

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 9 June 1993

The Council met at half-past Two o'clock

PRESENT

THE PRESIDENT

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

THE CHIEF SECRETARY

THE HONOURABLE MRS ANSON CHAN, C.B.E., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, C.B.E., J.P.

THE ATTORNEY GENERAL

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

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

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

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

THE HONOURABLE MARTIN LEE CHU-MING, Q.C., 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 MARTIN GILBERT BARROW, O.B.E., J.P.

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

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

DR THE HONOURABLE LEONG CHE-HUNG, O.B.E., J.P.

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

THE HONOURABLE PETER WONG HONG-YUEN, O.B.E., J.P.

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE VINCENT CHENG HOI-CHUEN, J.P.

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

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING, J.P.

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE LEE WING-TAT

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

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

DR THE HONOURABLE TANG SIU-TONG, J.P.

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

ABSENT

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

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

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

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

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

THE HONOURABLE EMILY LAU WAI-HING

THE HONOURABLE JAMES TO KUN-SUN

THE HONOURABLE HOWARD YOUNG, J.P.

IN ATTENDANCE

MR YEUNG KAI-KIN, C.B.E., J.P.
SECRETARY FOR TRANSPORT

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

MR RONALD JAMES BLAKE, J.P.
SECRETARY FOR WORKS

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

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

MR DONALD TSANG YAM-KUEN, J.P.
SECRETARY FOR THE TREASURY

THE CLERK TO THE LEGISLATIVE COUNCIL
MR CLETUS LAU KWOK-HONG

THE DEPUTY CLERK TO THE LEGISLATIVE COUNCIL
MR PATRICK CHAN NIM-TAK

Papers

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

Subject

Subsidiary Legislation	<i>L.N. No.</i>
Companies Ordinance (Amendment of Schedules) Regulation 1993	187/93
Companies Ordinance (Amendment of Schedules) Order 1993.....	188/93
Import and Export (Fees) (Amendment) (No. 2) Regulation 1993	189/93
Protection of Women and Juveniles (Places of Refuge) (Amendment) Regulation 1993	190/93
Schedule of Routes (China Motor Bus Company) Order 1993.....	191/93
Schedule of Routes (Kowloon Motor Bus Company) Order 1993.....	192/93
Schedule of Routes (New Lantao Bus Company) Order 1993.....	193/93
Television (Period of Validity of Licence) (Wharf Cable Limited) Order	194/93
Waterworks (Amendment) Regulation 1993	195/93
Bills of Sale (Fees) (Amendment) Regulation 1993.....	199/93
Control of Obscene and Indecent Articles (Amendment) Regulation 1993	200/93
Film Censorship (Amendment) Regulation 1993	201/93
Immigration (Amendment) Regulation 1993.....	202/93
Marriage Reform (Fees) (Amendment) Regulation 1993.....	203/93

Marriage Reform (Forms) (Amendment) Regulation 1993.....	204/93
Money Lenders (Amendment) Regulation 1993	205/93
Registration of Persons (Amendment) Regulation 1993.....	206/93
Births Registration (Special Registers) Ordinance (Amendment of Fifth Schedule) Order 1993	207/93
Deaths Registration (Special Registers) Ordinance (Amendment of Fourth Schedule) Order 1993	208/93
Declaration of Number of Proposed Districts and Specification of District Names Order 1993.....	209/93
Marriage Ordinance (Amendment of Second Schedule) Order 1993.....	210/93
Public Order Curfew (Variation) (No. 2) Order 1993.....	211/93
Pleasure Grounds (Regional Council) (Amendment) Bylaw 1993	212/93
Telecommunication (Amendment) Ordinance 1993 (38 of 1993) (Commencement) Notice 1993	213/93
Telephone (Amendment) Ordinance 1993 (37 of 1993) (Commencement) Notice 1993.....	214/93

Sessional Paper 1992-93

No. 83 — Securities and Futures Commission
Annual Report 1992-93

Oath

Mrs Anson CHAN took the Legislative Council Oath.

Oral answers to questions

Performance pledges

1. MR ROGER LUK asked (in Cantonese): *Will the Administration inform this Council of the progress to date in the implementation of "performance pledges" in various departments and of the measures taken to ensure awareness of and devotion to these pledges within the civil service?*

CHIEF SECRETARY: Mr President, we have made a good start in implementing the performance pledges programme in government departments since its introduction in October last year. Some 16 departments have already published their first pledges. Some 18 more will do so by about September. Our target is for the remaining 14 government departments providing services directly to the public to publish their first performance pledges by about mid-1994.

Commitment of staff at all levels is key to the successful implementation of pledges. Each department fully briefs and involves its staff as its pledge is developed. The aim is to ensure that staff understand the objectives of the programme and that they themselves adopt the aims of the pledge as their own.

To support departments, the Civil Service Training Centre has developed a "train the trainers" course on customer service, for supervisors of front-line staff. Thirty courses have so far been held for 600 supervisors. These supervisors have in turn organized about 1 000 courses for 20 000 front-line staff. We have also allocated \$1.5 million this year to provide incentives for staff to make suggestions to improve productivity and quality of service to the public. We will continue to look for ways to reinforce civil servants' commitment to the pledges programme.

MR ROGER LUK (in Cantonese): *Mr President, may I ask whether the Government has a mechanism in place to follow up and monitor the implementation of "performance pledges"?*

CHIEF SECRETARY: Mr President, we do have a mechanism through Users' Committee to monitor the carrying out of performance pledges and to suggest improvements.

MR MARTIN BARROW: *Mr President, would the Chief Secretary confirm to this Council that performance pledges are to be extended to the two municipal councils and, in particular, that their licence issuing role will be subject to performance pledges?*

CHIEF SECRETARY: Mr President, the scope of the pledges of the two departments, that is, the Urban Services Department and the Regional Services Department, is drawn up in consultation with their respective councils. I understand that the restaurant licensing procedures have been the subject of reviews by an interdepartmental working group. There remain a number of relevant issues to be resolved, and until these issues are resolved I believe that the pledges currently under consideration will not cover the licensing of restaurants. Nevertheless, Mr BARROW may be interested in knowing that there are proposals in train to actively improve the current procedure for dealing with issue of licences. One of the proposals that is currently under consideration is to set up central vetting panels to expedite the issue of licences.

MR LAU WAH-SUM: *Mr President, would the Acting Chief Secretary explain the criteria in the selection of the membership of the Users' Committee?*

CHIEF SECRETARY: Mr President, there are two means by which we hope to monitor the performance pledges and to consider improvements on an ongoing basis. These two channels are through Users' Committee and also through customer liaison groups. In general, we would envisage the Users' Committee dealing more on the policy and advisory level involving users. As to a more day-to-day contact with those who actually have to use the service, that is, front-line users, we would envisage dealing with them through the customer liaison groups.

MR MOSES CHENG: *Mr President, would the Chief Secretary advise this Council whether performance pledges will be extended to the Judiciary, and if so, when?*

CHIEF SECRETARY: Mr President, the Judiciary is not currently one of those departments that are about to announce performance pledges. But I would hope that the Judiciary would certainly bear in mind the need to announce performance pledges as soon as it is possible to do so.

MR LAU CHIN-SHEK (in Cantonese): *Mr President, will the Secretary advise this Council what the greatest hurdle is when implementing these performance pledges and why?*

CHIEF SECRETARY: Mr President, I am not aware that there are any insurmountable problems. We have first targeted those departments that have the most contact with the users. And in the next, and third stage, by about March next year, we would hope that all departments would have published their performance pledges.

MR LEE WING-TAT (in Cantonese): *Mr President, it is mentioned in the first paragraph of the reply that 18 departments have their performance pledges in place. May I ask how many of them have set up Users' Committees? Furthermore, some members of the public are of the opinion that the standards pledged by departments basically are standards that are already provided by them. May I ask whether the performance pledges will be expanded in the light of annual review and progress made in order to achieve a higher service standard?*

PRESIDENT: There are two questions there, Chief Secretary. Have you got both parts?

CHIEF SECRETARY: Yes, Mr President. I do not have at hand the number of departments that currently have Users' Committee. I will supply a written reply. (Annex I) On the second question, we do indeed intend through monitoring to consider improvements on an ongoing basis. The Honourable Member is right in saying that the current performance pledges of course reflect the standards of service that are currently provided by the departments. But through monitoring and through Users' Committee and Customer Liaison Committees we will be keeping a very close eye on the need for improvements.

MR TAM YIU-CHUNG (in Cantonese): *Mr President, the implementation of "performance pledges programme" will need the support of staff. Will the Administration, for the purpose of better communication, consult relevant civil servants associations so as to achieve better results in this respect?*

CHIEF SECRETARY: Mr President, we have in fact been very encouraged by staff response. In general, they see this as a means of keeping in touch with users and of considering improvements in their respective service area on an ongoing basis. Where there are particular worries we will, of course, make use of existing channels of communication with staff to resolve these difficulties.

DR CONRAD LAM (in Cantonese): *Mr President, will the Acting Chief Secretary inform this Council whether the answering of questions by Government officials at Legislative Council meetings can be taken as a form of "performance"? If so, will they adopt similar "performance" pledges?*

CHIEF SECRETARY: Mr President, the answer to that is yes.

MR CHIM PUI-CHUNG (in Cantonese): *Mr President, since a performance pledge is a pledge for service offered to the public, if the public find it wanting,*

are there any organizations to which complaints can be directed? And what measures does the Government have to penalize those departments that do not meet their pledges?

CHIEF SECRETARY: Mr President, there are a number of avenues through which complaints can be aired. First of all, I believe that in publishing their performance pledges the departments do in fact make it known to the users as to where they can lodge complaints, if they have any. Secondly, we would expect to also provide through the Users' Committees and the Customer Liaison Committees an additional channel for complaints.

British National (Overseas) passports

2. MRS SELINA CHOW asked: *In view of recent public reports about a Hong Kong family holding British National (Overseas) passports who were refused boarding of a flight in Germany bound for Vancouver, will the Government inform this Council of the circumstances of the case, whether the family concerned would be compensated, and what measures are being taken by the Government to ensure that British National (Overseas) passport holders are protected against such incidents in future?*

SECRETARY FOR SECURITY: Mr President, I understand that the incident occurred on 10 May this year at Frankfurt Airport, and involved a family of three; the father, the mother, and their two-year-old son, each holding a different form of Hong Kong travel document. This apparently confused the staff at the airport. The father, holding a Hong Kong Certificate of Identity, needed, and had, a visa for Canada; neither the mother nor the son needed visas for Canada, as the former held a Hong Kong British Dependent Territories Citizen passport and the child held a BN(O) passport.

The airport staff apparently assumed that if the father needed a visa, so too would the wife and son. The wife was able to convince them that she did not, by showing the previous entries in her BDTC passport indicating that she had entered Canada previously without a visa. However, the son did not have such entries in his passport and was not allowed to board the Lufthansa flight for Canada.

The error may have arisen from a misreading of the latest edition of the Travel Information Manual (TIM) produced for their staff by a number of airline companies, and which sets out world-wide customs and visa requirements. We have asked the manual editors to clarify the information in the manual, and to make it clear that BN(O) passport holders enjoy visa-free access to Canada. The Canadian authorities have also taken action to clarify the situation.

Compensation to the family concerned is a civil matter between the company and the family.

I believe this was an isolated incident. We will continue to do all we can to ensure that the status of the BN(O) passport is known and understood.

MRS SELINA CHOW: *Mr President, was the family in question advised of the assistance they could call on at the British Embassy concerned and would this experience lead to the Government's efforts to impress on airlines and BN(O) passport holders the help they could call on at the occurrence of such similar incidents in future?*

SECRETARY FOR SECURITY: Mr President, travellers who find themselves in this position certainly could refer to the British Embassy. But I think that in a case like this it would actually have been more productive if they had referred to the Canadian authorities through the Canadian Embassy. They would have been in a much better position to confirm to the airline that a BN(O) passport holder did indeed have visa-free access to Canada.

MR LAU WAH-SUM: *Mr President, may I ask what steps have been taken by the Government to monitor the acceptance or rejection of BN(O) passports at entry and exit points in countries which have officially accepted the document?*

SECRETARY FOR SECURITY: Mr President, perhaps I should make it clear first of all that all countries accept the BN(O) passport, it has not been rejected by any country. I believe, as I said in my main answer, that this was an isolated incident. Millions of journeys each year are made on BN(O) passports and have been made on BN(O) passports since that document was introduced in 1987. I believe that the complaints that we have had, certainly in recent years, have been negligible.

DR PHILIP WONG: *Mr President, in the last paragraph of his answer the Secretary said, and I quote "we will continue to do all we can to ensure that the status of the BN(O) passport is known and understood". Can the Secretary elaborate on what he meant by "all we can"?*

SECRETARY FOR SECURITY: Mr President, when the BN(O) passport was first introduced in 1987 we went to great lengths, as did the British Government, to explain the document and to make sure that it was accepted in the same way as the BDTC passport. In general that has been achieved and all countries accept the BN(O) travel document. All countries — except for one — who allow visa-free access for BDTC passport holders do also allow visa-free

access for BN(O) passport holders. So, I think we have succeeded in our aim. We are still taking up with one country the possibility of extending to BN(O) passport holders the same treatment as they give to BDTC passport holders. Certainly, I believe that the document is well understood and well accepted now throughout the world, but if any problems were to arise we would certainly take steps to try to rectify them.

DR LEONG CHE-HUNG: *Mr President, in his reply to Mrs CHOW's follow-up question, the Secretary said that in this case it is the Canadian Embassy rather than the British Embassy who should be approached. I wonder, if similar incidents were to occur in other countries, whether the British Embassy of those countries could be approached for assistance, and if so, would the Secretary also provide some knowledge for Hong Kong people that this could be done?*

SECRETARY FOR SECURITY: Mr President, yes, we can certainly give that advice. But as I said in answer to Mrs CHOW, when it comes to the entry requirements for a particular country, for example in this case, Canada, it is much better, I think, for the traveller to refer to the authorities of that country. They will be in a much better position to give authoritative advice to the airline.

MR CHIM PUI-CHUNG (in Cantonese): *Mr President, the Secretary said in his reply that this was an isolated incident. Though that is the case, has the Administration explained or clarified the situation, or has it made any assurance that similar incidents will not happen again?*

SECRETARY FOR SECURITY: Mr President, as I think I said in my main answer, yes, we have certainly clarified the situation. Obviously I cannot give any guarantees as to what actions airline staff might mistakenly take in the future.

MRS SELINA CHOW: *Mr President, I am afraid I am not at all satisfied with the Secretary's answer. My question really was: As a lesson learnt from the incident, what will the Government do specifically to advise concerned parties, such as airlines and BN(O) passport holders themselves, where they can turn for help at the point the problem occurs in order to preserve the public confidence in the BN(O) passport as an effective travel document?*

SECRETARY FOR SECURITY: Mr President, so far as the airline industry is concerned, we have taken steps to try to get the position of BN(O) passport holders clarified in the information manual. The information in the manual was in fact correct. It was merely presented in a way that was not perhaps readily apparent to a casual reader, and we have taken steps to have that rectified. And

if any similar misrepresentations occur in manuals in future, then we will certainly take steps to try to rectify them. So far as the traveller is concerned, I repeat that the best advice one can give a person who finds himself in this position at an airport — and I hope that that occurrence will be rare, if ever — is that he should contact the authorities of the country to which he is going to travel. They are in by far the best position to give authoritative advice to the airline, if the airline is in doubt and wants advice.

MR PETER WONG: *Mr President, can the Secretary confirm that someone in the Hong Kong Government has systematically gone through the travel information manual to ensure that there are no other similar mistakes or items which could be taken the wrong way?*

SECRETARY FOR SECURITY: Mr President, yes, the Immigration Department is attempting to make sure that all the information in the manual, so far as it affects Hong Kong, is both correct and easy to understand.

"Cardboard policemen"

3. MR LAU WAH-SUM asked: *At present, "cardboard policemen" are placed in some large department stores and shopping arcades by the police in order to achieve a warning effect. Will the Government inform this Council whether the effectiveness of this measure has been reviewed; if so, what the findings are?*

SECRETARY FOR SECURITY: Mr President, the Cardboard Policemen Scheme was launched on 30 November last year, and was reviewed in March this year.

The review focused on two issues: first, the overall result of the Scheme in terms of publicity and public interest; and second, the effect of the Scheme on shop thefts in retail outlets.

The Scheme was considered to be successful in generating interest from the media, the retail industry and the public. The message that shop theft is a crime has been successfully put across, and public awareness has been raised.

It is difficult to gauge the deterrent effect of the Cardboard Policemen Scheme. However, it probably contributed, at least in part, to a 4% drop in reported cases of shop theft in the three months period December 1992 to February 1993 immediately after its introduction. Losses from large retail outlets also decreased during this period. These effects can be attributed not only to the Cardboard Policemen Scheme, but also to improved management

practices, and other crime prevention measures taken by retailers on the advice of the police.

The Scheme will be reviewed again in November this year to determine whether or not the campaign should continue.

MR LAU WAH-SUM: *Mr President, in view of the results shown in the fourth paragraph, a 4% drop in crime is quite reasonable. Will the Secretary intend to extend the placing of cardboard policemen to other public areas? If so, where will the next area be?*

SECRETARY FOR SECURITY: Mr President, there is no intention of extending the Scheme to other areas, although no doubt this might be considered in the review towards the end of this year. The Scheme was intended entirely to prevent shop theft and I doubt whether it has applications in other areas.

MR NGAI SHIU-KIT: *Mr President, will the Secretary let us know how many cardboard policemen have been placed and how many have been damaged in the last six months?*

SECRETARY FOR SECURITY: Mr President, 672 cardboard policemen have been installed. Of these, approximately 20 have been damaged and replaced.

MRS MIRIAM LAU: *Mr President, can the Secretary inform this Council what measures are being adopted to prevent these cardboard policemen being mutilated and to ensure they are being maintained in a good condition?*

SECRETARY FOR SECURITY: Mr President, the location of these cardboard policemen was determined really in consultation with retailers. They are mainly in shops and the shops, as with everything else in their premises, take care to see that they are not damaged, stolen or mutilated.

DR YEUNG SUM (in Cantonese): *Mr President, I am very pleased to hear that there was a 4% drop in shop theft with the placing of cardboard policemen. May I ask the Secretary to confirm whether there is a direct relationship between the placing of cardboard policemen and the drop in shop theft? Is the Secretary very confident that the placing of cardboard policemen will lead to a drop in crime rate?*

SECRETARY FOR SECURITY: Mr President, I think I said in my main answer that it was difficult to gauge the effect of the Cardboard Policemen Scheme and I can only repeat that. I do not think that one can attribute a direct relationship between the placing of these "policemen" and the number of shop theft cases. All I can say is that the figures would tend to indicate that the warning and the reminder that the placing of these cardboard policemen gives may have contributed to a subsequent drop in the number of shop thefts.

REV FUNG CHI-WOOD (in Cantonese): *Mr President, I found that some cardboard policemen were defaced. Has any person been warned or prosecuted for doing so?*

SECRETARY FOR SECURITY: Mr President, as far as I know, there is one prosecution pending against someone who stole one of these cardboard policemen.

MR MARTIN BARROW: *Mr President, is the Secretary aware that in Japan fibreglass policemen are used and placed at certain danger points on the road to discourage speeding and other traffic offences and would he consider investigating the applicability of fibreglass policemen for Hong Kong?*

PRESIDENT: Generally or only in retail outlets?

MR MARTIN BARROW: *At certain road danger points, Mr President.*

SECRETARY FOR SECURITY: It is an interesting idea, Mr President. But I think perhaps what I would like to clarify is that cardboard policemen — and I should think the same goes with fibreglass policemen — are not intended to be a substitute for real policemen. They are, I suppose, in the same category as a picture of a person in handcuffs, or a picture of a person behind bars. They are intended as a reminder and a warning, not to replace policemen in real life.

MR LEE WING-TAT (in Cantonese): *Mr President, the fourth paragraph of the main answer seems to suggest that the Scheme is not that successful. May I ask the Secretary if he thinks that Members sitting on this side do play a role in monitoring his performance? If so, will he consider placing "cardboard Members" here for better monitoring effect?*

PRESIDENT: I think I shall overrule that one, Mr LEE.

MR PETER WONG: *Mr President, would the Secretary please inform us whether it would be more effective to have an even fiercer policeman's image like our Number One policeman in order to deter a theft from our supermarkets?*

PRESIDENT: I am going to overrule that one too.

DR CONRAD LAM (in Cantonese): *Mr President, the cardboard policemen are intended as a reminder and a warning, and if they fail to serve this purpose, will the Administration consider producing other cardboard or similar designs for education and publicity purposes?*

SECRETARY FOR SECURITY: Mr President, I think when I referred to reminding and warning that actually encompasses publicity and education. In the final analysis, the cardboard policemen are, I suppose, an advertising gimmick, but I certainly would not wish to leave this Council with the impression which some Members seem to have got that we think the Scheme is a failure. I think its contribution to a 4% reduction in shop theft is certainly a worthwhile contribution.

MR CHEUNG MAN-KWONG (in Cantonese): *Mr President, if it is shown that cardboard policemen really have a warning or deterrent effect against theft, will the Secretary consider extending this idea and placing cardboard Number One car in carparks to discourage car theft?*

PRESIDENT: I think we shall go to the next question.

Energy conservation for Hong Kong buildings

4. MISS CHRISTINE LOH asked: *"An Energy Conservation Programme for Hong Kong Buildings" published by the former Property Division of the Finance Branch in February 1990 indicated that the designs of government buildings were progressively less energy efficient. Will the Government inform this Council:*

- (a) *whether the government buildings planned or completed in the past three years have included any requirement for the control of thermal transmittance values (U-values) of the buildings' external envelope so as to reduce energy consumption; and*
- (b) *whether the maximum permitted U-values will be included in the specifications for future government building designs?*

SECRETARY FOR WORKS: Mr President,

- (a) Thermal transmittance value (U-value) is not the only criteria for determining the heat consumption of buildings. Generally, the U-value reflects the heat transmittance characteristics of the building materials. However, the total heat consumption through the building envelope is affected by many other factors such as the shape, orientation as well as the indoor temperature of the building and so on.

Energy conservation has always been one of the considerations in designing government buildings. As early as 1983, the then Architectural Office published a booklet titled *Energy Conservation in Buildings*, which was revised and reprinted in 1989 and issued to architects, engineers, and maintenance surveyors. The building design recommended by the booklet considers the building as a whole rather than only looking at the single parameter of U-value.

In 1991 Architectural Services Department issued an information paper on Overall Thermal Transfer Value (OTTV) and energy conservation to give an updated guideline to the design teams for the heat transfer through the building envelope as a whole. (OTTV is a measure of the overall energy consumption per unit area of the building envelope. Factors like indoor temperature, building shape and orientation will be taken into account and is therefore a more effective criteria than the U-value.) The purpose of the paper is to cover energy consumption effects of alternative designs in terms of layout, envelope details and materials. The calculation of OTTVs and their recurring cost implications are included, and building designers are required to follow the guidelines as closely as possible.

- (b) The Government considers that there is a need for appropriate control of thermal transmittances through the envelope of buildings. However, it is considered that the OTTV criteria will be better than the U-value for this purpose.

Currently the Government is considering introducing control to all buildings based on the OTTV. A draft *Handbook on OTTV* was published in September 1992 and the consultation period has just ended. We are now studying the comments from both the private sector and other government agencies in the light of their actual operational experience. We will need to study the comments and take them into account before making a decision on both the appropriate standard to be adopted and the means for ensuring that any standard promulgated will actually be applied, both in the private and the government sector.

MISS CHRISTINE LOH: *Mr President, I suppose that means the Secretary has just confirmed that there are no standards applied at the moment. I suppose he would have to tell us approximately when he expects to have that. I have two questions, Mr President. First, would the Secretary agree with the wording in the first paragraph of my question that government buildings were progressively less energy efficient? And secondly, during the examination of the draft Estimates of Expenditure for the last Budget which we just looked at, the cost of wasted energy was reported in one of the answers as \$5 billion for 1989; what is it today?*

SECRETARY FOR WORKS: Mr President, so far as the design of government buildings is concerned, it is a matter actually of comparing like for like. The Property Division of the Finance Branch made its comparison based on energy consumed per sq m of office area. Government buildings completed in recent years include high speed lifts, more energy consuming equipment such as computers, longer air-conditioning running hours in special areas such as computer rooms, high levels of illumination in certain areas, more pumps for highrise buildings, more modern fire service requirements, and more air-conditioning space for the public as evident in the design of window areas and other changes. All of the above contribute to a higher energy per sq m of floor area and it was against this trend of increasing energy consumption that positive steps were taken in the design of initially holding the consumption level stable and at the same time of incorporating new concepts based on this study of energy saving opportunities. As to comparison of costs and how much can be saved from the efficient use of energy, the Electrical and Mechanical Services Department (EMSD) has made considerable efforts in that regard, notably in the operation and maintenance of air-conditioning plants and improvements in lighting systems. And wherever appropriate, the department is taking the initiative to advise client departments of potentials in energy savings. There have been significant improvements. For example, in the Macau Ferry Terminal air-conditioning in some areas is reduced when the sailing schedule shows that these areas are not going to be used by passengers for some time. The result of even this simple exercise is that approximately \$500,000 worth of electricity was saved in a year. In future the appointment of Energy Managers in each venue overseen by EMSD will help in this respect. They will carry out

energy audits and they will promote the implementation of good housekeeping practices. Studies of any further energy optimizing measures will be taken by these managers of existing premises. For example, there may be modifications that can be made to lighting systems by replacing existing fluorescent tubes with more efficient ones, also by modifying lighting circuits so that the lights can be switched off as far as possible when particular areas in question are not being used. There are no specific statistics on savings that can be made but certainly at Kai Tak Airport, for example, energy optimization, which is matching air-conditioning with flight schedules, passenger load and so on, has been very successful and has resulted in an initial saving of \$6 million per annum. Similarly in the Tuen Mun Hospital laundry, there have been savings by incorporating the recovery of waste heat from hot effluent and flash steam. I can assure the Honourable Member that every effort is being made to look for these energy savings in government buildings wherever it is possible to do so.

MR FREDERICK FUNG (in Cantonese): *Mr President, the Secretary has listed a number of ways of designing government buildings which can help save heat and energy and these apparently are positive measures. But at the end of his reply the Secretary only said that the Administration needed to study the comments before making a decision on both the appropriate standard to be adopted and the means for ensuring that any standard promulgated would actually be applied, both in the public and government sector. May I ask whether legislation has been actively considered for ensuring compliance?*

SECRETARY FOR WORKS: Mr President, at this point in time, I think it is too early for us to consider or discuss legislation. There are many ways in which the professions in Hong Kong, both in the private sector and in government, can be encouraged and indeed, by various guidance and practice notes, can be led to design energy efficiency into their buildings. I would also add that studies have shown that many of the more significant and important buildings in Hong Kong are efficient in energy terms equivalent to the best of international standards. I do not think that we should consider ourselves to be lagging in this area. However, as with all areas, if there is subsequently found to be a need for legislation, I am quite sure that this will also be considered.

MR PETER WONG: *Mr President, has the Government considered recommending "shirt sleeves order" for all its official meetings so that less air-conditioning can be used whilst maintaining comfort?*

PRESIDENT: It is just marginally, I think, within Standing Orders.

SECRETARY FOR WORKS: I think, Mr President, this is rather outside my programme implementation area. But I can assure the Honourable Member that if "shirt sleeves order" was generally the order of the day then I would be personally quite happy to comply with that order.

DR CONRAD LAM (in Cantonese): *Mr President, can the Secretary inform this Council whether we are now sitting in an energy efficient building; if not, what plans there are for improvements to be made during renovation?*

SECRETARY FOR WORKS: Mr President, this is one of the buildings which the Electrical and Mechanical Services Department are responsible for. And as I said in my answer, the appointment of Energy Managers is one of the department's immediate considerations. I have no doubt that they have already reviewed opportunities for energy saving in this building and that the appointment of Energy Managers will take this process further forward. I would say that the design of this building, with its heavy walls, is in fact one of the types of buildings which are probably very energy efficient.

DR LEONG CHE-HUNG: *Mr President, I understand that an Energy Efficiency Advisory Committee has been established since April 1991 to advise the Government on proposals to improve energy efficiency and to form a comprehensive energy efficiency policy. Could the Administration inform this Council of the progress of this Advisory Committee in the area concerning formulation of a comprehensive energy efficiency policy?*

SECRETARY FOR WORKS: Mr President, I think, as I was saying, that the Energy Data Working Group of the Energy Efficiency Advisory Committee in early 1993 produced some statistics relating to the consumption of electricity in average commercial buildings in Hong Kong. They have also carried forward this work to attempt comparisons with other overseas countries, such as those in the temperate zones as Hong Kong is. And I think the findings thus far are that generally we in Hong Kong are in line with overseas countries. As far as the Energy Efficiency Advisory Committee formed in mid 1991 is concerned, the Secretary for Planning, Environment and Lands is the chairman who is leading this Committee in its co-ordination of measures to promote efficiency. I have a note here. I do not know if my colleague, the Secretary for Planning, Environment and Lands, would wish to add; if so, I will defer to him.

PRESIDENT: I think I will leave it there, Secretary, because the main question and answer went to government buildings.

Information exchange over possible nuclear accidents at Daya Bay

5. REV FUNG CHI-WOOD asked (in Cantonese): *Will the Government inform this Council:*

- (a) *what measures are in place to ensure that the people of Hong Kong will be informed at the very first opportunity of any accidents or incidents that may have occurred at the Daya Bay Nuclear Power Station; and*
- (b) *what channels will be available for members of the public in Hong Kong to verify the truth of the information concerning any accidents there?*

SECRETARY FOR SECURITY: Mr President, we are at present discussing with the Chinese authorities all arrangements for co-operation in the event of a nuclear accident at the Guangdong Nuclear Power Station at Daya Bay. These include arrangements for early notification and information exchange. Separately, we have installed a sophisticated radiation and meteorological monitoring network throughout the territory to constantly measure radiation levels and weather conditions within Hong Kong. A similar network in Guangdong will feed data to us.

In our discussions, we have already reached agreement that the Hong Kong Government will be notified immediately by the Guangdong authorities, through a direct communication link, of any emergency situation at the plant that may affect Hong Kong. Once we receive this notification, we would immediately put in place the necessary contingency measures. We would, at the same time, inform the Hong Kong public of the situation and action being taken through radio, television and press announcements. We would continue making these announcements at regular intervals to keep the public informed of the latest developments and to advise them of any protective measures that they might need to take.

Therefore, the people of Hong Kong will be informed, at the first opportunity, of any accidents which might possibly affect them and they will continue to be kept informed. The process will be similar to that regularly employed during typhoons, which has proved effective over many years.

The radiological and meteorological monitoring networks in Hong Kong and Guangdong will feed data into the computer at the Royal Observatory. We will, therefore, be able to monitor very closely the effect of any radiation leak from Daya Bay.

REV FUNG CHI-WOOD (in Cantonese): *Mr President, there is wide public concern over the safety of the Daya Bay Nuclear Power Station operations and people would like to know any incidents that happen there even if they may not directly affect Hong Kong. May I ask if the public will be informed of any incidents or accidents as soon as possible? In the second paragraph of his reply, the Secretary only mentioned that the Guangdong authorities only agreed to notifying the Hong Kong Government of any emergency situation that may affect Hong Kong. May I know if "emergency situation that may affect Hong Kong" has been defined? Moreover, does this mean that we may not know anything if the Guangdong authorities consider that it may not affect Hong Kong?*

SECRETARY FOR SECURITY: Mr President, incidents are classified in various ways. I cannot, I am afraid, repeat those offhand now. But I will certainly give a written reply as to how incidents are classified in terms of seriousness. (Annex II) As regards the second part of the question, it is certainly our intention that we should be notified of all incidents at the Daya Bay Power Station.

MR MARTIN LEE: *Mr President, bearing in mind that the agreement reached between the Hong Kong Government and the Guangdong authorities only provides that the Hong Kong Government would be notified of any emergency situation, will the Administration inform this Council what it understands by the word "emergency" and whether the Guangdong authorities have the same understanding of the word, or whether there will be an argument as to what the word means during such an emergency situation?*

SECRETARY FOR SECURITY: Mr President, no, I do not think there will be any disagreement on this. As I said in answer to the previous supplementary, emergencies and incidents are classified in various ways depending on their seriousness and I will be happy to clarify that in writing. That is an internationally accepted definition and it is certainly the definition that both we and the Chinese are working to.

MRS ELSIE TU: *Mr President, the reply only tells us how warnings will be given. But what the public are worried about is what they should do if there is radiation fallout. Would the Secretary advise what action people should take in such a case?*

SECRETARY FOR SECURITY: Mr President, the actions that the public are likely to be asked to take in the event of a radiation leak which would affect Hong Kong are going to be very simple. Basically the main thing that we would have to guard against in such circumstances would be the importation of

contaminated food and water. We have arrangements for the Government to ensure that all food and water coming into Hong Kong in those circumstances are monitored and that contaminated food and water do not reach Hong Kong. There might be some possibility of minor contamination of locally produced food. The public might be advised, for example, to wash fresh food and fresh vegetables. But the actions that people are likely to have to take are very simple and we will certainly explain those fully.

MR STEVEN POON (in Cantonese): *Mr President, will the Administration inform this Council if there is any convention or international agreement that requires a country to notify its neighbouring countries or territories in the event of a nuclear accident? If yes, has the Chinese Government agreed to observing this convention or international agreement and feeding Hong Kong with the relevant data in due course?*

SECRETARY FOR SECURITY: Mr President, yes, the International Atomic Energy Agency has a convention relating to the early notification of nuclear accidents. Both China and Hong Kong, through the United Kingdom, are members of the International Atomic Energy Agency and that convention serves as the basis for our current discussions with the Chinese. That refers to the requirement for a country to notify neighbouring countries immediately of any accident which may affect a neighbouring country or territory and that is the basis of our discussions and our understanding with the Chinese.

DR TANG SIU-TONG (in Cantonese): *Mr President, will the Administration inform this Council which disciplined forces or organizations will be responsible for emergency rescue work in the event of a radiation leak?*

SECRETARY FOR SECURITY: Mr President, there is a detailed plan for the action that the Government would need to take in the event of a nuclear accident at Daya Bay affecting Hong Kong. A very large number of departments are involved in that. It is not possible to pinpoint overall responsibility on one department. For example, in the case of the importation of food, at least three or four departments would be involved — the Urban Services and Regional Services Departments, the Department of Health and the Department of Agriculture and Fisheries. But that would be co-ordinated by the Department of Agriculture and Fisheries. Many other departments have other responsibilities and they would be co-ordinated through the Secretariat Emergency Control Centre.

MR ERIC LI (in Cantonese): *Mr President, according to the Administration's reply, relevant data from the Chinese side will be fed direct to the Royal Observatory. If it so indicates that it is likely that an accident will take place at*

Daya Bay, will the Administration go through all the formalities with the Chinese Government for confirmation that an accident has taken place before making an announcement to the public?

SECRETARY FOR SECURITY: Mr President, yes, we have direct communication links for this purpose.

MR MAN SAI-CHEONG (in Cantonese): *Mr President, is the Hong Kong Government negotiating with the Chinese authorities the installation of an automatic computer monitoring system directly linking Hong Kong with China, so that the Royal Observatory will be informed in whatever circumstances or at any point of time of the operation or any failure of the Daya Bay Nuclear Power Station? Has the Chinese side not agreed to this proposal? If so, why?*

SECRETARY FOR SECURITY: Mr President, it is the intention that there should be a direct computer link in which radiation and meteorological monitoring data from Guangdong would come direct into Hong Kong. That is one of the matters which we have discussed and generally reached agreement on with the Chinese authorities. There are some further details still to be sorted out, but in general terms that link is agreed.

Written answers to questions

Renewal of China's MFN Status

6. MR DAVID LI asked: *In view of the fact that United States President Bill CLINTON has issued an Executive Order on 28 May, imposing a series of conditions for the renewal of China's most favoured nation (MFN) status in 1994:*

- (a) *will the Hong Kong Government seek the assistance of the British Government to lobby the United States Administration for the renewal of China's MFN status on its behalf; and*
- (b) *what contingency plans, if any, does the Government have to minimize the impact on the Hong Kong economy of the terms of the Executive Order, with particular reference to section 3?*

SECRETARY FOR TRADE AND INDUSTRY: Mr President, the United Kingdom Government is fully aware of the importance to Hong Kong of the renewal of China's most favoured nation (MFN) tariff status in the United States. Notwithstanding Hong Kong's full autonomy in the conduct of its external commercial relations, the United Kingdom Government has been very

supportive of Hong Kong's efforts to lobby for the unconditional renewal of China's MFN status and has expressed its support to the United States Government on numerous occasions. The Hong Kong Government will continue to seek the support of the United Kingdom Government on this issue as necessary and has no doubt that the United Kingdom Government's staunch support will continue.

The Government is naturally very concerned about the economic impact on Hong Kong should China's MFN status be revoked in 1994; and that is why the Government will continue to stress to the United States Administration and Congress the importance to Hong Kong of China's MFN status and our hope that Hong Kong's interests will again be taken into account by the United States in considering next year's MFN renewal. The Government believes, however, that specific business decisions about how best to adjust to any changes in the business environment are best made by Hong Kong's business sector. Nevertheless, there are many things which the Government will be doing in any event to enable businessmen to make the best of future challenges and opportunities, in particular through a strong commitment to education, vocational training and retraining and to constantly upgrading Hong Kong's physical infrastructure.

Over-listing of cases in the District Court

7. MISS EMILY LAU asked: *In view of complaints about over-listing of cases in District Court which has been designed by the Judiciary as a way to assess the optimum level of over-listing in order to shorten the waiting time for trials, will the Government inform this Council of:*

- (a) *the optimum level of over-listing and the average waiting time for trials in the High Court and the District Court; and*
- (b) *the number of cases transferred from the High Court to the District Court in the past 12 months in order to reduce the waiting time for trials in the High Court?*

CHIEF SECRETARY: Mr President, a considerable number of cases listed for hearing in the District Court are settled before trial or are found not to be ready when they are called for trial. To avoid wastage of court time, the Judiciary is practising a certain amount of over-listing. The optimum level of over-listing is reached when there are just enough cases to fit in with all vacant slots so that all the judges are fully occupied. It is difficult to make a general statement on what is the optimum level of over-listing as it varies from time to time depending on the cases involved.

The average waiting times for trials in the High Court and the District Court are as follows:

Average waiting time

High Court

Criminal	7 1/2 months
Civil	7 1/2 months

District Court

Criminal	9 months
Civil	9 months

These waiting times relate only to fixtures which are lists of cases where a fixed date is given for the start of the trial, which in most cases require longer lead time for preparation.

Other cases where the hearing is estimated not to take longer than five days are put on running lists and are heard in the order in which they are set down. Cases on the Criminal Running List in the District Court are heard, on the average, within two to three weeks. Those on the Criminal Running List and Civil Running List in the High Court are generally heard within 25 weeks and 10 weeks, respectively.

A case is transferred from the High Court to the District Court only if it is decided that the District Court is the more appropriate forum for hearing the particular case. No cases are transferred for the purpose of reducing waiting time for trials. The decision to transfer is made by a judge on application from the Attorney General.

Security checks on new recruits to the Civil Service

8. MR FRED LI asked (in Chinese): *Will the Government inform this Council:*
- (a) *of the policy on and the reasons for conducting security checks on new recruits to the civil service;*
 - (b) *of the full list of the ranks/posts which are subject to security checks; and*
 - (c) *whether the Government will consider reviewing the above policy and its application?*

SECRETARY FOR SECURITY: Mr President, it is the Government's policy to conduct security checks on new recruits to all posts requiring access to classified information. This is one of a number of measures designed to protect classified material from improper disclosure.

The detailed list of ranks and posts subject to checking is classified, but it covers all directorate and senior staff in general and departmental grades, and secretarial and clerical staff whose work involves access to or the handling of classified information.

There are no plans to change this policy, although its application is being reviewed.

United Christian Hospital

9. MR FRED LI asked (in Chinese): *In view of the Government's pledge to extend and to refurbish United Christian Hospital so as to alleviate the shortage of public hospital beds in Eastern Kowloon, will the Government inform this Council of:*

- (a) *the existing situation regarding supply and demand of hospital beds in Eastern Kowloon; and*
- (b) *the expected completion date of the extension works at United Christian Hospital; the commencement and completion dates for the refurbishing works; and the increase in the number of hospital beds upon completion of each of the above projects?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, since the provision of public hospital services is not planned on the basis of each administrative district, it would be misleading to consider the situation of East Kowloon in isolation. The overall demand and supply of general hospital beds in the Kowloon region is as follows:

	<i>Year 1992</i>	<i>Year 2000</i>
Demand	4 930	5 060
Supply	6 453	7 603

The present position of the United Christian Hospital Extension project is as follows:

	<i>Phase I</i> (<i>New block S</i>)	<i>Phase II</i> (<i>Block P refurbishment</i>)
Commencement date	January 1992	end 1995
Completion date	December 1994	1997
Number of beds		
Existing	-	663
Upon completion	1 049	368

Upon completion of the project, United Christian Hospital will provide a total of 1 417 beds, representing an increase of 754 over its existing bed complement of 663.

Strategic Sewage Disposal Scheme

10. REV FUNG CHI-WOOD asked (in Chinese): *Under the proposed design of the Strategic Sewage Disposal Scheme, sewage from both sides of Victoria Harbour is pumped to the treatment plants on Stonecutters Island or Mt Davis via an underground tunnel for treatment before the effluents are disposed into the southern waters of Lamma Island. However, treated effluents may still pose pollution threats to the environment unless they are attenuated by seawater. This Scheme has been criticized as a process which simply directs all effluents to a focal point instead of offering a genuine solution to the pollution problem. Will the Government inform this Council:*

- (a) *whether consideration has been given to other options before finalizing the strategic planning for sewage disposal; if so, what the reasons for not adopting those options are; and*
- (b) *of the merits and demerits of the present sewage disposal strategy as compared with the option of building more treatment plants in terms of their construction and operational costs, the usage of land and their respective improvement to water quality?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) Before the form of the Strategic Sewage Disposal Scheme (SSDS) was finalized, many options were considered. The formulation process took two years of intensive study by international experts. Over one thousand different solutions were considered to provide for adequate collection, treatment and disposal of the sewage generated around Victoria Harbour. So complex was the task of evaluating all the various options that two interfacing dedicated

mathematical computer models were developed to enable detailed evaluation to be undertaken. The evaluation took into consideration a range of constraints, with the objective of determining which was the most cost effective option which would also achieve the required environmental standards.

The following four main strategic options were considered:

- (i) enhanced treatment at the sites of existing screening plants/outfalls;
- (ii) transfer, treatment and disposal to the western harbour of sewage only from the worst polluted areas;
- (iii) transfer, treatment and disposal to the western harbour of the sewage from the whole of the main urban areas; and
- (iv) transfer of sewage from the urban areas to central treatment plants discharging to an oceanic outfall.

Within these four options consideration was given to:

- (i) six different levels of treatment;
- (ii) nine different development scenarios, that is, future sizes of population and industry; and
- (iii) three different levels of flows and pollution loads.

The six different levels of treatment considered were:

- (i) preliminary treatment (screening);
- (ii) primary treatment (sedimentation);
- (iii) primary treatment plus chemical precipitation (physico-chemical treatment);
- (iv) secondary treatment (biological);
- (v) secondary treatment plus nutrient removal; and
- (vi) tertiary treatment (disinfection).

In order to evaluate the options properly, including secondary treatment, sewage treatment works design was investigated in detail. It was estimated that a total of over 100 hectares of land would be needed on which to build the necessary facilities, and that few

locations existed where such facilities would be compatible with existing uses. The conclusion was that the sites already planned and designated for use as sewage treatment facilities at Stonecutters Island and Kwun Tong were the only areas both suitable and available for the construction of extensive sewage treatment facilities, and that a cavern beneath Mount Davis could be constructed to house works incorporating primary and physico-chemical treatment. The overall conclusion was that the required environmental standards could most reliably and most economically be achieved by combining a degree of land-based sewage treatment with the natural self-purifying abilities of the ocean.

- (b) The merits and demerits of the selected strategy as compared to other options are covered in paragraph (a) above. In addition, there were specific financial benefits. For example, it was determined that in order to meet water quality objectives for the harbour waters, the option of discharging the effluent to the harbour would require secondary treatment with nutrient removal facilities, whereas for disposal to the ocean only high-rate primary treatment was required, providing (in both options) that toxic material was removed from the sewage at source. The incorporation of physico-chemical treatment provides an additional safeguard under the selected option to ensure the removal of toxic material from the sewage at minimal additional capital cost.

A detailed cost benefit analysis of the treatment elements of the two main options revealed that the capital and recurrent costs of the option of biological treatment with nutrient removal around the harbour were \$7,980 million and \$400 million a year respectively, whereas the costs for physico-chemical treatment with discharges through an oceanic outfall were \$3,400 million and \$120 million a year.

In concluding that the oceanic disposal option was the preferred choice, other factors besides economics were considered, including the availability of land and the town planning constraints on building a number of very large secondary treatment works (on average twice as large as the Sha Tin Sewage Treatment Works) in densely populated urban districts around the harbour.

Working group on street sleepers

11. MRS PEGGY LAM asked (in Chinese): *A working group was set up by the Administration in September 1991 to review all matters concerning street sleepers. Will the Government inform this Council:*

- (a) *of the present progress of the review;*
- (b) *when the working group will publish its report; and*
- (c) *when the recommendations of the working group, if any, will be implemented?*

SECRETARY FOR HEALTH AND WELFARE: The answer to the three-part question is as follows, *seriatim*:

- (a) The working group has now completed its deliberations and a draft report is almost ready.
- (b) The working group will release its findings and recommendations in the next few months.
- (c) Some of the recommendations of the working group, such as the urban hostel scheme for street sleepers and the more flexible application of compassionate rehousing criteria for street sleepers, have already been implemented. The other recommendations will be implemented subject to views of the Social Welfare Advisory Committee and to the availability of resources.

Flooding and landslip

12. MR ALBERT CHAN asked (in Chinese): *The heavy rainfall in May this year caused flooding and a landslip in Tsuen Wan and Kwai Chung, seriously affecting traffic in the area and the safety of the residents of the squatter huts. Will the Government inform this Council of:*

- (a) *the preventive measures against flooding and landslip in these districts; and*
- (b) *the contingency measures to be taken in the event of flooding and landslip?*

SECRETARY FOR WORKS: Mr President,

- (a) The drainage systems in the urban areas are generally designed to a capacity that they can cope with severe rainstorms of even higher intensity than that of 1 May 1993. However, the majority of the floods were caused by blockages in the drainage inlets by rubbish,

vegetation and silt, and not due to inadequate drain capacity. In my recent reply to the Honourable Mrs Peggy LAM's question on 26 May 1993, I have already explained the Government's efforts in preventing blockage of drainage inlets.

The Government recommends safety clearance of squatters on steep hillsides because they are at risk during periods of heavy rain. It is not feasible to carry out landslip preventive works on these slopes until squatters are cleared because they are invariably blocking such works.

Between 1984 and 1992 slope inspections were made of about 70 New Territories villages including about 24 in the Tsuen Wan and Kwai Chung areas and clearance recommendations were made by the Geotechnical Control Office to the Housing Department. A programme of re-inspection of these villages commenced in July 1992. These studies are progressing well and will be completed by the end of June this year. This programme will be followed by inspections of areas not previously dealt with in the New Territories. At present there are about 80 known such areas, a number of which are within Tsuen Wan and Kwai Chung districts. Those affected by the clearance are advised by letter and are given advice on the necessary precautions to be taken in the event of heavy rainfall.

Other slopes within Tsuen Wan and Kwai Chung districts not occupied by squatters are subjected to normal slope failure preventive measures similar to those adopted in other areas in the territory. These include checking of geotechnical designs of new slopes by GEO, investigation followed by any necessary improvement works for existing slopes under the Landslip Preventive Measures programme, and the initiation of statutory actions to have the works done by the owners for slopes on private land.

- (b) In the event of landslip and flooding, emergency staff of departments concerned will immediately be mobilized to deal with the situation. The contingency measures to be taken include the following:
 - (i) Police — co-ordinating all agencies operating at the scene of the disaster during rescue, recovering and restoration phases, for maintaining peace and order and for cordoning off the affected area if necessary;

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- (ii) Fire Services Department — rescuing life and protection of property;
 - (iii) Drainage Services Department — clearing and repairing blocked or damaged sewers and storm-drains;
 - (iv) Government Land Transport Agency — providing emergency transport;
 - (v) Government Supplies Department — providing emergency items (for example, blankets, sandbags, disinfectant);
 - (vi) Highways Department — clearing and repairing blocked or damaged public roads, removing dangerous and fallen boulders and for co-ordinating repairs to utilities during emergencies;
 - (vii) Geotechnical Engineering Office — attending reported landslips by experienced professional staff to give advice on measures to be taken to minimize further damages;
 - (viii) Hospital Authority — providing emergency medical services;
 - (ix) Information Services Department — promptly issuing advisory warnings and related information to the public via the media;
 - (x) Government Flying Service — providing whatever flying services that may be required for life-saving, flying of relief supplies, aerial photograph, surveillance, casualty evacuation and so on;
 - (xi) City and New Territories Administration, in conjunction with Social Welfare Department — providing temporary shelters, food, blankets and other relief items when victims of the disaster are found to be in need;
 - (xii) Transport Department — co-ordinating public transport through close liaison with the respective transport operators.

Triad infiltration in secondary schools

13. MR ALBERT CHAN asked (in Chinese): *According to a survey conducted in secondary schools in Tsuen Wan and Kwai Chung, about 19.3% of the students in these districts are harassed by triad groups in schools and the situation is worrying. Will the Government inform this Council of:*

- (a) *the extent of triad infiltration in secondary schools in Tsuen Wan and Kwai Chung as compared with other districts; and*
- (b) *the plan and the measures to protect secondary school students in these districts from harassment by triad groups?*

SECRETARY FOR SECURITY: Mr President, the police assessment is that there is no reason to believe that the problem of triad infiltration into secondary schools in Tsuen Wan and Kwai Chung is worse than in other districts in the territory; and there is no indication of an organized triad campaign to enter Tsuen Wan and Kwai Chung schools for recruitment. It is difficult to measure the extent of triad infiltration in secondary schools, but the enclosed table sets out the number of student offenders arrested for unlawful society offences by police district in the past three years.

A number of measures have been taken to contain the problem of triad infiltration into schools, and to protect students from triad harassment.

An inter-departmental working group, consisting of representatives from the Education Department, the Social Welfare Department and the police has been set up to consider how to strengthen support for schools with triad problems. The working group plans to issue guidelines and arrange in-service training for teachers and discipline masters to help them handle delinquent students and triad activities in schools. Since students with poor learning motivation are more vulnerable to triad influence, the provision of more practical schools for such students is being pursued.

The police conduct regular patrols near schools and at places frequented by students. The police have introduced, on a pilot basis in Wong Tai Sin and Western Districts, special student "crime information forms" to encourage students to report crime and triad activities in schools. The police maintain good liaison with, and receive good co-operation from, schools in tackling the problem of juvenile delinquency. Police Liaison Officers visit schools regularly to give talks to students on the nature and consequences of triad activities. They also liaise closely with headmasters and teachers, and advise on how to deal with unruly and delinquent behaviour in schools.

No. of Student Offenders arrested for
Unlawful Society Offence by Police District
in 1990, 1991 and 1992

<i>Police district</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>
Central	1	3	5
Wan Chai	10	9	13
Western	20	12	5
Eastern	5	15	12
Wong Tai Sin	7	5	15
Sau Mau Ping	14	21	19
Kwun Tong	7	17	12
Yau Tsim	3	3	2
Mongkok	5	2	1
Sham Shui Po	15	8	25
Kowloon City	27	21	17
Airport	-	-	1
Frontier	1	7	6
Yuen Long	19	7	17
Tsuen Wan	3	11	16
Sha Tin	5	11	27
Kwai Chung and Tsing Yi	6	22	11
Tuen Mun	22	6	11
Tai Po	4	3	2
Harbour	-	-	-
Island	-	-	5
Total	174	183	222

Water pollution problem in Kowloon Bay

14. MR CHIM PUI-CHUNG asked (in Chinese): *Regarding the water pollution problem in Kowloon Bay, will the Government inform this Council:*

- (a) *whether it is aware that the unpleasant environment in that area and the offensive odour emitted therefrom would give overseas tourists a bad impression and thus affect the status of Hong Kong as an international tourist centre;*
- (b) *of the number of complaints received over the past three years in regard to the offensive odour resulting from water pollution in Kowloon Bay and its impact on the surrounding environment; and*
- (c) *of the latest progress of the water quality improvement project in Kowloon Bay and whether there are any plans to speed it up; if not, what temporary measures could be adopted to alleviate the impact*

of the problem on the surrounding environment in the next two or three years before the improvement project bears fruit?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) The Government is well aware of the odour problem caused by water pollution in Kowloon Bay and of the possible adverse impression this could give tourists arriving in Hong Kong.
- (b) The Environmental Protection Department received two complaints in 1990 and one in 1992, and has received one so far in 1993. The Kowloon City District Office has not received any complaints in the past three years.
- (c) Implementation of a major sewerage improvement scheme started in 1992 under the East Kowloon Sewerage Master Plan. It includes the interception of the polluted surface discharges into Kowloon Bay, the upgrading of existing sewers, the provision of new sewers, and the redirection of many incorrect connections back to the sewerage system. The first stage of the sewerage scheme will be completed in 1995 and the second in 1997. Under current plans, all collected sewage will be removed from the area to a central treatment works to be provided at Stonecutters Island under Stage I of the Strategic Sewage Disposal Scheme (SSDS) in 1997.

In the interim, noticeable improvement in water quality in Kowloon Bay may be achieved as a result of the following measures:

- (i) an increase in the frequency of desilting of the Kai Tak nullah by the Drainage Services Department; and
- (ii) the phased commissioning of the Tolo Harbour Effluent Export Scheme starting September this year; this will deliver high-quality treated effluents from Sha Tin and later from Tai Po to provide a flushing effect on the relatively stagnant water in Kowloon Bay.

Border patrol duties by police

15. MR TIK CHI-YUEN asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the number of police officers who were injured or died each month while performing border patrol duties since the Police Force took up such duties; and*

- (b) *following the death of a police sergeant in the border area last month, whether the arrangements for intercepting illegal immigrants have been reviewed; if so, what the outcome of the review is?*

SECRETARY FOR SECURITY: Mr President, apart from the tragic death of a police sergeant at Ta Kwu Ling last month, there is no record of any officers having been killed while performing border patrol duties since the police took up such duties.

Operational strategy and deployment are kept under regular review. As a result of the incident at Ta Kwu Ling last month, all Field Patrol Detachment officers have been instructed to carry firearms while on duty.

Environmental protection standards imposed on Hong Kong goods

16. DR HUANG CHEN-YA asked: *In view of the imposition of certain environmental protection standards on goods imported into countries such as Germany, will the Government inform this Council whether Hong Kong exporters have experienced difficulties in meeting these standards and what government support is available to them?*

SECRETARY FOR TRADE AND INDUSTRY: Mr President, the Hong Kong Government has been monitoring closely the environmental protection legislation and standards adopted by our overseas markets and their impact on Hong Kong's exports. So far, we are not aware that any local manufacturer or trader has encountered difficulties in meeting overseas environmental protection standards.

The Product Standards Information Bureau of the Industry Department provides Hong Kong manufacturers and traders with advice and information on, among other things, national and international product standards relating to environmental protection.

The Industry Department has commissioned a consultancy study on "Support to Industry on Environmental Matters". The study examines the potential effects of overseas environmental legislation and standards on Hong Kong industry. Preliminary indications are that these effects, if any, would be limited. Indeed, there may be scope for Hong Kong manufacturers to gain market advantage if they are able to adapt products and process quickly to meet overseas standards.

Mainland Chinese citizens working in Hong Kong

17. MR LAU CHIN-SHEK asked (in Chinese): *With regard to citizens of Mainland China entering Hong Kong with official passports on overseas duties, will the Government inform this Council of the following:*

- (a) *the current policy for dealing with applications for entry to Hong Kong by such people;*
- (b) *the respective numbers of such people who were allowed entry to Hong Kong in each of the past three years, classified by occupation; and*
- (c) *the number of such people currently in Hong Kong; of these, how many have been residing in Hong Kong for more than three and seven years respectively?*

SECRETARY FOR SECURITY: Mr President, under existing policy, PRC nationals holding diplomatic, service or ordinary PRC passports issued by the Ministry of Foreign Affairs are allowed to work in Hong Kong under official auspices.

In 1991, 1992 and the first five months of 1993, the numbers of applications approved were 1 999, 2 603 and 1 302 respectively. We do not have statistics on breakdown by occupation.

There were 9 455 such persons at the end of May. We do not maintain statistics on the length of their residence in Hong Kong.

Commission to review Legco Members' honorarium and allowances

18. DR LAM KUI-CHUN asked: *At the meeting of Finance Committee on 7 May 1993, the Deputy Secretary for Constitutional Affairs undertook to establish an independent commission to review the honorarium and allowances of Members of the Legislative Council as soon as possible. Will the Administration inform this Council:*

- (a) *when the commission will be established;*
- (b) *what its terms of reference are;*
- (c) *whether public acceptability will be one of the factors to be taken into account in the review; and*
- (d) *what the target date of completion of the review is?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, the Administration has been taking active steps to pursue the establishment of an independent commission to review the remuneration and allowances for Members of this Council. Our plan is to establish the commission by the end of the current Legislative Council Session.

The commission will be charged with the responsibility to advise and make recommendations to the Governor on a system of remuneration for Members of the Legislative Council, and to review the current provisions. The precise terms of reference for the commission are being finalized, and will have regard to the wider community interests and views expressed by Members at the Finance Committee meeting on 7 May when the current package was approved. While the commission will need time to go about its work and it is not realistic to set a deadline for completion of the review, we expect the commission to finish its work as soon as possible.

TDC offices and Hong Kong economic and trade offices in overseas cities

19. MR HENRY TANG asked: *Will the Government inform this Council of the overseas cities where a Trade Development Council office co-exists with a Hong Kong Economic and Trade Office, the roles of the two offices, the areas of their work where there are distinct differences in roles and the areas where there are overlaps?*

SECRETARY FOR TRADE AND INDUSTRY: Mr President, there are four cities where the Hong Kong Government and the Hong Kong Trade Development Council (TDC) both maintain offices. Those cities are New York, London, Tokyo and Toronto.

The main functions of the Government's Economic and Trade Offices (ETOs) are to represent and promote Hong Kong's trading and commercial interests overseas (commercial relations); to encourage industrial investment in Hong Kong; and to organize the Hong Kong Government's publicity and public relations efforts in the regions covered by them. They also provide an information and enquiry service about Hong Kong; make arrangements for visitors in both directions, and become involved in other Hong Kong Government-related activities, for example, overseas recruitment, as required from time to time.

By comparison, the TDC offices have a narrower and more specific mandate. Their main function is to promote Hong Kong's overseas trade, and interest in Hong Kong as a trading, manufacturing and business centre.

The function of the ETOs in commercial relations is distinct from the trade promotion work carried out by the overseas offices of the TDC. The former deals primarily with the governments of the host countries or international organizations such as the General Agreement on Tariffs and Trade (GATT), while the latter deals mainly with business entities in the private sector. The ETOs ensure that Hong Kong's exports to their host countries are not discriminated against, or obstructed, by government measures which are inconsistent with the provisions of GATT or any bilateral agreements between Hong Kong and the host country. The TDC's overseas offices help Hong Kong traders to develop and secure a receptive and growing market in the host countries. Thus, the main thrust of the ETOs' commercial relations work and their interlocutors are different from those of the TDC.

However, the ETOs and the overseas offices of the TDC share a common objective in promoting Hong Kong's overseas trade and they complement each other in this respect.

Motions

ROAD TRAFFIC ORDINANCE

THE SECRETARY FOR TRANSPORT moved the following motion:

"That the period for which there remains in force the limit on the number of vehicles which may be registered as public light buses specified in the Public Light Buses (Limitation on Number) Notice published as Legal Notice No. 146 of 1986 and extended to 20 June 1989 by Legal Notice No. 155 of 1987 and to 20 June 1991 by Legal Notice No. 152 of 1989 and to 20 June 1993 by Legal Notice No. 222 of 1991, be further extended to 20 June 1995."

He said: Mr President, I move the motion standing in my name on the Order Paper. Under section 23 of the Road Traffic Ordinance, a period is specified during which the number of vehicles, which may be licensed as public light buses, is limited. This motion proposes that the period be extended for two years up to 20 June 1995 in accordance with section 23(3) of the Ordinance.

The effect of this extension is that the total number of vehicles which may be registered and licensed as public light buses will remain at 4 350, as ordered by the Governor in Council on 10 June 1986.

Mr President, I beg to move.

Question on the motion proposed, put and agreed to.

BETTING DUTY ORDINANCE

THE SECRETARY FOR THE TREASURY moved the following motion:

"That the Betting Duty Ordinance be amended in section 4C -

- (a) in subsection (2) by repealing "7.5%" and substituting "6%"; and
- (b) in subsection (3) by repealing "3 1/2%" and substituting "5%"."

He said: Mr President, the purpose of the motion standing in my name is to amend the percentage of the Mark Six lottery proceeds given to the Royal Hong Kong Jockey Club and the Lotteries Fund under section 4C of the Betting Duty Ordinance.

The Mark Six is the only lottery licensed under the Betting Duty Ordinance. The Ordinance specifies how the proceeds of the lottery are to be allocated and the allocation may be amended by a resolution of this Council.

At present, 59% of the Mark Six lottery proceeds go to prizes, 30% to General Revenue, 3.5% to the Lotteries Fund, and 7.5% to the Royal Hong Kong Jockey Club to cover its costs in operating the lottery. The Club has proposed to reduce its share of the lottery proceeds from 7.5% to 6% in favour of the Lotteries Fund.

The Government has examined the Club's proposal in the light of the increase in lottery turnover and the increase in its operating costs since 1987, when the current rate of 7.5% was fixed. Between 1987 and 1992, lottery proceeds increased by 129% while the Club's costs rose by 84%. On this basis, the proposed 6% share of the proceeds will be broadly commensurate with the Club's current operating costs. On 6 April 1993, the Governor in Council decided that the Club's share of the proceeds should be reduced by 1.5% from 7.5% to 6% and that 1.5% should be credited to the Lotteries Fund's share thus raising it from 3.5% to 5%.

This increased allocation will provide the Lotteries Fund with additional income of about \$55 million a year at today's prices. It represents a further boost for the funding of the social welfare and rehabilitation services on top of last year's capital injection by the Government of \$2.3 billion. Taking into account all foreseeable commitments, the Lotteries Fund is expected to have a healthy balance of about \$685 million in money of the day by 1996-97.

The Club has kindly offered to backdate the reduction of its share of the lottery proceeds to 13 September 1992, that is the beginning of the horse-racing season. As it is not possible to backdate the reallocation by a resolution of this

Council, the Club will pay the relevant amount to the Lotteries Fund in the form of a donation.

Mr President, I beg to move.

Question on the motion proposed.

MR HUI YIN-FAT (in Cantonese): Mr President, for the past eight years, during this Council's debates on the Governor's policy address or the Budget, I unfailingly requested the Government to take the initiative to revise the unfair allocation ratio of the Mark Six lottery proceeds. Some colleagues may wonder why I keep pestering the Government as I should be satisfied since the Government has already injected \$2.3 billion into the Lotteries Fund and has accepted my proposal of allocating part of the fund to cover the recurrent expenditure for maintaining social welfare services. I can frankly say that in fighting for more income for the Lotteries Fund, not only am I fighting for the best possible protection for financing future social welfare services. What is more important is that I, as a professional social worker, dare not allow myself the slightest letup in the discharge of my mission to uphold justice and righteousness.

The Government today is seeking to revise the existing Betting Duty by way of a resolution in this Council, on the high-sounding pretext of accepting the Jockey Club's proposal of reducing its commission drawn from the Mark Six lottery total proceeds from 7.5% to 6% in favour of the Lotteries Fund which is designated for welfare purposes. However, the fact cannot be hidden from the public's discerning eyes because the minimum bet on the Mark Six lottery has been doubled since the end of 1991. Therefore, getting 1.5% less from the Mark Six lottery proceeds will virtually have no effect on the Jockey Club's income. Nevertheless, the Government absolutely has no reason to be generous at the Jockey Club's expense, while not making the effort of reducing the lottery duty.

In fact, what honourable colleagues have to do is to take a brief look at history and you would realize that what the Government has been doing does arouse the suspicion that it tends to get what it wants either by force or trickery. In 1975, the Government introduced the Mark Six lottery and appropriated a small portion of the proceeds to the Lotteries Fund on the glamorous pretext of wiping out "Tse Fa", which was then a very popular activity in the streets of Hong Kong, and increasing the source of funding for welfare. The Government did that to win the hearts and support of the public. However, in substance, the Treasury is by far the greatest beneficiary except for the prize money. Moreover, when the economy was doing badly and the revenue going to the Treasury was unsatisfactory, the Government amended the Betting Duty

Ordinance in 1983 and 1984 respectively in order to raise the lottery duty rate of the Mark Six lottery proceeds from the original 25% to 27% and then to the existing 30%. After I had joined this Council in 1985, I found out that the percentage going to the Lotteries Fund had fallen to a mere 1.5%. Even the token meaning of the so-called "charity purposes" had been stripped away by the Government. It is regrettable that the Government does not feel ashamed of itself for "taking rice from a beggar's bowl"; it even had the temerity to accept the Jockey Club's proposal of reducing the Club's commission rate without taking corresponding action itself.

Objectively speaking, if the Government has to increase taxes and if this is done properly, in most cases, the silent and humble members of the public will not resist. So there is no need for the Government to use all sorts of pretexts. In fact, raising the percentage of proceeds going to the Lotteries Fund to 10% to give the Mark Six lottery a little charitable meaning is a fair and sensible request. If the Government gets 5% less from the lottery duty, the Treasury will only suffer limited loss. However, it will be of tremendous benefit to welfare funding. At least, it can enable the Government to carry out immediately the 40-odd service commitments made in the past 10 years. Although the Government repeatedly tells the public that it has already injected \$2.3 billion into the Fund to guarantee welfare service funding in the next few years, I must point out that the injection can only satisfy the demands regarding the quantity of service, but can certainly not help in fulfilling the Government's promise of improving the quality of service over the years. Moreover, the injection can only be maintained up to 1997 and there is definitely no guarantee after 1997. By that time, the Fund will be under much greater pressure because even the recurrent expenditure of some welfare services will have to rely on the Fund.

Mr President, although I will not vote against this motion, I have to solemnly put forward a request, that is, the Government should take the initiative as soon as possible to lower the lottery duty rate to the original level, that is, 25% of the total proceeds of the Mark Six lottery, in order to raise the ratio of proceeds going to the Lotteries Fund from 5% to 10%. I have consulted this Council's Legal Advisor and confirmed that this Council has the authority to revise the betting duty so as to adjust the allocation ratio of the Mark Six lottery proceeds. In fact, I furnished such advice and request to the Government as early as during the debate on the policy address in October 1991. Yet only the Jockey Club has adopted a co-operative attitude. "Dogs bark before they bite", and so when all advice fails to change the Government's mind, I will not let the Government drag its feet. I will definitely move a motion to amend the Betting Duty Ordinance in this Council. I hope that the Government will not put itself into such an embarrassing situation.

With these remarks, I support the motion.

DR LAM KUI-CHUN: Mr President, the purpose of a fund is reflected in its expenditure. In the case of the Lotteries Fund, the stated purpose is to finance social welfare. In the current arrangement, 30% of the lottery income or 73% of the money remaining after deduction of prize money is extracted by the Government for general expenses and only 3.5% of the total income is left over for welfare. This pattern of expenditure makes the lottery exercise more properly described as a means of raising general government revenue than as a form of fund-raising for charity.

If the lotteries turnover in the last few years were to have been decreased, instead of increased, then the motion presented to this Council today would have been to increase the percentage due to the Royal Hong Kong Jockey Club and further reduce the percentage left over for social welfare.

Mr President, for all intents and purposes, the Lotteries Fund functions like a charitable organization. The money destined for it ought to be tax exempted. For this reason, a more appropriate way to apportion the lotteries turnover would be to abolish the 30% tax siphoned off by the Government and funnel all proceeds beyond prize money and cost recovery to social welfare, in other words, the welfare part of the lottery pool should receive 35% of the total income. Until such arrangement is put into place, I support the motion today.

SECRETARY FOR THE TREASURY: Mr President, I am grateful to Mr HUI and Dr LAM for their views on the motion. They have proposed that the allocation of lottery proceeds to General Revenue should be reduced to provide additional funding for social welfare. I must say the Government is fully committed to funding social services in order that recurrent expenditure on social welfare will grow by 26% in real terms by 1996-97. Last year, for that reason, \$2.3 billion was injected into the Lotteries Fund for that purpose. This injection means that there will be ample money in the Lotteries Fund to meet all foreseeable commitments, both capital and recurrent, up to 1996-97. Our forecast indicates that the General Revenue Account will be able to absorb the recurrent cost of services financed by the Lotteries Fund when the capital injection is exhausted after 1996-97. There is thus no justification to reduce the lottery duty.

As Members are aware, sufficient funding has been set aside to meet all the main targets set out in the White Paper on Social Welfare and the Green Paper on Rehabilitation. This, of course, does not preclude the Government from allocating further funds to social welfare. Whether the funding is increased by reduction in lottery duty or by increased allocation from General Revenue the funds will ultimately come from the same source and that is public money. In allocating that money, it is only fair that any additional funding proposal should be considered in the context of our annual resource allocation

exercise, so that it is examined not in isolation but together with other claims on the resources available. This procedure will enable priorities to be set in a rational and systematic manner. It also ensures that public expenditure will not grow at a faster pace than the economy.

Mr HUI has suggested that if the lottery duty were reduced in favour of the Lotteries Fund the Fund could be used to finance programmes of a recurrent nature. I am afraid this approach will create more difficulties. The Lotteries Fund is not equipped to meet recurrent expenditure on a permanent basis. Unlike capital spending, the cost of any recurrent commitment increases every year. As the Fund income is not inflation-proof, recurrent commitments would absorb an ever increasing proportion of the Fund and crowd out the resources meant for capital projects. For these reasons, the Lotteries Fund should not be used to finance recurrent expenditure unless it is for a limited period only. This is why, as I mentioned earlier, the General Revenue Account will have to absorb the recurrent cost of the services financed by the Lotteries Fund when the capital injection is exhausted after 1996-97. Our estimate is that the General Revenue is quite capable of doing so.

Mr HUI has mentioned the fact that the percentage of lottery proceeds given to the Lotteries Fund was reduced as a result of increases in the lottery duty from 25% to 30% in the early 1980s. Our policy was, and is, to ensure the resources of the Lotteries Fund are maintained at a level adequate to meet requirements. Despite the reductions in the Lotteries Fund's share of proceeds during the 1980s, the Fund was able to finance all the projects which fell within the Government's approved welfare development programme and still maintained a healthy balance of about \$300 million at the end of each year. This balance is estimated to grow, as I said, to nearly \$700 million by 1996-97.

Thank you, Mr President.

Question on the motion put and agreed to.

First Reading of Bill

LAYOUT-DESIGN (TOPOGRAPHY) OF INTEGRATED CIRCUITS BILL

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

Second Reading of Bills

LAYOUT-DESIGN (TOPOGRAPHY) OF INTEGRATED CIRCUITS BILL

THE SECRETARY FOR TRADE AND INDUSTRY moved the Second Reading of: "A Bill to establish an intellectual property regime for the protection of layout-designs (topographies) of integrated circuits."

He said: Mr President, I move that the Layout-design (Topography) of Integrated Circuits Bill be read the Second time.

The purpose of the Bill is to establish a unique intellectual property regime for the protection of layout-design of integrated circuits. Through this Bill, we hope to encourage technology transfer as well as investment in, and the development of, the integrated circuit industry.

The physical structure of an integrated circuit is determined by the design of the layout of its elements. This layout-design is expressed as a series of different drawings, patterns or images representing the three dimensional format which makes up the integrated circuit.

Over the past 20 years, the integrated circuit industry has enjoyed a growing economic and trade significance. Integrated circuits, commonly known as computer chips, have been utilized in the operation of a wide range of industrial, medical, commercial and consumer products.

The process of designing and developing new integrated circuits is complex, requiring much capital investment, human resources and intellectual effort. A layout-design, however, can be reproduced at a fraction of the cost of developing it. If the owners of layout-designs cannot be protected against infringement of their rights, the improvement of integrated circuit technology and its use in industry will be impeded. Equally, integrated circuits developers will only invest substantially in, or transfer technology to, those jurisdictions where adequate protection is provided.

The Bill seeks to reflect the international consensus on the need to protect layout-designs as laid down in the Treaty on Intellectual Property in Respect of Integrated Circuits (the Washington Treaty 1989) and the draft Agreement on Trade-related Aspects of Intellectual Property Rights being negotiated under the Uruguay Round of the General Agreement on Tariffs and Trade. It will serve to demonstrate to the international community our commitment to the protection of layout-designs.

Under the Bill, a layout-design will be protected automatically upon its creation and upon first commercial exploitation. The term of protection will be 10 years after a layout-design was first commercially exploited. If there is no

commercial exploitation, the term will be 15 years after the layout-design was created.

To qualify for protection, an owner of a layout-design must have a right of abode, or a real and effective industrial or commercial establishment for the creation of layout-designs or the production of integrated circuits in Hong Kong or in a qualifying country, territory or area. Alternatively, an owner can become qualified if his layout-design is first commercially exploited in Hong Kong or in a qualifying country, territory or area.

The right to reproduce and to exploit commercially a layout-design belongs to the qualified owner. Under the Bill, civil remedies are available for the infringement of such rights.

The Bill permits certain non-infringing acts. These include the reproduction of layout-designs for private use and for the purpose of evaluation, analysis, research or teaching. These exemptions are in line with an international consensus and would help encourage research and development in integrated circuits technology.

The Bill empowers the Governor to designate a country, territory or area as a qualifying country, territory or area, if he considers that their laws will provide or have already accorded adequate protection to Hong Kong layout-design owners. This will facilitate Hong Kong to enter into reciprocal arrangements with other countries, territories or areas.

The Bill also allows the Government use of a layout-design without the consent of its owner in periods of extreme urgency which may be declared by the Governor in Council. This is necessary for the Government to maintain the supplies and services essential to the life of the community in an extreme urgency. The interest of the owner will be protected because the use will be subject to payment of compensation.

Bill referred to the House Committee pursuant to Standing Order 42(3A).

BUILDINGS (AMENDMENT) (NO. 2) BILL 1993

Resumption of debate on Second Reading which was moved on 19 May 1993

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).

LIFTS AND ESCALATORS (SAFETY) (AMENDMENT) BILL 1993**Resumption of debate on Second Reading which was moved on 19 May 1993**

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.

BUILDINGS (AMENDMENT) (NO. 2) BILL 1993

Clauses 1 to 12 were agreed to.

LIFTS AND ESCALATORS (SAFETY) (AMENDMENT) BILL 1993

Clauses 1 to 19 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

BUILDINGS (AMENDMENT) (NO. 2) BILL 1993 and

LIFTS AND ESCALATORS (SAFETY) (AMENDMENT) BILL 1993

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.

Members' motions

PRESIDENT: I have accepted the recommendations of the House Committee as to time limits on speeches and Members were informed by circular on 5 June. The mover of the motion will have 15 minutes for his speech including his reply and another five minutes to reply to proposed amendments. Other Members, including movers of amendments, will have seven minutes for their speeches. Under Standing Order 27A, I am required to direct any Member speaking in excess of the specified time to discontinue his speech.

INDUSTRIAL POLICY

MR HENRY TANG moved the following motion:

"That in view of an urgent need to broaden our industrial base to ensure a sustained prosperity and economic growth for Hong Kong, this Council urges the Government to expand the role of the Industry and Technology Development Council from advisory to executive and to increase its funding in order that Hong Kong's industrial competitiveness and development can be strengthened."

MR HENRY TANG: Mr President, time and time again we hear about the structural change in our economy, we hear outcries about our industries moving up north to exploit China's abundance of cheap labour thereby shifting jobs away from our local workforce; very often, we emphasized on the importance of our "back-garden" and how best to make use of the resources to our advantage. We also agree that co-operation between Hong Kong and China in the economic sense is inevitable. Our economic link with China has become inseparable. Yet Hong Kong do not have a comprehensive, and I stress the word "comprehensive", industrial strategy to deal with this change.

I urge the Government to take a co-ordinated approach in dealing with our industry. I fear the manufacturing's share of the Gross Domestic Product (GDP) will otherwise fall even further from its 16.7%, creating further reduction in the employment of the labour force which has already experienced a drastic one-third fall from 850 000 in 1985 to 560 000 last year. Hong Kong requires this industrial policy which addresses the shake-ups brought about by the structural change. The policy should encompass vital factors such as the upgrading of productivity and technology, increased research and development, co-ordinated manpower training, infrastructural developments, investment promotions as well as industrial environmental control. An improvement in one sector should be made in tandem with an adjustment in another and not, I emphasize not, one sector changing without regard to developments in other areas.

We face aggressive competition from our neighbours such as Singapore, Taiwan, South Korea and even China. Our level of automation in production technology has already been falling behind those of the other three dragons. A study conducted by the Asian Productivity Organization in the mid-1980s showed that Hong Kong's level of automation technology is 50% below that of South Korea and Taiwan and a far 25% less than Singapore. Given the three other countries' aggressive and substantial investments in technology and its research and development, I fear that Hong Kong, if we still progress at this slow pace, will be left behind even further in the coming years.

Hong Kong's rate of productivity is very low compared to the other three dragons as well. An automation report prepared by the Industry Department in 1991 indicated that, measured in terms of value added per employee, Hong Kong is between 60% and 90% below that of Singapore in the plastics and metals industries. The report also showed that Hong Kong's percentage of value added calculated on a content basis in some industries is about 26% while the value added of similar industries in Singapore is about 35%. In the 10 years from 1980 to 1989, the value added of Hong Kong's manufacturing industry only grew by 6.2%. These factors are indicative that not only is Hong Kong behind the three dragons in its level of technology it is also trailing in productivity. There is a tremendous amount of ground that we need to catch up on and fast.

Scattered support given by the Government in the advancement of automation and technology in our industry in the form of the Hong Kong Industrial Technology Centre and the Industry and Technology Development Council (ITDC) has been insufficient. The technology centre which is at its embryonic stage is known to be supporting around five projects currently, and participating companies in the scheme are already finding the assistance inadequate. Similarly, since its inception in 1991, the ITDC has maintained its advisory role and nothing substantive seems to have been done. Neither has it, through its investment arm, approved or injected any capital into one single applied R&D project.

Mr President, it has been about two years since the ITDC was established and eight months since financial resources have been earmarked for the project. The \$200 million earmarked for it is still deep in the Treasury and the ITDC still does not have the funds. I will not wish to go into the various reports considered by the ITDC in detail, but would like to stress that most of which involve study by the ITDC and it, in turn, advises the Government on what measures to take. The flaw about this organizational structure is that the ITDC could only advise and is not able to put into effect what it assessed to be industry's needs.

Mr President, in his speech last year during an industrial motion debate, the Secretary for Trade and Industry stated that minimum intervention means to let businessmen, not civil servants, make business decisions. I cannot agree more. The fact that even recommendations made by and based on the Industry

Department's findings are being unduly delayed due to one reason or another (be it bureaucracy, policy constraints or other administrative reasons) reflects implicitly that business should be left to the businessmen. With due respect to the Department of Industry and the work it has done for Hong Kong's industry so far, we feel that the development of Hong Kong's industry and its advancement to higher technology and higher value added production could be better served by an executive body. The ITDC with its committees and sub-committees of appointed industrialists will be well placed to serve Hong Kong's industrial needs and its *ex officio* members on the Council will preserve the integrity and the link between the industry and the Government.

I believe that the ITDC will be more effective if its role is expanded from its current advisory capacity to an executive capacity. Its accountability to industry will henceforth be increased as it will be directly answerable for the decisions it makes. Past experience of quasi government bodies of executive capacity such as the Trade Development Council, the Vocational Training Council and so on has shown that once an organization is allowed to make its own decision and be held accountable for those decisions, it becomes more efficient and it becomes more self-sufficient.

The Hong Kong Government's support to industry in the form of financial resources is abysmal compared to Taiwan or Singapore. The \$200 million allocated for the ITDC as seed money for applied R&D is peanuts, and ways should be explored to increase the funding which, in the long run, would enhance and upgrade Hong Kong's technology level, improve our productivity and secure our industrial base. The mainland China has an estimated 10 million people with technological expertise, and this, coupled with its low wages, will encourage more Hong Kong industrialists to conduct research and development in their China operations instead of doing it in Hong Kong. Hong Kong is currently producing an estimated 12 000 graduates in science, engineering and technology per year by the five tertiary institutions and we also have a wealth of innovative and talented scientists or engineers as yet unexplored due to our unsupportive policy. Human resource is Hong Kong's greatest strength and we should give such talents the opportunity it deserves. If we want to secure our industrial future, we will have to make commitments to fund our applied research and development as well as to fund some basic research as our avenue and our accessibility to applied technology will be limited in the future.

To nurture talent, we need to commit financial resources. Research and development requires talent and time. There are risks and our financial sectors are simply not geared towards taking such ventures. Hence, invariably it is a task which has to be tackled by the industry and the Government, together. The re-export ad valorem levy is forecast to reach nearly \$400 million in 1993-94. As the re-export levy is surplus to the Trade Development Council's requirements, I urge the Government to earmark this \$400 million to the ITDC for the furtherance of Hong Kong's industry. This will be a clear-cut case of the industry once again assisting itself and not receiving any subsidy from the

Government. Otherwise, this re-export levy being surplus to TDC's needs should be scrapped altogether instead of industry subsidizing the Government in the form of these surplus funds going into the General Revenue as it presently does.

Lastly, Mr President, I would like to explain the reason why the Honourable Allen LEE is amending my motion. I had intended to amend my own motion and an amended wording was submitted in time last Wednesday. But it was not allowed by the President as it would have deprived other Members' time to make further amendments, if any. I have therefore asked my colleague Allen to amend my motion to get around this technicality. I wish to thank Allen and to support the amendment.

Mr President, with the above comments, I beg to move.

PRESIDENT: Perhaps just for the record, Mr TANG, one other reason why I refused permission for you to amend your own motion was that it would deprive other Members of the opportunity to debate the original motion which was on the Order Paper.

Question on Mr Henry TANG's motion proposed.

PRESIDENT: Mr Allen LEE has given notice to move an amendment to the motion. His amendment has been printed in the Order Paper and circulated to Members. I proposed to call on him to speak and to move his amendment now so that Members may debate the motion and the amendment together.

MR ALLEN LEE moved the following amendment to Mr Henry TANG's motion:

"To delete all the words after "this Council urges the Government" and substitute the following -

"to update its Industrial Policy and review the role and composition of ITDC (Industry and Technology Development Council) as well as to increase its funding in order to strengthen our industrial competitiveness and development.""

MR ALLEN LEE: Mr President, thank you for explaining the reason for my amendment to Mr Henry TANG's motion. The amendment is to broaden the scope of industrial policy.

Mr President, generally speaking, our industries thrive and survive on their own initiative. Because we are living in an open environment, the people can make decisions of their own of what to invest and where to invest in

industry. The Government calls this policy in the past as positive non-intervention. In the last few years, because of the open-door policy adopted by the Chinese Government, Hong Kong's manufacturing base has shifted to southern China. This, of course, is good for Hong Kong as the factories in China can produce products to sell around the world at very competitive prices. On the other hand we must look at our own internal industrial development as our economy has been transformed from an industrial-based to one of service and financial-based in recent years.

The question is: What should the Government do? It is indeed welcome that the setting up of an Industry and Technology Development Council is a first step towards diversifying our own industries into more technology-based instead of labour-intensive-based. I am in full support of the establishment of an Industry and Technology Development Council (ITDC) and my amendment to the motion calls for an increase of its funding in order to strengthen our own industrial competitiveness.

Mr President, I would like to focus in this debate on two main points. One is how to establish technology-based industries in Hong Kong, or should we get into the technology-based industries? We all realize the capital investment of a technology-based industry is far larger than that of a labour-intensive-based industry. And whether our entrepreneurs are interested in investing in technology-based industries or not needs to be addressed. My view is that if you have a good product you can attract investment in Hong Kong. It has been proven this is the case. We all know we are lagging behind our competitors and I have spoken many times in this Council before that due to the lack of commitment from our Government we are still unable to kick off a programme on technology-based industries. The ITDC can fill the void and I certainly hope our Government will support it by proper funding. I believe there is no lack of talents in Hong Kong. It is the resources that we need. It is fruitless for me to continuously criticize the Government on its lack of commitment, but I believe if we have a will to develop our industries, we can certainly do it.

My second point is that there is one industry that Hong Kong can poise to take off with the support of the Government, that is, the biotechnology industry. This is a new industry which is very worthwhile for Hong Kong to take on. I am the chairman of the Board of Overseers of Biotechnology. The Royal Hong Kong Jockey Club has generously donated over \$300 million to establish the Hong Kong Institute of Biotechnology (HKIB) in the Chinese University of Hong Kong and the Biotechnology Research Institute (BRI) in the Hong Kong University of Science and Technology. These Institutes will require financial support in order to guarantee that research and development results are suitable for Hong Kong investors to invest and there are tremendous market potentials for the products. I have written to the Chief Secretary recently requesting a five-year support programme at about HK\$300 million. I think this is not very much money for the Government, yet the potential of growth of this particular industry in Hong Kong is very substantial. Therefore I am here to urge again

for the Government to take a positive attitude in supporting biotechnology development in Hong Kong.

To conclude, Mr President, we actually need a very comprehensive industrial development policy of which the ITDC has a key role to play. I hope the Government will respond to the proposals of the ITDC now and in the future in order for us to have technology-based industries in Hong Kong, which will strengthen our economy and economic performance in the future.

Mr President, I beg to move my amendment.

Question on Mr Allen LEE's amendment proposed.

MR NGAI SHIU-KIT (in Cantonese): Mr President, since becoming a Legislative Council Member, I have been urging the Government to review and update Hong Kong's industrial policy and related arrangements in light of Hong Kong's economic development trend, so that Hong Kong's economic development will not stop as it otherwise may under the constraints of what may be called an out-dated policy. If economic development stops, Hong Kong will risk having its name deleted one day as one of the four Little Dragons of Asia.

We are pleased with the results of Hong Kong's industrial development during the past decades. However, because technology is advancing by huge strides every day, the chances of our being eliminated from the contest will increase if we rest on our laurels and stop advancing. Looking at Hong Kong today, we really have cause for concern in this regard.

Hong Kong's economy has in recent years entered the phase of structural transformation. Hong Kong's industrial development is no longer based solely on labour-intensive operations. Hong Kong's industrialists, looking at the direction in which industry has been developing in countries around us, now realize the importance of science and technology (S&T). If Hong Kong's industry is to succeed in developing in the direction of higher-quality products, then research and development (R&D) will be the decisive factor. This fact must not be overlooked.

I believe that it was for this reason that the Government established the Industry and Technology Development Council (ITDC). Today, I intend to offer comments focussing on ITDC. ITDC was established on 1 January 1992. ITDC's contributions to industry and to S&T in Hong Kong are limited by historical factors and by ITDC's establishment. As we all know, the Government's decision to establish ITDC to replace the then existing Industrial Development Board (IDB) and the Committee on Science and Technology (CST) was made as early as 1991. Members of IDB and CST had complained repeatedly that they were limited to playing mere advisory roles and were not even sure if any of their recommendations would be adopted by the Government. Now, ITDC has a simpler establishment. However, in substance,

it is still old wine in a new bottle. ITDC is still limited by the advisory nature of its role. While ITDC members have the right to make recommendations to the Government, the Government is under no obligation to adopt these recommendations.

For years, we have been hearing comments from many industrilists favouring the conversion of ITDC from an advisory body to an executive body with the power to execute and implement. ITDC should, under the leadership of persons most familiar with industry's needs, play an executive role and be able to act expeditiously to make sure that Hong Kong's competitiveness will not diminish.

The Government's response to such comments has been vague and equivocal. I hope that the Government will make a serious study of the situation, heed the comments of the industrialists and turn ITDC into an executive body with the power to act.

Concerning the funding of ITDC, the Government indicated in March this year that it was agreeable in principle to appropriating about \$100 million annually for funding ITDC's operations. Reportedly, the appropriated money can either be distributed among local groups involved with the development of industrial technology or be used to initiate research programmes under ITDC's own aegis. Such arrangements are impractical. For one thing, there will be a wasteful duplication of efforts in scrutinizing and approving projects under application. For another, the original objectives of ITDC will become blurred. Since ITDC is expected to make recommendations to the Government on an industrial strategy for Hong Kong and then to be responsible for making an overall study, I suggest that it should act as a central co-ordinating body that formulates, approves and funds all industrial technology research programmes, a central body that uses the macroeconomic approach to help R&D. Therefore, ITDC must be administratively autonomous and must have full-time support staff. More importantly, it must be supported by a matching government department responsible for implementing ITDC's decisions. My suggestions will be realized only on such a basis. The arrangements may be based on the model of the Trade Development Council. If the Government is determined to upgrade Hong Kong's industrial technology and to keep Hong Kong's industry competitive, it can succeed by simply making some minor changes in the existing structural framework. I really can think of no reason why the Government will not adopt my suggestions.

Lastly, I would like to urge the Government once more to adopt a broader perspective and to take a closer look at Hong Kong's needs in the area of industrial technology development. We earnestly hope that Hong Kong, in upgrading industrial technology, will attain its goal in the most efficient way, with the optimum use of its finite resources. We are convinced that ITDC, once given suitable powers and resources, will be able to take up this important mission.

Mr President, with these remarks, I support the Honourable Allen LEE's amendment.

MR TAM YIU-CHUNG (in Cantonese): Mr President, talking about reviewing Hong Kong's present industrial policy, one must carefully study a very wide range of things. Yet the motion today, as well as the amendment, appears to take the Industry and Technology Development Council (ITDC) as the focal point of industrial policy. Such an approach is probably somewhat restrictive. What we should do instead is to make a more extensive analysis of the present state of Hong Kong's industry as well as its development trend.

Structural transformation being the trend of the economy, Hong Kong's manufacturing trades have been mostly relocated to China. Manufacturing as a component of the gross domestic product of Hong Kong has declined from between 23% and 24% a few years earlier to the present 17% or so. This, however, does not signify that importance need no longer be attached to Hong Kong's manufacturing trades. Hong Kong's economy must develop in the direction of industrial diversification and not de-industrialization. Therefore, we should not abandon industry. Instead, we must upgrade the quality of Hong Kong's industrial products and thus increase Hong Kong's competitiveness.

Of course, I believe that it is possible to upgrade technology and management methods if these are the ways to upgrade the quality of Hong Kong's industrial products. Still, it will be very difficult to ask Hong Kong's manufacturers to act on their own to pursue high technology. Some business friends and economists have told me recently that, until the very survival of their business is threatened, it will be very difficult to persuade Hong Kong's manufacturers to accept the risk of investing more resources locally. Most of these manufacturers would rather produce lower-quality products with China's cheap labour than invest in the development of high-tech products. Some even said that 'high-tech' sounded like getting burned and 'low-tech' sounded like making a bundle.

However, it is not a sound policy for Hong Kong to depend on China's low wages as the only way to remain competitive. For, following China's economic development, mainland wages are also rising. Therefore, over the long term, the Government should consider using incentives or other effective methods to encourage Hong Kong's manufacturers to develop high-tech products.

In addition, it should be possible for the Government to play a positive role in promoting exchanges of industrial technology between China and Hong Kong. China's academic and science institutes have achieved many successes in developing state-of-the-art technologies. However, these institutes are not market-oriented. The result is that many of these state-of-the-art technologies are not related to the needs of the market. So, in fact, the

Government may wish to consider using some semi-official bodies to act as middlemen between China's science institutes and Hong Kong's manufacturers. China's development of technologies can then be related to the needs of the market and in this way serve to upgrade the quality of Hong Kong's products.

There is one more thing. I think that, when we study Hong Kong's future development direction, we must consider how Hong Kong's development can be related to the development of southern China and also contribute to it. As its economic development continues, southern China will need a large number of people trained in advanced production and management techniques. Hong Kong can really act as a training centre to provide trained personnel needed by southern China's booming economy. The Government should give consideration to this when reviewing Hong Kong's tertiary education and continuing education.

Lastly, I would like to note that all official and semi-official bodies involved with helping industrial development in Hong Kong may wish to consider reviewing their operations in the light of the above comments. They should play more positive roles in upgrading Hong Kong's industrial technology, in promoting exchanges of technology between China and Hong Kong and in training personnel for southern China. As for the newly established ITDC, it should be in a position to make greater contributions in these areas. Therefore, I agree that ITDC's role and composition should be reviewed and that its funding should be increased. However, because ITDC was set up only as recently as December 1991, this Council does not know much about what it really does or how successful it has been. Is it necessary to rush to expand ITDC's role from advisory to executive? I hope that the Government will provide more information for us to study.

Mr President, with these remarks, I support the amendment.

MR ALBERT CHAN (in Cantonese): Mr President, most people, when discussing industrial policy, tend to focus their attention on such things as the structure of industry, human resources and the trade system. As a matter of fact, land planning must never be overlooked as another factor with a close bearing on industrial policy. This is particularly true in Hong Kong, where land is scarce and expensive. In making my speech today, my purpose is primarily to point out that the absence of a long-term industrial policy in Hong Kong has spawned many problems as a result of incoordination and a good deal of confusion.

The Government began establishing industrial estates in the New Territories in the 1970s. In 1977, the Industrial Estates Corporation was set up. It now runs the industrial estates at Tai Po and Yuen Long. The Government then began works on the construction of a third industrial estate at Tseung Kwan O in August 1991. There is, however, no long-term industrial

policy to synchronize with the establishment of these industrial estates, which are now used mostly by capital-intensive high-tech industries.

When discussing land planning and industrial policy, many people fail to notice the fact that the Government began in the early 1960s the development of new towns including Tsuen Wan, Tuen Mun, Sha Tin and Tsing Yi. The original intent was to set up in the New Territories a great number of self-contained towns in which there would be ample employment opportunities and community facilities for the local residents. However, in recent years, because of the structural transformation of our industry, many production lines have been relocated to China. As a result, industry in the new towns has been declining. There, many lots and buildings intended for industrial use are wastefully left vacant.

According to a study by a working group under the Land and Building Advisory Committee, in the next 10 years, while land development for residential use will continue at a steady pace, there will be a hefty over-supply of land for industrial use, particularly in the new towns. The study also shows that the margin of over-supply of industrial land will be as high as 224.5 hectares in the coming decade.

Mr President, these planning blunders, which have resulted in everyday inconveniences, to varying degrees, for the local residents, should not be overlooked. A case in point is a large textile factory in Kwai Chung, which employed about 1 000 workers two years ago but is now employing only 200 workers, including 80 imported foreign labourers. Local residents, especially the older ones, are facing a gradual decline of employment opportunities. Another much-criticized case is the Tuen Mun new town. There, local industry has declined and the resultant shortage of local jobs is making it necessary for many residents to commute over long distances to work in the urban areas. This is not only a waste of the local residents' valuable time on commuting, but creating serious traffic problems for New Territories West. Clearly, the absence of a long-term industrial policy has caused many problems as a result of an incoordination of land planning, urban planning and transport planning. The domino effect should be a matter of our concern.

I would like also to talk about Metroplan. Metroplan includes industrial land planning, particularly in Tsuen Wan and Kwai Chung. The Government has now commissioned a consultancy to study the redevelopment of old industrial zones. But the big problem is that, with an absence of a long-term industrial plan in Hong Kong, any recommendation made by the consultancy or by the Planning Department will only be some short-term development measures that will have to be revised after some time. This will waste a lot of resources and a lot of time.

Additionally, Mr President, I hope that the Government, when laying down an industrial policy, will give more thought to the situation of the small factories and the role that they now play in Hong Kong's industry. Many small

factories, facing the serious problems of rising rents and a shortage of industrial land, are likely to be driven out of business one after another. Therefore, the Government must make a careful study and help small factory operators by supplying land to them, especially those in difficulty, as well as provide space on favourable lease terms to them in industrial buildings under the Housing Authority. In this way, small factory operators will be able to continue playing a role in Hong Kong's industrial development and the development of the local industry will become diversified as well.

Mr President, the absence of an industrial policy has given rise to incoordination in land planning, urban planning and transport planning. To bring this situation to an end, the Government must lay down a long-term industrial policy expeditiously, whereby land planning and urban planning will properly tie in with the overall development of the community.

Mr President, with these remarks, I support the amended motion

MR VINCENT CHENG: Mr President, I will abstain from voting on the motion as well as the amendment today because I am a member of the Industry and Technology Development Council.

Mr President, as we all know, Hong Kong is now a financial and business service centre. The share of manufacturing activity in our GDP and the number of jobs in that sector have both declined. This is market driven. If we can produce our goods more cheaply across the border, there is nothing the Government can do to stop it. Nor should we attempt to, because this economic restructuring is a response by the manufacturing sector to market forces. It has allowed Hong Kong to move upmarket and redeploy our resources to other productive areas. But it does raise the question that if we become too dependent on the services sector, would we be more vulnerable to economic fluctuations? This concern is valid and we should have a more diversified economic structure, provided we do not have to subsidize industries which are not competitive. In this regard, I always believe that the Government's industry policy should gear towards:

- (a) providing the necessary infrastructure, even down to the right types of buildings, for industries which cannot be located in our old industrial estates;
- (b) ensuring an effective financial system so that the manufacturing sector would have sufficient funds;
- (c) ensuring that world markets are open to Hong Kong; and

- (d) providing sufficient manpower and training for the industrial sector to meet their manpower needs, in terms of number and quality.

Contrary to many people's perception, I think the Government has actually been quite active in supporting the manufacturing sector, compared with other economic activities such as finance and business services; these sectors do not receive any help from the Government. We have the Hong Kong Productivity Centre, the Trade Development Council, the Industrial Estates, the Technology Centre and so on. Other economic sectors receive no such assistance. What needs to be done is the consolidation of all these services and make them more effective and relevant to the needs of Hong Kong, rather than throwing more money at the problem. The Government's approach has been criticized as piecemeal — and rightly so. The Government needs to build a more visible focal point from which policies and activities emerge. The sum, at present, is not bigger than the parts. We need to consolidate all these efforts and put them under one single umbrella while preserving their individual roles and identities.

I would like to say a few words about technology. There is always confusion, in discussions such as this one, about development and production of technology, which is risky and not necessarily profitable, and the adoption of technology in the production of our goods and services which is always necessary to maintain our competitive edge. High-tech industry is not always viable and indeed very often risky, whether it is laser, biotechnology or computer. It would be wrong therefore for the Government to blindly push for the development of high-tech industry in Hong Kong, especially by subsidy. The Government cannot pick winners. It should be left to the business sector. If there is guaranteed profit, I am sure the private sector would be more than happy to pick it up. The Government's role should be to encourage the use of new technology in production, through training, through market information, or to provide high-tech facilities which the private sector fails to provide.

But the Government cannot dictate what technology firms should use. In the end, it is up to the business sector who know better than anybody else what should be the most profitable production function for their operations.

Of course, the Government should support research and development. We have yet to find the right formula. If the matching grant strategy works, then we should pursue it further. But before we see any result, we ought to treat it with caution before expanding it further.

MR President, the dilemma we are facing today is that on the one hand we want to help the industrial sector, but on the other hand, we should allow market forces full play as we do not want to be seen as subsidizing our industry, nor would it work. Our cost structure cannot support many of the traditional manufacturing activities which we are good at. We should be glad that they have found a new life in China where the cost structure is more compatible with world demand. We should also encourage new industries which find

Hong Kong providing comparative advantages. They are likely to be industries which are capital and technology intensive. But only the private sector can do so, not the Government.

Mr President, I will abstain from voting.

DR HUANG CHEN-YA (in Cantonese): Mr President, during last year's debate on industrial policy, Members of this Council said with one voice that Hong Kong should not concentrate on developing service trades to the extent of neglecting manufacturing. The arguments were very simple: (1) The economy of Hong Kong is easily affected by the political and economic changes in China; (2) As southern China's economy grows rapidly, cheap labour and cheap land there will cease to be available. It will then be difficult for Hong Kong's labour-intensive industries to remain competitive over the long term; and (3) Hong Kong can become the leading edge in China's industrialization and lead China's industry towards the world market.

In view of this, Hong Kong's industry should now develop in the direction of high value-added, capital and technology-intensive productions. The Government should give up its *laissez-faire* policy and invest additional resources to help Hong Kong's industry to convert from labour intensive operations and low value added exports to technology-intensive operations and high value added exports.

But another problem immediately surfaces: How should Hong Kong support the development of new high-tech industries? Some favour supporting technologies within a specific area, such as information, telecommunications, material and biological sciences. But the fact is that the long-term prospects of industrial development often cannot be predicted. Such an industrial development strategy is flawed in that, unless the target areas are correctly identified, it may lead to heavy waste and great loss, as the experience of many countries has shown. Take the European Community's "EUREKA" as an example. From 1984 to 1991, a total of 8.2 billion ECUs was spent in this project on the development of 520 venture technologies. Only 10 of them were successfully developed and converted to commercial use. Another fact is that, as Hong Kong is not a large economy, it cannot target many technologies for development. A diversified industrial development strategy to reduce the overall risk will not be feasible. On the other hand, a selective industrial development strategy has not worked successfully in Hong Kong before. Such kind of strategy, whether it is decided by the Government itself or the Industry and Technology Development Council (ITDC), will not be appropriate to Hong Kong.

In fact, if Hong Kong wants to develop new high-tech industries, there is no need to wait until everything, from research to marketing, is ready. Hong Kong should use its strengths to compensate for its weaknesses. It should make use of its advantages. Hong Kong's information industry is well

developed. It can quickly find out what the market needs are and how overseas markets are changing. Also, for geographical and cultural reasons, technology exchanges between Hong Kong and China are easy. Therefore, the United Democrats of Hong Kong (UDHK) think that Hong Kong should specialize in identifying market needs and establish the link between markets and research and development (R&D). We should try to convert technologies developed by China to commercial use and create a post R&D application procedure. Insofar as R&D is concerned, Hong Kong should not think only in terms of its own human resources. It should collaborate fully with mainland China and Taiwan R&D people in order to achieve the economy of scale in R&D.

Improvements are needed in many areas in Hong Kong's industry. Among the problem areas are poor product designs, dependence on foreign parts and limited human resources. The UDHK therefore think that education should be improved and technicians should be trained. The tertiary institutions should be given support in training R&D people. Scientific standards should be set. The links between marketing and research should be strengthened. A suitable environment and tax incentives should be provided to encourage R&D. Laboratories and pilot factories should also be set up for joint use by small and medium-sized businesses. This will reduce the cost of new product development and give Hong Kong's factories the room to engage in R&D projects which will be of value to the market.

New inventions are of course important to industrial development. But so are the commercial applications of technologies that already exist. Available technologies should be converted to commercial use. This process will create a demand for new technologies. A case in point is the telecommunications industry. The trend of the future is towards a new product that combines computer functions, telecommunications functions, home entertainment functions, domestic appliances functions, publication functions and office equipment functions. The garment industry is another case in point. Retailers do not want to maintain large inventories. The trend is towards smaller orders and faster deliveries. Manufacturers must improve their designs to raise efficiency in the production and delivery of goods. The Government, for its part, must cut red tape. Only then will it be possible to respond quickly to the market's needs. Another thing is that environmental protection needs are setting higher standards for production processes and for product packaging. Some countries are using environmental protection as a pretext for erecting trade barriers. We therefore think that government departments must reorganize their work with a view to provide a better service to the industrial sector and to help manufacturers to upgrade themselves in the areas of product designs, quality control, computer-aided production, market development, shipping and marketing.

The ITDC should play an important role in Hong Kong's science and technology development. However, its precise functions and its role in Hong Kong's industrial development should be in line with Hong Kong's industrial policy so that there will not be any duplication of roles, thus wasting

the resources. The ITDC's work should be involved with enhancing the rate of successful conversion of new technologies to commercial use, shortening the conversion time and lowering the conversion cost. This should be the ITDC's strategy and mechanism for supporting industry. Also, because small and medium-sized factories make up the bulk of Hong Kong's industry and have a major influence on training requirements, the ITDC should incorporate people representing employers and employees of small and medium-sized factories as members. These will be additional to the ITDC's present members, who represent the Government, large factories and tertiary institutions.

With regard to resources, the UDHK is in favour of the Government's giving increased support to the ITDC. Mr Henry TANG's proposal on the use of the re-export levy is worth pursuing.

With these remarks, I support Mr Allen LEE's amended motion.

MR LAU CHIN-SHEK (in Cantonese): Mr President, industrial development is the foundation on which a local economy depends for long-term strong growth. Hong Kong's industry is now facing challenges from internal as well as external factors and must give serious thought to structural transformation. At this critical juncture, the most crucial question is undoubtedly whether the Government's industrial policy will propel Hong Kong's industry in the direction of new development.

Internationally, protectionism is increasingly rearing its head and the new emerging industrial countries of Asia have an advantage over Hong Kong in that their labour is much cheaper. These international factors are the reasons why Hong Kong's industry is no longer what it was during its glorious days in the 1960s and the 1970s. Obviously, Hong Kong's industrial decline is bound to continue unless industry develops in the direction of high technology and high value-added manufacturing. Also, small and medium-sized factories make up the bulk of Hong Kong's industry and most of them, generally speaking, cannot afford to develop in such a direction. Therefore, it has become the inescapable responsibility of the Government to participate in, and support, industrial development. Many colleagues have just spoken to suggest an updating of the industrial policy which I shall not repeat. I would like to focus instead on how the interests of labour should be accommodated during the restructuring of Hong Kong's industry.

In less than 10 years, the number of workers in Hong Kong's manufacturing sector has fallen from nearly one million at the peak to under 600 000 at present. This shows the seriousness of the problem. The decline of the manufacturing industries signifies more than a decline of industry as a percentage of the GDP. In the process, factories of all sizes have ceased operation, closed down or trimmed their operations. This has had huge repercussions on the livelihood of manufacturing workers. In fact, most of the industrial disputes in the manufacturing sector in recent years have been due

precisely to such a cause. The statistics show further that real wages have practically been stagnant or even declined in the garment industry in the past five or six years. This has caused workers' living standards to decline. The most serious problem, of course, is that many displaced middle-aged workers in the manufacturing sector are now facing difficulties in switching to new jobs. Their skills and seniorities are now worth nothing.

Therefore, several hundred thousand manufacturing workers are watching closely how Hong Kong's industry will develop. The only basic way to protect their interests is to push Hong Kong's industry onto a new path of growth instead of letting it decline and perish on its own.

Better training for workers is indeed critical if Hong Kong's industry is to be led to develop in the direction of high technology and high value-added production. There must be a more skillful workforce if industrial productivity and the value of manufactured products are to be raised. Then, Hong Kong's manufactured goods will remain competitive in global markets. This is also the only way to enable the working class to receive real benefits from the process of industrial development. I think that the Government, when reviewing the role of the Industry and Technology Development Council (ITDC), should give thought to expanding its role to include worker training. Also, labour representatives should be incorporated into the ITDC. This will enable the workers to participate in the formulation of the industrial development strategy. I hope that Mr Henry TANG or the Secretary for Trade and Industry will respond to this point later on. It is a fact that Singapore set up long ago, in 1979, a Technical Training Committee with members representing the government, employers and employees. The purpose of the Committee is to enhance the skills of the workers so that they will keep abreast with the latest development in technology. Meanwhile, for sustained worker training, Singapore has set up a training fund for this purpose, which is funded by employers who contribute 2% of their total payroll. The experience of Singapore deserves to be studied by the Government.

Lastly, I would like to talk about industrial safety. No matter how well developed Hong Kong's industrial technology may be, and how well worker training may be handled, Hong Kong's industrial development record will remain "tainted" if our community continues to attach no importance to industrial safety! I hope that industrial policy in the future will cover industrial safety.

Mr President, these are my remarks. Thank you.

MR FRED LI (in Cantonese): Mr President, Meeting Point supports the motion moved by the Honourable Henry TANG. I am also the seconder of the motion. The wording of the motion is in fact in line with the points raised by me during last year's debate on industrial policy which was, also, moved by Mr TANG. On that occasion, I put forth Meeting Point's idea of setting up an independent

statutory body with the functions of advising the Government on industry-supporting measures and screening funds applications. These functions can be performed by a new body. Alternatively, they can be performed by the Industry and Technology Development Council (ITDC), which was set up in January 1992. We think that the ITDC should be more than an advisory body.

Meeting Point has the following observations to make. Hong Kong's industry is lagging far behind the neighbouring countries. The reasons for this are numerous and varied. Small factories account for the bulk of Hong Kong's industry. Hong Kong's manufacturers have traditionally relied on low wages. Hong Kong's industry is labour-intensive and the Government adopts a passive attitude towards industrial development and lacks a vision for Hong Kong's economic development. Thus, for Hong Kong's industry to catch up, the Government must play a more active role. The Government has in fact been trying to promote local industrial development. There are the Industrial Estates, the Productivity Council and the Trade Development Council, and training courses are taught in tertiary institutions. More recently, the Government began subsidizing training and research. In the middle of last year, the Finance Committee of the Legislative Council approved appropriations for a new Technology Training Scheme, in which the cost of training is shared equally between the Government and the participating manufacturers. This Scheme subsidizes manufacturers who send employees to the Vocational Training Council or to foreign countries for training. All in all, what happens is not that the Government totally fails to support industry or fails to explore the way ahead for industrial development. The Economic Advisory Committee headed by the Financial Secretary and the Governor's Business Council all make recommendations to the Government on economic development issues. In addition, the terms of reference of the ITDC include recommending to the Government a development strategy that will improve Hong Kong's competitive edge. Regrettably, however, none of the said bodies operate with any degree of transparency. The general public does not know about, and has no opportunity to participate in, the discussions of Hong Kong's long-term development. Meanwhile, there is a lack of communication between these various bodies. In fact, we do not know if there are conflicts among their separate recommendations. Meeting Point thinks that the Government, when laying down policies within the framework of Hong Kong's long-term industrial development strategy, should consult industrialists, scholars and members of the public.

In the area of upgrading of technology, we in 1991 approved appropriations of about \$200 million for the establishment of an Applied Research and Development Scheme. The Government participates in this Scheme by contributing capital or loans, thus encouraging manufacturers to develop technology. This is a positive move. Meeting Point thinks that both the work of the ITDC and the Applied Research and Development Scheme deserve our support. However, the question is that in the absence of a specific long-term view of Hong Kong's industrial development, the criteria for approving funding requests will be vague. We think that, while providing funding, the

Government, the departments concerned, as well as the advisory bodies should increase the transparency of their discussions of industrial policy. Also, the authorities should announce the Government's position regarding Hong Kong's economic development, industrial policy and specific action plans, thus ending the past practice of "playing by ear."

Returning to today's motion, the Honourable Allen LEE's amendment is primarily intended to delete from Mr Henry TANG's motion the section about giving executive power to the ITDC. We think that, in fact, it is not so terrible for the ITDC, or the body that I mentioned in my speech last year, to be given executive power. The fact is that the Trade Development Council, the Productivity Council and so forth all perform executive functions. What we should take into the account are the following three crucial factors. Firstly, there must a clear-cut policy. This policy of course can be reviewed and revised. But the fact is that, at present, we do not see that the Government has any industrial policy. So there is no revision to talk about. Secondly, the ITDC must increase the transparency of its studies and discussions. Thirdly, a supervisory mechanism should be established, requiring, for instance, annual reports and financial returns to be submitted to this Council for consideration. We think that it will not be enough to increase appropriations if at the same time the transparency of the decision process is not increased or if the necessary supervisory channels are not provided.

Mr President, the four Legislative Council Members from Meeting Point support the motion and will abstain from voting on the amended motion. These are my remarks.

MR MAN SAI-CHEONG (in Cantonese): Mr President, in the area of industry, the Government adopts the policy of "positive non-intervention". The Government also prides itself on the fact that such a policy has been a driving force for the take-off of Hong Kong's economy. It cannot be denied that this policy of non-intervention has played a positive role as a driving force for Hong Kong's economy when it was based on an export-oriented light industry producing low-tech trendy products subject to fast-changing demand factors. However, now that we are moving towards the 21st century, such a *laissez-faire* policy cannot provide leadership for a smooth structural transformation of Hong Kong's economy such as is needed, or for Hong Kong's transition from a labour intensive, low value-added production to a capital and technology-intensive, high value-added production. How advanced and how competitive Hong Kong's high-tech industry will be depends largely on the quality of research and development (R&D). True, Hong Kong's economy at one time grew at a fast pace. However, the Government has always belittled investment in R&D, and Hong Kong's manufacturers have always had a bias for short-term investments and been unwilling, in most cases, to undertake long-term R&D projects that carry higher risks. As a result, Hong Kong's high-tech industry is no match for those of the other three Little Dragons of Asia. Take Hong Kong's electronics industry as an example. Before 1982, in terms of the

value of the electronics industry's output, Hong Kong was second only to Taiwan. South Korea overtook Hong Kong for the first time in 1982. Since 1984, Hong Kong has been at the rear end of the four Little Dragons. We think that the Government must appropriate more funds for R&D, thus encouraging R&D, which includes basic research. In 1991-92, the authorities appropriated a mere \$100 million for the academic research programmes of the tertiary institutions. The appropriations, rising at a 20% annual rate, will be \$144 million in 1993-94. This is still short of the huge need of funding for basic research in Hong Kong. Another thing is that Hong Kong's tertiary institutions have never had close links with industry. This has had a huge limiting effect on the commercialization of the technologies researched and developed by tertiary institutions, such as those carried out in the areas of information technology and biological science. Therefore, the Government should appropriate more money for basic research and encourage tertiary institutions to develop closer ties with industry. In this way, academia will become a technical logistic base for industry and the commercialization of new technologies will be promoted.

The Government in recent years has done something for the development of high-tech industry. In 1990, it appropriated \$250 million and granted a piece of land for the establishment of an Industry and Technology Centre. In the same year, it further provided a \$188 million loan for R&D use. In 1991, the Government further appropriated \$200 million for the Applied Research and Development Scheme. However, compared with the huge funding needs of industrial technology development, these amounts were like drops in the ocean. The Industrial Technology Research Institute in Taiwan provides a contrast. Not counting its construction cost, this body has a high annual operating budget of about \$1.5 billion, of which between 50% and 60% comes from the Taiwan Government. This shows that the Hong Kong Government's funding support is indeed negligible. The Government should make more money and other resources available to help private bodies in the research, development and application of high technology.

In addition, the Government should give thought to providing tax incentives to private companies to encourage investment in R&D. Such incentives are very common in foreign countries. In South Korea, for instance, when a company's annual turnover exceeds a certain level, it can withhold as much as 20% of its pre-tax profit for R&D in the following year. The amount withheld is tax-free. In Taiwan, if a company is designated by the government as an important research company, it will enjoy a five-year tax exemption equal to 20% of paid-up capital. In Singapore, tax incentives include a tax allowance for R&D equal to twice the actual spending on R&D. This tax allowance (not subject to tax) can be spent on R&D in the following years. The Singapore Government also provides other tax incentives to reduce the cost of R&D. We suggest that the Government should set an R&D tax allowance equal to twice the amount spent on R&D or 20% of the company's profit, whichever may be the less. This will encourage private companies to invest in R&D.

As for the Industry and Technology Development Council (ITDC), which is now the Government's most important advisory body on R&D issues, the Government, while reviewing Hong Kong's industrial policy for the economy undergoing structural transformation, should simultaneously review the ITDC's functions and its role in Hong Kong's industrial development. The ITDC should incorporate members representing the employers and employees of small and medium-sized factories. This will make the ITDC more representative.

With these remarks, I support Mr Allen LEE's amended motion.

MR ROGER LUK: Mr President, the postwar industrialization of Hong Kong to become one of the world's leading exporter is an economic miracle. Yet, it must not be forgotten that the humble start some 40 years ago was a mere historical coincidence.

Events after the Second World War struck away the means by which Hong Kong had earned most of its living, entrepot trade with China. The change of sovereignty in China upset the accustomed course of trade. Then came the Korean War, and banning of all import of goods of Chinese origin by the United States and the embargo on exports of strategic goods to China by the United Nations.

In these turbulent years, Hong Kong became the haven to the adjacent province of Guangdong and Shanghai for the exodus for security. The Shanghai resettlers also brought along capital and technology, the essential elements for industries to get off ground. They gave Hong Kong the first spinning mills, to be followed by other entrepreneurs. The stage was set for an industrial expansion. Domestic export was to take the place of re-exports.

The ability of Hong Kong to create a substantive export trade in manufactures out of almost next to nothing absorbing resettlers by the million is attributed to several major factors. The entrepreneurs have shown a remarkable ability to start business in a small way and develop flexibly. The Government, by developing the essential infrastructure, has provided channels for this powerful current of enterprise to flow and to ensure that the flow would not be impeded. An expansive and competitive banking system has accommodated the funding needs for working capital and investment. Established merchant houses have provided the indispensable link to export markets. Manufacturers have been cost-effective in production and price competitive in sales. Entrepreneurs have brought in new technologies from time to time to upgrade the quality and expand the range of the manufactures.

Hong Kong underwent four phases of industrial development during the last four decades. In the start-up years of the 1950s, it was predominantly textiles, weaving and related industries established by the resettled Shanghai entrepreneurs. The extensive demand for labour was met by the influx of resettlers looking for means of living.

During the growth decade of the 1960s, other forms of manufacturing were rapidly developed, like metal, plastic, clothing and even electricals. Unlike the textile industry, they were mostly small firms. This type of Chinese habit of enterprise — a drive for independence, a quest for profit and a readiness to engage in new activities offering handsome returns. This phase was characterized by the repeated pattern of firms rushing headlong into a rising market, flooding it with goods and precipitating a price collapse.

The 1970s was the decade of maturity. Hong Kong well established itself as a leading manufacturer and exporter of consumer products like textiles, garments, toys, electronics. Meanwhile, our price competitiveness lay more in value for money than cheapness. Towards the end of the decade the questions of product and market diversifications became causes of concern, and the Government commissioned an advisory committee to recommend the ways forward.

Unfortunately, the Committee did not foresee that Hong Kong's manufacturing sector experienced restructuring in the 1980s, advocated by the adoption of open-door policy and the pursuit of economic reforms under the "Four Modernizations" in China. In the light of rising production costs in the territory, industrial production was relocated to the adjacent Pearl River Delta to take advantage of much cheaper labour and land resources. Management and marketing, however, were still based in Hong Kong. Such a division of function was indeed a perfect match. To the manufacturers, export price competitiveness was notably improved and production capacity was greatly expanded.

These benefits, however, are not sustainable over time. The ability to improve competitiveness through relocating production to low cost areas would mean a disincentive to technological advancement. Moreover, the cost reduction benefit would diminish as cost/price in China inevitably accelerate with economic growth. The challenge to Hong Kong's manufacturing sector in the 1990s is, therefore, how to improve competitiveness through technological innovations.

Mr President, the relocation of manufacturing plants to the Mainland should be viewed in the context of the reunification of the economies of Hong Kong and southern China. Geographically, Hong Kong is the natural entrepot at the Pearl River Delta. Had there not been the wars and the embargoes, industrialization in southern China would have taken place at the hinterland rather than the port 40 years ago.

Hong Kong's resumption of entrepot trade during the last decade was therefore no coincidence. The rapid expansion of the services sector has not taken place in vacuum. It is a response to the "extension" and "expansion" of the manufacturing sector into southern China.

In a macro sense, therefore, the Hong Kong economy is still very much manufacturing-based. What have changed are the location of production and its

capacity. The substantial expansion of production capacity in recent years has been the result of the access to low cost resources rather than injection of technology. Therefore, the structural transformation of economy is more apparent than real.

Against this background, Hong Kong's manufacturing sector is embarking on a new phase of development in the 1990s. Unless Hong Kong takes the initiative to upgrade and inject new technology into industrial production, our manufacturing sector will face eroding export competitiveness as benefits arising from the access to low cost factors of production diminish. In this light, the Industry and Technology Development Council has a role to play although the dilemma pointed out by the Honourable Vincent CHENG is a case of concern. The devotion of more attention to resources to the council is therefore an imminent way forward to ensure our manufacturing sector remains technologically competent and competitive. Mr President, this is indeed an opportunity for the Government to demonstrate its subscription to the principle of "maximum support" and the policy of "far from do nothing".

With these remarks, I support the motion as amended.

PRESIDENT: Mr TANG, do you wish to speak in reply to the amendment? You do have a right to reply after the vote on the amendment.

MR HENRY TANG: I will do it now, Mr President.

PRESIDENT: You have five minutes for this part of your reply.

MR HENRY TANG: Yes, Mr President, I was just about to thank you for the amendment because I get the extra five minutes. Mr President, to propel our industry into the next decade, not only do we have to continuously improve on our technology, invest more in our R&D, we also need to put equal, if not more, emphasis on our labour force, as the Honourable LAU Chin-shek has so eloquently expressed. Training of scientists, engineers, technicians and even craftsmen has to be in line with the general thrust of our industrial development. Our industrial strategy will be anaemic if we overlook the most important element in our economy, which is our labour force. Our manufacturing sector alone provides employment for at least 23% of our workforce, its multiplier effect in creating wealth for Hong Kong is immeasurable.

Currently, there is no manpower policy in place which takes into account the structural change that is now besetting our industry and affecting Hong Kong as a whole. The moving of most of our labour-intensive manufacturing to the mainland would mean that Hong Kong will have to seek

higher value-added and greater automation production capacity. Last year, the Vocational Training Council accepted 34 500 students for its scientific and technology courses. Together with approximately 12 000 graduates from the other tertiary institutions, Hong Kong barely have 40 000 people trained in science and technology fields. There will also be a need for a larger number of operatives able to assimilate into the new industrial structure. The retraining scheme is but one positive move towards addressing the structural change in manpower requirements and it has a crucial role in the shaping and the retraining of our precious manpower. It is, however, not nearly enough to address our manpower needs for the future. I therefore urge the Government to develop a comprehensive manpower policy complementary to our industrial needs so that our transition to a higher-tech industrial base will be seen in an overall positive light rather than an enforced move in a negative light. Not only should our manpower policy catch those that are likely to be displaced in the shake-up, but it should also have a foresight into our future needs.

Inward investment is another important avenue of propelling Hong Kong onto the hi-tech ladder. Our Industry Department, which is responsible for the promotion of inward investments into Hong Kong, must become more proactive to anticipate what the market needs are as far as investors are concerned. Unfortunately, our investment promotions pale along side that of our neighbouring countries. The value of total overseas investment at the end of 1991 was US\$4.4 billion and only 58% of those investments are in advanced technology. By contrast, an estimate showed that between 1975 and 1984, net investment into Singapore already amounted to US\$12 billion. We should work harder.

We should allocate more funds to the promotion of investments as well as in the development of infrastructural supports, such as better communication and transport links with China, increased availability of competitively price industrial land as the Honourable Albert CHAN has suggested, and the development of supporting industries in the form of a science and technology park to stimulate innovation research.

Mr President, the development of human resources is vital to our survival in the rapid pace of technological advancement and the right kind of planning will ensure our future generations will continue to be leaders and not be led. For Hong Kong to preserve our significant role in China's economy which is in itself experiencing phenomenal growth, we must act now. Human resource is part and parcel of our infrastructural base. Hong Kong must maintain our position as the centre where China could draw its expertise from or risk being obsolete. I urge the Government to take a more proactive role in formulating its industrial policy and to work with more foresight.

With these remarks, I support the amendment.

SECRETARY FOR TRADE AND INDUSTRY: Mr President, I welcome this debate. When, as Secretary for Trade and Industry, I appear before this Council and its committees, the subject matter is usually trade, because trade issues are usually more urgent, more immediate. Industry tends to get less attention. But, it is the production in our factories here in Hong Kong and in South China that keep our traders so busy and our port so full. Manufacturing in Hong Kong may employ far fewer people today than 10 years ago, but it still provides important variety of employment and of opportunity to our people. It still represents a significant part of our GDP. It is the sector of the economy that has the best potential for sustained high levels of improvement in productivity. Above all, it is the abilities and expertise that our workers, managers and entrepreneurs have built up in 45 years of manufacturing experience that gives Hong Kong the services and the skills that it can sell to the world.

Building on these skills; refining them through research and through the development and application of new technologies; expanding them through innovation and endeavour; retraining workers from old industries to provide them with the skills needed in new areas: these four tasks are important for Hong Kong's continued economic well-being. They are tasks that our industrial support programmes and institutions are designed to assist industry to carry out. Today's debate helps us to consider what we have achieved and where we need to be moving forward.

The Honourable Henry TANG in his motion has called for the Industry and Technology Development Council to be turned into an executive rather than advisory body. This is a not a proposal that we can support. I am grateful to the Honourable Allen LEE for proposing an amendment that we can accept since, although I intend first to set out why the original motion could not be endorsed by the Government, I intend to move on to emphasize what I hope is already clear, that the Government shares fully the sense of this Council, that industry is a most important part of the economic health of our community, and that we need regularly to review, adapt and develop our mechanisms to promote the health of industry.

I said that I would first explain why Mr TANG's motion presents difficulties. I have three points to make. First, the suggestion that the ITDC should be an executive body like the Hong Kong Trade Development Council, or even as some, both within and outside this Council, have suggested, like Singapore's Economic Development Board, is not a new idea. It was an idea which was debated in the old Industry Development Board and the former Committee on Science and Technology before they were merged in 1991 to form the ITDC. It was an idea rejected then with good reason. Industry is not a discrete economic activity. It affects, and is affected by, a vast range of economic and policy factors: education, training, town planning and land use, environmental standards, manpower supply. Trade promotion, by its nature, is a much simpler, more easily focussed activity. An executive body promoting trade can take decisions quickly and easily because there is little risk of

distortion or disruption to other economic activities or communal programmes. Industry does not enjoy that simplicity. An executive body tasked to promote industrial development would affect many policy and programme areas. Whatever the impact such a body may have on industry, it would inevitably tend to add a layer of bureaucracy to the assessment and decision making process. An advisory committee, where industrialists can bring their needs and concerns directly to policy makers, and where academic research heads and technology development leaders are able to point out new opportunities, backed up by debate in this Council, seems to me to be an inherently more efficient and adaptable mechanism for the review and development of our industrial programmes.

Second is a point of principle. This Government believes in consulting and considering the views of the bodies that have been set up to assist in policy making. The ITDC itself is the product of consultation with the former Industry Development Board and Committee on Science and Technology. It would not be appropriate for the Government to accept a change in the ITDC's role without seeking the ITDC's advice on the matter. Indeed, the role of the ITDC is a matter that that Council has already begun to address. This year has seen the ITDC chairmanship being handed over by the Financial Secretary to a non-official member. Further development of the ITDC's role will be needed in relation to the funding of industry support programmes. Regular review of the ITDC's functions and of industrial policies is a necessary and important part of its role.

Third is a question. Has Hong Kong's industrial development really been so bad that we need to hand over responsibility to an executive body in order to breathe new life into it? I suggest not. Our industry has been changing and changing to our advantage. We have lost labour-intensive, low value-added production processes, but have gained sophisticated businesses that can compete with the world on the basis of quality and productivity. Labour productivity increased in Hong Kong by an average of 9.6% per annum between 1986 and 1990. This was second only to South Korea in this region. It was significantly better than Japan or Taiwan. It was almost three times the level of Singapore whose industrial policies some members have implied we should follow! This growth has been achieved by sustained investment in automation and new technology. This investment has continued very strongly since 1990 and has been reflected in further significant increases in productivity.

I do not want to dwell to long on the relative merits of executive or advisory bodies. I have made my points, but they need to be kept in perspective. The most important factor for our industrial development is that we continue to pursue and develop policies and programmes that provide a friendly place for industries that can thrive through competition in today's economic environment, and that lay the foundations for industry to flourish through upgrading and innovation in future.

I would not like Members to think that in welcoming the amended motion I am taking an easy way out. I am aware that some may think the Government is keen on maintaining an advisory ITDC so as to avoid having a focussed industrial policy. The need for some such policy was a theme of the motion debate on industrial policy in 1992 and has been repeated today. I can understand the desire for some precise policy statement. Hong Kong has a wide range of industrial support programmes — I will not list these out again today, but refer Members to my speeches in last year's debate on industrial policy and this year's Budget debate. They are in the Hansard record and provide an extensive summary — as I said, we have a wide range of programmes, but, we have never set out these programmes, and the mechanism for co-ordinating them in a clear, comprehensive document. We have a general statement of the aims of our industrial policies, which is "to maintain an infrastructure which enables manufacturing businesses to function efficiently, and to provide services that enable industry to remain competitive through productivity growth, quality improvement and product innovation," but in recent years we have not much debated or refined this statement, to develop if you like a shared corporate strategy statement, that gives industry, investors, yourselves and the community a clear understanding of our goals.

This makes it easy for questions, such as those that have been raised this afternoon, to be asked. What is the Government doing for industry? What co-ordination is there? Answers to the first question are given in other parts of this speech and in previous speeches to which I have earlier referred. I would like to reply here to the second question. We have a sophisticated and effective mechanism for the co-ordination of our industry support programmes. The ITDC comprises representatives of the major industrial organizations, the heads of the Productivity Council and Vocational Training Council, heads of major academic institutions, as well as the Director-General of Industry, the Policy Secretaries responsible for Planning, Environment and Lands and Education and Manpower, the Government Economist and myself. This provides for debate and co-ordination at the highest levels of policy making. The pattern is repeated in the well-structured network of committees that the ITDC has established. There is strong cross linkage between the ITDC, the Industry Department and the Productivity Council. The machinery for co-ordination is there. It is working.

However, our well known maxims — "positive non-interventionism", — a term which we no longer use but whose spirit lives on — and "minimum intervention, maximum support" are true statements of our philosophy, but are too terse to meet the need that Members have highlighted for a clear explanation of our policies towards industry. Quite frankly, the maxims can be confusing, though I hope none of you are as confused as one of my officers who wrote recently that our policy was one of "maximum interference, minimum support".

No, Mr President, I do not want an easy way out. It is time that we prepared a clearer statement of our industrial support programmes and how these should be developed. The Financial Secretary has already given an

indication in his Budget speech this year that additional money will be made available for the industry support programmes. This is on top of substantial sums that have already been provided: \$200 million for the applied R&D fund; which went into operation in March this year, incidentally; \$300 million to add to the employee retraining fund; and about \$60 million a year extra in research funding for tertiary institutions by 1994-95. Mr Henry TANG referred to the \$200 million we have allocated for applied R&D as peanuts. It would be interesting to find out what amount Mr TANG would not regard as peanuts. Speeches in this Council on previous occasions have referred to the other little dragons spending between 1-2% of their respective GDP on research and development and suggested that Hong Kong should follow suit. Translated into Hong Kong figures, 1% of our GDP will amount to HK\$7.4 billion and 2% would be equal to almost HK\$15 billion. These are astronomical sums especially when compared with revenue from profits tax in 1992 of only \$32 billion. Where is the money supposed to come from? An increase in corporate profits tax? I think not. The Financial Secretary will surely object, as will an overwhelming majority of our businessmen and industrialists. Going back to the additional funding for industrial support, I can say that this new funding will be substantial, although right now I am not in a position to reveal how much it will amount to. I can also say that it will come out of general revenue, not out of any levy on trade or industry, certainly not out of the levy on re-exports mentioned by Mr Henry TANG just now. We need to have a framework for employing this new funding to best effect. I intend to work with ITDC to develop this framework, and I look forward to sharing it with you.

But, any framework, any statement of how our industry support programme should develop must be firmly grounded in reality. It must be set in positive terms, but these must be terms that do not commit taxpayers' money to the pursuit of wishful ideas. Nor must we bind ourselves to projects that appear to offer benefit today, but at the expense of the long-term health of the economy.

In this respect, I am somewhat troubled by some of the wording common to both the motion and the amendment. Both speak of a need to "broaden" our industrial base, but is broadening, with its implication of maintaining the old as well as developing the new, really what is meant, or really what is possible? We have to recognize that manufacturing which depends on low wage costs has left Hong Kong and will not return. Only those industries that can harness continuous quality and productivity improvement, that can unite with the capabilities that Hong Kong has to offer for research and development of innovative products and services, only these industries will remain viable here.

Both versions of the motion express the belief that by up-dating our policy, reviewing the role and composition of the ITDC, and by increasing its funding, we will "strengthen our industrial competitiveness and development." I believe that these actions will help, but we are leaving out 90% of the picture. Hong Kong's industrial competitiveness and development in future depends

overwhelmingly on the energy and enterprise of our entrepreneurs, just as it always has in the past.

Hong Kong's complete exposure to international market forces means that our industrialists must remain acutely attuned to the demands of those markets if our products are to sell. We — the Government, the ITDC, the training organizations, researchers — can provide land, infrastructure, trained manpower and new ideas, but this simply provides part of the field on which individual businessmen and investors must operate. If we try to become players ourselves, or direct how the real players should act, we forget our own role and distort the game in ways that can only be to Hong Kong's disadvantage. Any industry that relies on government support is an unhealthy one, one that is more likely to be a burden to the community instead of a creator of wealth and secure employment for the community. Any industrialist or entrepreneur who needs to look to the Government for direction is obviously in the wrong business.

I raise these points not to criticize the motion but to emphasize the need for us to think carefully about the terms we use, so that we can come to a shared understanding. This is needed if we are to move forward together.

I do want to look forward with you now. Hong Kong's industry has responded quickly and successfully to changes and opportunities in the last decade, just as it did in all the earlier post-war years of our industrial development. I have mentioned the tremendous improvements in productivity that have been seen. The investments that are continuing in automation hold out the prospect of further increases in productivity in years to come. Perhaps of even greater significance for our future industrial development has been the growth of Hong Kong's own capacity for research and development.

Research and development is an area that our industry has long neglected, looking for quick returns using existing ideas and products. Our universities and polytechnics are providing a large pool of trained, talented people who can produce ideas and innovations that can benefit industry. This potential needs to be put to good use. Already the universities and polytechnics are forming their own enterprise units to patent and commercialize innovations. The Applied Research and Development Fund and the Industry Technology Centre are recent initiatives that the Government has taken to encourage this process. The initial study on a Science Park has come up with a number of helpful ideas as to how Hong Kong's infrastructure for the promotion and encouragement of technological research and development can be improved. These will be taken forward.

The ITDC is well fitted to help with this work. Its Technology Committee and its Technology Review Board highlight new possibilities. Government policy makers and planners are present in these meetings. The new funding that will be made available for industry support — and I wish to emphasize again that it will be new money, made available from within the Budget — the new money will help the Government, on the ITDC's advice, to

respond more effectively in providing the support that industry will need to develop effectively into the next century.

I look forward then, over the coming year and with your support, to putting new funding arrangements into place; to completing with ITDC members the initial review of their role; to bringing together the many strands of our industry support programmes into a comprehensive summary with a statement of aims that can be regularly reviewed and updated by the ITDC; to moving ahead with initiatives to enhance and encourage technological development in Hong Kong. Quite a full agenda. One that emphasizes the importance that we in the Government do attach to industry. One that I trust you will support.

Mr President, I would like to thank those Honourable Members who have spoken in this debate. They have made some valid and valuable points. Time does not permit me to respond to all of them. But let me reassure them that points will not be forgotten. Having said that, however, I think it is those necessary for me to respond to a few particular points. The points made by the Honourable Albert CHAN are fair points. Restructuring of industry has had social and town planning consequences. In the latest review of the territorial development strategy, a special study on industrial land development was conducted. This recognized the move of basic manufacturing to China. Implementation of the metroplan and redevelopment of old industrial areas will be carried out with sensitivity to Mr CHAN's points.

The Honourable Vincent CHENG's speech is one which I can wholeheartedly endorse. In some respects, I can say that he has taken the words right out of my mouth, although I will strongly deny any rumour that his speech was written by me.

Some of the points in the Honourable LAU Chin-shek's speech concern vocational training or retraining. They fall outside my direct area of responsibility, although, as Secretary for Trade and Industry, I am of course an interested party. I would like to assure Mr LAU that such points will be referred to my colleague, the Secretary for Education and Manpower. As regards Mr LAU's suggestion that a labour representative be incorporated into the ITDC, I can say that this is a proposal that I am prepared to consider further in discussion with the ITDC, whose term of appointment incidentally, will expire at the end of this year, before which time we would of course have to review its composition.

In closing, Mr President, I wish to reiterate one point. Improving our support to industrial development does not imply movement away from the free market principles that are the bedrock of Hong Kong's success. Mr Henry TANG, on the radio on Monday, has lamented that, whereas Singapore offers industrialists a whole raft of incentives to invest, Hong Kong appears only to offer low taxes. The Honourable MAN Sai-cheong also made reference to various incentives for R&D provided by Singapore in its tax system. I am not

persuaded that Singapore is a model that Hong Kong should follow. To suggest that all we offer is low taxes is a travesty of the wide range of flexible, innovative policies and services that the Government, public bodies and industrial organizations have built up over many years to support industrial development.

But, fundamentally, I cannot accept the implication that low taxes are unimportant. Low taxes, efficient administration and impartial justice are the foundations of the free, entrepreneurial society that we have in Hong Kong. The incentive to create wealth that low taxes provide is the spur to industry — industry in its fullest sense, and not just manufacturing industry. This industry gives employment to our people. Low taxes make it easier for individuals to advance themselves. The attractions of low taxes; of a free market economy and of minimum government intervention in business matters will remain the chief attractions of Hong Kong for industry. They will remain the chief pillars of our policy.

Thank you.

Question on Mr Allen LEE's amendment put and agreed to.

PRESIDENT: Mr TANG, do you wish to reply generally? You have 5 minutes 17 seconds.

MR HENRY TANG: Mr President, my fellow colleagues have each expressed their concern. I believe the general consensus is that we do need industry in Hong Kong and an industrial policy that is more distinct and focussed. It has to be distinct so as to be discernible and yet focussed in its specific areas to give it the desired effect. Having a clear industrial policy does not amount to intervention, nor does it mean that a government subsidy is necessary. The Secretary for Trade and Industry can rest assured.

Our industry has always been self-reliant and self-sufficient. For example, the textile industry pays a levy to train its textile and garment workers through the Clothing Industry Training Authority. We shoulder the financial burden for the retraining scheme for the displaced worker affected by structural change in our economy and we also pay levies on our imports and exports to subvent the Trade Development Council to promote foreign trade.

Mr President, these are all indicative of the willingness of industry to maintain Hong Kong's prosperity and to contribute to its continued growth. The Business and Professional Federation expended \$5 million to conduct a study on the vision for Hong Kong in the coming decade. It expounds the importance of the Greater China concept and recommends optimum industrial strategy for Hong Kong in order to sustain Hong Kong's prosperity as well as to propel our industry into the forefront of advanced technology. This study, simply referred

to as Hong Kong 21, is another private sector effort to help itself with no government support at all. A study of this kind would have been undertaken by something like the Economic Development Board in Singapore. And because the study is a private sector effort it can only serve as a guideline for our industrialists, business leaders and the Government. It is hoped that the study report will provide a broad concept and a focussed direction for Hong Kong in the future. For those who share this same vision, they are invited to work in concert towards the same goal for Hong Kong.

To answer some of the points that have been raised in the debate, I would very much like to thank Mr LAU Chin-shek for suggesting the Industry and Technology Development Council should have employee representatives. The Secretary for Trade and Industry has said that he will consider it. But in fact there probably are, I believe, some employee representatives already, because some of the members on the ITDC Board are not owners themselves but are in fact employees. But I do urge the Secretary to review whether workers' representative should be appointed as well.

Mr Fred LI supports the ITDC to become executive, which I have said in my opening remarks, and I thank Mr LI for his support.

To counter some of the points made, the Secretary for Trade and Industry's point as to why the Government cannot support the ITDC's role change is really not very convincing. But I will not pursue it here any further, though I will pursue it continuously through the Trade and Industry Panel. But I am not promising that I will not bring it up again next year.

The second point I would like to take up relates to the Secretary for Trade and Industry's expressed surprise as to why I feel that \$200 million is peanuts. I suggest that actually the \$400 million on the ad valorem levy (AVL) on re-exports should be channelled to the ITDC as funding for industry technology. I hope this \$400 million is really not peanuts but actually a macadamia nut. Should I be so whimsical to even hope that I may even get a nut cake some day in terms of lower taxes, larger pieces of land at a low cost to help our industry? But again, like I said earlier, this \$400 million for 1993-94 on the AVL on re-export is actually surplus to the Government. It is actually surplus, and therefore if we are not going to get it, I think it should be scrapped and not taken out of our pocket as a form of levy.

And lastly, I am disappointed that the Secretary for Trade and Industry should refer us to last year's Hansard for the many points that he has made before. Do I take it that the Government's policy on industry can be immortal and does not need any rejuvenation at all? Of course, I do not object that one of Hong Kong's main advantages is Hong Kong's low tax system which I hope the Secretary for Trade and Industry is not suggesting that we will change.

I think, to conclude, the key word is that we must be able to exploit all available resources in Hong Kong first and foremost, and following that,

complemented by China's wealth, to forge ahead and propel our economy to become an industrial and commercial centre in the next century. It is the quality of our labour force, our products and our services that is our trump card. All these need to be upgraded and nurtured. To achieve this, we need to have a comprehensive, a well co-ordinated industrial policy and to obtain

PRESIDENT: Mr TANG, you have run out of time.

MR HENRY TANG: Thank you, Mr President.

Question on Mr Henry TANG's motion as amended by Mr Allen LEE's amendment put and agreed to.

LAND SUPPLY FOR PRIVATE AND PUBLIC HOUSING

MR LEE WING-TAT moved the following motion:

"That this Council urges the Government to meet the housing needs of the middle and lower income groups by promptly developing adequate sites for private and public housing, so as to increase the quantity of both private and public housing developments.

MR LEE WING-TAT (in Cantonese): Mr President, I move the motion standing in my name in the Order Paper.

The motion I am moving today is to discuss the problem of land supply for private and public housing. It is generally known that "clothing, food, housing and transport" are the basic necessities of life. Among all these, housing is the greatest problem since Hong Kong is densely populated and small in area. The problem is aggravated by the fact that the enormous returns of the private domestic property market have attracted a lot of investors and speculators, as a result of which, the shortage of private housing is becoming more acute.

As for public housing, in spite of the Long Term Housing Strategy (LTHS) announced in April 1987, prices of private flats have increased more than three and a half times after these six years while residents of Temporary Housing Areas (THAs) and squatter areas as well as Waiting List applicants are still waiting indefinitely for public housing. The United Democrats of Hong Kong have all along considered housing as a necessity of life and therefore the Government should make available a substantial amount of land both for private and public housing and increase the production of both types of housing so that the general public can solve the housing problem in a planned manner within a certain period of time.

Mr President, let me first of all discuss the problem concerning private residential land. From the beginning of 1990 to the end of 1991, private property prices rose by 80%. Following the Government's proposal in November 1991 that bank mortgage be lowered to 70% and stamp duty be levied earlier, the private property market cooled down for a short period of time. From mid-1992 to the beginning of 1993, private property prices stabilized but, since April this year, prices have been on the rising trend again, with a general markup of nearly 10% over prices at the beginning of the year. It can be said that the measures of reduced mortgage lending and advance levy of stamp duty are no longer effective in discouraging the speculation in properties. There are many factors for the buoyant property market. One such factor is the negative interest system of banks which induces investors and speculators to invest their idle money in property transactions. Yet, the main cause is that there is an insufficient supply of flats, or more precisely, the private flats built have not all come into the possession of genuine users. In the past two years, 21 and 19 hectares of land were respectively granted by the Government for residential purposes. The amount is reduced to 17 hectares this year (1993-94). The real decrease in the supply of land has not only failed to cool off the rising property prices during these two years but also conveyed a false message to the property speculators that the Government would not increase the supply of land considerably even when there is a heated property market. On the other hand, both the Financial Secretary and the Secretary for Planning, Environment and Lands stressed in last two years' Budget debates that they were very concerned about the supply of land for private domestic housing and rising property prices, and estimated that there would be an abundant supply of private domestic housing this year. According to the paper presented by the Planning, Environment and Lands Branch to the Legislative Council Housing Panel in March 1992, it was estimated that 33 510 private flats would be completed in 1992. However, the *Property Review 1993* published by the Rating and Valuation Department this year shows that the production of private housing in 1992 was only 26 200 flats, that is, 7 290 flats or over 20% less than the estimated production. Mr A G EASON, the Secretary for Planning, Environment and Lands, pointed out in the Budget debate on 1 April 1992 that a total of 68 000 private flats would be completed in 1992 and 1993. This means that the number of flats to be completed in 1993 will have to be 41 800, or else the estimate made by Mr EASON would again be inaccurate. If the actual production of private housing fell below the original estimate again, I wonder whether Mr EASON and his colleagues would personally take up the construction works so as to ensure an adequate production of domestic flats.

As pointed out in the paper of the Planning, Environment and Lands Branch issued in March 1992, not all of the private flats coming on stream annually (around 35 000) are built on new grant land. While this type of housing only accounts for about half of the annual supply, the other half is built on urban sites acquired by private developers under redevelopment programmes. Unlike those built on new grant land, these flats need not be completed within a prescribed period (three to four years). As a result, property developers can postpone the sale of flats until prices move up.

According to a report in *Ming Pao Daily News* dated 20 October 1992, the total land reserves held by the four main developers in Hong Kong, including Cheung Kong, Sun Hung Kai, Henderson Land and Hang Lung, can be translated into a gross floor area of 80.9 million sq ft, which is equivalent to the size of 35 Laguna Cities. This indicates that the situation where developers can hoard up flats for more favourable prices remains unchanged. The sandwich class housing package was passed by the Executive Council yesterday but the number of flats to be supplied is no more than "a drop in the bucket" when compared with the 50 000-odd families in the sandwich class.

Mr President, as far as public housing is concerned, despite the fact that the Government has always stressed the existence of an enormous housing programme and its scheduled implementation in accordance with the LTHS, the Legislative Council has in the past two years received numerous requests for housing from residents of squatter huts, THAs, buildings affected by urban renewal and other types of accommodation. I believe that of the various types of petitions, rehousing petitions account for the greater number. Mr President, I have repeatedly pointed out that the Government has underestimated the demand for public housing under the LTHS because of the following four factors:

- (i) over the years, rising flat prices have forced more people to turn to public housing;
- (ii) the considerable adjustment in the Waiting List Income Limits over the past eight years has led to an increase in the number of eligible applicants;
- (iii) the Housing Authority's policies have brought about heavier commitment, such as those relating to single-person and two-person families; and
- (iv) the significant urban redevelopment programmes of private developers have created additional demand as affected residents who cannot afford the high rent in private housing have to turn to public housing.

We can further anticipate that: (i) from now to 1997, children born in the mainland to Hong Kong permanent residents will be migrating to Hong Kong; (ii) Hong Kong permanent residents who have got married in the mainland will apply for reunion with their spouses in Hong Kong; and (iii) as the rent of private housing rises, those who cannot meet the seven-year residence rule may be forced to demand a change in the Authority's housing policy to include them in the eligibility net. These seven existing and anticipated types of demands will add up to a stunningly enormous demand for public housing.

Mr President, the Housing Authority, however, has not responded to the increase in public housing demand with a higher production. On the contrary,

there seems to be a reduction. Paper No. DC 8/93 of May 1993 reveals a forecast production of 166 400 flats for the five-year period between 1994-95 and 1998-99, which is 51 900 flats less than the target production of 218 300 flats as required under the LTHS. The low production in these five years, coupled with the fact that most of the sites made available are situated in the New Territories or remote areas which are not preferred by most applicants, will further diminish the actual supply of flats. I believe that dwellers of squatter huts built on slopes, residents of THAs and tenants of private flats with high rents would continue to suffer in the next five to six years. The low production of public housing, which is attributed to delay in land allocation and slippage of construction works, will defer the target production until after 2000. It is certain that the objective of the LTHS, which is to satisfy the housing needs of the territory by 2000, will not be achieved.

Finally, Mr President, I would like to put forward the following proposals which I hope the Government and the policy branch concerned will consider:

- (1) The supply of land for private housing should be increased to 35 hectares per annum in the next few years. In this connection, the Government should actively negotiate with the Chinese Government to solicit the latter's support.
- (2) The five hectares of land reserved for 1993-94 should be auctioned for the building of housing.
- (3) The Government should amend the relevant policies and Ordinances by stipulating that lands acquired by private developers through the purchase of existing urban sites should be subject to the same requirement as the new grant land, that is, the construction project must be completed within a certain period of time so as to prevent any hoarding activities.
- (4) A capital gains tax should be levied on property speculators.
- (5) The land supply for public housing should be increased so that the annual housing production will be between 45 000 and 50 000 flats.
- (6) The land supply for public housing in the Metroplan zone should be increased.
- (7) The ratio of Home Ownership Scheme flats to public rental housing flats should be adjusted in the latter's favour.

The proposals above are all related to the LTHS which affects the public of Hong Kong. The LTHS was published in 1987 and has not been comprehensively reviewed since, though I understand that the Housing Authority has been doing some minor review each year. I hereby call upon the

Government and the Housing Authority to conduct a comprehensive review on the LTHS, and to invite scholars, members of the public and Members of this Council to participate in the discussion.

With these remarks, I move the motion.

Question on the motion proposed.

MR ALLEN LEE (in Cantonese): Mr President, housing has been an important problem for Hong Kong. The fact that half of the Hong Kong population now live in public housing indicates that the Hong Kong Government has always been concerned about this problem and has done a lot of work about it. However, many people of the lower and middle strata of society hope that their housing problem can be resolved at the earliest instance. To build housing to solve this problem of course requires a sufficient supply of land. The Honourable LAM Kui-chun will express views on the question of land development on behalf of the Liberal Party, while I shall state our views with regard to two other questions.

During the last year or so, the problem of middle class housing has been a matter of grave concern to us. Hence we put forth the proposal on sandwich class housing. We even visited Beijing in June last year to strive for agreement on the part of the authorities concerned to the allocation of land by the Land Commission for building sandwich class housing. Obviously whether or not our proposal could come to fruition hinges upon whether or not the Land Commission will increase its allocation of land for this housing programme. Since we raised the question of the pressing need for sandwich class housing, this Council also urged the Administration, by way of an amended motion on 6 May last year, to address this problem and formulate a package as soon as possible. After months of consultation and discussions between the Chinese and British sides, an agreement was finally reached in the Land Commission to allocate five hectares of land for building sandwich class housing. Added to this long-term plan is the interim loans scheme. All this serves to reflect that the Government is responding positively and practically to our demands voiced on behalf of the sandwich class. According to our estimates done last year, there are more than 40 000 sandwich class families, of which only 1 000 will benefit from the first phase of the loans scheme. However, the first batch of sandwich class housing will not be completed until 1996-97, benefiting some 5 000 families only. The time schedule is therefore pretty much drawn out. We believe the Government should work hard to find ways as quickly as possible of making appropriate arrangements for this group of people in dire need of assistance.

The preparatory committee of the Liberal Party has come to the view that the ultimate goal of any housing plan should be "to provide a home for every dweller", thus helping the people realize their dream of owning their own properties. We support the Government's implementation of a comprehensive

scheme of sale of public housing flats to sitting tenants. We suggest that the Housing Authority should sell these flats to sitting tenants at lower prices. However, there are some problems with the last sale proposal offered by the Authority:

Firstly, the prices listed offer little financial benefits to the tenants given the current low rentals of public housing, and this has failed to stimulate the tenants' desire to purchase;

Secondly, the many restrictions on the transfer of ownership have dampened the tenants' interest in buying the public housing flats.

We need to address these problems. Therefore, we propose that more practical methods be employed to attract public housing tenants to buy their rented flats. To the 700 000-plus public housing tenants who are paying only 25% of the prevailing market rentals, the prices and various restrictions set by the Housing Authority can hardly drum up enough interest among them to buy their permanent homes. Therefore, if we are to arouse their interest in buying, we need to set prices on the basis of the rents they are paying. The Liberal Party will later on announce a draft set of specific proposals.

As regards the overall housing policy, the Liberal Party demands that positive efforts be put by the Government into solving the problem of shortage of housing and policies be formulated to encourage the public to buy their own homes. On the land question, apart from discussion within the Land Commission on increasing land supply, consideration should also be given to some other feasible methods of making the best use of existing land, such as facilitating redevelopment projects through statutory and administrative means, simplifying the relevant procedures in order to shorten the redevelopment time and increasing the plot ratio to improve the cost efficiency of public and private property developments. We hope that the Government will sell public housing flats as early as possible and then build more public housing with the sale proceeds, so that people on the Waiting List will have their housing problem solved as quickly as possible.

With these remarks, Mr President, I support the Honourable LEE Wing-tat's motion.

MR HUI YIN-FAT (in Cantonese): Mr President, Hong Kong has all along been short of land for residential use. In addition to this, there are also some objective factors such as economic takeoff, population growth and the community's aspirations for more comfortable living environment. Under such circumstances, no wonder that property price in Hong Kong has been always on the rise. Furthermore, we must not forget the influence of many policy-related factors. For instance, the land which is put on sale each year is restricted by the 50-hectare ceiling. With the HK dollar linking to the US dollar, the Hong Kong Government is unable to check inflation with the interest rate mechanism.

Undoubtedly all this has indirectly encouraged, among others, the public to purchase their own houses as a means to beat inflation, and indeed speculation, hence pushing up property price further at a rate which arouses public concern.

In fact, the law of supply and demand in the free market has already failed to regulate property prices. Just take a look at the large number of recently completed private buildings along Castle Peak Road and one can find that as many as 50% to 60% of the units in some of the buildings are vacant. Such an undesirable phenomenon tends to mislead the Hong Kong Government in its estimate of future land supply and allocation.

In my opinion, a stable and adequate supply of land each year is certainly the deciding factor for property prices to reasonably reflect the supply and demand situation in the market. In this connection, the Sino-British Land Commission should, on the basis of mutual trust and co-operation, be more flexible in handling the 50-hectare ceiling restricting the sale of land each year. However, the most crucial point is that the government departments concerned and the advisory committee on land development should, first of all, spare no efforts to eliminate the aforesaid policy-related factors when working out the plan for land supply and demand in the future. Failing this, serious deviation will inevitably ensue no matter whether there is a comprehensive plan.

According to a report on the supply and demand of residential land in the 1990s in Hong Kong issued by the Planning Department last year, there will be an acute shortage of land for Home Ownership Scheme purpose to the tune of 34 hectares between now and 1999. However, during the same period there will be a gross land surplus of 48 hectares for private residential use. I believe the actual figure may be even greater than the estimate. For this reason, the Administration should expeditiously rectify the way the aforesaid two categories of land are allocated so that the Housing Authority can speed up the construction of housing estates under the Home Ownership Scheme in order to satisfy the community's demand for better living environment. At the same time, more public housing units can be vacated to rehouse the lower income household on the Waiting List.

In addition, since the restriction on the amount of land to be put on sale each year is not applicable to land granted to the Housing Authority for public rental housing. I think when the Government carries out any land formation, public rental housing should enjoy priority in land grant. In view of Hong Kong's economic achievements today, there is no justification whatsoever for the Government to keep on turning a blind eye to the plight of hundreds of thousands of people living in squatter huts and temporary housing areas who are under constant threat of losing their home, lives and property during the rainy and typhoon seasons.

Mr President, one major characteristic of the disparity between the rich and the poor in Hong Kong is that their living conditions are in stark contrast. At a time when the Government is trying hard to establish a prosperous and

stable society before the end of this century, it should first and foremost make full effort to solve the problem of land supply for public housing so that the poor will no longer be deprived of proper housing. Should the Government fail to do so, I am afraid that we will not be able to lay a solid foundation to ensure a prosperous and stable Hong Kong.

With these remarks, I support the motion.

MRS ELSIE TU: Mr President, this motion concerns itself with both public and private housing, but I will emphasize the need for rented public housing for the lower income groups. However, I agree that the middle income group is also facing difficulties which must be solved.

I hope I may be excused for repeating what I have said several times in recent years in this Council. I think it takes at least five years of shouting about a problem before the Government begins to listen and realize that there is a problem.

I therefore repeat that lower income families cannot buy a flat, cannot afford to rent a flat, and cannot get public rented housing because there is now very little available.

As I said last week, the Government did a good job at first by providing cheap rented public housing when incomes were low and housing needs were desperate. The Government is doing quite a good job now by providing better housing for its tenants under the redevelopment schemes. The Government has done MORE than a good job for some illegal landlords of Kowloon Walled City by giving them special privileges in money and urban rehousing. But there are no privileges for those who are on the Waiting List who pay huge rents in legally built property, and who wait interminably for flats even when they are willing to go far away into the New Territories.

I repeat what I said at last week's debate that our earlier housing programme was the foundation of our sound economy because it enabled the workers to rise in status to the middle income group. May I warn again that failure to provide land for private and public housing is now destroying that foundation upon which our economy still rests. What is the use of a rise in income of 10%, if one has to pay 30-50% of that income to rent even the poorest private flat, or a tiny airless room?

Every VIP visiting Hong Kong is proudly shown our huge public housing achievements. Quite rightly so. But I am sure that these guests are not shown the other side of the coin. When the housing programme began, probably half the population lived in squatter huts. The living conditions were appalling, yet the occupants paid little or no rent, so life was tolerable. Now the squatter huts have been greatly reduced, yet the needy sector of our population are still living in squalid tenement conditions, not only worse than huts, but costing a great deal

more in rent. Squatter areas could be seen and criticized by visitors, but squalid tenement conditions are out of sight and out of mind!

Any young low-paid worker will tell you that he cannot get married, unless he can take his wife into his parents' public housing. Before long there are family quarrels because of overcrowding. Many social problems, such as marriage break-ups, or abuse of children and elderly people, result from these overcrowded living conditions. These tragedies are not seen like squatter huts on the hilltops, but they appear less overtly in divorces, family quarrels, violence, child delinquency, incest and other vices and abuses. Home should be a place to rest, not a scramble for a bedspace!

It is true that about half the population has been rehoused. But that still leaves us with 3 million people, and of these 3 million I believe that more than a million live in squalor, or under constant threat of eviction by landlords. As Mr LEE Wing-tat said, the proposed plan for the sandwich class is a drop in the ocean and is totally inadequate to solve the housing shortage.

During the past year in my ward office, I recorded 1 558 interviews of individuals or families. Of these, 54% were in need of housing. A further 20% were probably eligible for compassionate housing on social or medical grounds. I believe that over 70% of all cases visiting ward offices have housing problems. This is a mere indicator of the problem which I believe is becoming critical.

Does the Government intend to continue to allow rents and property prices to spiral out of control, while withholding land which can be released for public housing? Is the Government going to stake everything on airport infrastructure, but do little or nothing about infrastructure for housing which is urgently needed? Urgent problems need urgent solutions, and housing is our most urgent social problem.

Mr President, I support the motion.

MR ALBERT CHAN (in Cantonese): Mr President, land has all along been a natural resource on which the Chinese people have depended for a living. To the Chinese people, land is something which they greatly treasure. Their lives and their love for their home towns have much to do with land. This can be easily seen from the fact that many Chinese cherish the hope of burying themselves in their native villages upon death. Pearl BUCK won a Nobel prize for literature for her novel "The Good Earth", which depicts the relationship between a Chinese farmer and the land.

Mr President, with gradual development towards urbanization and industrialization under a capitalist system, land has become an expensive commodity. The general public have little chance of owning their homes, not to mention a piece of land.

All land in Hong Kong is held by the Government. It grants leasehold interests to the developers so that they can carry out development. Apart from being the owner of land, the Government has the free disposal of the majority of land. Financially, the Government relies very much on the proceeds from each year's land sales. It is undeniable that the high land premium policy has a direct bearing on the exorbitant prices of private property. It is quite right to say that the amount of land offered for sale in the local market each year is almost under the control of the Government though approval from the land Commission has to be sought.

In the year 1991-92, the Government reaped a profit of \$12.2 billion from land sales. In 1992-93, a total of 17 hectares of land was sold, bringing an income of \$12.4 billion to the Government coffers.

Land sales by auction over the past two years showed a very worrying trend. The number of urban residential sites put up for auction is very limited and there are less and less sites available each year.

Mr President, the sites put up for sale are largely located in new towns, while a small number of them is in Kowloon. But rarely is there any residential site on Hong Kong Island being put up for sale. Last year no residential site on Hong Kong Island was offered for sale. The Government's proposed Land Sales Programme for 1993-94 does not include any site on Hong Kong Island. It is probably true that not many residential sites are available on Hong Kong Island. However, the Government's policy of only putting up sites in the new towns/urban areas for auction and mainly relying on the new towns/urban areas for land supply has obviously been pushing up the property prices in the urban areas, particularly on Hong Kong Island. On the other hand, a number of large consortia in Hong Kong are able to own many pieces of valuable residential land through application to the Government for change of land use.

Last year saw a general decline in property value in Hong Kong. Property prices in the New Territories dropped more than 10%. But instead of going down, prices of luxury residential units in the urban areas rose by 10%. This gives one the impression that the decrease in property prices in the New Territories has something to do with the supply of land. Without any supply of new flats, particularly luxury residential flats in the urban areas, private developers will be able to put property prices under their control, thus raising the prices of these flats. Such policy will result in the vast majority of households in the middle and lower income groups having to move to the New Territories. It is because only the upper class can afford such sky-high residential prices. Such policy of geographically limiting the supply of land is grossly unfair and will have an adverse effect on the stability of Hong Kong.

Mr President, the Government must take concrete steps to redress the great disparity between land supply in the urban areas and that in the new towns so as to strike a proper balance between them.

Mr President, clothing, food, housing and transportation are our daily necessities. Apart from auctioning off land as a commodity, the Government should also look at the actual housing needs of Hong Kong people. It is necessary for the Government to increase the supply of residential land in order to bring property prices down to a level which can be afforded by members of the public.

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

MR MOSES CHENG: Mr President, I rise to support the motion in the hope that we shall make clear today the correlation between Hong Kong's persisting housing problems and the limited proliferation of land for both public and private development.

On several occasions the Administration has reported that the Long Term Housing Strategy (LTHS) is successful in virtually every aspect of meeting its stated goals. Approximately a year ago, the Secretary for Planning, Environment and Lands went to great lengths to assure that the progress of the Home Ownership Scheme and the LTHS were progressing according to the targets and described these programmes as dynamic rather than static in terms of strategy.

What is critical for all to assess today is whether the dynamics of our housing strategy, especially as it applies to the middle and lower income groups, is commensurate and keeping pace with the dynamic factors of Hong Kong's economic position. Despite some worthy work by the Secretary's department, the reality of our situation calls on us to conclude that members of Hong Kong society, and these two income groups in particular, are falling behind in their ability to attain adequate, affordable housing.

The Government has nominally dedicated itself to innovative solutions derived from a comprehensive perspective of the entire housing market, both public and private. This principle of duality must, for the time being, remain the premise to making affordable flats increasingly available to the people of Hong Kong. While each factor has played a complementary role to the other in the evolution of our overall housing plans, I would like to focus the thrust of my remarks on the beneficial possibilities of an enhanced role for the private market.

With the Administration revising downward the amount of public housing units to be sold in the next eight years, my colleagues and I contend that the Government's efforts to make homeowners out of our citizens are incomplete, inadequate and headed in the wrong direction. If it is the sincere resolve of the Government to make flats available to private homeowners then they must demonstrate a comparable resolve to introduce into law the logical mechanism of the market that will allow such changes to come about.

To that extent, my Liberal Party colleagues and I support various elements and enhancements of the Home Purchase Loan Scheme which allows the sales of public units at a discount. We are united in our dedication to create maximum opportunities for people to own their own homes and therefore must question the limited success of these schemes to date.

I welcome yesterday's announcement, which essentially reaffirmed these long held objectives, but it is apparent to most of us that much more can and should be done. For example, the severe restrictions imposed on the resale options of these flats serve as a significant disincentive for potential buyers. Such restrictions act as artificial impediment to the elusive, affordable flats market that we are constantly trying to create. Conversely, if we dare to model and manage our plan, utilizing private sector initiative and resources to their fullest potential, the incentives that the Government is currently touting will appear all the more appealing to the prospective purchasers in the middle and lower income groups.

Going beyond the announced package and removing, or at least relaxing, restriction on transferability would undoubtedly yield higher results in home ownership. The security and immediacy of creating an asset with substantial value is the most direct route to the goals the Government has outlined and I believe we should pursue that route relentlessly and without further retreat.

Evidence of this retreat is seen in the last three fiscal years, for example, as the amount of hectares allocated to private residential use through the land programme has steadily declined while the amount slated for public residential use has escalated. Let me make clear that in supporting the resolution in its original form I agree with increasing the quantity of both, as immediate solutions are at least as imperative as long-term planning.

It would simply be unconscionable to send a letter to an elderly retiree in the lower income group in which the Government apologizes for the current housing inconvenience but pledges to the retiree that by 2001 most of the answers should be in place. Our community must care for each other more than that and there is no better way to convey such care than assuring decent, affordable housing when and where it is needed.

In the past the Government has, sometimes reluctantly, acknowledged the need for additional land supply and has regularly exceeded the 50-hectare Land Commission ceiling. The reason I offer greater emphasis to the allocation amount for private housing is due to the explicit exemption to the 50-hectare limit for public rental housing provided in Annex III of the Joint Declaration.

This brings into question the interpretations and status afforded to public housing rental units that later become privately owned. These issues must be discussed comprehensively and realistically between the British and the Chinese authorities to arrive at some reasonable, but flexible, criteria for determining annual land allocation for the overall housing supply.

I acknowledge the achievements the Administration has thus far made in creating affordable housing, but I urge the Government to go further. If the long-term guide and goals of the Housing Authority are truly dynamic and not static, then I hope the Housing Authority will incorporate the innovative ideas that have emerged from the Liberal Party agenda and respond to our call to act positively to facilitate the lower and middle income groups in becoming homeowners. While public housing has a proper time and place in the comprehensive scheme of planning affordable homes, expanding and enabling the private housing market is a priority that is consistent with our most valued principles and assures the greatest progress towards an improving quality of life.

Mr President, with these remarks I support the motion.

THE PRESIDENT'S DEPUTY, MRS ELSIE TU, took the Chair.

MR FREDERICK FUNG (in Cantonese): Madam deputy, I think the motion moved by Mr LEE Wing-tat today on increasing the land supply for private and public housing is worth discussing. Theoretically speaking, if the Administration increases the land supply significantly, no matter whether it be for private or public housing developments, the production of flats will be increased significantly. Looking in the perspective of supply and demand, if the supply of flats increases significantly, it will naturally depress flat prices, making it more difficult for property developers and speculators to "rig the market", and thereby break their monopoly of the property market. In fact, when the flat production increases, property developers can benefit from the increased volume of sales triggered by the lowered flat prices. It is therefore beneficial to both the property developers and the flat buyers.

The Hong Kong Association for Democracy and People's Livelihood (HKADPL) and I agree that increasing the land supply will bring the benefits as described above, but that is only one of the ways to make flat prices fall. The HKADPL thinks that if the Administration only increases the land supply, especially those for private development, without other supplementary measures, it will only benefit the property developers and speculators instead of the home buyers.

In the last legislative year, during the motion debate on the Long Term Housing Strategy (LTHS), I clearly pointed out that there were about 1.6 million households in Hong Kong and the total number of flats were 1.73 million. After deducting vacant hotel flats and vacant public housing flats, there was still a surplus of 75 000 flats. In such circumstances where supply was more than demand, why did prices not fall but keep rising? Perhaps, some people may own more than one flat for investment purpose, but there are also some who treat property as a tool for speculation. Moreover, property developers usually reserve for internal subscription some units in housing

developments newly offered for sale, and when these flats are made available to the market through property agents, their prices will be higher than the original prices. Therefore, increasing the land supply for private housing developments may only benefit the property developers and property agents while the genuine home buyers will stand to be ripped off. For such reasons, the following measures need to be contemplated when increasing the land supply for private housing developments so as to avoid irregularities:

- (1) formulate an anti-monopoly policy and investigate whether monopolistic situations exist in the property sector in order that the spirit of genuine free competition can be realized in the property market, avoiding monopoly by large property developers and corporations and the distortion of prices;
- (2) delegate more power to the Consumer Council to investigate whether there is anything unfair behind the practice of internal sale of flats; and
- (3) introduce a short-term capital gains tax chargeable, for example, at the rate of 60% of the profit derivable from any resale of flat that takes place within half a year of its purchase, and likewise at the rate of 40% of profit from resale within one year, and 20% within two years. I believe that such a measure will be an effective deterrent to the speculators and will protect the genuine home buyers.

As regards land for public housing development, a significant increase in the supply will generate more effectively a stabilizing effect on flat prices and will resolve directly the problems arising from the housing needs of the lower income group.

I am very happy to learn from the speech of the Director of Housing at the annual conference of the Housing Authority that land is in process of being granted to meet the Authority's long-standing shortfall of 50 hectares, and the flat production arising from these 50 hectares has been included in the target of the LTHS. The question is whether there is a need to further increase the land supply for public housing now that the Housing Authority has resolved the problem of insufficient land. Both the HKADPL and I think that such an increase is necessary, because the HKADPL has always emphasized the need to comprehensively review the existing LTHS, especially the policy of a private-housing-orientated approach. Such a review must be conducted before there is a chance to resolve the existing housing problems. I believe that the Administration, on hearing my argument put forward just now, will reply that 32 000 households were assigned public rental flats last year. But I have to inform Members that among these households 10 000-odd were in fact being resettled to new public rental flats because of redevelopment of existing housing estates. Discounting these households, there were only 10 000-odd resettled households who were applicants waiting to be assigned a public rental flat.

Compared with the 180 000 households on the Waiting List (but according to the estimate of the Housing Department, there are only about 100 000 households), such a number is "far from being enough". Therefore, reviewing the LTHS and increasing the land supply for public housing are what the Administration should and must do.

Yesterday the Administration announced the Sandwich Class Housing Loan Scheme which offers government subsidy to households with a monthly income between \$20 000 and \$40 000 to enable them to buy flats. I do not intend to comment on the merits and demerits of the scheme, but I would like to remind the Administration that households with a monthly income of \$40 000 belong to the top 5% income earners in Hong Kong, and if even these households cannot afford to buy flats, that clearly shows how serious the problem is. That also signals a warning that the problem surrounding the supply and pricing of flats in Hong Kong has already reached unacceptable proportions.

Being the housekeeper of society, the Administration should have been ashamed of the housing problem now confronting the people of Hong Kong. If the Administration does not increase the land supply for private and public housing developments, it will be impossible for the people to live and work happily and in peace. And I believe this Administration will have a hard time accounting itself to the people of Hong Kong.

With these remarks, I support the motion.

DR LAM KUI-CHUN (in Cantonese): Madam deputy, Hong Kong people are facing great difficulties in home buying. It is indisputable that property prices are steadily rising basically because the supply of flats falls far short of demand. The long-term solution obviously lies in the increase of the supply of flats.

It is proposed in today's motion that we should, as a primary and direct way to satisfy the demand for public housing, ask for additional land formation. I would like to point out that the emphasis should be put on additional land formation instead of land allocation. What I mean by additional land formation is the development of, and the provision of facilities for, the land allocated so that newly developed land could be put to proper use. Under the present situation, it is not difficult to increase land allocation in Hong Kong because there is actually a considerable number of sites throughout Hong Kong, especially in the New Territories, suitable for housing development. As the former Chairman of Hong Kong Housing Authority, Sir David AKERS-JONES, pointed out early this year, there was not a shortage of land for housing development and we only needed 50 hectares of land more to meet the Housing Authority's public housing target in the year 2001. It is stated in the annex of the Sino-British Joint Declaration that the limit on land allocation by the Land Commission each year excludes land to be granted for public rental housing. In this connection, there should be no technical problem whatsoever in the

additional allocation of building land. The point in question is that any site suitable for human settlement must be provided with sufficient physical infrastructure, that is to say, facilities such as transport, water supply, electricity and drainage and sewerage. The Honourable Edward HO has over the years repeatedly pointed out in this Council that insufficient infrastructure made additional formation of building land impossible.

Among the necessary infrastructural facilities, I think particular attention should be given to transport. According to its original plan, the Government expected the satellite towns to be generally self-contained without too many external transport links. However, the plan has turned out to be only partially successful. It is because people moving into the new towns are comparatively younger and they are more active. Their demand for transport in terms of both their work and social activities is therefore greater. A recent survey conducted by the Government also proves that most of the people who have moved into the New Territories still have their employment in the urban areas on both sides of the harbour. This has caused immense pressure on the transport network linking the urban and rural areas during the morning and evening rush hours. Tuen Mun and Tai Po are two notorious examples. In this year's Budget, the Government also admitted that urgent improvement should be made to the traffic congestion along Tuen Mun Highway.

Over the years a considerable number of private developers had expressed interest in developing new sites but their applications were turned down by the Government on the grounds of insufficient infrastructural facilities. In this debate, the Liberal Party preparatory committee wishes to stress the need to increase the supply of residential buildings. And to meet such need, the crucial point before us is to speed up the provision of appropriate infrastructural facilities in order to cope with the allocation of building land.

If there is any difficulty in allocating the necessary resources for the provision of such infrastructural facilities, especially at this point in time when there is a keen competition between housing development and the airport project for financial resources, we hope that the Government would consider forging closer co-operation with private developers in the provision of the necessary infrastructural facilities and consideration should also be given to selling public housing units to sitting tenants. In this way, there is no need to use too much public funds.

Madam deputy, I support the motion.

DR TANG SIU-TONG (in Cantonese): Madam deputy, clothing, food, housing and transport are the four major daily necessities of the public. Among these four needs, housing is the biggest headache. There are some 3 million people living in public housing in Hong Kong, accounting for 50% of the total population. In Singapore, one of the Four Little Dragons, the percentage of its

population living in public housing is approximately 87%. And it is 30% in Taiwan. Hong Kong is therefore striking the happy mean.

People used to describe the expensiveness of housing in Hong Kong in terms of "an inch of gold for a foot of land". But now this saying is obsolete. The prices of private properties rose by almost 250% over the last six years while the price of gold dropped continually. Nowadays, even a foot of gold may not buy an inch of land. Therefore, the saying that "Hong Kong is no easy place to live in" is indeed a true depiction of the current difficult housing situation.

There are many factors contributing towards the high prices of private properties. The most important factor has been the high land price policy the Government has been pushing. But the failure of the public housing policy to cater for actual demand has made the supply of private flats lag far behind demand, thus driving up the prices higher and higher. Last year, the Government restricted home mortgages to the 70% level. This may have slowed down the rising rate of property prices, but it has also undermined the ability of the public to buy their own homes. So there is no rose without thorns. Although the amount of land allocated by the Land Commission for industrial and commercial and residential developments next year is slightly smaller than last year, developers can still acquire land for development by way of paying land premium. Besides, the six major developers in Hong Kong have a combined residential land reserve of 61 million sq ft. There is therefore no question of shortage of land for private development projects. However, speaking for the long term, producing more land for developers to build flats will enable people with sufficient financial means to improve their quality of life as well as relieving pressure on supply of public housing which lags far behind demand. This arrangement is therefore necessary. Nevertheless, it has to be noted though that developers because of their business sense will not fall over themselves to put on sale large numbers of flats even if they have obtained more land. For prices will drop once supply exceeds demand and people with moderate financial means may not be benefited. The Government therefore needs to improve its existing housing policy to dovetail with the increased supply of land to private developers.

The existing housing policy is disappointing. Information available indicated there are now some 176 000 families on the Waiting List for allocation of public housing. While 15% of them have waited for more than five years, the longest wait might have been for 19 years. The length of the wait is unbelievable. In the 25 years since 1967, the Government has provided public housing units for 250 000 families on the Waiting List, that is, an average of 10 000 units per year. In reply to a question in this Council in March this year, the Secretary for Planning, Environment and Lands, Mr A G EASON, indicated that an average of 20 000 new public housing units will be completed each year over the next three years. Calculated on the basis of this speed of housing construction, the average waiting time for applicants on the Waiting List is eight and a half years. I think they will have stretched their necks waiting. And even

when it comes to their turn, the door may still be closed on them because of increased income and other changes in their conditions. Hence they will still be chasing after that ever elusive housing unit. They can of course turn their back on rental units and opt for Home Ownership Scheme (HOS) flats. But demand for HOS flats far exceeds supply, for the Housing Authority produces only 12 000 flats each year for some 80 000 applicants. There are indeed many hurdles to overcome on the road to providing every dweller a home.

The speed of housing construction naturally fails to catch up with demand when only a limited amount of land is supplied each year for the purpose as a result of the lack of far-sightedness in the Government's housing policy and sincerity in its social commitment. Many a citizen has the door to public housing closed on him because of the very strict eligibility requirements in respect of application for rental and HOS units. In recent years, the development programmes of public housing are pegged to the development of new towns. But the insufficient provision of community facilities and chaotic external traffic caused by the lack of overall co-ordination in respect of new town developments have been the subject of complaint by residents. These problems have also drastically undermined the attractiveness of public housing to Waiting List applicants. Therefore, I think that the Government should comprehensively review its housing policy, with a view to increasing substantially the provision of land in the urban areas and new towns for the construction of public housing, so that the gap between building speed and actual demand can be narrowed to shorten the waiting time. Moreover, appropriate adjustments should also be made to the eligibility criteria in respect of application for rental and HOS flats. With an increased supply of public housing, upward pressure on private property prices may then be reduced. Only by means of this two-prong approach can the housing problem of the people be solved.

Finally, I should like to call upon the Housing Department to improve its efficiency in processing public housing applications. With the supply of public housing failing to meet demand, there were, to our surprise, 30 000 vacant units awaiting allocation last year because of the department's low efficiency. This unusual phenomenon reflected a lack of co-ordination between the policy itself and the executive authority. I do hope that the same mistake will not be made again.

Madam deputy, housing is a major problem in Hong Kong. Although today's motion is moved by the United Democrats of Hong Kong, I am delighted to see that Mr Allen LEE, leader of the largest rival party (Liberal Party), has spoken in support of it. As an independent Member, I feel all the more obliged to give this motion my fullest support. Thank you.

DR SAMUEL WONG (in Cantonese): Madam deputy, whenever any Member of this Council asks the Administration whether the supply of residential land in a certain year is sufficient, the answer is invariably positive. Yet, we can see

successful bid prices break old records, without exception, in each of the residential land auctions. For instance, Sha Tin Town Lot 251 was auctioned off at an accommodation price of over \$38,400 per sq m last October while Kowloon Inland Lot 11035 at an accommodation price of nearly \$41,000 per sq m in January this year. Together with expenditures such as construction costs and interests, the cost of per sq ft of built-over area will be close to \$6,000 two to three years later. If a developer intends to earn the so-called 15% reasonable returns, the selling price of each sq ft will have to be \$7,000!

I submitted a written question on 24 March this year. In reply, the Secretary for Planning, Environment and Lands said, "The Government's aim is to supply enough land to meet demand. The sale of residential land over the past two years has amounted to 40 hectares which should be sufficient for the private sector to provide 15 000 flats per year. Together with the 20 000 new flats produced each year by redevelopment, under normal circumstances, the total estimated requirement of 35 000 new flats each year should be met." He remarked that the demand should be satisfied and the price of residential flats brought closer to levels affordable by the general public in Hong Kong provided there were no dislocations or distortions in the market.

Now I would like to ask the Government whether the price of \$7,000 per sq ft of built-over area is a level affordable by the general public in Hong Kong.

The Government's answers to Members' questions on different occasions about the land supply are inconsistent. Sometimes it said no more land in the urban area was available for auction and sometimes it said there was a need to carry out reclamation. For example, in his reply to questions concerning the way to fight inflation in this Council on 22 April this year, the Governor said we had to rely on increased reclamation to alleviate the shortage of land. However, at the same meeting he later added that land could only be put up for auction after resources had been allocated for the purpose of providing roads and other utilities for such land but such resources were limited. On another occasion a top official said the land premium and property price would plummet if a large amount of land was put on the market, it would wreak havoc with residential mortgage lending and deal a fatal blow to the financial banking system in Hong Kong. If such an argument is valid, is it that Hong Kong people have to live with high property price just for the sake of protecting the banking and financial system, is it not?

In fact, those arguments relating to the needs to carry out reclamation and to allocate resources for road building and provide public facilities and so forth are all specious. As long as the Government has the sincerity to keep down property price, a good deal of methods are available. For example, in 1975 a far-sighted top official pointed to a corner of Tolo Harbour and shouted "Commence work" and four major property developers answered the call immediately and joined hands to carry out the reclamation project. As a result, they formed 100 acres of land for Government and institution/community use

and reserved 40 acres of land for constructing 10 000 residential units with an average accommodation value, taking into account all investments in removing mountains, reclamation and road building, of less than \$30 per sq ft. This construction project is "City One, Shatin". At any rate, the value of the land formed by removing mountains for reclamation was not included. The Government should fully understand such economic returns. Yet it fails to give this idea more thought. Is the Government afraid that the completion of too many residential units will bring down property price? If the Government does have the will to translate the idea into action, major property developers in Hong Kong will certainly be interested in participating in such reclamation project in order to enrich their land bank. And they will not have to bid for land in auctions that take place only thrice or so each year!

In this connection, it is justified for people in pinning blame on both the Government and the Land Commission for their joint efforts to push up the land premium. Just think about this. I am sure property price will certainly drop if 30 to 40 hectares of residential land is to be made available tomorrow to the sandwich class or for the Housing Authority.

Some people think that most of the property developers reap exorbitant profits and welcome the escalating land premium and property price. As a matter of fact, property developers may earn huge profits by selling flats. Still they have to purchase some high priced land for future development. Obviously they are merely a "tool" exploited by the Hong Kong Government and the Land Commission to push land premium ever higher. A few days ago, two property developers indicated to me on separate occasions that they definitely would not mind purchasing low-priced land and building low-priced flats for sale. Furthermore, they happened to sound the same note of warning that property price at present level has reached a point that is not affordable by the public and far beyond the general public's purchasing power.

Another reason leading to sustained high property price is, of course, that bank's deposit rate is excessively low whereas loan interest is not on the high side. Under the circumstances, more and more people have turned into property speculators. Some recent statistics indicate that almost 80 000 residential units are vacant and held by speculators. Would the Government inform us how such an anomalous phenomenon can be rectified?

These years the monthly contributions made by the middle income group who bought their flats on mortgage loan, in some cases, have amounted to two-thirds of their total family income and some have to take up part-time jobs or even rely on their children's income to cope with the monthly payment. If things go on like this, they will become drastically worse off. In recent years the Hong Kong Government immensely increased the funding to environmental protection, hoping that Hong Kong people can live in a better environment. However, it is a pity that many people have to work morning till night and rely on their children's income before they can barely afford the monthly instalments of a flat of less than 1 000 sq ft in area. How can they have the

spare time and ease of mind to partake of the fruits of the Government's environmental protection programme?

Madam deputy, with these remarks, I support the motion.

MR MAN SAI-CHEONG (in Cantonese): Madam deputy, one thing we may all agree in today's debate is that property price sustained at high level in recent years has gone beyond the reach of an average family. Any increase in the income of an average family is certainly unable to keep pace with the property price which keeps climbing up in multiples. Furthermore, a great number of families have to put aside an increasingly large portion of their income to meet property instalments or rents. This implies that many families are unable to enjoy directly the fruits of our economic growth. The rise in household income has not improved their standard of living. It is property developers and speculators who reap exorbitant profits by seizing the opportunity to take advantage of the home buyers.

Government statistics indicated that in 1992 there was a total of 1.62 million households on land and a total of 1.8 million public and private sector flats. Apparently the supply and demand for housing is on the whole balanced, but in reality the intensifying disparity between the rich and the poor has resulted in inadequate supply of public housing, and, as the market is largely manipulated by large property developers, the problem that "there are no flats for the needy but many flats are left vacant" has indeed come to a head. We can take a look at the vacancy level of private flats completed in recent years. The vacancy rate of private housing completed in 1989 was 57.7%, that of 1990 was 47.1%, and those of 1991 and 1992 were 54% and 61.1% respectively. The high vacancy rate denotes that the property price is beyond the means of an average family; it also indicates that large property developers and influential speculators have the ability to hold a large number of vacant flats. In particular, a large number of flats are monopolized by large property developers who sell them to insiders by way of internal subscription. As a result, the number of flats available for sale in the market is greatly reduced. Only when the property market changes for the better are these vacant flats put up for sale and their ownership transferred. This is admittedly a commercial decision on the part of the property developers. Yet from the standpoint of society as a whole, this is a waste of social resources. The number of private sector flats completed in 1992 was some 7 000 less than that in 1991 whereas the vacancy rate in 1992 was 7% higher than that in 1991. A drop in the supply of flats, coupled with an increase in the number of potential home buyers, saw, to one's surprise, a rise in the vacancy rate. I am afraid government officials can no longer sit back and turn a blind eye to such an anomalous and unhealthy phenomenon. Apart from continuing its efforts in the crackdown on speculative activities and tightening control on the practices among property developers to arrange for internal subscription on a massive scale, it is also necessary for the Government to assist families which are genuine first-time home buyers and to impose capital gains tax on properties in order to dampen the desire for

speculation on the part of the public when property prices are going up. Only by doing so will the property market be able to operate in a healthy and fair manner.

The United Democrats of Hong Kong (UDHK) believe that ultimately, the long-term measure which will enable the property market to have a steady and healthy development and people to live and work in peace and in contentment is to increase the overall supply of residential premises. From the present up to 1997, there are approximately some 70 000 sandwich class families which own no properties. Yet it is estimated that the Government can only provide about 10 000-odd flats under the housing scheme for the sandwich class by 1997 at the optimum. This is no doubt utterly inadequate and is unfair to those families left in the cold. We propose that under such housing scheme, there should be no less than 20 000 residential units for sandwich class families for sale in the market before 1997 in order to relieve the pressing need. To achieve this objective, in the next few years, the Sino-British Land Commission should allocate more than five hectares of land each year for the purpose of providing housing for the sandwich class. Furthermore, when there are signs that property prices are beginning to climb up again, the Government should consider selling in advance pre-completed flats for the sandwich class as well as pre-completed Home Ownership Scheme flats for other eligible applicants, both of which are non-transferrable so as to adjust the market which may become overheated.

As to land for private housing, the Land Commission did slightly increase land grant in recent years, taking into consideration the rocketing property prices. For example, in 1991, land granted for private developments was nine hectares more than that allocated for the same purpose in 1990, but afterwards the grants dropped year by year. The increase in land grant may not have immediate and significant effects on the property market within a short period of time. Yet some think that the increased land allocated for residential purpose will end up in large property developers' land bank and the increase in land supply may not necessarily produce any real effects. However, one must not lose sight of the fact that these large property developers have to bear cost if they hold the land. And they certainly will not hold too many pieces of land for long without developing them. Moreover, increasing land supply will allow more property developers to enter into competition and will significantly clip the wings of large property developers in terms of their manipulation of the market. This will increase the supply of private housing and keep the property market in equilibrium at the end of the day.

In order to ease people's housing problem and to remove people's worries in this regard before and after 1997, UDHK urge the Government and the Sino-British Land Commission to increase, in the next few years, the overall land housing supply so that people can truly live and work in peace and in contentment.

With these remarks, I support the motion.

THE PRESIDENT resumed the Chair.

MR WONG WAI-YIN (in Cantonese): Mr President, the main objective of the Long Term Housing Strategy is to ensure that adequate housing at an affordable price or rent is available to all households. But regrettably, following a dramatic rise in the prices and rents of private flats in recent years, more and more households who could afford to buy or rent private flats previously are unable to do so now. On the other hand, the public housing programme has always been constrained by the quantity of land made available by the Government, the provision of funds and so on. The income limits of public housing and Home Ownership Scheme units have debarred the middle or lower class from applying for housing in the public sector.

The motion moved by Mr LEE Wing-tat today has a very clear objective, that is to meet the housing needs of the middle and lower income groups. I believe no one will oppose such an objective. In fact there are still over 100 000 families in Hong Kong who have serious housing problems. Meeting Point of course welcomes the suggestion of increasing the supply of land. But we are somewhat worried about the implication on resources and the effectiveness of developing more sites for both public and private housing at the same time.

First of all, let us analyze what kind of families need assistance and why they need it. Low-income families and middle-income families (the so-called "sandwich class") are faced with different kinds of housing problems. The "sandwich class" families have no housing problem. They are mainly plagued by the difficulty in acquiring a flat of their own. However, the problems faced by low-income families are genuine housing problems. At present more than 110 000 families are waiting for public housing. They mostly live in small and over crowded cubicles, paying a monthly rent equivalent to three times of the rental of that of a public housing unit. Besides, there are also those aged bed-space lodgers and over 60 000 families in squatter huts and temporary accommodation. They all have genuine housing needs. Meeting Point therefore thinks that if the constraint in resources makes it impossible to look after the needs of all households in the middle and lower income groups, then priority should be given to households with genuine housing needs.

Are there really any ways and means to make available more resources so that all families in the middle and lower income groups will be benefited? The answer is affirmative, that is to increase the supply of different types of public housing. Mr President, on the surface it seems that making more land available for private housing development should help to bring down the exorbitant property prices. This will be the case if our housing market is really a free market. But the problem is our housing market is highly monopolized. The vast majority of newly-completed flats are provided by a handful of property developers who are financially sound and have a large reserve of land. For instance, of the 5 200 new flats put up for sale in the first quarter of this year,

3 940 (75%) were provided by the four largest developers. Since the sites put up for auction in recent years were relatively large in size, only large consortia with sound financial status could succeed in bidding for them. Hence there has been a growing trend of land being concentrated in the hands of a few. To safeguard the prices of property, developers often control the number of flats that are going to be built. They store the land bought by them at auction. When housing becomes a commodity, the need to invest in it will arise in addition to the need to use it for living purpose. High inflation, low interest rates and market monopolization have all played a part in pushing up the property prices. Speculation in property has become a kind of investment which yields good returns. Hot money from overseas and mainland China has also been one of the key factors in pushing up the property prices. Solely from the angle of solving housing needs, to increase land supply for private housing may not be the most effective way of using resources.

Meeting Point believes that a solution to the problem is to expand the public housing programme and increase the supply of different types of public housing. In doing so, we will be able to separate the different demands for housing, that is the demands for accommodation and investment purposes. And most of the housing needs will be met by public housing. The Government's recent decision to allocate land for the development of sandwich class housing is a first step in the right direction. The merit is that different types of public housing will be given different levels of subsidy and the selling prices can be set according to the household income of different income groups. The revenue generated from this kind of housing can be used to subsidize other housing projects which require more subsidy. For example, income from the sale of Home Ownership Scheme flats of the Housing Authority can be injected into the public housing programme. This can increase the resources for the construction programme without using government subsidy.

Mr President, to achieve the objective of meeting the housing needs of the middle and lower income groups and "ensuring that adequate housing at an affordable price or rent is available to all households" depend primarily on the policy and the will of the Government.

With these remarks, I support the motion.

MRS SELINA CHOW (in Cantonese): Mr President, for many years I have brought up the point time and again that the Government should actively design and implement a policy whereby the public may be encouraged to purchase their own home. It is because, despite the remarkable achievements in the development of public housing as a result of Governor Murray MacLEHOSE's farsight and determination in promoting the housing programme in the 1970s, the Government has yet to give the overall concept of home purchase its due consideration and planning.

Just now my colleagues from the Liberal Party all mentioned that the most effective way to strengthen people's sense of belonging and responsibility to a place was to enable them to purchase their own home. The notion of home ownership is well accepted and supported by capitalist societies which in general uphold the right of private ownership because this can, on the one hand, provide the public with a sense of security and ensure long-term stability to them and, on the other hand, establish that it is fairest and most reasonable for one occupying a property to purchase the property and the onus is on him to maintain the value of the property.

Just now my colleagues from the Liberal Party already expressed our views on the sale of public housing units and the sandwich class housing scheme. And I would only like to take this opportunity to give a clear response to the question raised by Mr Andrew WONG last week.

In May last year Mr WONG proposed that all the public rental housing units should be put on sale to the sitting tenants at a 40% discount off the prevailing market price but I think this is not attractive to them since they are currently required to pay a rent only at 25% of the market rate. Mr WONG also proposed that there should not be any restriction on the transfer of the ownership of such units. This seems, however, to be of no help to encourage end users to purchase such property. As for mixing tenants and owners in the same building, it seems that the same principle as in private buildings could be applied. Yet public housing tenants do not have any financial obligation where many housing facilities provided to them are concerned and this will definitely create a good deal of practical problems in management. All in all, Mr WONG's views apparently are similar to ours in general. I am not sure whether he supports the proposals which I have time and again put forward in this Council. I must say, however, that I do not agree with him about the detailed arrangements.

I would like to stress that housing problem is not restricted to public housing tenants and the sandwich class. And it is improper to take family income as the only criterion to determine one's housing needs. There are indeed other cases which deserve our urgent attention, such as the eligible applicants who have been put on the Waiting List for a long time or the middle class families with income level just a little bit above the income limit. In fact, the housing problem should be dealt with in a comprehensive way. The Government is duty bound to formulate an all-round policy to give full play to the realization of the home purchase concept. It should unite both the government and non-government efforts to pool resources and to map out the most cost-effective strategy and measures to assist all potential home buyers to purchase their own home and realize their dream. One of the feasible measures is to grant tax concession for home buyers with regard to interest on mortgage loan so as to encourage the middle class to purchase their home. Another feasible measure is the provision of down-payment loans to people with steady income, who have no property and wish to purchase their own home. The aforesaid are only some of the options and there may be other better ones. Yet,

the Government, above all, must promptly formulate and implement in full such a home purchase scheme. It is also necessary to put more land on the market in order to fulfil the wish of people who regard Hong Kong as their permanent home to buy their own property.

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

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, throughout Hong Kong's history land production has been a vital feature, both for economic reasons and to meet social needs. We must all have been fascinated at one time or another to trace the lines of successive reclamations along the north shore of Hong Kong Island and around the Kowloon Peninsula on old maps of the territory. Vast areas were added before the war, but since 1945 a further 2 500 hectares have been reclaimed. Nearly 1 000 of these in the past five years. Another 1 540 hectares of reclamation are planned over the next 10 years as well as the 1 200 hectares being produced for the new airport.

Our new towns, including both new reclamation and reformed existing land, cover 8 800 hectares and will extend over another 3 200 hectares by full completion. Considerable land production and formation has been going on, is going on and more is coming.

One of the most important reasons for all this activity is the long recognized need to meet the housing requirements of the community by either providing the required housing directly, particularly for those in the lower and middle income groups, or making sufficient land available for the production of housing by the private sector.

The Long Term Housing Strategy (LTHS) provides the framework for the provision of housing up to the year 2000-1. The strategy is demand-led, that is, supply is adjusted to meet demand. Contrary to determined misunderstanding or misrepresentation or both, the current approach does not presuppose a fixed supply pattern and includes a review mechanism to ensure that changes in demand are assessed, shortfalls in supply identified at the earliest possible moment, and plans to increase production are put in place.

The annual reviews of the housing scene have to be sensitive to changes in many factors, including affordability, rehousing preferences, redevelopment activity, clearance programmes and waiting list requirements. They also take into account the latest census statistics, population projections, survey results, economic indicators and operational experience. Changes in any of these factors can result in a change in projected demand expressed in terms of the number of public sector flats. The consequential changes to land requirements are also identified to meet new public housing production targets. The land implications are fed into the strategic planning and land reservation processes.

Overall land requirements for the private sector also take account of the needs identified under the LTHS. These are monitored by the Land and Building Advisory Committee which provides a forum for discussion between the Government and the private sector. The Committee assesses the land requirements and the supply situation annually for the coming 10 years for all different uses. Action is taken to meet shortfalls by scheduling new production or rezoning land from categories in surplus.

A mechanism for identifying, monitoring and reviewing changing housing needs and other land requirements already exists therefore, which has worked well. Since 1985-86 over 600 000 new flats have been produced or an annual average of over 76 000 flats. Public housing accounted for over 350 000 flats or approaching 44 000 flats a year on average, contributing to over half of total flat production.

The current target under the LTHS is to produce 45 000 public housing flats a year. This will be complemented by the 35 000 or so private sector flats to be built each year. But as I have already explained, these targets will be reviewed regularly to take account of changing circumstances.

I cannot emphasize too strongly that we are faced with a dynamic, not a static situation. The target is a constantly moving one. For instance, over the years the public housing net has been cast gradually wider each year as the Housing Authority has revised income limits and other eligibility rules. When this happens, more land is required and some lead time is necessary to identify additional sites. Shortfalls may emerge but these are generally only very short-lived.

We also need to be mindful of the aberrations in the market which cause difficulty from time to time for those who fall outside the public housing net. The proposed sandwich class housing scheme is an example of an initiative to extend the public housing programme as quickly as possible by the provision of additional resources. The implementation arrangements for the scheme were approved by the Governor in Council yesterday, members of the Housing and Lands and Works Panels having already been consulted on many of the details. The main scheme, that is, the longest-term scheme, will see the Housing Society building additional flats for sale to the sandwich class at affordable prices. In the 1993-94 land disposal programme six sites have been earmarked for the production of 5 000 units. This additional supply will be taken into account in any projection of future provision of flats.

Some have rightly pointed out that the interim sandwich class housing scheme will not increase supply. The low interest loan is offered mainly in recognition of the fact that additional flats cannot be built overnight, but that there is a need to provide more immediate relief to close the affordability gap faced by the sandwich class. Because of the possible effects on property prices, we propose to make a modest start and to review the situation after the first phase. Leader writers please note.

It is difficult therefore to accept the view that insufficient land is made available for housing production. To help put the matter in perspective some more statistics may be useful. In the five years from 1987-88 to 1991-92 about 165 hectares or an average of about 33 hectares a year were granted for residential purposes, private and public. An additional 274 hectares of land were vested in the Housing Authority for the provision of public rental housing during the same period or an average of nearly 55 hectares a year. The total amount of new land provided each year was on average 88 hectares for housing, both private and public during the period. Looking ahead, there are no indications of any shortfall which cannot be met, either.

I referred earlier to our annual assessment of land requirements and land supply over a 10-year period. This gives us an excellent basis on which to plan a steady land supply. The forecasts lay out clear information on future land production and land reservations and enable development programmes to be adjusted and land to be rezoned to meet identified shortfalls in supply. According to the latest forecast more than 235 hectares of land will be made available for residential purposes in the next five years with over 100 hectares for public housing.

Another significant source of land for residential purposes comes from redevelopment. In the three year period 1989-90 to 1991-92 land exchanges and lease modifications, which are largely in effect redevelopment cases, produced 95 hectares of land. These figures show that redevelopment is a major source of developable land, accounting for about 42% of the total amount of land available for residential purposes. In the same period approximately 50 000 flats were produced through redevelopment. Since just over 8 000 flats were demolished this rate of exchange, of new for old, is extremely favourable. Provided redevelopment can continue apace this pattern should be maintained.

Another factor which affects the rate at which residential units can come on the market are the land administration, building control and planning processes. We are keen to ensure that the processing of development and redevelopment proposals is streamlined as far as possible and we monitor the situation closely in consultation with the Land and Building Advisory Committee. An ad hoc group, set up by the Committee, is currently examining existing systems with a view to improving the procedures where possible.

I should like to take up a few points raised by Members in the course of the debate.

First of all, I should like to repeat something which I have said very recently in this Council and this is that developers are not permitted to hoard new land. They are required under building covenants to complete development to certain value and certain gross floor area within fixed periods.

Secondly, I think we must bear in mind that the mass production of housing, which is what is essential to the task of meeting demands which are placed upon us, requires major resources and also that mass production reduces costs to the consumer. If we are to rely on production of housing by smaller developers on smaller sites, we cannot expect the costs, and therefore the prices, of such a product to be lower than the mass produced product.

I should also like to confirm that contrary to popular belief, although there are a number of major players who are well known in the property development sector in Hong Kong, there are in fact new players coming onto the scene.

I should also like to correct the idea as regards the Government's policy on land prices. The Government's policy is to sell land on the market. It is the market that decides the premium for land and not the Government.

The LTHS is just that. With this sort of programme we need to assess demand, plan supply, including the infrastructural support required and review regularly, keeping our targets firmly in mind. We cannot pretend, however, that the LTHS can be converted into a sudden miracle, however desirable this may appear as a political aim.

I have no doubt that we will have a chance to discuss some of the other points of misunderstanding and inquiry about land planning and production and housing programmes and policies with members in the Housing and Lands and Works Panels over the coming months. There seems from this evening's debate to be plenty of scope for this.

Land production is not a simple matter. It involves a great deal of detail planning and the co-ordination of related infrastructural development through the Public Works Programme. The lead times are unavoidably long. As well as housing, other complementary facilities have to be planned to produce the right mix and balance at the right time.

According to past statistics, more than 20% of the total land requirement each year goes to meet the purposes of education, welfare, recreation, public utilities and other infrastructural uses. Land for industrial and commercial uses are also crucial to the economic development and the employment needs of Hong Kong, accounting for roughly 10% of the total land granted each year. While we may not be able to claim perfection, we do have a system which by and large works well, is flexible and delivers the goods.

Mr President, urging the Hong Kong Government to produce land is like urging the tide to ebb and flow. Urging it to produce land for, and to ensure the production of, ample supplies of housing is like urging the sun to rise and set. As with the motion on the management of housing estates last week, since urging that what is already required and is already being done in ample measure

should be done is unnecessary, the official Members will not support the motion. Thank you.

PRESIDENT: Mr LEE, do you wish to reply? You have 3 minutes 34 seconds.

MR LEE WING-TAT (in Cantonese): Mr President, I must first express my gratitude to Members for speaking in this debate. Many have spoken in support of today's motion. Although Mr EASON has said that this motion seems to be one which Members will readily accept as being correct or, true in terms of contents, it seems to me that we have had many different opinions and analyses in interpreting this motion.

First, I would like to take Mr EASON up on his point that "the Government's land supply for public and private housing is currently sufficient". I believe that many colleagues who sit on this side of the Chamber will not agree with his point. If his point is true, the prices of private flats should not have risen frantically since the implementation of the Long Term Housing Strategy. Despite annual reviews by the Administration, we still fail to see after such reviews any significant increase in the supply of flats nor any price adjustments in the private property market.

I have strong views with regard to Mr EASON's argument about the annual review of the Long Term Housing Strategy. Being a member of the Housing Authority, I also know that the strategy will be reviewed annually by the Housing Authority and the relevant government departments. However, I, despite being a member of the Housing Authority, cannot take part in such reviews, because the relevant work is undertaken by only a small number of people. Every time when the review is completed, there will only be the publication of a brief report without much discussion. I am deeply in doubt as to whether such reviews can respond to the ever changing needs of society.

Mr EASON seems to think that the number of flats currently produced by the public sector has already reached the preset target. He also thinks that the 45 000 public housing flats produced annually will be sufficient. But as I said earlier, the latest documents in my possession show that most of the annual production figures of the next five years are below 45 000, as the production in 1994-95 will be 34 000 flats, in 1995-96 it will be 36 000 and for 1997, 1998 and 1999, the annual production will only be 30 000 flats. So I really cannot understand why Mr EASON is so confident that the low production in the next five years will still be sufficient for satisfying the need of the lower income group for public housing.

I would now like to briefly respond to the views of some Members most of whom indeed hold the same views as mine. Among these Members, Dr Samuel WONG is, I think, especially outspoken in posing the question of whether property developers have monopolized the property market and taken

part in speculative activities. Dr WONG has also highlighted some phenomena which, I think, are nearer the truth but are denied by the Administration. It is beyond question that the real estate market in Hong Kong is not a free market. It is, to a large extent, controlled and monopolized, otherwise, I really cannot understand why so many speculators and developers are so interested and active in this market. Mr Frederick FUNG and Mr WONG Wai-yin think that the levy of a capital gains tax can curb speculative activities. I agree with them very much. The only point which I appreciate in Mr EASON's speech is about helping the sandwich class to solve their housing problem. In this respect, I think the Administration has listened to our views. Thank you, Mr President.

Question on the motion put and agreed to.

Adjournment and next sitting

PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Thursday 10 June 1993.

Adjourned accordingly at nineteen minutes past Seven o'clock.

Note: The short titles of the Bills/motions listed in the Hansard, with the exception of the Layout-design (Topography) of Integrated Circuits Bill, have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.

WRITTEN ANSWERS**Annex I****Written answer by the Chief Secretary to Mr LEE Wing-tat's supplementary question to Question 1**

Departments participating in the performance pledges programme have adopted a varied approach to ensure users' input into the services provided. Of the 16 departments which have already published their pledges:

- Four have Users' Committees, they are

- Department of Health
- Trade Department
- Transport Department
- Inland Revenue Department

- One is putting a Users' Committee in place

- Immigration Department

- Eight undertook to conduct customers surveys, they are

- City and New Territories Administration
- Department of Health
- Industry Department
- Post Office
- Regional Services Department
- Trade Department
- Transport Department
- Treasury

We are also developing the concept of Customer Liaison Groups. The group is a forum for direct exchange of views between customers and departments on the services provided. The concept is in its early stages. However, a number of departments such as the Water Supplies Department, Department of Health, Transport Department and Housing Department are already considering how to put such a group in place.

WRITTEN ANSWERS — *continued***Annex II****Written answer by the Secretary for Security to Rev FUNG Chi-wood's supplementary question to Question 5**

An accident classification system has been drawn up by the International Atomic Energy Agency and is adopted widely by operators of nuclear power plants, including the Guangdong Nuclear Power Station at Daya Bay. Under the system, emergencies are classified into the following four categories, in ascending order of seriousness:

- (a) Emergency standby — Events are in process, or have occurred, which indicate a potential degradation of the safety level of the plant. No release of radioactivity is expected;
- (b) Plant emergency — Events are in process, or have occurred, which involve an actual, or a potential for, substantial degradation of the safety level of plant. Any radioactive release is expected to be very small and the consequences are confined to a section of the plant;
- (c) Site emergency — Events are in process, or have occurred, which involve an actual or likely major failure of plant functions. Any release of radioactivity is not expected to have any effect beyond the site boundary. The consequences are confined to the site of the plant; and
- (d) Off-site emergency — Events are in process, or have occurred, which involve imminent substantial degradation or melting of the core. The consequences of the radioactive release are likely to extend beyond the site boundary of the plant.