxi is a more valuable tool of speculation than a mode of transport. Since the Government's announcement of its policy to restrict the issue of taxi licences to a given number each year, the price of taxi licence has multiplied every two years. It has, for example, phenomenally increased from \$900,000 at the end of 1990 to over \$1.7 million at this point in time.

8.00 pm

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

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

Question proposed, put and agreed to.

MRS PEGGY LAM (in Cantonese): It is estimated that over 80% of the above mentioned taxi licences are held by owners who are not themselves drivers. The rate of increase for the taxi licence price is already out of touch with the profitability of taxi operation. The taxi driver is not able to meet his mortgage payment, not even with all of his daily earnings. No wonder some drivers engage in all sorts of malpractices in order to make the \$18,000 to pay his mortgage. Passengers are made to suffer eventually in the process.

Mr Deputy President, the present taxi licensing policy of the Government is ridiculous and a failure. I appeal to the Government to conduct a comprehensive review of this licensing system which is as full of loopholes as it is unfound anywhere else in the world. The practice of selling to the highest bidder, while bringing in considerable proceeds to the Treasury, is an indirect cause of speculation. In this connection, I believe that in order to curb speculation, the present licensing system should be revised such that the issue of taxi licenses can be implemented more flexibly, enabling more people to become owner-drivers. The Government can make it a requirement that the licence cannot be resold or rented out and that the licence must go to the operator. This will maintain the price of the taxi licence within reasonable limits.

Insofar as the rectification of malpractices is concerned, I think that, in addition to stepping up monitoring and prosecutions by the Government, the requirement that the driving licence be prominently displayed in the taxi compartment must be enforced expeditiously. The Government may also consider introducing receipt for taxi fare, increasing penalty for malpractices, simplifying complaint procedure, and clarifying fee regulation, including the definition of luggage and the cost of carrying birds and animals. I have been told by a driver that applicants for taxi driving licences should have excellent driving skills, but on top of that, they should also be required to attend a training course in courtesy and professional conduct. They will not be issued with a driving licence unless they obtain the course certificate. Meanwhile, the Government should also work with the meter manufacturers to study ways of preventing meter tampering. For example, when tampered with, the meter can be programmed to sound a continuous alarm, or stop moving and return to starting point, and so on. The Government can also do a lot in the way of publicity and public education so that both taxi drivers and the public as a whole are aware of the function of taxis. With everybody joining in the monitoring, the black sheep will be reported and taxi services will be improved.

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

MR JIMMY MCGREGOR: Mr Deputy President, any policy which encourages the tremendous increases we have seen in recent years in the tender price of urban taxi licences must be flawed. We have seen the tender price of urban taxi licences move from a relatively low figure of \$164,000 in 1984 to over \$1.5 million in 1991 and an estimated \$1.7 million this year. This price quite clearly reflects much more than inflationary movement. The latest price suggests that demand far outstrips supply and that speculation must be rife. It suggests also that by application of a simple return on investment calculation, there must be considerable pressure to increase fares. At about \$1.7 million for a taxi licence, how can the owner make money? The taxi itself may cost \$500,000 and will last probably five years. Maintenance is not cheap although we can see that many taxis are not well maintained. Some are rented out to drivers who must try to make a living. Do the present fares allow a hard working driver to make sufficient for himself and his family? Can an owner-driver make a reasonable living from his investment?

On the face of it, the purchase of a taxi is not a good investment. Why then is the price of a taxi licence so very high at present and still climbing? What is the relationship of the taxi licence price to the taxi fares? How does the Government keep taxi fares affordable to the public whilst restricting the number of licences issued? Would not a policy of issuing many more licences help to bring down licence prices and stabilize taxi fares? Does the Government restrict the number of taxis allowed on our roads for reasons of traffic density and congestion? Is there a moral pressure on the Government not to increase substantially the number of new taxi licences in order to protect the livelihood of owners and drivers?

I can well understand the feelings of taxi owner-drivers who have bought their licences for at least \$1.7 million and face a proposal that market demand should be met by the issue of a large number of new licences. Nevertheless, Mr Deputy President, the Government must surely try to match demand with supply in the interest of the travelling public. I would suggest substantial increase in licence issues each year until the tender price falls to a sensible and affordable level.

MR MOSES CHENG (in Cantonese): Mr Deputy President, the motion debate proposed by Mrs Miriam LAU does not only address a real need but is also rightly timed. Although

the Government has just, in 1990, formulated a White Paper on Transport Policy, one can see proof from the rapid increase in the price of taxi licences and the divergent views held on taxi services that there is a need for the Government to conduct a comprehensive review of its present policy with regard to the regulation of taxi services. My colleagues from the Co-operative Resources Centre (CRC) will speak on the various aspects of taxi services and in order to save time, I will only speak on the issue of whether we should change the basic policy of regarding taxis as a supplementary mode of transport.

If we take a look around the world, we can see that most countries adopt the policy of classifying taxis as providing a supplementary service, based on the consideration that taxis are providers of a personalized service. One can see from the White Paper on Transport Policy 1990 that the policy on taxi services and taxi fare reflects the view that taxis are playing a supplementary role. However, according to statistics, in 1991, the daily passenger volume carried by taxis is 1.25 million. Given the fact that the other major modes of transport are not able to satisfy the public transport needs of Hong Kong people, it would seem that the policy which regards taxi services as playing only a supplementary role should be reviewed to cope with the actual needs of Hong Kong and to ensure that taxi services are able to develop in a healthy way.

I understand from actual patronage that, while Hong Kong people take taxis to go on long journeys to get to destinations not accessible by ordinary public transport, there is also a considerable number of short distance journeys taken by people on taxis. In this connection, taxis have actually played the role of feeder for people wanting to switch to other modes of transport later. According to the present transport policy, it is the public light buses and maxicabs which should provide such service. However, the real situation is that the public light buses and maxicabs are only able to provide limited feeder service which is enough to meet only part of the demand. The remaining bulk of such feeder service is actually provided by taxis.

We must not neglect the public transport needs of the physically disabled in the review of taxi services. While a small number of physically disabled persons may be able to use the Rehab buses and the major modes of public transport in a limited way, they have to rely on taxis as their means of getting around town. As far as they are concerned, taxis are an essential mode of transport, not a supplementary mode of transport.

Taxis provide an indispensable service to the senior citizens of Hong Kong. The public transport are too overcrowded for use by old people with movement problem. When they are unwell and have to go to seek medical treatment, they have to use the taxi for the trip to the clinic and back home again. In this regard, taxi services also take care of the transport needs of the aged.

The present policy is to restrict the number of taxi licences to be issued each year. It is a policy which is geared to maintain a balance to enhance traffic flow on the roads. Indeed, the arbitrary restriction on licences issued has led to speculation in the restricted number of licences on the market. The price of taxi licences has far outstripped the profit achievable from taxi operation. Given that price of a taxi licence is close to \$2 million, the taxi operator will have to make \$20,000 per month in order to be able to meet the mortgage payment. This will have a direct impact on taxi operation and indeed the quality of service of the taxi driver. According to information which they provide, it is not difficult to see why they resort to picking hire, even at the risk of prosecution. Although the Government has in recent years implemented a variety of measures to combat the unlawful malpractices of taxi drivers, the law will continue to be flouted for as long as the factors contributing to such malpractices continue. It is for this reason that in the review and reformulation of the taxi policy, it is upon the Government to take the views expressed by all sectors into account, in order to curb unhealthy speculation relating to taxi licences.

Given that taxis are playing such an important role in our society, the Government should review its policy which continues to regard taxis as a supplementary rather than a major mode of transport. In terms of revising the taxi fares and maintaining the reasonable functional difference between taxis and other modes of transport, the Government should not seek again to make taxis a luxury mode of transport. Although taxis may not provide the same service as the services provided by buses, trams and trains, they nevertheless are providing a service which is vital in the daily lives of people, just like any other mode of public transport. In this connection, the Government should, in terms of formulating the taxi fare structure, make sure that fares will be fair to passengers, drivers and operators alike.

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

MR LEE WING-TAT (in Cantonese): Mr Deputy President, the Transport Advisory Committee issued on 24 February 1992 a consultative document to solicit public views as part of the taxi policy review. The document provides information on four aspects, namely,

passenger volume of taxis, tender price, standard of service and taxi fare.

The daily volume of passengers carried by taxis is 1.25 million, 38% more than the figure recorded 10 years ago.

Meanwhile, the total number of taxis running in the territory is 17 528, of which 14 000 are urban taxis. Complaints about misconduct of taxi drivers came to 1 670 last year, 13% more than the year before. Most of the complaints relate to refusing and picking hire; overcharging is the second cause of complaint.

Taxi fare increase is not a new topical issue. If you come to think of it, you will recall that there have been repeated increases, by sizeable margins, in recent years. Although the reasons given for fare increase application are invariably increased operational cost and inadequate revenue, and so on, it is the taxi merchants who are applying for the increase and the drivers themselves seldom seem to stand on their side. Some taxi drivers are even opposed to the fare increase, requesting instead that the taxi fare be reduced. It is not difficult to explain the conflict, though. Following the fare increase, the working driver will inevitably be faced with the prospect of increased rental. Increased operational cost, and the aggravated pressure which it translates into, is certainly not going to be pleasant. The biggest beneficiaries of fare increase are the taxi merchants. Not only will taxi rentals be raised, but the price of taxi licences will climb still further, attracting more people to get involved in the speculation. As a matter of fact, the unreasonable tender price of taxi licences is alarming. The price for an urban taxi licence is estimated to be \$1.7 million, up 80% over the year before last. The considerable prospective profits have fed the trend of speculation and the speculative activities are controlled mainly by two large corporate groups. Statistics show that these two groups have at least \$200 million to play around with each month. Over 10 taxi licences are traded on the spot and over 100 traded through brokers on the future, on a monthly basis. Under the monopoly by the two groups, there is no way the individual operators can participate in the technically open, but actually manipulated, auction. The result is that the price of the licence is pushed up, again and again. The monopoly situation means that the two groups have become the main suppliers of taxi licences. The market mechanism is completely unable to regulate the price of taxi licences which continues to rise. Taxi operators have no alternative but to rent their vehicles or buy the licences at exorbitant prices, a situation which is most unfair to genuine operators.

This state of affairs is a perversion of the original purpose of the restricted issue of taxi licences, which is to control the number of taxis and alleviate traffic volume. It has a direct impact, on the other hand, on taxi fares, standard of service, and the user right of the service recipient. In this connection, the Government should actively intervene to prevent the speculation in taxi licences from getting worse.

I, and my colleagues from the United Democrats of Hong Kong (UDHK), tend to think that, given the hovering price of taxi licences, we are still in a buyers' market. The operation of taxi services is still a lucrative business and the public have a very strong demand for taxi services indeed. It is in this context that the flexible increase of taxi licences will not only go some way towards satisfying demand but will also be instrumental to curb the upward price spiral of taxi licence. More specifically, the Transport Branch should review, according to market demand and road capacity, the present licensing policy and relax the restriction on the number of licences marked for issue, in a more flexible manner, in such a way that 200 licences may be issued at one time, to be followed, pending review, by another issue of 300 licences at another time.

On the other hand, the combating of speculation should start with increasing the cost to speculators. The UDHK suggest the restriction of right to transfer, that the Government should consider, in the issue of the next batch of licences, to ban the resale of a taxi licence within a period of six months. This measure may be reviewed in six months. If it is not effective, then the next batch of licences may be subject to a resale ban of one year. The resale ban may further be extended, following review, for as long as it takes to dampen speculation.

I believe that increased supply and resale restriction will be twin measures which will go a long way towards curbing the skyrocketing taxi licence price and the speculation by corporate groups.

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

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, I think that the prime objective of the Government's taxi policy is to ensure that the quality of service provided by taxis as a mode of public transport is up to the expectations of the public and of a satisfactory standard. Put in another way, the Government has to take care of

the interests of consumers. I think that the spirit of the Government's taxi policy is to ensure that taxis are able to perform their function as privately run public transport. In this connection, taxi fare and service quality are two aspects which the public should be concerned with.

Taxi fares should not be fixed at an overly high level. It is a commonly acknowledged fact that taxis are a mode of public transport which will supplement the inadequacies of the other modes of transport. Taxis are relied upon by the elderly for visits to doctors and by the less agile for getting around town. In this regard, if taxi fares are set at a very high level, then they will not be affordable by the general public.

On the other hand, given the fact that Hong Kong is a small place with a large population, that the roads are not able to cope with traffic volume, there is a need for mass carriers to be used more intensively. It is for this reason that taxi fares should be set at a higher level than fares for buses, the MTR and public light buses. I consider the present taxi fares to be largely reasonable.

The Government has to abide by the principle that the ability of the public to afford and the fare levels of other major modes of transport must be taken into account in terms of deciding on the level of taxi fare. The hefty increases in the price of taxi licences in recent years should not be taken as a factor which would justify an increase in taxi fare. The price of taxi licences is determined by the perceived profit levels of the taxi trade operators. However, one key element in the pitching of profit level is the rental income of taxis. It is for this reason that the taxi rental should not be affected by the price of taxi licences, but on the contrary, it is the taxi rental which should bear on the taxi licence price. The logic of this argument is that if the Government could hold its ground as regards the rental price, the increase in the taxi licence price would be checked. When the price of the taxi licence already exceeds the profit which can be derived from the rental income, it will naturally be under pressure for a downward readjustment.

The present problem which besets the commuter is that of the standard of taxi service. We can see from the daily increase of complaints regarding taxi driver refusing hire, overcharging, and showing bad attitude, that the black sheep within the taxi trade are still not brought under control and there is actually a tendency for the standard of service to further deteriorate. It jeopardizes the rights and interests of commuters; it hurts the image of Hong Kong in the eyes of foreign visitors

to Hong Kong. In this regard, the problem should be dealt with most seriously by the Government.

Apart from completing expeditiously the exercise now underway to combat meter tampering, and to make it mandatory for taxi drivers to display his or her driving licence, the Government should also step up the prosecution of complaints against unscrupulous drivers. Consideration should also be given to the introduction of deterrent measures, such as a demerit point system, in order to make sure that the black sheep of the taxi industry will be able to turn over a new leaf as soon as possible.

Hong Kong has at present three kinds of taxis, namely, urban taxis, New Territories taxis, and taxis running on Lantau Island. The distinctions are made having regard to the geographical differences between the urban areas and the New Territories and Lantau Island, the different ways of life between residents living in different parts of Hong Kong, and the need to make sure that New Territories and Lantau residents have adequate taxi service. However, over the past decade or so, the New Territories have witnessed rapid development, including the growth of new towns attracting significant population shifts from the urban areas. The distinction between urban and rural parts of Hong Kong has become greatly reduced. More and more of the New Territories have become urban areas, resulting in the shrinking of the service area of New Territories taxis. For example, Tsuen Wan has always been off limits to New Territories taxis. Shatin has also been marked as a service area of urban taxis since very early on. Previously, Tseung Kwan O was naturally a part of the New Territories, with its small population. But with the development by the Government of Tseung Kwan O into a new town in recent years, New Territories taxis have been prohibited from operating in the area. If this trend continues, one fears that New Territories taxis will be literally banned in all parts of Hong Kong.

The point I have made here seems to raise unnecessary alarm. However the Government must admit that this policy, which was formulated in the 1970s, has become increasingly out of date. With the completion of the airport project in 1997, in particular, Lantau Island will no longer physically be separated from Hong Kong Island and Kowloon as a high speed motorway will have been built connecting the New Territories with Hong Kong Island and Kowloon, making the territory of Hong Kong one physical entity. It can be imagined that the present taxi classification system will become a monstrous joke in five years time.

Mr Deputy President, a responsible government is one with vision. And in terms of changing a system which bears on the investment of operators in certain industry, it has to be done most judiciously so that the reasonable interests of all parties concerned can be taken care of. In this connection, I propose that the Transport Department should as a matter of urgency review the mutual relationship between New Territories taxis and urban taxis.

In the review of taxi policy, public transport service for residents of remote parts of the New Territories should be considered. At present, the Government only issues a total of 2 500 New Territories taxi licences. However, I understand after investigating the situation that nearly 10% of that number are not in active service. The reason is that the New Territories taxi driver earns far less than his urban counterpart, or for that matter, the average professional driver. The lack of appeal of taxi operation in the New Territories has resulted in the situation of taxis lying around idle without a driver. I think that if this situation is allowed to continue it will definitely affect the quality of taxi service in the New Territories. Bearing in mind that the number of licences issued by the Government has been obtained as a result of careful planning, the present situation of nearly 10% of that number of licences not being used at all means that at least 10% of the demand for taxi service has not been met. It is feared residents in the remote villages are the most affected. Given that the original purpose of setting up the category of New Territories taxis is to cater to the needs of village residents, it is up to the Government to think of ways of resolving this problem of idle taxis.

Mr Deputy President, the Government can actually consider making it mandatory for these idle taxis to go into active service. When this happens, the supply of taxis will increase and with it, taxi rentals will fall, and this will in turn attract more people to the trade. The public transport problem of residents living in remote parts of the New Territories will be solved in this manner.

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

MR STEVEN POON (in Cantonese): Mr Deputy President, of all the problems mentioned by Mrs Miriam LAU in her speech, I think the most serious one is that of the skyrocketing price of taxi licences and indeed, many Members have already spoken on the issue today. The high taxi licence price can be said to be the cause of poor

taxi services because taxi drivers will find it difficult to make a living with taxi rental escalating to match the sky high taxi licence price. This is how the high taxi licence price will indirectly, but inevitably, reflect on the price of obtaining taxi services.

It is indeed alarming that the urban taxi licence which stood at \$200,000 in 1985 actually rose to \$1.5 million as at December last year, representing an increase of over six times in six years. Taxi licence has now become a commodity for speculation and that is a departure from the original purpose of making taxis fulfil the role of a major transport service provider.

A very long time ago, taxis were a mode of transport used by the rich. However, with the improvement in the standard of living, given the inadequate provision of bus services, and the Government's attempt to curb the growth of private cars, taxis have become a necessary part of the daily lives of Hong Kong people. The Government should not look at it as a commodity, nor should it allow this vital mode of transport to degenerate into a commodity for speculation.

I wish to propose two possible solutions to the problem of speculation of taxi licences. The first option is for the Government to issue two kinds of licences. One which we shall call Licence B may only be held by working taxi drivers; the other which we shall call Licence A may be issued without any strings attached as in the present practice. Licence B is issued through tender to one or two drivers. It is non-transferable, nor can it be rented out to another person. In the event of the death of the driver, the Licence B may be transferred to another working driver. The purpose of this option is to enable working drivers to become holders of taxi licences so that they can fulfil their wish of becoming owner-drivers.

The second option is for a new kind of taxi licence to be issued which has a restricted period of validity, and which we shall call Licence C. It differs from Licence A in that it runs for about 10 years and will be automatically revoked once this period is up. It is also acquired through tender, but there is no restriction whatever on transferability within its period of validity.

Members from the Co-operative Resources Centre (CRC) and I are more inclined to support the first option of Licence B because it is capable of taking care of the

interests of the largest number of taxi drivers who rely on their taxi licences for their living, and of curbing, at the same time, the speculation which is now going on. It goes without saying that details of this option also need to be thrashed out in order to close possible loopholes.

If the implementation of the Licence B option proves to be problematic, then the Government can give serious thought to the second option, which is the issue of Licence C, which has a restricted life span.

I also consider that the practice of announcing beforehand the number of taxi licences to be issued each year is likely to lead to even more serious speculation. I propose that the Government should not specify the numbers of Licences A, B and C to be issued before the tender exercises. Decision on the numbers should be made following the tender exercises, and after taking into account the demand for taxi services.

Mr Deputy President, with these remarks, I support the motion moved by Mrs Miriam LAU.

8.35 pm

DEPUTY PRESIDENT: We will take a short break for 10 minutes.

8.54 pm

DEPUTY PRESIDENT: Council will resume.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, the price of taxi licences rose from \$450,000 in 1987 to \$900,000 in 1990, amid the rampant speculation in recent years. Speculation has reached a feverish point in the past two years, with the taxi licence fetching the price of \$1.7 million now. In order to curb speculation, the Transport Advisory Committee has increased the number of new licences by 200 last year. It is unfortunate, however, that the licences have been monopolized by a couple of large companies and the problem of speculation has not been alleviated.

The existing taxi policy of the Government has been formulated on the basis of a comprehensive review conducted in 1988. Based on the need for balancing the ever increasing demand for taxi services against what our roads can bear in terms of traffic throughput, the decision was taken then to limit the issue of urban taxi licences to no more than 400 biennially, and to limit the issue of New Territories taxi licences to no more than 100 from 1991 to 1992. There is a view that the quotas applied to the issue of licences should be blamed for the speculation and that to combat speculation, the issue of new licences should be increased. Meeting Point take the view that, unless the issue of taxi licences is significantly increased, or even issued with no upper limit, it will not be useful in terms of combatting speculation. However, an open-ended policy with regard to the issue of taxi licences will cause further aggravation of the already serious road congestion. The public will find it impossible to enjoy the benefit of speedy transport service. The earnings of working drivers will be seriously affected. The quality of taxi service will actually deteriorate even further.

In the context of the heated speculation, the taxi licence has already become an instrument of speculation rather than a genuine licence to operate the taxi trade. In this regard, Meeting Point consider that the Government should adopt measures to combat speculation. Although the issue of licences with no upper limit is not practicable, we believe that improvements to the present licensing procedure, such as restricting the eligibility criteria of bidders and transferability of licence, will go some way towards preventing speculation. Indeed, these measures have already been mentioned by a number of colleagues in this Council, so I will not elaborate on them at this point.

I should like to examine the role played by taxis in traffic and transport from the perspective of the function which it performs. Taxis have been defined as a personalized mode of transport whose role it is to supplement the inadequate service provided by the other existing modes of public transport. The number of licensed taxis are over 17 000, of which 15 000 are urban taxis, 2 500 are New Territories taxis. According to available data, in certain busy spots nowadays, 50% of the vehicles occupying the road space are taxis. This has led to serious congestion which greatly affects the traffic flow of other mass carriers. A lot of precious time of the vast majority of commuters travelling on these mass carriers is wasted because of the road congestion. From the perspective of traffic and transport, taxis carry few commuters but occupy a lot of road space, and as such they waste public resources. Meeting point think that taxis can still only play a supplementary role to alleviate

the burden on our roads.

In the past, taxi fare is considerably more expensive than other public transport fares. If a commuter wants a more comfortable and convenient means of transport, he or she will choose to ride in a taxi and pay a higher fare. But in recent years, the fare differential has narrowed with the constant fare increases of other modes of public transport, such as the MTR, air-conditioned jumbo buses and public light buses. For the sake of convenience, the public commuters will naturally become frequent users of taxis. Even school children use taxis frequently in groups of three and five, because they find that it is even cheaper than taking the MTR or the public light bus, after splitting the fare.

According to statistics, the daily passenger volume of taxis was 1.25 million last year, up 30% from 10 years ago. It would seem that Hong Kong people have already formed a habit of riding the taxi. Given the fact that the urban areas are at present already well served by a more efficient public transport system, taxis may be considered to be not such a vital mode of transport after all. In this connection, Meeting Point support the maintenance of a considerable fare differential between taxis and the other mass carriers in order to forestall taxis being abused for purposes other than its designed role as a means of supplementary transport. Of course, Meeting Point also understand that the raising of taxi fare will further intensify speculation. In this regard, Meeting Point hope that the Government will be able to come up with effective measures which will ensure that fare increase will translate into real benefits for taxi drivers, instead of taxi speculators, in order to curb speculation.

However, insofar as the New Territories are concerned, particularly the remote parts thereof, there are places which are not accessible by any mode of transport other than taxis. Taking New Territories West, which happens to be my constituency, as an example, since the introduction of the Light Rail Transit (LRT) System, nearly all pre-existing bus and maxicab routes have been banned and replaced by feeder bus routes. It is unfortunate, however, that the LRT does not have an adequate service coverage. Given that the feeder buses are few and far between and do not run on quite enough routes, many residents are forced under the circumstances to take New Territories taxis to make connections. In this respect, the main difference between urban taxis and New Territories taxis is that, apart from providing a supplementary transport service, the latter also provide a vital service for remote parts of the New Territories and for destinations not served by other modes of public transport;

as such New Territories taxis are quite capable of performing an important role in terms of transportation. That is why Meeting Point consider that New Territories taxi fares should be maintained at a reasonably low level, rather than approximating to the urban taxi fare level, in order to alleviate the burden of transport charges of the residents in remote parts of the New Territories.

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

MR ALBERT CHAN (in Cantonese): Mr Deputy President, it is stated in the White Paper on Transport Policy in Hong Kong published in January 1990 by the Transport Department that the Government takes the attitude that its taxi licence policy is to restrict the issue of licences based on the capacity of Hong Kong roads to balance the ever increasing demand for taxi services against what our roads can bear in terms of traffic throughput. But the White Paper also makes the point quite specifically that the restricted issue of taxi licences will reduce the level of competition so that taxi operators will be more willing to pay a high price for the purchase of a taxi licence.

According to statistics of the Transport Advisory Committee, the taxi licence cost over \$1.5 million towards the end of 1991; this, compared with the price of a taxi licence of \$209,000 in 1985, represents an increase of over seven times in the space of six years. Although the Government has made it a requirement that the cost of purchasing a taxi licence should be deducted from the profit and loss account of the taxi merchant, in order to forestall the shifting of the cost to the taxi passenger, one wonders how this works out in real practice. The imperfections of the existing licensing system are such that the successful individual bidders of taxi licences will find it very difficult to obtain mortgage. In this connection, the tenders are invariably controlled by the several big taxi companies such that the individual can only buy a taxi licence from one of these companies and then obtain mortgage through the latter's guarantee. It is estimated that an average of 10 licences exchange hands each month on the spot market, with a further 100 licences being traded by agents on the futures market. An industry source puts the scale of speculation each month as involving the mobilization of a cash capital size of \$200 million. Of the over 14 000 taxis now in operation, over 12 000 are operated by owner-drivers with the rest, well over 2 000 taxis, being controlled by the taxi companies. The owner-drivers have a most difficult time meeting the mortgage payments. Indeed, industry sources have already observed that owner-drivers have to come up with \$15,000 each month to pay the mortgage. And the rental increase by the taxi companies is often

based on the escalating cost of taxi licences.

Taxi drivers, whether they be owner-drivers or working drivers, have an untold hard time making ends meet, with the costs of operation ever escalating. It is for this reason that some drivers have resorted to the malpractices of overcharging, taking a longer route, picking hire, even "mud-fishing", in order to maximize their profit. It has been proven by facts that the present practice of the Government to restrict the issue of taxi licences to 400 every two years is fraught with problems and the only beneficiaries have been the large taxi company owners who monopolize the market. It brings no benefit to the passengers, the working drivers, or even the owner-drivers. In this connection, I think that the Government should conduct a review of its licensing policy as soon as possible, taking into account the two following proposals.

(1) Speculation in taxi licences should be stopped. People who have profited from speculating in taxi licences should be liable to a capital gains tax set at a reasonable percentage to achieve deterrent effect or a fixed percentage stamp duty. This will increase the cost to speculators in taxi licences. This measure will bring in additional revenue for the Government; I believe the Financial Secretary should be glad to hear this.

(2) A rental licence system should be set up. The Government should issue a given number of taxi licences for rent by genuine working drivers. A rental period of three to five years may be set to alleviate the burden to people wishing to join the ranks of genuine working drivers in terms of paying for the hefty licence price. The Government can conduct a review of the effectiveness of the rental licence system at the expiry of the rental period.

Indeed, the failure of the Government to give clear guidelines as to the role and future development of taxis in the formulation of its taxi policy has led to speculators taking advantage of the situation to profiteer from the high price of taxi licences. I hope that the Government will realize that taxis are a widely used mode of transport, given the daily taxi passenger volume of 1.2 million, and also given the fact that taxis are playing a definite, indispensable role in terms of serving the remote areas, carrying the elderly people and providing access to emergency services. In this regard, taxi service is really very much part of the

daily lives of the vast majority of Hong Kong people. There is a need for the Government to review its related policies to make sure that passengers will not suffer as a result of the imperfect taxi price and taxi licensing systems.

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

SECRETARY FOR TRANSPORT: Mr Deputy President, as the motion suggests, the Administration, through the Transport Advisory Committee, is already reviewing our taxi policy. Members' views are therefore most timely and welcome and will be considered most carefully in the review.

According to the latest Census and Statistics Department surveys, over 60% of taxi trips are used for social and recreational purposes. Travel to and from work represents about 13% of all trips, and special urgent trips about 5%. The great majority of the population use taxis on irregular occasions only. Our current policy recognizes taxis as a personal door-to-door service. Though not economic road users, taxis are allowed to grow in limited numbers because of their role as an alternative to private cars. This policy is reaffirmed in the 1990 White Paper on Transport Policy in Hong Kong.

Our taxi policy has been constantly reviewed to meet changing transport, economic and social needs. There were two major reviews in the past, one in 1983 and the last one in 1988. The 1983 review studied mainly the role of taxis and concluded that taxis should be limited to what the roads could bear. The 1988 review covered the role and classification of taxis, fare policy, licensing systems, quality of service and government regulations. The review reaffirmed the Government's policy on the role and classification of taxis, and recommended a number of measures to improve taxi services and the licensing system.

Since the last review, there has been a substantial increase in the taxi licence premium. This, coupled with concern over taxi malpractices, has prompted a fresh look at the subject. Our current review covers three aspects of services, namely, the licensing system, fare structure and the quality of services. I will focus on these areas, address major areas of concern and clarify in the process some misconceptions.

Taxi licensing system

It is widely perceived that the limited quota system is the cause of the rising premium and that this in turn will fuel taxi fare increases. Some think that the current system should be improved. Others have suggested that it should be abandoned altogether.

The annual roadside and taxi stand surveys conducted by the Transport Department show that the overall availability of urban/New Territories taxi services remained relatively stable in the past three years. However, despite a general reduction in passenger waiting time at taxi stands, the headway between vacant taxis at some locations has increased. This suggests that more taxis may continue to be needed to meet demand.

As taxis are uneconomic road users, there is a need to regulate their supply. We will have to consider most carefully whether more taxis will add to road congestion and undermine the viability of the taxi trade.

Some are concerned that a high taxi licence premium will lead to increase in taxi fares. I wish to point out that licence premium is not a factor for assessing taxi fare increases. Nor is it ever included as operating cost in any assessment. This is because the licence premium is essentially a capital investment. Moreover, not all taxi drivers are licence holders and the latter bought their licences at different prices. Some expect that as licence premium goes up, there would be greater pressure to demand higher rental which would in turn translate into pressure for higher fares. There are, however, no data to prove any direct relationship between a rise in premium and an increase in taxi rental.

Some think that taxi services have become inadequate because a large number of licences are kept by taxi trading companies purely for speculation. This is simply not true. A few taxi trading companies have recently succeeded in bidding for many newly-issued licences. But there is little room for withholding of licences. This is because successful tenderers are obliged to apply for registration of the number of taxis allocated within six months. The Department statistics show that 90% of the taxi licences are owned by individuals.

Some have criticized the roles played by taxi trading companies in the taxi licensing market. The 1988 review revealed that many prospective taxi owners

preferred to deal with these companies instead of bidding in the tender exercise. The companies themselves served as middlemen to provide a package of services, including acting as guarantors in arranging loans with financial institutions. We will examine the roles of these companies again and consider measures to prevent any manipulation of the licence market to the detriment of genuine taxi operators.

We are concerned that the premium level has recently risen sharply beyond the profitability of the taxi trade. There is reason to suspect that taxi licences have become a profiteering commodity to some speculators who are not end-users. Although we have no intention to interfere with investment in a free market, we should prevent manipulative speculation which undermines the health of the taxi trade. This problem is being critically examined in our current review.

Some consider the free transfer of taxi licences as conducive to speculation. It has been proposed that all licences should in future be subject to transfer restrictions. Proposals put forward include setting a non-transferable period, imposing stamp duty and requiring legal execution on transfer. These will be considered carefully in the review.

Others have proposed a "taxi ownership scheme" whereby taxi drivers would be able to acquire licences at a fixed discount price. The latest review concluded that the proposal to issue fixed premium licences would amount to subsidizing taxi operation. This runs counter to our established policy that public transport should be self-financing. There is also no reason for the Government to subsidize the taxi trade out of all trades in the economy.

Quality of taxi service

Moving to the quality of taxi services, various measures have been implemented in recent years to tackle this problem of malpractices. These include increasing the maximum fine for taxi offences from \$3,000 to \$5,000 and regulating the display of fare tables inside taxis. In addition, the taxi driving licence written test had been made more stringent. A guide on taxi service was published in 1989 to help drivers and passengers better understand their rights and responsibilities.

Taxi malpractices, in particular, taximeter tampering, are a continuing cause of concern. The sealing of taximeters will be improved to make breaking more difficult and counterfeiting more readily detectable. Besides, all taxis will be

required to install sheathed and visible meter cables to deter interference and to facilitate inspection. These measures will be implemented as part of annual vehicle examinations later this year. All taxis will have to comply with the new requirement in a year's time. The Department will continue to keep in touch new technology to help prevent taximeter tampering.

We are also actively pursuing the compulsory display of taxi driver identity plates. The scheme is expected to encourage taxi drivers to pay more attention to self-discipline. It will also facilitate the easy identification of taxi drivers by passengers when lodging complaints. We intend to introduce the legislative amendments in the next Legislative Council Session for implementation at the end of this year.

We agree that more public education is likewise necessary for improving the quality of taxi services. The suggestions received on this will also be carefully examined.

Fare policy

Turning to taxi fare policy, our taxi fares, on average \$4.5 per kilometre for urban taxis, compares favourably with many other major international cities. However, a balance must be maintained between the use of taxis and mass carriers in our crowded city. As taxi demand is generally price elastic, the last review recommended a differential with fares of mass carriers to regulate taxi demand. This policy was reaffirmed in the 1990 White Paper. We subsequently aim at maintaining a differential, on a per passenger basis, of five to seven times for urban taxis and three to four times for New Territories taxis. This has helped to maintain the role of taxis as a personalized form of transport.

Some are however concerned that this fare differential will add to inflation. We must, however, realize that spending on taxi services represents only 0.8% of the average expenditure of households covered by the Consumer Price Index (A). There is little evidence to suggest that such fare differential puts pressure on inflation.

Some have proposed to change the meter charge structure to regulate the use of taxis for short journeys and to reduce refusals of hire. However, there is no consensus on the part of the taxi trade or the public on these proposals. The pros and cons will be critically examined in our review.

Any application for taxi fare increases is of course carefully examined on grounds of costs, viability of the trade, adequacy of services and public acceptability. The taxi associations and TAC are consulted before any decision is taken. This is to ensure that fares not only reflect our taxi policy, but also the interests of operators, drivers and passengers, as the motion suggests.

Amalgamation of urban and New Territories taxis

With the continued urbanization of the New Territories, there have been suggestions for the amalgamation of urban and New Territories taxis. The Administration has yet no plans to change the existing classification of taxis. There are still residents living in remote areas not well served by other forms of public transport. To remove the distinction may result in New Territories taxis operating only in urban areas. This will deprive the New Territories residents of the needed transport services.

However, we will commission a consultancy study later this year to examine the entire public transport needs arising from the new airport. The future role and classification of taxis will, among other things, be part of this review.

The Working Group on Taxi Policy Review will forward its recommendations to the TAC this summer. Public views received so far are rather divergent and sometimes represent competing or conflicting interests. All views will be taken fully into account. The public will be consulted again before any recommendations are finalized. Thank you.

MRS MIRIAM LAU (in Cantonese): Mr Deputy President, first of all, I would like to thank my colleagues for speaking on my motion with such enthusiasm. It can be seen from the concern over the taxi policy that the problem of taxi services is a matter of high priority on your minds. It is also a reflection of the importance of taxi services to the traffic and transport system in Hong Kong as a whole.

Mr LAU Chin-shek wished to take part in today's debate originally, but he had to leave before his turn due to another meeting engagement. Before he left, he indicated to me that he supported my suggestion that the bidders for new taxi licences should be working drivers now in the trade. He also supported the restriction on

the transferability of taxi licences to encourage drivers to become owner-drivers and to curb speculation of such new licences on the market. I am very glad that my proposal has met with the support of Mr LAU and a number of other colleagues who have spoken today.

I can see a consensus emerging in today's debate on the three following points:

(1) We all agree that the speculation of taxi licences should not be allowed to continue and that the Government should take appropriate measures to put a stop to it.

(2) We all agree that the standard of taxi services has declined in recent years and that the Government should actively study the reasons for it with a view to find a means to improve the situation.

(3) We all consider that loopholes exist in the present taxi licensing system which have led to speculation and that the Government should plug these loopholes expeditiously so as to end the speculation.

With regard to the problems which exist in the taxi trade, solutions of all kinds have been proposed by various district boards and various sectors of the community, including not least Members of this Council. It goes without saying that not all of these panaceas will be adopted for otherwise the patient may very well die from one dose too many, or for that matter, one dose too heavy. But I would still wish the Transport Branch would be able to study carefully the views expressed by all sectors in an urgent bid to find a solution to the problem. The shortcomings of the present taxi policy must be suitably rectified in order that our taxi services be further improved.

Thank you, Mr Deputy President.

Question on the motion put and agreed to.

Adjournment

CHIEF SECRETARY: Mr Deputy President, I move that this Council do now adjourn.

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

Land Development Corporation

9.24 pm

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, unlike last time, I did not bring the "inspector general's sword" today. However, though I do not have a sword in my hand, I have it in my heart; and I mean to hit the mark with every thrust of it.

The Land Development Corporation Ordinance (Cap. 15) provides that, in setting up the Land Development Corporation (LDC), the aim is to have it assume responsibility for initiating, encouraging, promoting and implementing urban renewal. In this way, the LDC is to improve the quality and environment of life in Hong Kong. It is to adopt measures for, or related to, the improvement of the communities. In regard to its operating principles, it is very often to use methods similar to those used by developers. However, judging from what is now in evidence, it appears that the LDC has over-emphasized its commercial role while forgetting its social function, which is to effectively deal with the impact of redevelopment on property owners and tenants, such as that relating to the environment, rehousing and compensation.

In fact, the appointment system to the LDC's board is very much open to question. What is happening now is that the majority of the LDC's managing directors are appointed among the ranks of property developers, surveyors or architects. These directors very often are employed in primary jobs where they have co-operative relations with property developers or construction companies. However, there is no system requiring them to disclose their interests; nor is there an effective supervisory body. Outsiders therefore can never tell whether there are conflicts of interests.

During the past two months, I wrote three letters to the LDC, asking for relevant information, including information on:

(1) Whether there are detailed policy papers concerning procedures of compensation, rehousing and negotiation with property owners; and

(2) Under what circumstances property owners can elect the mode of joint redevelopment with the LDC.

The response given by the LDC is very disappointing to me personally. In its response, the LDC made it clear that there is no detailed document or procedure. The Association for Democracy and People's Livelihood (ADPL) and I are of the opinion that, since there is no detailed document prescribing a set procedure for negotiations, and since the actual procedure each time is largely left to the LDC's discretion, the property owners are placed at a great disadvantage at the conference table, the reason being that the LDC is bound to have more information than they do.

With regard to tenants, the LDC at one time announced a very simple principle of rehousing, which was that new immigrants, people under the age of 50, singletons and two-member families are not entitled to rehousing. However, there is evidence to show that some such tenants have won the right to rehousing after repeatedly fighting for it. The Sai Yeung Choi Street redevelopment project is a prominent example. I therefore think that, if displacement is the price people have to pay for urban redevelopment, then the displaced individuals should not be denied rehousing. I hope that the LDC will give consideration to the letter of consent we are proposing, whereby tenants affected by redevelopment projects consent to being rehoused. The letter contains many points that deserve to be studied by the LDC.

In addition, the response from the LDC stated that property owners do not have a right to choose joint redevelopment. I feel that this is contrary to the promise made at the time the LDC was first set up. The LDC's response alluded to difficulties in joint redevelopment with property owners. However, they are all difficulties of principle, as distinguished from technical difficulties, which are capable of resolution. One therefore wonders if the LDC is not thinking up all these excuses. The profits of redevelopment are so enormous that the small property owners must be denied their share. Hence, no joint redevelopment.

The ADPL and I have quite a few reservations about the invocation of the Crown Lands Resumption Ordinance. At present, supervision is inadequate, nor are there detailed policy documents. Under the circumstances, I feel that letting the LDC apply at will to the Governor and the Executive Council for the invocation of the

Ordinance will signify giving the LDC carte blanche to undermine at will the system of private ownership. Also, there is evidence to show that, in the Western District and Sai Yeung Choi Street redevelopment projects, the Ordinance was invoked where no more than 50% of the property owners had at the time agreed to move out.

I have a six-point suggestion to make. I hope that the LDC will consider and then accept it. I also hope that the Government will consider it.

(1) There should be proper supervision (such as by the Legislative Council) of the LDC. It should be possible to put questions periodically about the LDC's land acquisitions and to require improvements.

(2) Some of the seats on the LDC's board of directors should be filled by directly elected Legislative Council Members. All members of the board should be required to disclose their interests for scrutiny by the public.

(3) Detailed policy papers should be formulated as soon as possible, explaining what procedures should be followed in talks held with property owners and in matters of compensation and rehousing. The policy papers should be published for scrutiny by the public.

(4) As long as a tenant is a lawful resident of Hong Kong (including a recent immigrant), he should have a right to rehousing.

(5) Consideration should be given to the establishment of a mediation committee for handling disputes among property owners, tenants and the LDC, such as disputes over rehousing and compensation.

(6) The greatest care should be taken in invoking the Crown Lands Resumption Ordinance. The ADPL and I suggest that consideration should be given to permitting the Ordinance to be invoked only where at least 80% of the property owners affected by a redevelopment project are willing to move out and where the remaining less than 20% do not have clear title to the property or refuse to move out after many rounds of talks and despite reasonable compensation being offered.

The above suggestions may make it necessary for the LDC Ordinance to be amended. The ADPL and I think that the amendment is necessary, for the Ordinance must be amended if it is to accord with the interests of all parties concerned.

With these remarks, I propose debate. Thank you, Mr Deputy President.

MR MARTIN BARROW: Mr Deputy President, I would like to add some comments from a tourism industry viewpoint. The LDC has been given a wider interpretation to urban renewal than mere redevelopment to the older parts of the urban areas. In line with the widely accepted overseas practice, it has actively sought to identify areas of townscape and individual buildings which require a more sensitive approach. Heritage conservation is of particular importance in retaining a sense of identity, continuity and attraction in the city, of value and benefit to both local people and tourists alike.

In Hong Kong it is especially difficult to keep old buildings of character and architectural or historical interest owing to the pressures to maximize site development potential through redevelopment. It is only through the intervention of the LDC, as the agency with the effective means and intent, for example, through some form of cross-subsidization to conserve the too rapidly disappearing character of the unique older areas of Hong Kong, that we can hope to save much of this heritage.

Already, thanks to the intervention of the LDC, we have in the Western Market a good example of the successful conservation and adaptation of such a building, comparable -- if on a smaller scale -- to Covent Garden in London, or Quincey Market in Boston. The Corporation has financed and implemented a spectacular transformation of this once drab and old market building, with attention given to architectural detailing and sensitive use of the materials. The LDC is to be congratulated on this initiative, which has also included taking on responsibility for the ongoing management and maintenance of this gazetted monument.

The continuing improvements to the Western Market project will be important in encouraging other similar initiatives. Indeed, I understand the LDC has already identified some further heritage conservation projects for implementation in due course as circumstances permit. These include a proposal to re-create the scale and unique character of the facades of the old residential buildings in Lee Chit Street in the redevelopment there, and similar efforts in the Corporation's other scheme designs to reflect the character of each area, where possible, through the selective reuse of old and distinctive materials such as bricks or granite blocks salvaged from buildings which will have to be demolished.

I hope, Mr Deputy President, that the LDC will keep up these initiatives. Thank you.

MR MOSES CHENG: Mr Deputy President, the Land Development Corporation was established by Ordinance in 1988 as a public corporation. It was established to perform a function which is generally shared by the public to be useful and necessary to preserve and maintain Hong Kong as a modern city.

However, the Land Development Corporation has been subjected to attacks and criticisms from various sectors of the community almost since the inception of its work to rebuild some of the "special development areas". I would like to offer the following as my observations:

(a) Under section 10 of the Land Development Corporation Ordinance, the Corporation and its Management Board have been asked to conduct the Corporation's business according to prudent commercial principles, the same standard which is applicable to all public corporation in Hong Kong. It simply means that all redevelopment proposals undertaken by the Corporation should be commercially viable and the Management Board should manage such developments pretty much on the same considerations as those applied by private developers in Hong Kong.

(b) Besides, the Corporation has to take into account other considerations which private developers do not have to be concerned with; namely:

(i) the responsibility of assisting genuine domestic occupiers in affected premises in seeking alternative accommodation; and

(ii) the need to develop the "special development areas" in accordance with a planning brief prescribed by the Government; and

(c) On the much commented issue of allowing owners' participation in the redevelopment schemes, my experience in involving in joint venture development projects leads me to believe that the scale and magnitude of LDC's developments would make it rather difficult, if not commercially not viable, for participation by owners of individual flats. Besides, the risks involved in projects costing HK\$200 million to \$300 million and the much longer time involved in a LDC development should not in normal circumstances be acceptable to owners of the affected premises. We should

not presume that all land development projects do yield positive return.

I must point out that apart from the Chief Executive and the official members, other members of the Management Board of LDC were appointed by the Governor to perform a very useful and needed job in maintaining Hong Kong as a modern city. Candidates with relevant professional background are needed to contribute their professional skills and experience to ensure the success of the various projects. The annual report of 1990-91 confirmed that none of the members of the Management Board has any pecuniary interest in the contracts or work of the Corporation. We should avoid at all cost unfair comments on them unless there is clear evidence of abuse or undesirable practice.

I would conclude by acknowledging that the LDC is performing a very much needed and useful function for Hong Kong. I submit that we should adopt a fair and reasonable standard in our evaluation of its work; extend credit where it is due and put forth constructive comments and suggestions for its continual growth and development.

Thank you.

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, first of all, I would like to declare my identity and interests.

I am the owner of the property at 116 and 118 Des Voeux Road, Central; 39 and 41 Tung Man Street; and 42 and 44 Hing Lung Street. These are property to be acquired by the Land Development Corporation (LDC) under Project No. H6. The LDC, whose date of incorporation was 10 December 1987, formally started operation on 15 January 1988. By its own account, its principal aims were to be: (1) improvement of the environment; (2) improvement of the community; (3) maximum utilization of land; and (4) improvement of the townscape. As a responsible institution with a social conscience, it was to create a better living environment for the people of Hong Kong. It hoped to be able to serve the general interests of the community. It would redevelop the urban slums. Thus, it would achieve the objective of urban renewal with the interests of Hong Kong at heart. Has the LDC done so? In November 1988, the LDC began co-operation with four major property developing companies. In February 1989, initial contracts were signed for eight redevelopment projects, which would affect the interests of many citizens.

Under the provisions of the law, the LDC can acquire land -- can be authorized to acquire land -- only when the Secretary for Planning, Environment and Lands

certifies that every reasonable step has been taken to buy the affected property through negotiation and that the terms offered are fair and reasonable. But look, for instance, at the LDC's Redevelopment Project No. H6. On one hand, in talks with the affected property owners, the LDC offered a price that was not reasonable. Then, on 13 April, with the approval of Governor in Council, it invoked the Crown Lands Resumption Ordinance, (Cap. 124) and ordered the property owners to surrender their property to the Government by 24 July 1992. The property owners became aggrieved parties; the tenants would all have to move out. The Crown Lands Resumption Ordinance (Cap. 124) clearly provides that any resumption of crown land is to serve a "public purpose." Project No. H6, however, serves the purpose of making money in co-operation with businessmen. Where, then, does one see a "public purpose"? The Ordinance provides that crown land may be resumed under one of four conditions: (1) for purposes of urban renewal; (2) for purposes of public health; (3) in the event of war or force majeure; and (4) where a finding of public interest is made by the Governor in Council. The fourth condition might be said to have been barely satisfied in the case under discussion. None of the first three conditions exist to warrant in any manner the invocation of the Ordinance.

Mr Deputy President, you are a barrister. People are talking nowadays about democracy and ownership rights. But the LDC's stark invocation of a prerogative to encroach on a democratic ownership right is in gross violation of part of the provisions under Articles 6, 29 and 105 of the Basic Law. We will never accept it. I hope that the Governor, before his departure from Hong Kong, will carefully review the Crown Lands Resumption Ordinance (Cap. 124) lest the Secretary for Planning, Environment and Lands should allow himself to be misled by the LDC. I believe that the public will apply for judicial review in respect of Project No. H6.

The LDC has officially been in operation for only a little over four years. It has already been the cause of numerous social problems. In addition, it has seriously violated human rights, ownership rights and property law. We strongly urge the Government to undertake a major review of the LDC's operating procedures. There is simply no need at this time for the LDC to make money for the Government, which already has a huge surplus. The LDC should aim to serve the community and not aim to make money.

In olden days, there was the case of "bride snatching by Tiger Wong." Now we have a case of "land grabbing by the LDC." The LDC does as it pleases. There is collusion between officials and businessmen. The LDC is arrogant. We will never tolerate this,

considering the times in which we live.

I have several questions to ask:

(1) On what ground can the LDC incorporate into its blueprints the property that it does not own?

(2) What ordinance or law provides that the LDC is to be the only redeveloper while others may not redevelop their own property?

(3) Whereas the LDC insists that the price it offers is reasonable, is it willing to accept the same price offer and sell back to property owners such land as it may have purchased?

(4) Apart from the Western Harbour City, what good has the LDC ever done?

(5) Why is it that the LDC can, through the agency of the Secretary for Planning, Environment and Lands invoke the Crown Lands Resumption Ordinance (Cap. 124) so as to achieve the objective of making money?

Therefore, I urge the Government:

(1) To put an immediate stop to actions taken under the Crown Lands Resumption Ordinance (Cap. 124).

(2) To give owners the opportunity to redevelop their property, thus conforming to the spirit of respect for human rights, property rights and ownership rights.

(3) The LDC should show sincerity and patience in talks with those owners who are not yet able to redevelop their property. The LDC must remember that they are property owners and not bandits or thieves and that they have owners' rights.

(4) I suggest that, if the LDC cannot do the above, then it be dissolved. This is because it will be of no use at all to the community. Though I am an interested party in the matter, I have already made it clear that I am merely seeking the right to redevelop my own property.

Mr Deputy President, I so make my submission. My speech outclasses the speeches of comrades of the United Democrats of Hong Kong!

MR SIMON IP: Mr Deputy President, I have to declare an interest as a partner of a law firm that has performed legal services for the LDC in the past.

The LDC was established a little over four years ago with the support of this legislature to improve the standard of housing and the environment of Hong Kong by promoting and facilitating urban renewal.

I understand that implementation of the LDC projects has not been without its problems or its critics. In particular, planning procedures have been time-consuming. Many planning objections were received from affected owners and tenants and the time taken to consider them has resulted in considerable delay in its projects. There is, in my view, a clear need for a thorough review of planning procedures associated with LDC schemes in order to continue to attract private sector investment.

The Corporation has met considerable resistance in acquiring land required for its various projects as many owners have demanded compensation packages which the LDC did not consider as fair and reasonable. Some have asked for profit participation.

LDC's offers, I understand, are based on independent professional valuations plus an incentive element and are subject to careful scrutiny by the Government.

Unlike private developers, the Corporation is required to take on many special obligations with significant financial implications, such as rehousing. Although the Corporation is not statutorily obliged to rehouse all residents who are affected by its projects, it has adopted the policy that no genuine domestic occupier affected by its first group of projects will be rendered homeless.

The total cost of rehousing people affected by the first group of projects, I believe, will exceed \$600 million. And since the majority of such occupiers are lower income earners, it will only be able to receive subsidized rents.

The Corporation itself receives no subsidy from the Government, aside from an interest bearing loan of a little over \$30 million. All that has been achieved to date, including the rehousing provision to which I have referred, is because of the financial input from the Corporation's joint venture partners.

However, the Corporation will be seriously restricted in its future ambitions when tackling the more densely populated and deteriorating urban areas, if it does not receive assistance from the Government to meet rehousing needs. This deserves the Government's urgent attention.

The LDC was established by the Government with the support of this legislature to undertake and encourage urban renewal in a systematic manner as an important contribution to the well-being of the community without it becoming a drain on the public purse. This, in my opinion, would not be possible without private sector investment. I would urge all Members of this Council to give the LDC support in achieving its objectives.

Thank you.

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, first of all, I would like to declare my interest. The surveyors' firm where I work did valuation work for the Land Development Corporation (LDC) at one time.

In principle, I support the setting up by the Government of the LDC to carry out urban renewal, improvement of the living environment and community development. However, we cannot but admit that, since the LDC formally began operation in 1988, many problems have arisen. Therefore, we think that the Government need to review the LDC's operations and powers. My speech today will deal mainly with what criteria the LDC should follow in property acquisition and compensation matters and how affected tenants should be rehoused.

The LDC's redevelopment projects often run into difficulties at the stage of property acquisition. Affected owners often complain that the LDC's purchase price offer is too low and unreasonable. I think that the purchase price offer should be based on fair and reasonable principles. During the past two years, while property prices were going up sharply, property acquisition talks were slowed down by delays. As a result, the purchase price offer had to be revised time and again. Many affected owners kept expecting the LDC to revise the price offer. This led to deadlocks. For solving the problem, I think that the acquisition process should be as short as possible.

Also, how should the purchase price offer be set? What criteria should be used for computation? Should the price offer be based on the current market price or on the potential post-redevelopment market value? If we are to base the price offer on the post-redevelopment market value, there are two points that require the attention of the owners:

Firstly, let us suppose that the individual property owners in a redevelopment zone are to redevelop their own property. The value of the redeveloped property in such a case will be much lower than in the case where the LDC has acquired all the buildings within the zone and redeveloped them together. The reasons are quite obvious. There is a great difference between a small site and a large site in terms of redevelopment potential and plot ratio.

Secondly, after the completion of a redevelopment project of the LDC, the entire environment is greatly improved. The old Western District provides an example. Property value there will rise. If the property owners are to redevelop their own property, there will be a limit as to how much the environment can be improved. Therefore, there will be a great difference between redevelopment by the LDC and redevelopment by the individual property owners. Even so, I think that the affected property owners should be able to partake of the extra profits that come from appreciation of property values due to mass redevelopment. So I suggest that the LDC, when acquiring property for redevelopment, should set the purchase price offer upon a consideration of two criteria, as follows:

(1) How much it will cost, at the current market price, to buy a unit of similar size in the same area.

(2) In respect of property that can be redeveloped by the owners themselves, a special compensation factor should be added to the value of the redeveloped property to reflect the appreciated profits from mass redevelopment.

There is also the question of rehousing those affected by redevelopment projects. The LDC's redevelopment projects are located in old parts of the urban areas. There, the population density is high. Most of the affected tenants belong to low income groups. Most of them meet the Housing Authority's conditions for rehousing. At the moment, for rehousing such tenants, the LDC has to buy a large number of dwelling units in the same area. This greatly affects the speed of urban renewal. The law provides that the LDC must operate according to prudent commercial principles. But

its redevelopment work is slowed down by rehousing problems. The LDC has become a big landlord in the urban areas. It must indefinitely take care of a group of middle-income and low-income tenants. Apparently, this is not a function that the LDC is designed to perform. Since the Government invokes the Crown Lands Resumption Ordinance to assist the LDC in acquiring property that it cannot acquire through purchase, the Government, too, should make use of the Housing Authority to rehouse the affected tenants, with the LDC defraying all the expenses incurred thereby. This arrangement will be more cost-effective than the LDC buying dwelling units to rehouse affected tenants. It will also help to achieve the objective of urban renewal.

Mr Deputy President, I so make my submission.

MR MAN SAI-CHEONG (in Cantonese): Mr Deputy President, since its establishment in 1988, the Land Development Corporation (LDC) has, for better or worse, played a decisive role in urban renewal. The public has shown particular concern as to how affected property owners are compensated and how affected tenants are re-accommodated in the course of redevelopment. Wan Chai, which is within my geographical constituency, is full of old buildings. Many of these old buildings are within the boundaries of redevelopment zones. The United Democrats of Hong Kong and I are very much concerned over the way the tenants and owners of these buildings are compensated.

First of all, the LDC's compensation policy is unfair to small property owners. Compensation is paid only for the superstructure. There is no express provision requiring the LDC to take into account the redevelopment potential of the land. After acquiring the property, the LDC can erect on it a 20-storey, 30-storey or even 40-storey building. Its profits will be enormous indeed. Therefore, in setting the amount of compensation for the property it acquires, the LDC should consider applying a principle that will let the property owner receive a share of the enhanced value of the land due to its redevelopment potential. Only in so doing will it accord with the principle of reasonableness and fairness.

In setting the amount of compensation nowadays, the LDC often calculates the size of a unit in terms of its usable floor area. In other words, communal space like the stair-well is not treated as space for which compensation should be paid to the owner of the unit. In contrast, when a small property owner buys a unit, he often thinks in terms of its covered area. This, therefore, has become another cause of dispute between the LDC and the small property owners whose property the LDC is

acquiring.

Also, the LDC nowadays engages property valuers or surveyors to evaluate the property it is acquiring and then sets the amount of compensation accordingly. In a few cases, the property owners, too, engage valuers to evaluate their property. Because different valuation firms use different valuation criteria, there is often a big difference between the LDC's valuation and the property owners' valuation. In one example, that of Hing Lung Street in Central, there is a nearly 200% difference between the two sides' valuations. Therefore, the Government should consider laying down a set of criteria for property valuation. This will enable the amount of compensation to be set more reasonably and more fairly.

Now, when the LDC discusses compensation matters with the people affected by a redevelopment project, it does not at once make them a multiple-choice offer. Instead, it offers them limited options, and these options vary with the strength of their bargaining positions and the weight of the pressure they can bring to bear. The redevelopment project of Li Chit Street in Wan Chai provides one example. The United Democrats are of the opinion that such an approach of the LDC is not only unfair and unreasonable but shows a lack of sincerity towards the affected parties. The United Democrats suggest that the LDC should make multiple-choice compensation offers to affected parties and let property owners pick their own choice. There are five ways to pay compensation:

(1) Paying cash compensation in a reasonable amount that is sufficient to enable the affected property owner to buy a newly completed unit in the same area.

(2) Letting the affected property owners participate in the redevelopment project on the basis of shares.

(3) Trading flat for flat. Letting an affected property owner receive a flat of the same quality in the same area or reserve the right to receive a flat in another area.

(4) As far as feasible, re-accommodating the affected tenants in the same area.

(6) Providing affected parties with preferential loans at the prime interest rate.

With these options, small property owners will not be forced to accept the terms offered by the LDC, as they will be if they have no choice. Thus, compensation will become more reasonable and more fair.

I would now like to talk about the question of compensatory rehousing for the affected tenants. The compensatory rehousing policy now used by the LDC is unfair to the affected parties. It is unfair because the LDC is applying the same rules of compensatory rehousing that are applied to public housing tenants. What the LDC takes over for redevelopment are private buildings that are basically free of structural problems. The affected tenants therefore should receive better terms of compensatory rehousing than the terms received by public housing tenants.

Also, the LDC now offers rehousing to affected tenants in accordance with the Landlord and Tenant (Consolidation) Ordinance. This is unreasonable, the explanation being that, where the LDC offers rehousing in accordance with this particular Ordinance, the terms of the offer must be as provided for under the Ordinance, there being no leeway for the tenants. If a tenant is determined to be ineligible for rehousing, he will be forced to go to the market-place to look for housing that charges high rents. This will make life harder and less protected for the ordinary lowly citizens.

In view of the above, the LDC should formulate a new set of compensation and rehousing regulations. Its rehousing policy should be based on more flexible standards than the rehousing policy for public housing tenants. Tenants affected by redevelopment projects should be free to choose between the LDC's rehousing offer and cash compensation offer.

In olden days, someone said, "I wish there were thousands of spacious mansions to shelter all the poor of the world and make them smile with happiness." The renewal of old urban areas, seen from the angle of urban redevelopment, is the right thing to do and merits support. However, the LDC's procedure in acquiring property for redevelopment and its approach to compensation and rehousing are widely criticized by the public. It is hard for the affected parties to smile with happiness. They are subjected to great mental stress. What is worse is that most of the affected parties are elderly and supportless widows or widowers. Can special arrangements be made for their rehousing? I hope that the Secretary for Planning, Environment and Lands will answer this question with specifics.

MR STEVEN POON (in Cantonese): Mr Deputy President, first of all, I must declare my identity and interests. I am the incumbent Chairman of the Land Development Corporation (LDC).

The mission of the LDC is to carry out urban renewal under the terms of the LDC Ordinance. Hong Kong has many property developers. During the past 20 or 30 years, these developers never accomplished anything substantive in urban renewal. Without redevelopment projects, urban areas which once were the scene of prosperity have become dilapidated have -- so to speak -- become infested with snakes, vermin, rats and ants, and have become hiding places for vice and filth.

Mr Deputy President, I grew up in the old Central. I now go back to where I grew up, to look at the need for redevelopment. The decay I see is really sad to behold. The well-known "Floral Cloth" Street, that is, Wing On Street, is now lined with dangerous buildings. Most of these buildings have to be shored up with wooden poles. We may not believe it, but these buildings are still without sanitary facilities today. In several old parts of Hong Kong and Kowloon, many buildings are in disrepair. They are let, sub-let and sub-sub-let until they become "cages" apartments, with each floor housing 20 or 30 tenants. Each "cage" space is only about four cubic metres. Please note that I am talking about cubic metres of space. If you stand in this space, your head will hit the ceiling or the bunk above you. If you lie down, you cannot extend your legs. If you sit, you must sit, with your legs drawn up on the bed.

It is under such conditions of neglect of the old areas that the LDC has taken up the responsibility for urban renewal.

The LDC's Phase One projects involve the acquisition of five lots of land from individual property owners. Four of them have to be taken over through resumption under the terms of the Crown Lands Resumption Ordinance. Disputes often arise over compulsory acquisition of property.

Section 15 of the LDC Ordinance provides that the LDC must make a purchase offer that is "fair and reasonable." To fulfill this principle of being fair and reasonable, I have, since becoming Chairman this year, taken the following measures:

(1) Re-evaluated the flats involved in the Jubilee Street and Wing Lok Street projects in Central. Made new purchase offers on the basis of the latest valuation. Made sure that the new offers were not below the market price. This measure covers the property belonging to the Honourable CHIM Pui-chung.

(2) Reaffirmed all the factors that should have a bearing on purchase offers, including the width of Hing Lung Street. This answers the question asked by the Honourable MAN Sai-cheong a moment ago.

(3) Engaged two separate surveying firms to make independent valuations, thus safeguarding fairness.

(4) Used the higher of the two valuations of the surveying firms as the basis for the purchase offer.

(5) Held public meetings with the affected property owners. Listened to their views. Explained to them the LDC's method of setting purchase offers. I personally attended some such meetings.

Following the taking of the above measures, new purchase offers were announced in February and March. Some property owners expressed willingness to give up their property in exchange for the LDC's new offers. The Government and the Executive Council finally reviewed the purchase offers and found them to be fair and reasonable. Consequently, under the terms of the LDC Ordinance, the Crown Lands Resumption Ordinance was invoked to let the LDC compulsorily purchase the remaining property.

I have given a very detailed account of what happened in the LDC's acquisition of property in the Jubilee Street and Wing Lok Street projects in Central. My purpose in doing so is to draw attention to the LDC's serious approach to the matter of purchase offers. For each purchase, an offer was made only after the Government agreed that the offer was not below what would be a fair and reasonable price. Even now, when the Crown Lands Resumption Ordinance has finally to be invoked, a purchase offer has yet to pass the Executive Council. The Ordinance will be resorted to only when the Executive Council agrees that the offer is not below a fair and reasonable standard. I must further point out that, if a property owner is still not satisfied with the offer, he can seek an adjudication from the Lands Tribunal.

With the various measures taken by the LDC itself, and with the multiple

safeguards provided by the Government, it is not possible for the LDC's property purchase offers to be below what would be fair and reasonable.

I would like to clarify here that the LDC does not intend to make property purchase offers above what would be fair and reasonable. The LDC has not spent a single cent of the Government's or taxpayers' money. It will spend the proceeds from property redevelopment on looking after the affected tenants and on improving the environment in the old areas. The LDC cannot sacrifice the interests of the majority of the people of Hong Kong; in acquiring property for redevelopment, it cannot pay prices above what would be fair and reasonable.

Another controversial issue is the re-accommodation of affected tenants. I can testify here that the LDC's set policy is such that affected tenants will not become homeless. For affected tenants, there are two choices: One is to accept cash compensation; the other is to accept re-accommodation in LDC housing. The amount of cash compensation set by the LDC is rather on the high side; it is much better than that provided for under the Landlord and Tenant (Consolidation) Ordinance. If an affected tenant wants to exercise the second option, he can move into a housing unit arranged for him by the LDC. Such housing charges low rents and has a good environment. Let me go back to the example of "cages" apartment tenants. If they move into the housing prepared for them by the LDC, they will enjoy complete kitchen and sanitary facilities, a living room and the benefit of expert management. This housing will be as different from their present "cages" accommodation as Heaven from Hell.

I reiterate that the LDC will definitely re-accommodate affected tenants.

Today, in this Council, I am very glad to be able to listen to Members' views about urban renewal. I will report these views to the Board and have them discussed by the Board one by one, in the hope that urban renewal will be able to proceed more effectively and more equitably. Here, I would like to thank all Members.

I so make my submission.

DEPUTY PRESIDENT: There are still five Members to speak and strictly the 45 minutes will expire in five minutes. But as the purpose of an adjournment debate is for matters to be raised for reply by the Government, I will, taking into account Mr Steven POON's special position, not include the time he took for his speech in assessing

the balance of time left. The result is that the five Members who have not yet spoken will have to try to compress their speeches to about two and a half minutes each.

MR JAMES TO (in Cantonese): Mr Deputy President, the purpose for which the Land Development Corporation (LDC) was set up is to redevelop the old areas and improve the environment. On the other hand, it must operate by adopting prudent commercial principles. However, the LDC should pay more regard to its purpose. As for operating principles and methods, these are of secondary importance. In other words, the LDC must not use prudent commercial principles to maximize profit-making. If it does, the result will be putting things in the wrong order.

As the Honourable Steven POON said aptly a moment ago, property developers tried for many years to redevelop land resources, but to no avail. Consequently, the emergence of the LDC made them see the light at the end of the tunnel. At the same time, if one does a bit of analysis, it is not surprising to find that the LDC has been reduced to an instrument of land acquisition for the property developers.

"Prudent commercial principles." This means that the LDC should not be in business to lose money. However, we can all visualize the many redevelopment projects that the LDC has launched. Will the redevelopment potential and value of the land cause the LDC to lose money in these projects? What price offers will be reasonable and fair? Everyone of us knows it only too well.

Secondly, LDC Chairman Steven POON said a moment ago that the LDC will find replacement housing for the affected tenants. As to this, there is no express provision in the law. If that should be the LDC's set policy, would it be possible to write this into law? Despite the assurance that nobody has become homeless as a result of Phase One, what about in the future? Several weeks ago, I put this question to Chairman POON. He did not dare answer then. Still, the fact that he has given the kind of assurance today is good news.

Thirdly, some Members said that none of the directors of the LDC in 1991 had an interest in any LDC contract. I would invite Members to look at the state of affairs in 1989 and 1990. Things have since improved. This is due to the fact that we now have directly elected Legislative Councillors. The Government, too, has made veritable improvements in the way it appoints the LDC's directors.

In addition, ways of thinking have had a huge influence. People of different persuasions tend to think differently. Property developers and members of professions engaged in property development work on a full-time basis may tend to think that the interests of "redevelopment" are more important than the interests of the general public. Therefore, if the LDC should need professional talent, I think that would be all the more reason for participation by the general public. Representatives of the general public should be placed within the LDC to play a supervisory role.

Some Members think that joint redevelopment is impossible. In fact, as many Members know, we now have many co-operative schemes, in which developers put up the money and property owners put up land under what are known as "non-recourse joint venture agreements." It is thus clear that, while joint redevelopment has some technical difficulties, these difficulties are not incapable of resolution.

In addition, over the long term, the LDC should set up its own professional teams. If it does not stop relying on money or professional talent from developers, it will easily fall under the developers' manipulating influence. The LDC may issue debentures with the Government acting as the guarantor. In this way, it will be able to raise sufficient working capital. Then, all the profits derived from the acquisition and redevelopment rights of the land that belongs to all the people of Hong Kong may be returned to the people.

Finally, I hope that the Government will carefully consider and review the draconian provisions of the Crown Lands Resumption Ordinance.

DR SAMUEL WONG (in Cantonese): Mr Deputy President, at one time, I served with the Provisional Land Development Authority and was later a member of the Land Development Authority for two years. It can be said that I am quite knowledgeable about the Land Development Corporation (LDC). So I would like to take the present opportunity to express some views.

The Government set up the LDC and charged it with important responsibilities for the redevelopment of urban areas and the improvement of the environment. This is commendable. However, as to the question of whether redevelopment has been successful, a key factor is the length of the time it takes. I personally think that the LDC's redevelopment planning and scheduling actually take too long.

To begin with, the LDC must have the approval of the Secretary for Planning, Environment and Lands before it can draw up a redevelopment plan for an area. The redevelopment plan must then be circulated to all interested departments of the Government for their comments. Next, the Secretary for Planning, Environment and Lands must present the plan to the Town Planning Board for its consideration. He must also consult the district board. Finally, the Town Planning Board must present the plan to the Governor in Council. The entire planning process, in the case of the Wing Lok Street and Jubilee Street redevelopment projects, for example, takes about one and a half years. As for the Argyle Street redevelopment project in Kowloon, planning for that project took as long as two and a half years counting from the time the then Secretary for Lands and Works approved the LDC's redevelopment project in 1989 to the time that the project was published in the Gazette on 1 March 1991.

Under such circumstances, progress in redevelopment projects is greatly slowed down. This affects the acquisition of property for redevelopment. It so happened that, while the work was making slow progress, a property boom hit Hong Kong during the past two years, when property prices rose sharply. The price originally offered by the LDC for a domestic unit quickly fell below what it would cost the property owner to buy a comparable unit in the same neighbourhood. The LDC consequently had to raise its offer. This doubled the LDC's costs. As far as I am personally aware, it has cost the LDC a total of over \$1 billion to acquire the property for the Wing Lok Street and Jubilee Street redevelopment projects. This is a heavy burden on the LDC.

Mr Deputy President, I think that the redevelopment work of the LDC merits vigorous support from this Council. However, in view of what I have said above, the Government should consider and review the procedure of redevelopment planning.

DR YEUNG SUM (in Cantonese): Mr Deputy President, the United Democrats of Hong Kong support in principle the plans to redevelop the old urban areas, thus enabling land resources to be used effectively. However, I think that there are questions about the operation of the Land Development Corporation (LDC) and about the avenues available to the affected parties to lodge complaints.

Let me make two simple points.

1. Co-operation between the LDC and private developers

Basically, private developers put up money while the LDC is responsible for acquiring land. Because the LDC is a statutory body, one is apt to suspect collusion between officials and merchants. I believe that since it is private developers who put up the money, this will affect the operation and development of the LDC.

According to Chapter 7 of Hong Kong Town Planning, concerning property acquisition, as the Honourable Steven POON said a moment ago, the LDC should be required to use the fairest possible means to encourage property owners to participate in redevelopment projects. However, it is my personal experience and observation, based on my participation in the mediation of disputes in the redevelopment projects of Central and Western districts, that the LDC does not treat property owners and tenants fairly. Many property owners complained that the LDC offered low prices for their property, with the result that they could not remain in business or would even lose their hard-earned capital. When they tried to take a strong position and argue their case, the LDC applied to the Executive Council for the invocation of the Crown Lands Resumption Ordinance and then resumed the property.

Mr Deputy President, I believe that Hong Kong is a free society in which private property is protected. The above example shows, however, that the LDC is really too powerful while small property owners and tenants are without protection.

2. How representative the LDC's board of directors is

Some of the present members of the LDC basically are associated with the real estate industry. I wonder why the Government has so far not taken a proper look at this problem, which clearly makes it easy for conflicts of interests to arise. This is extremely regrettable.

The avenue for lodging complaints that the public now has is merely this: After the LDC's request to invoke the Crown Lands Resumption Ordinance is approved by the Executive Council, property owners and tenants may then, and only then, file suit with the Lands Tribunal. Earlier on, during the negotiating stage, the views of property owners are normally disregarded.

Finally, the United Democrats of Hong Kong suggest that the Government should review the following matters:

- (1) The LDC's co-operative relationship with private developers and ways of raising capital;
- (2) The LDC's redevelopment role;
- (3) The representative nature of the LDC's board of directors and its composition;
and
- (4) The establishment of a proper channel for lodging of complaints.

Mr Deputy President, I so make my submission.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, because time is running out, I will make a presentation focussed on problems in three areas: the transparency of the Land Development Corporation (LDC), its co-operation with private developers and its measures for rehousing affected tenants.

When acquiring property in various districts during the past two years, the LDC had many clashes with the local residents. The LDC never made detailed announcements to the outside world or to the affected parties about what its specific property acquisition policy was, what its methods of compensation were, what its plan was for the rehousing of various categories of people affected by redevelopment and what its rehousing procedure was. Many residents were really upset; the public was confused. Actually, in the course of property acquisition by the LDC, the residents had a right to know how the LDC operated and what arrangements it would make. If they knew these, they would be able to make the right choice. In any case, the LDC should increase the degree of its transparency. In addition, a supervisory group should be set up. Its members should be people from different walks of life and directly elected representatives of the people. It should monitor the administrative operation of the LDC and make sure that the LDC will keep its promises of reasonable rehousing and compensation.

The LDC is a company that acts as an agent of the Government for carrying out urban renewal. It should discharge its social obligations and safeguard people's reasonable rights and interests as residents. However, at present, all that the LDC

does is co-operate with private developers for making tons and tons of money. When acquiring property, it uses underhand methods and lacks sincerity in talks. Here is one example. The LDC at first makes a very low offer and forces property owners to accept it and give up their property. Usually, it is only later that property owners find out that there are other ways and other choices. Also, when setting its initial offer, the LDC simply does not take the property's redevelopment potential into account. It then uses the Crown Lands Resumption Ordinance to scare property owners into selling their property. Thus, the LDC has reduced itself to an instrument whereby private developers use government authority to acquire property for gain. In addition, the Government should make sure that the LDC will acquire property on terms that are fair and reasonable. Unless the LDC does so, the Government should not issue orders for the resumption of land under the terms of the Crown Lands Resumption Ordinance.

Concerning rehousing, are the LDC's rehousing measures intended to rehouse affected tenants permanently or temporarily? If the rehousing is temporary, then the low-income tenants of old buildings will be facing very great housing difficulties. At the same time, we suspect that the favourable rents suggested by the LDC are far above tenants' ability to afford. This is because these rents are linked to market rents. When market rents continue rising, the tenants' burden will become heavier and heavier yet, until it becomes unbearable. Therefore, the LDC has an obligation to rehouse the affected tenants. Here, Meeting Point suggest that the LDC may use some of its profits from redevelopment to build a number of low-rent units to rehouse the affected tenants.

Mr Deputy President, I hope that the LDC will really contribute to the improvement of the environment and quality of life in Hong Kong and will not become a "Land Profiteering Corporation".

I hereby submit my speech.

MRS PEGGY LAM (in Cantonese): Mr Deputy President, thank you for letting me have two and a half minutes to speak. I do not want to say too much. I will only talk about the Wan Chai example. The Land Development Corporation's (LDC) Li Chit Street redevelopment project in Wan Chai has brought great joy and happiness to the people of Wan Chai. Why? Because Wan Chai is an old area and outworn with age; buildings there look like they are about to collapse. The LDC would take over property there

and redevelop it. Besides erecting a 34-storey residential building, the LDC would also be providing 1 370 sq m of space for government, institutional and community (GIC) use. There would be a home for the aged, a counselling centre and a hostel for single people. In addition, there would be 900 sq m of space for use as a rest area. In an aging district like Wan Chai, such improvements in the environment would really be exciting. The people in the neighbourhood had been waiting for these for a long time.

Last year, to enable the LDC to take over property at Li Chit Street in Wan Chai, Wan Chai District Board members and I provided active assistance in the establishment of a direct dialogue between the residents and the LDC. Each side had their own interests to think of. The LDC was encouraged to do its best for the other side, and the other side did their best to win reasonable compensation for the residents. Because there were not too many self-serving outsiders trying to influence the outcome, and because there were not too many people trying to ferment trouble, the LDC was fortunate to be able to complete without mishap the takeover of the old buildings at Li Chit Street. The residents were offered the choice between being paid compensation in amounts sufficient to enable them to buy new flats and being given new flats in exchange for their old flats. Property prices have probably risen by 50% since then. If the two sides had not arrived at an understanding then but had allowed the talks to drag on, I believe that neither side would have stood to gain. The residents probably would have been unable to buy the flats they wanted with the compensation they received, and the costs to the LDC would probably have been much greater. I remember that similar offers were made at the time for old property in Kowloon. There, unfortunately, for various reasons, the two sides failed to reach agreement. The matter is still dragging on without as yet any prospect of a resolution.

I would like to say one thing here. The LDC probably has not done certain things in the best way possible. But it does heed the advice of local people, such as district board members. It is also very receptive to our suggestions. It is willing to show sincerity. We think that it should, acting in good faith, link the offers to market prices or make the offers a bit better still and that it should calculate the size of a flat in the same way that the market-place does. We think that the LDC should try more to look at things from the standpoint of property owners, occupants and tenants. The important thing is to be fair and reasonable. This will increase the cost of redevelopment, but it may also speed up the takeover of property and enable redevelopment to begin sooner, so that the completion dates of redevelopment projects

will not be set back by takeover delays. The effect of inflation can be averted if projects begin on schedule.

However, I feel that property owners, occupants and tenants, too, should be fair and reasonable. They should not make unreasonable requests out of greed. Such requests may slow down the improvement of the environment and affect the redevelopment of the old area.

Thank you, Mr Deputy President.

10.20 pm

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the Administration is acutely conscious of the need to balance the wider community benefits of urban renewal with the interests of those whose properties, businesses or homes are directly affected by it. This concern guided our approach in creating the Land Development Corporation and devising the intricate statutory processes which govern its operations. Some of the difficulties involved in striking this balance have been touched upon by Members today.

Urban renewal is not new to Hong Kong. Indeed it is an activity which has been going on for many years largely through the operation of market forces and the initiatives of the private sector. An extensive pilot scheme carried out on Hong Kong Island in the 1960s and 1970s showed us how slow and cumbersome the process becomes when conducted through a formal government programme competing with other priorities for public funds. Apart from the relatively limited schemes undertaken by the Housing Society, nothing further was attempted on a formal basis until, after lengthy studies and careful preparation over a period of eight years, the Land Development Corporation was created in 1988.

Urban decay is not unique to Hong Kong. It affects mature cities everywhere and is brought on by a combination of factors: over-rapid development to often inadequate standards in terms of planning and construction; rapid and uncontrolled population increase and movement; fragmented and unco-ordinated property ownership; and unattractive redevelopment options. Decay is also self-perpetuating and brings about intractable social and physical problems in cities.

Hong Kong, like many other places therefore, having wrestled with these difficulties, decided to come to grips with them, choosing the urban renewal mechanism of which the LDC is an important part as the means. And, although the solution itself has not proved trouble free, we must press on, improving by applying the lessons of experience as we proceed. The alternative is inaction and continuing deterioration in conditions in some of our older urban areas with no prospect of regeneration.

The establishment of the LDC was intended to deal with otherwise insurmountable problems of land assembly, where ownership is fragmented and acts as a dead-hand on timely redevelopment; and of relocating residents, who would have difficulty if left to find their own solutions. The aim was to provide an agency able to fund and implement redevelopment schemes on a larger scale than was previously possible. It also provided a focal point where different interest and priorities in the provision of community facilities could be co-ordinated.

The Land Development Corporation Ordinance defines the purposes of the Corporation, as well as its powers and obligations, in detail. The broad goal is to improve the standard of housing and the environment in the older parts of Hong Kong by -- and here I quote from section 4(a) of the Ordinance -- "undertaking, encouraging, promoting and facilitating urban renewal". In other words, the LDC is not supposed to go it alone, but to explore ways of making things happen in the market place. Thus, for its own projects, it is expected to acquire land and buildings by private negotiation as far as possible. Its proposed development schemes are subject to approval initially by the Secretary for Planning, Environment and Lands and subsequently by the Town Planning Board. Where private negotiations fail, the LDC may apply to the Government for the resumption of property. However, section 16 of the Ordinance specifically requires that a recommendation to the Governor in Council for resumption will only be made on the fulfilment of a number of conditions, not least of which is that the "the Corporation has taken all reasonable steps to otherwise acquire the land including negotiating for the purchase thereof on terms that are fair and reasonable". In addition, satisfactory arrangements for the rehousing of residents who will be displaced must be made.

To avoid the possibility of the LDC becoming dependent on public funds, the Ordinance requires that its business be conducted according to prudent commercial principles. So, while the Ordinance sets the parameters within which the LDC must operate, it also allows wide flexibility for the Corporation to run its day-to-day

activities on its own and to harness the ample resources of the private sector through joint ventures and the like. Obviously, while the LDC will plough any profits back into further urban renewal, its private sector partners require some incentive for their continued involvement. This sort of partnership can work in Hong Kong in a way which cannot happen in other places.

In its first four years the LDC has sought to implement several comprehensive schemes to bring about overall improvements to the neighbourhoods affected. These schemes have been based on a series of detailed Studies on Urban Development Opportunities and Comprehensive Redevelopment Studies, which examined not only the physical condition of the buildings concerned but the adequacy of infrastructural and community facilities and the social characteristics of the local community as well. The aim is to ensure that redevelopment will address the needs of the community by improving the facilities and the environment of the area.

As I have already mentioned, LDC projects are subject to close scrutiny by both the Administration and the Town Planning Board. The statutory procedures require proposed schemes to be publicized. Comments and suggestions by district boards are reported to the Town Planning Board when objections to the LDC's proposed scheme plans are considered. Any unwithdrawn objections, together with the views of the district boards, will be presented to the Governor in Council for consideration in the normal way. The LDC is currently putting in hand eight commercial and residential development schemes. These include the Wing Lok Street, the Jubilee Street and the LI Chit Street schemes.

I can assure Members that resumption will always be a last resort in implementing LDC schemes. The LDC must attempt to acquire properties by negotiation with the owners through the offer of fair and reasonable compensation assessed by independent consultants. Owners of domestic premises are offered an additional ex gratia amount sufficient to enable them to purchase a replacement flat of similar size in the locality. Property owners who are not satisfied with LDC's offers and whose interests are resumed have the right to refer the valuation assessment made upon resumption to the Land Tribunal for a determination.

As regards rehousing for those affected, the LDC has a policy of providing flat-for-flat exchanges for owner-occupied domestic premises. Rental rehousing in properties already owned by the LDC can be provided to eligible domestic tenants at concessionary rentals. Priority is given to lower income earners who have no

alternative accommodation. Where cash compensation is offered, the amount usually exceeds that statutorily payable under the Landlord and Tenant (Consolidation) Ordinance. The LDC also tries to accommodate singletons and doubletons, particularly the elderly. Finally, all eligible domestic owners and tenants are given an option to purchase new flats from the LDC at a concessionary price.

With the first batch of LDC projects now well underway, it is an opportune time to take stock in the light of current circumstance and expectations. Members have referred to the need to allow owners' participation in redevelopment, for example. This was not possible for the LDC's initial projects because of the financing arrangements entered into with joint venture partners which were aimed at making it a financially self-sufficient organization from the outset. Otherwise, it would have been able to achieve little or nothing. However, the position will be re-examined in relation to future projects. Issues such as whether owners are prepared to forgo compensation, bear development risks, provide rehousing for their tenants, and help fund projects, including the cost of community facilities, will need to be carefully considered. There may also be a need to streamline compensation procedures so that offers can be assessed and made more promptly, particularly in a quickly moving property market.

Mr Deputy President, the Land Development Corporation was conceived and put in place after long and careful deliberation to tackle the problems of land assembly and relocating residents which are an inescapable part of the urban renewal process. To do its job the Corporation requires expertise in the planning, property development, financial, social and other related fields both among its permanent staff and on its managing board. The present membership of the Corporation, which is appointed by the Governor to meet requirements described in detail in section 7 of the Ordinance, provides the necessary range of knowledge and experience. The laws and procedures under which the Corporation operates provide an appropriate mixture of accountability and flexibility.

LDC's task is a difficult one but its success will bring tremendous benefits to the community. The Administration is satisfied with the performance of the LDC so far and is confident that it will continue to discharge its functions conscientiously and with integrity. Nevertheless, the Administration intends to review its own and the LDC's achievements in the urban renewal field so far, to see whether there are lessons to be learned. The views Members have put forward today will be taken into account in this process. In the meantime, I would like to commend the Corporation

to Members for their support. Thank you.

DEPUTY PRESIDENT: As more than one hour has elapsed since the moving of the motion on the adjournment, under Standing Order 9(8) I am not to put the question but instead to adjourn the Council which I do in accordance with Standing Orders to 2.30 pm on Wednesday 3 June 1992.

Adjourned accordingly at twenty-nine minutes to Eleven o'clock.

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