

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 24 November 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 SIR DAVID ROBERT FORD, K.B.E., L.V.O., J.P.

THE FINANCIAL SECRETARY

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

THE ATTORNEY GENERAL

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

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

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

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

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

DR THE HONOURABLE DAVID LI KWOK-PO, O.B.E., LL.D., 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 PEGGY LAM, 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 JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

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

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

THE HONOURABLE SIMON IP SIK-ON, O.B.E., J.P.

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

THE HONOURABLE JAMES TO KUN-SUN

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

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

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

THE HONOURABLE JAMES TIEN PEI-CHUN, O.B.E., J.P.

THE HONOURABLE ALFRED TSO SHIU-WAI

ABSENT

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

THE HONOURABLE RONALD JOSEPH ARCULLI, O.B.E., J.P.

THE HONOURABLE MOSES CHENG MO-CHI

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

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE EMILY LAU WAI-HING

IN ATTENDANCE

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

SECRETARY FOR EDUCATION AND MANPOWER

MR MICHAEL SUEN MING-YEUNG, J.P.

SECRETARY FOR HOME AFFAIRS

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

SECRETARY FOR SECURITY

MR RONALD JAMES BLAKE, J.P.

SECRETARY FOR WORKS

THE HONOURABLE MICHAEL SZE CHO-CHEUNG, I.S.O., J.P.

SECRETARY FOR CONSTITUTIONAL AFFAIRS

MR ANTHONY GORDON EASON, J.P.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

MR HAIDER HATIM TYEBJEE BARMA, I.S.O., J.P.

SECRETARY FOR TRANSPORT

MR GORDON SIU KWING-CHUE, J.P.

SECRETARY FOR ECONOMIC SERVICES

MR DONALD TSANG YAM-KUEN, O.B.E., J.P.

SECRETARY FOR THE TREASURY

MR STUART WREFORD HARBINSON, J.P.

SECRETARY FOR THE CIVIL SERVICE

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

SECRETARY FOR HEALTH AND WELFARE

MR TAM WING-PONG

SECRETARY FOR FINANCIAL SERVICES

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>
Regional Council (Fees for Official Signatures and Miscellaneous Services) (Amendment) Bylaw 1993	445/93
Urban Council (Fees for Official Signatures and Miscellaneous Services) (Amendment) Bylaw 1993	446/93
Inland Revenue (Amendment) (No. 5) Ordinance 1993 (76 of 1993) (Commencement) Notice 1993	447/93

Sessional Papers 1993-94

- No. 30 — The Open Learning Institute of Hong Kong Annual Report 1992-93
- No. 31 — Report by the Commissioner of Correctional Services on the Administration of the Correctional Services Department Welfare Fund for the year ended 31 March 1992

Address**The Open Learning Institute of Hong Kong
Annual Report 1992-93**

MR PETER WONG: Mr President, as Chairman of the Council of the Open Learning Institute of Hong Kong, I have the honour of presenting the fourth Annual Report and Audited Accounts of the Institute for the year ended 31 March 1993 which are tabled before this Council today.

The Report gives a comprehensive account of the institute's achievements during that period, but I would like to highlight some major milestones that have been accomplished.

OLI remains committed to the provision of higher education through a system of open access and distance learning. This gives an opportunity for all Hong Kong adults to study, with great flexibility at sub-degree and degree levels, regardless of their previous academic or other qualifications.

All objectives set by the Planning Committee of OLI have now been more than met. The institute completes its first full cycle and is proud of its first set of 161 graduates who will be awarded their degrees later this month. I believe that the rate of student progress and the institute's ability to support them is amongst the finest open learning performances in the world.

The institute has now proved its worth and role as the major provider of adult education at degree level in Hong Kong. During the year there were over 30 000 registrations in 37 different courses, with 15 000 individuals enrolled, 21 new courses were presented for the first time and the presentations of courses in the medium of Chinese increased. Instruction in the Chinese language is likely to be an area of major growth in the years to come as OLI meets the growing needs of the local population for the learning medium in the Chinese language.

Another significant event has been the validation of all 17 degree programmes by the Hong Kong Council for Academic Accreditation. An 18th degree programme received its approval on 1 September 1993. Three panels for each of the existing schools of Arts and Social Sciences, Business and Administration and Science and Technology, made up of a total of 34 international and local academics, scrutinized all aspects of the academic contents and the delivery system of courses to students. This very critical review gave its whole-hearted support to all operations, which was particularly pleasing considering the speed, physical and financial constraints that the institute has had to endure. All the staff of OLI deserves congratulations for this splendid achievement.

With the establishment of the Centre for Continuing and Community Education the institute has been able to respond to the needs of the community by offering courses at sub-degree level. In addition, with its planned agency role in the presentation of postgraduate programmes of reputable overseas institutions, the centre is actively seeking out a strong position in the highly competitive continuing education sector of Hong Kong. Its establishment as Hong Kong's pre-eminent trainer of adults is being keenly pursued.

Despite all the advances and new developments the OLI has still managed to reach a breakeven situation, with this past year being the last year of government subvention. In the future the institute will be entirely dependent on income from student fees and donations, with no direct funding from the public purse. However, to help in its viability and success the Government granted a site for the development of a permanent campus in Ho Man Tin, and also allocated a grant of HK\$150 million towards its construction. With an additional donation of HK\$71 million from the Royal Hong Kong Jockey Club,

the institute expects to be in its own campus by the end of 1995. Planning is underway and the project is expected to be well within budget. The campus will enable an increase of services, facilities and support offered to staff, tutors and students, as well as serving to improve the institute's image in the eyes of Hong Kong. Additionally it will remove the current burden of high rental costs for the existing administrative and limited student-support premises.

In looking at the accounts of the institute, I wish to draw Members' attention to the cost of studying at the OLI. Since its inception in June 1989 student fees have gone up by over 70%. While the OLI is still the lowest cost producer of undergraduate education in Hong Kong, the policy of full cost recovery will begin to limit access to only a small proportion of the target group: I wish to take the opportunity to urge the Government to consider ways and means of providing assistance to OLI students. A fee remission scheme on the same level of generosity as the other institutions would be just.

The institute has widened its international links and through them is developing additional credit transfer arrangements. With the advanced standing policies that further facilitate government flexibility in the new sub-degree awards the programmes will be articulated together for easy entry and exit for the Hong Kong resident.

The real results of OLI's hard work will only be reflected in the calibre and future success of their graduates as a part of the Hong Kong workforce equipped with their newly acquired knowledge and technologies. Their commitment to studying for a degree through distance education whilst fulfilling work and family responsibilities is not easy and they are to be applauded.

Looking ahead, in the near future OLI will be offering:

- postgraduate programmes, mainly through the agency of overseas institutions; and
- nursing and education upgrading programmes to degree level for in-service nurses and teachers.

In addition it will be developing its international profile through the hosting of Asian and worldwide conferences on distance education.

OLI must be encouraged to continue in its commendable contribution to Hong Kong as it builds on its successes and achievements.

Oral answers to questions**Public access to government financial information**

1. MR PETER WONG asked: *Will the Government inform this Council how members of the public can have access to the financial information of government departments, trading funds and public bodies apart from the annual publications of the Estimates of Expenditures or Annual Reports; and what means are available for the public to monitor in detail the financial performance of the services run by or for the Government?*

SECRETARY FOR THE TREASURY: Mr President, it is a well-recognized principle that the detailed monitoring of government financial performance and expenditure is primarily the role of this Council, rather than individual members of the public. This practice is in line with a long-standing constitutional arrangement in Hong Kong now enshrined in the Public Finance Ordinance (Cap. 2). Nevertheless, there are adequate channels for interested members of the public to keep themselves informed and to comment about the expenditure of public sector bodies.

For government departments, the information available to members of the public on expenditure and performance is mainly that mentioned in the Honourable Peter WONG's question, that is, the annual Estimates and the Director of Accounting Services' Annual Report and, in some cases, annual departmental reports. These publications are on sale to the public in all Government Publications Centres.

Apart from the special occasion each year for Members to question the Administration on the Annual Estimates of Expenditure, Members of this Council can put questions to the Administration, either formally or informally, throughout the year. Members of the public who have specific concerns can raise them through Members or pursue them directly with the departments concerned.

The Government also publishes its accounts quarterly in the Gazette. This information is freely available to the public. These quarterly accounts are often the basis of comments in the media. As far as I am aware, Mr President, this is a greater degree of disclosure than adopted by most governments and is certainly much more than the practice in the private sector, in which shareholders would normally receive details of financial performance on a quarterly basis.

In the debate on 27 October on the Motion of Thanks for the Governor's annual address to this Council, the Financial Secretary promised to make available to Members and the public the operating accounts of the five government utilities: the Post Office, the Airport, Marine Ferry Terminals, Government Toll Tunnels and Waterworks.

With regard to Trading Funds, the Trading Funds Ordinance provides for audited accounts to be tabled in this Council once a year, together with a report by the Fund Manager on his performance. Such accounts will also be available for sale to the public at the Government Publications Centres. It is of course open to Members to initiate a debate on such accounts, or to raise questions in this Council during the year.

The expenditure of public bodies (by which I mean statutory bodies) is reported as required under their specific governing ordinances. Thus, for example, the annual audited reports of the Mass Transit Railway Corporation, the KCR Corporation, and the Provisional Airport Authority are tabled in this Council. These reports are available to the public. Some of their annual accounts have achieved awards for transparency and clarity. Again, Members can raise questions on these accounts at any time.

Our system in Hong Kong is on the open parliamentary model: not the ancient Greek model where every citizen put forth his views on matters of the day scratched on pieces of broken pot. But the public has broad access to the details of public expenditure and are free to comment to Members, the press or directly to the Administration.

When we receive questions directly from the public on public expenditure, we pledge to go as far as we can to respond promptly and fully.

Thank you.

MR PETER WONG: *Mr President, I regret I have left my pieces of broken pot at home. However, does the Government set out minimum standards of disclosure of financial information to be made available to the public by each department?*

SECRETARY FOR THE TREASURY: Mr President, at present the information on departmental financial performance is made available in the annual Estimates which are laid before Members for debate and scrutiny every year and, at the same time, 33 government departments make available annual reports giving full details of their operations. And in these reports, invariably, there are full details of the departments' financial operations. These reports are available to members of the public and are on sale at the Government Publications Centres.

PRESIDENT: Is your question not answered, Mr WONG?

MR PETER WONG: *With respect, Mr President, I do not think the Secretary answered my question, that is, whether the Government has set minimum standards of disclosure.*

SECRETARY FOR THE TREASURY: Mr President, the standards we have set are what I have outlined in that they require, as in the case of annual Estimates, a very high order of detail. But of course there are limits to which we can provide information as requested by individual members of the public: such information must be furnished on a basis that taxpayers will not have to shoulder the disproportionate amount of cost in preparing the information. But within these limits we will do as much as possible. As I said earlier on in my main answer, we pledge to provide as much information as possible and as quickly as possible.

DR DAVID LI: *Mr President, how many enquiries of a financial nature from members of the public do various government departments, trading funds and public bodies receive each year?*

SECRETARY FOR THE TREASURY: Mr President, I do not have any comprehensive information on this. As far as the Finance Branch is concerned, which is the centre for receiving various enquiries of this kind, so far I have only received one request from one institution for information on detailed financial operation, and we have responded satisfactorily.

MR MARTIN BARROW: *Mr President, does the Secretary acknowledge that many members of the community believe that the amount of information now being published is more than adequate, and will he confirm that the Government will not get bogged down into spending all its time on reporting rather than getting on with the job?*

SECRETARY FOR THE TREASURY: Yes, Mr President, I believe that is the case. From the number of enquiries we have received, I think we can come to the conclusion that members of the public are generally satisfied with the extent and the frequency of information on government financial operations reported to them.

MR NGAI SHIU-KIT: *Mr President, who decides whether any information requested is commercially sensitive and therefore withheld, and what avenues of appeal are there?*

SECRETARY FOR THE TREASURY: I am sorry, Mr President, I did not quite catch the question. Could I hear it again, please?

PRESIDENT: Would you repeat it, Mr NGAI, please?

MR NGAI SHIU-KIT: *Mr President, who decides whether any information requested is commercially sensitive and therefore withheld, and what avenues of appeal are there?*

SECRETARY FOR THE TREASURY: Mr President, this is primarily a matter for the heads of departments concerned. Ultimately, it will be my job, as Secretary for the Treasury, to decide whether such information is commercially sensitive, if the information relates to financial performance. And as regards appeals, if any member of the public is aggrieved by such a decision he or she of course can write to tell us so that the case can be reviewed, and they can appeal to a higher level.

MRS SELINA CHOW: *Mr President, since most members of the public are not financial specialists — and quite a few Members of this Council including myself are certainly not — what efforts is the Government making to render financial reports more user-friendly?*

SECRETARY FOR THE TREASURY: Mr President, we constantly seek better representation. We regularly consult experts including Members of this Council. In fact we always appreciate suggestions on how best to give clearer information. The main problem is the sheer volume of information being published and the sheer volume of information which is held by the government departments concerned. We need to have some consensus from Members on how they would like the information to be summarized if it is generally believed that we are not doing an adequate job in this regard.

DR CONRAD LAM (in Cantonese): *Mr President, in the seventh paragraph of the reply, the Secretary mentioned the transparency of the accounts of some statutory bodies. May I ask the Secretary through what channels members of the public can have access to information on some major hospitals under the Hospital Authority, for example, Queen Mary Hospital and Queen Elizabeth Hospital, in respect of their funds allocation and disbursement in a particular year?*

SECRETARY FOR THE TREASURY: Mr President, I am sure members of the public who are interested in that kind of information can write to the Hospital Authority.

Money laundering

2. MR JIMMY MCGREGOR asked: *Will the Government inform this Council:*

- (a) *of the number of reports concerning money laundering received by the authorities since the Drug Trafficking (Recovery of Proceeds) Ordinance came into force;*
- (b) *of these reports, how many cases were investigated, how many were unfounded and how many led to prosecution; and*
- (c) *of the penalties imposed on those found guilty of offences, expressed as fines and imprisonment?*

SECRETARY FOR SECURITY: Mr President,

- (a) A total of 893 reports have been received from banks, deposit-taking companies, accountancy firms, overseas law enforcement agencies and individuals under section 25 of the Drug Trafficking (Recovery of Proceeds) Ordinance since the enactment of the ordinance in 1989.
- (b) All reports received were investigated by the Joint Financial Intelligence Unit of the police and the Customs and Excise Department. 284 of these investigations are still in progress. The remaining 609 have concluded with the following result: 154 reports were confirmed not to be related to drug money laundering; 443 cases did not produce sufficient evidence for proceedings to be instituted under the ordinance; nine reports led to proceedings for the confiscation of drug proceeds; three reports led to prosecutions for drug money laundering offences.
- (c) Of the three prosecutions for drug money laundering offences, the proceedings in two cases have not yet concluded. The third case ended in an acquittal. In the nine cases where confiscation proceedings have been initiated with assistance from reports made under section 25 of the ordinance, assets to the value of \$150 million have been ordered to be confiscated and further assets amounting to \$59 million are under restraint.

MR JIMMY MCGREGOR: *Mr President, can the Secretary say whether the cases taken, the money involved in all of the cases investigated, and the money successfully confiscated represent a satisfactory beginning to a drive against what is clearly a very large money laundering operation which uses Hong Kong*

banking and other financial services? And can the Secretary say whether three prosecutions from 893 reports suggest that stronger legislation is required?

SECRETARY FOR SECURITY: Mr President, we believe that the operation of the ordinance has in general been satisfactory. It is of course impossible to prove one way or the other what deterrent effect these provisions have. But we do believe that they have a substantial deterrent effect. There are areas where the law might be improved and be strengthened and we are currently considering what improvements should be made.

DR DAVID LI: *Mr President, what percentage of the total number of reports to date concerning cases of suspected money laundering has been made by banks in Hong Kong?*

SECRETARY FOR SECURITY: Mr President, the banks have reported the great majority of cases. They have made 861 reports out of the total of 893.

MR CHIM PUI-CHUNG (in Cantonese): *Mr President, referring to the Secretary's reply, how much has so far been confiscated as a result of crackdowns on money laundering cases that required overseas law enforcement agencies' co-operation; are we required to share the assets with the agents concerned, and will the Administration step up these efforts in the future?*

PRESIDENT: Have you got the question, Secretary?

SECRETARY FOR SECURITY: Yes, Mr President. Could I first make clear that the assets confiscated will include assets well in excess of those uncovered as a result of reports made of drug money laundering? About \$300 million in assets confiscated or restrained under the ordinance result from the enforcement of external enforcement orders in Hong Kong; in other words they are based on reports and requests from external agencies. We have received, so far, one request for sharing of the assets from the United States but the legal proceedings in this case have not yet been concluded. When they have been concluded we may well be submitting to the Finance Committee of this Council a proposal for the sharing of assets.

MRS ELSIE TU: *Mr President, we see that in nine cases confiscation proceedings were initiated and assets to the value of \$150.3 million ordered to be confiscated. Was the amount actually confiscated or was the net result of all this just nothing and, if so, would it be worthwhile spending the money doing any investigations?*

SECRETARY FOR SECURITY: Mr President, the amount was confiscated.

MRS SELINA CHOW: *Mr President, given that 70% of the cases concluded did not produce sufficient evidence for proceedings to be instituted, does this reflect that the threshold of proof is set too high, and can the law be changed to remedy this situation?*

SECRETARY FOR SECURITY: Mr President, as I said, we are considering some improvements to the ordinance, but I do not think that we intend to change the burden of proof in these cases. Perhaps I could explain that section 25 of the ordinance makes it an offence for a person to assist another person to retain the proceeds of drug trafficking when he knows or has reasonable grounds for believing that the money involved is the proceeds of drug trafficking. There are difficulties in bringing cases to a satisfactory conclusion because of the difficulty of proving the mental element of the offence as well as the difficulty of proving that the money is actually the proceeds of drug trafficking. But it seems to me that those points are essential elements which would have to be proved beyond reasonable doubt to obtain a conviction, and I do not think that we intend to make any change to that.

MR JIMMY MCGREGOR: *Mr President, can the Secretary say whether the results of this legislation being brought into effect in 1989 suggest that Hong Kong is substantially used for drug money laundering? What is the actual result of all this work which has been done, in terms of the policy being followed by the Government?*

SECRETARY FOR SECURITY: Mr President, Hong Kong is a very major financial centre and it is of course used for drug money laundering; I do not think anybody would seek to deny that.

DR DAVID LI: *Mr President, what measures have been or will be taken to enhance international co-operation in cases of suspected money laundering?*

SECRETARY FOR SECURITY: Mr President, the ordinance does contain provisions for the reciprocal enforcement of judgements relating to money laundering. The Governor in Council may designate territories whose confiscation orders and requests for restraint of assets liable to confiscation can be enforced in Hong Kong, and that is done on a reciprocal basis so that similarly Hong Kong's requests can be enforceable in those other countries. So far we have designated 11 other jurisdictions under the ordinance and, as I said in answer to a previous question, some \$300 million have been confiscated under these provisions.

Rehabilitation services

3. DR YEUNG SUM asked (in Cantonese): *The Social Welfare Department in consultation with various rehabilitation organizations worked out in July this year new demand figures showing significant changes in the demand for various types of rehabilitation services. These new demand figures are of particular importance to the development of pre-school services for disabled children because they show a total shortfall of over 600 places in both Special Child Care Centres and Early Education and Training Centres as against the original estimate of having a surplus in these two services. Will the Government inform this Council:*

- (a) *when it plans to start the major review of Rehabilitation Programmes Plan, due for 1993, which would affect the long-term planning of rehabilitation services; and*
- (b) *how the Administration is going to deal with the long waiting list currently kept by the Central Referral System?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the Rehabilitation Programme Plan sets out a comprehensive picture of the current and planned provision of rehabilitation services over the next 10 years. The current plan was compiled in 1990. We intend to conduct a review of the plan in mid-1994.

There are two central referral systems in the Social Welfare Department, namely, the Co-ordinated Referral System for Pre-school Services and the Central Referral System for Disabled Adults. These two systems register disabled persons in need of rehabilitation services. When vacancies become available, the systems will select registrants from the computer in chronological order according to the date of application for review and further processing of the cases.

We have taken and will continue to take steps to reduce the waiting lists kept by the Central Referral System. In this connection, Members may recall that the necessary funds for meeting in full key targets in the Green Paper on rehabilitation by 1996-97 have been secured. These relate to the provision of an additional 3 930 residential places for people with various disabilities and an extra 3 760 places in day services for mentally handicapped people. We are determined to meet the key targets on schedule.

We will update the targets regularly to ensure that they match the changing needs and circumstances of the various groups of clients. Where necessary, we will continue to seek funding for the provision of additional places for both disabled pre-schoolers and disabled adults. In the meantime, the Social Welfare Department is streamlining the central referral systems with a view to identifying clients with a genuine need for services and to speeding up

referrals and admissions so as to make fuller use of the places available. These measures will also help towards reducing the waiting lists. Let me take today's opportunity to reassure Members that we are all firmly committed to improving the quality of life of people with disabilities.

DR YEUNG SUM (in Cantonese): *Mr President, the figures referred to in the Secretary's reply are mainly places provided in rehabilitation institutions whereas my concern is pre-school education for disabled children. According to the Administration's plan, apart from 600 additional places in Early Education and Training Centres for 1993-94, no more places will be provided from 1994 to 1997. With no additional resources and with the commitment to meet the targets on schedule, how can the Administration cope with such a long waiting list?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, as regards pre-school services, my response is as follows. The Social Welfare Department has recently consulted the Hong Kong Council of Social Service and the operating agencies on the formulation of a proposed demand formula for use in the Rehabilitation Programme Plan review. The projected demand figures derived from the proposed new formula suggest there are still shortfalls in pre-school services by 1996-97. On the other hand, the proposed formula projects that there is substantial surplus in other areas, for example, Integrated Child Care Centres. Subject to acceptance of the new demand formula by the Administration, the Social Welfare Department will examine the possibility of deploying savings to meet shortfalls and will start planning the new projects. In the interim, we will actively consider the introduction of a pilot scheme, Home Based Training Programme, for disabled children in 1994 to cater for those awaiting services.

DR LEONG CHE-HUNG: *Mr President, in the last paragraph of his reply the Secretary said that the Social Welfare Department is streamlining the central referral system with a view to identifying clients with a genuine need for services. Could the Secretary quantify what, in his view, are genuine needs and hence identify priorities for admission?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the scheme that we are working is first to waitlist the applicants, to ascertain the applicants' preference for locations, and also to ascertain as regards the health conditions of the applicants and their families' ability to look after them. So, in this respect, our aim is to speed up the admission of the applicants. As regards the pilot scheme, this is an area the Social Welfare Department will give further consideration to.

DR YEUNG SUM (in Cantonese): *Mr President, just now the Administration has admitted the shortfall of places in pre-school education for disabled children. Will the Administration try to get additional resources for them in next year's Budget?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the Social Welfare Department is at the present moment examining the financial implications arising from the pilot scheme and also considering deployment of existing resources. So I am awaiting the submission from the Director of Social Welfare on this pilot scheme.

Election candidates

4. MR JAMES TIEN asked (in Cantonese): *In order to convince the public of the integrity of character and conduct of candidates standing for election to the three tiers of representative government, will the Government inform this Council:*

- (a) *whether the Hong Kong police have a report alleging that China might support triad elements to run for the 1995 Legislative Council elections; if so, whether this report can be published; if not, whether the Government will make a statement on this issue; and*
- (b) *whether consideration will be given to amending existing legislation or adopting other measures, to prevent triad elements from registering as candidates for elections to the three tiers of representative government?*

SECRETARY FOR SECURITY: Mr President, as regards the first part of the question, the police are not aware of the existence of any such report. I have nothing to add to that.

As regards the second part of the question, under existing legislation, a person who, on the date of nomination, is serving a sentence of imprisonment is disqualified from being nominated as candidate. A person is also disqualified from candidature if, within the 10 years preceding the date of election, he has been convicted of an offence and sentenced to imprisonment exceeding three months. These provisions cover persons convicted of triad-related offences. We have no plans to introduce further measures.

MR JAMES TIEN: *Mr President, I have here a copy of a statement made by Mr Willard H MYERS on 4 November 1993 to the United States House of Representatives. Mr MYERS is the director of the Centre for the Study of Asian Organized Crime. I will just quote the first sentence where he said:*

"The recent confidential report prepared by the Royal Hong Kong Police Force suggests the existence of a high-level alliance between the leadership of Hong Kong triads and the national government of the People's Republic of China and as part of their alliance the triads will run candidates in the coming Hong Kong elections."

The Secretary's reply to the first part of my question says that the police are not aware of the existence of any such report. Could the Secretary undertake to inform the United States Consulate here to set the record straight that the Royal Hong Kong Police Force did not prepare such a report, so as to protect our international reputation?

PRESIDENT: I do not think that question infringes Standing Order 18(1)(i) which prohibits a question as to whether a statement of a private individual is accurate. Mr TIEN, could you just repeat, please, the actual point you wish to make?

MR JAMES TIEN: *Mr President, to make it short, I have a copy of a statement made by Mr MYERS, who is the director of the Centre for the Study of Asian Organized Crime, to the United States House of Representatives to the effect that the Royal Hong Kong Police Force did prepare such a report. And the Secretary's reply to my question is that the Hong Kong police are not aware of the existence of such a report. Therefore my question to the Secretary is whether the Hong Kong Government will undertake to either inform the United States Consul General or the United States Congress that the Royal Hong Kong Police Force did not prepare such a report?*

SECRETARY FOR SECURITY: Mr President, yes, I have also seen that statement, but I do not know what it refers to. As I say, there is no such report. We will certainly try to make that clear to the United States authorities.

REV FUNG CHI-WOOD (in Cantonese): *Mr President, was the Administration aware of any triads assisting candidates in electioneering? If yes, what measures does the Administration have to ensure that elections are conducted fairly?*

SECRETARY FOR SECURITY: Mr President, I think that the existing legislation, which I touched upon in my main answer, has adequate provisions to ensure that elections are conducted fairly. I would say that we have no evidence that there has been any organized campaigning by triads to infiltrate or to seek influence over the district boards, municipal councils or the Legislative Council, or to infiltrate into elections.

MR JAMES TO (in Cantonese): *Mr President, the Security and Guarding Services Bill which has recently been gazetted provides that any person on conviction of a triad offence cannot register as a security guard even if the imprisonment term is less than three months. But the Secretary has said just now that if a person is convicted of a triad offence and given a less than three months imprisonment term, he can still be a candidate in the three-tier elections. When the two pieces of legislation are compared, does it suggest that those convicted of a triad offence and given a less than three months imprisonment term are unfit to be security guards, but they may consider standing for elections?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, to disqualify an individual from candidature is a very serious matter. It should therefore be linked to the gravity of the offence that he has committed, as reflected in the length of the imprisonment term. And I think, also, that any measures that we take must be in compliance with the principle of rationality and proportionality.

At this point Mr James TO indicated a wish to ask a follow-up.

PRESIDENT: Only if your question has not been answered, Mr TO. There is a long queue here.

DR TANG SIU-TONG (in Cantonese): *Mr President, in 1987, the Security Branch conducted background checks on district board members elected in 1985 and found that 10% of the members had triad links. Will the Administration carry out similar checks on all the members elected in the 1991 three-tier elections?*

SECRETARY FOR SECURITY: Mr President, the police did do a survey, after the event, into both the 1985 and the 1988 district board elections. Perhaps I should explain, very briefly, the results of those surveys, so far as candidates are concerned. There were 502 candidates in each of those elections. In the 1985 election it was found that 28 candidates did have a previous criminal record, and four of those candidates had a previous conviction for triad or organized crime; but of those only one was subsequently elected. In 1988, of the 502 candidates 30 had a previous criminal record, none of them for triad or organized crime offences. I suspect that the police will similarly do an analysis of any future elections.

MR HENRY TANG: *Mr President, from the Secretary's main reply it appears to me that a person with known triad links but who was never prosecuted or convicted could become a candidate. Would the Secretary confirm that, please?*

SECRETARY FOR SECURITY: Mr President, that is the case. The legislation as it is written at present relates to convictions and the sentence as passed for those convictions. It does not seek to disqualify people on the basis of association or suspicion.

MR CHEUNG MAN-KWONG (in Cantonese): *Mr President, it is mentioned in the Administration's reply that previous surveys showed that some members indeed had triad links and might even be triad members. If there is hard evidence that confirms that certain Members of this Council are triads, what will be the position of the Administration in such circumstances? Will it take legal action against them or even remove them from public office? Or will it allow them to continue in office until the end of their term?*

SECRETARY FOR SECURITY: Mr President, triad membership is in itself an offence which carries a term of imprisonment of more than three months. If the police have evidence that someone is a triad member and this is evidence that is strong enough to take a prosecution, then they would certainly take that prosecution.

MR FRED LI (in Cantonese): *Mr President, even though a candidate has no criminal record and is not a triad member, there is a possibility, in fact it did happen in the past, that he may hire triads to assist him in electioneering. Is the Secretary for Security aware of such a situation and are there any measures to prevent them from hiring triads to assist them in electioneering?*

SECRETARY FOR SECURITY: Mr President, yes, it is the case that the police surveys — for example in 1985 and 1988 to which I have referred — did deal not only with the records of the candidates themselves but also with the records of their identifiable supporters, that is, those who endorsed the candidate proposal forms, of which there were over 5 000, I believe, in each election. The point, I think, is that the police can only enforce the law. If they have any evidence that there is any breach of the law in what is going on in electioneering, then they will certainly seek to take action to stop that.

MRS SELINA CHOW (in Cantonese): *Mr President, according to the Secretary for Security's reply just now, the police did conduct surveys after the 1985 and 1988 elections. Can the Secretary for Security inform this Council why a similar survey was not conducted after the 1991 elections? If they did, were the*

Legislative Council elections included in the survey and can the findings be disclosed?

SECRETARY FOR SECURITY: Mr President, I am sorry, I do not know the answer to that. I will have to give an answer in writing. (Annex I)

MR MAN SAI-CHEONG (in Cantonese): *Mr President, will the Administration inform this Council whether all the appointed members in the three tiers of government do not have triad links or close connections with them? If they do, do we have to wait until the abolition of appointed membership in 1994-95 before the problem can be solved?*

PRESIDENT: Did you get the question, Secretary?

SECRETARY FOR SECURITY: Mr President, yes, I think so. All, I think, I would say is that we do vet members before appointment.

MR LEE WING-TAT (in Cantonese): *Mr President, the Secretary for Security mentions in the second paragraph of his reply that "a person is disqualified from candidature if, within the 10 years preceding the date of election, he has been convicted of an offence and sentenced to imprisonment exceeding three months." If a citizen was sentenced to over 10 years' imprisonment in China for political reasons or because of spreading counter-revolutionary ideas, (actually this has happened before), whereas in our legal system, such criminal charges are non-existent, will the person be disqualified from candidature in the three-tier elections here?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, I think I am not competent to give legal advice on such a matter as asked in the question.

MR LEE WING-TAT (in Cantonese): *Mr President, though the Secretary for Constitutional Affairs cannot provide a reply now, can he give me a detailed answer in writing, that is, if a citizen is sentenced to 10 years' imprisonment in mainland China because of spreading counter-revolutionary ideas, will he be disqualified from candidature in the three-tier elections here?*

PRESIDENT: Do I understand your question: you want elucidation of the answer as to whether the offence provided for is an offence committed in Hong Kong, not elsewhere? Is that right, Mr LEE?

MR LEE WING-TAT (in Cantonese): *Mr President, the situation that I have mentioned did happen in the past, that is, some Hong Kong citizens were sentenced to 10 years' imprisonment in China because of spreading counter-revolutionary ideas. There is however no such criminal offence on our statute book. Nevertheless, our existing electoral legislation provides that a person who has been sentenced to three months' imprisonment or who has not resided in Hong Kong for a continuous period of seven years is not qualified to be nominated as a candidate in any of the three-tier elections. Since we do not have such a criminal offence in Hong Kong, is a person who has been sentenced to 10 years' imprisonment in other places still qualified to be a candidate in the three-tier elections here?*

PRESIDENT: I think the question simply goes to whether "offence" means an offence committed in Hong Kong or includes an offence committed elsewhere.

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, section 11 of the Electoral Provisions Ordinance does provide for offences that have been committed in either Hong Kong or any other territory or country.

Central to Mid-levels escalator link

5. DR LAM KUI-CHUN asked (in Cantonese) *Will the Government inform this Council:*
- (a) *whether the traffic flow at Mid-levels has decreased since the opening of the Central to Mid-levels escalator link; if so, which types of vehicles have contributed to the decrease and what their respective percentages of decrease are; and*
 - (b) *how many complaints in respect of the above escalator link have been received as at mid-November and what the main issues of the complaints are?*

SECRETARY FOR TRANSPORT: Mr President, the Central to Mid-levels escalator system commenced operation on 15 October. Because of the large number of sightseers and other users attracted by the novelty of the system, no clear pattern has so far emerged in the use of the escalators and it is far too soon to establish the real impact on traffic in the Mid-levels area. However, ballpark figures do show that, on average, some 20 000 people use the escalator daily with about 4 000 travelling downhill on the escalator between 6 am and 10 am each morning. These figures suggest a little less reliance on vehicular transport.

The Transport Department has so far carried out two one-day surveys during rush hours, and not surprisingly, no significant change in traffic volume has emerged. The department intends to undertake a comprehensive survey early next year by which time travel patterns in the area should have become more settled.

The escalator system has proven to be remarkably popular and has attracted favourable comment both locally and overseas. Since the trial period began, we have received only eight complaints. These relate to temporary breakdowns and stoppages of the system, inadequate directional signs and poor illumination, noise problems and the lack of synchronization between the speed of the handrail and the escalator steps. Indeed, these complaints reflect the basic teething problems that have been experienced most of which have since been rectified.

DR LAM KUI-CHUN (in Cantonese): *Mr President, it was mentioned in the second paragraph of the reply that no significant change in traffic volume from Central to the Mid-levels had emerged since the escalator system came into operation. Will the Administration inform this Council whether there are indications of a change in traffic volume of buses and minibuses; and if this does not bring about a reduction in traffic volume, how it will affect plans of building these escalators in other districts?*

SECRETARY FOR TRANSPORT: Mr President, before the escalator started operation, the Central and Western District Board did ask about how bus services would be affected and sought assurances that bus services would not be reduced before a pattern of traffic was clear. Up to now no bus services have been reduced. However, the Transport Department, after checking the schedules of both CMB and Citybus, has found that during rush hours there have been a number of missing trips and both companies have subsequently been warned by the Transport Department. Meanwhile, the Government has no immediate plans to build such escalators in other districts.

MRS MIRIAM LAU (in Cantonese): *Mr President, the result of an opinion survey conducted by the Liberal Party two days ago showed that 22% of nearby residents and shop owners found the escalator a nuisance to them. Is the Administration going to take any remedial measures to reduce such nuisance?*

SECRETARY FOR TRANSPORT: Mr President, admittedly, the escalator runs very close to some shops along the alignment. This is inevitable because of the topography of the region. Various measures are being taken to deal with nuisances which have been identified. For example, screens and panels are being installed along the sections closest to these shops. Indeed some of these shop owners have complained, or clamoured about, the inconvenience and

disturbance caused, but other shop keepers have, I should add, reflected that they are very happy with the escalator because it has brought them more business.

MR NGAI SHIU-KIT (in Cantonese): *Mr President, there have been cases of women and children stumbling on such escalators. Should such misfortune happen one day, and legal action is brought against the Government, will adequate compensation be given and how is it going to prevent these incidents from occurring?*

PRESIDENT: I think that question is hypothetical, Mr NGAI. Could you make it more specific and less hypothetical?

MR NGAI SHIU-KIT (in Cantonese): *Mr President, I am asking the question of compensation for women and children tripped over the escalator and indeed this has something to do with the operation of the escalator. How is the Administration going to deal with the problem, and are there measures to prevent such incidents from occurring?*

SECRETARY FOR TRANSPORT: Mr President, in the event that someone is injured on the escalator and it can be proven that this is due to negligence on the part of the contractors or because of the design of the system, certainly, compensation will be considered.

MR ROGER LUK (in Cantonese): *Mr President, will the Administration advise if it has set any target for reducing traffic volume and if so, when it can be achieved?*

SECRETARY FOR TRANSPORT: Mr President, we have no firm plans in hand to introduce any traffic measures in the Mid-levels. As I said just now, the bus frequencies will not be reduced at present. Looking further ahead, I think it is important perhaps to recognize that the hill-side escalator operates in a vertical direction from Conduit Road down to Des Voeux Road, whereas the road system on the Mid-levels mainly runs on a horizontal line and covers a much wider net. Therefore, it is perhaps unrealistic to expect that the escalator would reduce the traffic volume substantially.

MRS PEGGY LAM (in Cantonese): *Mr President, has the Administration calculated how much the daily power consumption cost was since the escalator system came into operation, and does it intend to recover it from the public?*

PRESIDENT: It goes beyond elucidation, but do you have the answer, Secretary?

SECRETARY FOR TRANSPORT: Mr President, I cannot provide detailed costs as regards power consumption. But according to our estimate, the annual recurrent costs will be in the region of \$4.4 million. This includes payments to the contractor for providing security guards and attendants at the moment. In future, when the escalator is managed by the Transport Department, the costs will be included as part of the overall costs for that department.

DR LEONG CHE-HUNG: *Mr President, since there is no plan to decrease traffic flow, and even bus routes are not reduced, would the Secretary inform this Council what factors he will consider in assessing the cost effectiveness of this project?*

SECRETARY FOR TRANSPORT: Mr President, early next year, when comprehensive surveys are undertaken and we have the results of those surveys, we will then look into measures which should or should not be undertaken. And I think cost effectiveness will have to be considered at that time.

MR PETER WONG: *Mr President, are there emergency arrangements in case of breakdowns to safely shepherd would-be escalator riders across the busy Mid-level roads which do not have adequate pedestrian crossings close to the escalator?*

SECRETARY FOR TRANSPORT: Mr President, there are five attendants on duty throughout the time when the escalator is in operation from 6 am to 10 pm. And the control room is also equipped with CCTV. At the road junctions that are located at level crossings, there are signs provided to alert users of the escalators.

PRESIDENT: Not answered, Mr WONG?

MR PETER WONG: *Mr President, my question is: Are there emergency measures planned in case there is a breakdown and there are many people waiting to go down and they decide to walk down the steps and cross the main roads?*

SECRETARY FOR TRANSPORT: Mr President, technicians are on duty throughout the time when the escalator is in operation. And as regards emergencies, there is also a direct line to the control point at the police station so that ambulances and police could be alerted, if necessary.

MRS SELINA CHOW (in Cantonese): *Mr President, the original concept of an escalator link between the Central and Mid-levels must have been based on a certain network pattern. There were plans then to provide seven escalators to relieve traffic at the Mid-levels. Will the Secretary inform this Council when the operation of this escalator will be reviewed, and of the timetable for building the other six escalators?*

SECRETARY FOR TRANSPORT: Mr President, there have never been plans to provide seven escalators. In the early days, when the proposal was first mooted in the mid-1980s, indeed there were several proposed alignments which were under consideration; for example, along Peel Street and Aberdeen Street. But following the commissioning of consultants, the present alignment was chosen and no further planning has been undertaken. I think it is premature to say when we will decide whether additional escalators will be built but certainly the effectiveness of this escalator will be monitored over the coming year.

MR JIMMY MCGREGOR: *Mr President, I have heard many good reports about the efficiency of the escalator. But in the meantime could the Secretary please put these ballpark figures somewhat more in context, in regard to the estimated number of people moving up and down from Mid-levels? Could these figures of 4 000 and 20 000 be put into context, please?*

PRESIDENT: Are you able to, Secretary?

SECRETARY FOR TRANSPORT: No, Mr President, I am afraid I do not have the figures on the number of people who travel between Mid-levels and Central each day.

PAA and MTRC consultancy contracts

6. MR ALBERT CHAN asked (in Cantonese): *Will the Administration inform this Council whether the recent additional funding of \$50 million for the design contract of the new airport terminal is related to deficiencies in the provisions in the contract, such as those relating to the revision and/or adjustment of project requirements; whether similar deficiencies are found in other contracts signed by the Provisional Airport Authority and the Mass*

Transit Railway Corporation with their consultants, whether they have led to additional costs and how these deficiencies can be remedied?

SECRETARY FOR WORKS: Mr President, the \$50 million additional payment is not related to deficiencies, but was for a change in the scope of the design works which could not have been foreseen at the time the design contract was let. PAA under the terms of the design contract were obliged to pay for additional work arising from the change in scope, and after proper consideration the PAA Board authorized the lump-sum settlement approach; this was a cost-effective means to resolve an issue which otherwise would have dragged on in a contentious manner, possibly to result in costly arbitration. These matters were explained in October to the Legislative Council Subcommittee on the Financing of the ACP.

The Administration is satisfied that the total payment expected to be made for this design contract, including the additional payment, is cost-effective. The Airport Master Plan schematic design for the terminal building has now been developed through detailed design into a building which meets PAA's operational requirements, as well as those of the airline industry, passengers and other users. The highest standards of functionality, efficiency, and user friendliness have been achieved for an estimated unit cost which is only about average for equivalent international airport terminal buildings. The integrity of the PAA's overall budget estimate has been kept intact, whilst opportunities for commercial revenue space within the building have been uplifted with significant benefits in the revenue generating potential of the building.

All contracts of this nature entered into by the Government, the PAA, the MTRC and indeed within the private sector at large, lump-sum or not, must contain provision to vary and the means to value variations. I wish to assure the Honourable Member, however, that any variation involving increase or decrease in cost will be subjected to close scrutiny by the Government or the respective board of these two statutory bodies, to ensure that no unwarranted payment ensues and that proper procedures are in place for the authorization of relevant scope changes.

MR ALBERT CHAN (in Cantonese): *Mr President, Mr BLAKE has said just now in his reply that the consultant contract concerned is a fixed-price lump-sum contract. Will the Secretary inform this Council whether the design contract of the airport terminal building is a fixed-price lump-sum contract; if not, why not? Has the Provisional Airport Authority obtained the approval of the Provisional Airport Authority Board before asking the design consultant to alter the design and the contract?*

SECRETARY FOR WORKS: Mr President, as I have explained, this was a fixed-price lump-sum contract. May I explain. Fixed-price means that within the contract there is no provision for any adjustment on account of any increases in the basic costs of the resources which the consultant must apply to the contract. Lump-sum means that the price agreed for the design contract reflects a basic scheme of requirements which the client puts to the consultant and which the consultant agrees to provide. In this case, the agreed scheme of requirements, during the development stage of the design, were clearly items that had to be provided for which could not have been foreseen at the time of the original design price being submitted; which the PAA Management, after detailed consideration, confirmed were additions to the contract outside the original scope of the design contract; which the PAA Board were kept apprised of during the time of the assessment of these items; and which the PAA Board agreed to before the PAA Management were able to indicate to the design consultant the lump-sum agreement involving the payment of \$50 million.

MR STEVEN POON (in Cantonese): *Mr President, \$50 million is, relatively speaking, a very large sum of money. The authority concerned explained its funding request to the Legislative Council Subcommittee on the Financing of the Airport Core Projects because it had to seek funds from it. But in the future when the Airport Authority is established and no funding request is necessary, as in the case of the Mass Transit Railway Corporation now, in what way can the Administration explain the airport funding to this Council if similar situation happens again?*

PRESIDENT: Have you understood the question, Secretary?

SECRETARY FOR WORKS: I am afraid not, Mr President.

PRESIDENT: I think it might have got lost in the translation, Mr POON.

MR STEVEN POON (in Cantonese): *Mr President, the authority concerned gave an explanation to this Council only because it required funding. But in the future when the Airport Authority is established, the funds will be allocated to the Authority. Likewise, the Mass Transit Railway Corporation needs not come to this Council for funding. If similar situation arises in the future, in what way can the Administration explain the airport funding to this Council; and will it follow the present practice, which is that even though approval for funding is not required from this Council, explanation will be given to the Legislative Council Subcommittee on the Financing for the Airport Core Projects such that its members will know about the situation?*

SECRETARY FOR WORKS: Mr President, first of all, the Administration and the PAA Board are quite satisfied, after very detailed consideration, that the results of this design contract in terms of the quality and the scope of the work produced fully justify the total amount of fee that would be paid to the design consultant — a total amount which includes the original amounts due and the additional \$50 million.

So far as accountability is concerned, the PAA Board will ensure that they are the authoritative voice in terms of all payments approved, that their authority will be given in the light of budget constraints, and that any items of expenditure which are over and above the original intended scope of payments must be explained satisfactorily in detail to the PAA Board before any authority to enter into such payments is given. These items, of course, will also appear ultimately in the Annual Report of the PAA itself.

PRESIDENT: Not answered, Mr POON?

MR STEVEN POON (in Cantonese): *Mr President, in short, can the Secretary's reply be taken as follows: If similar situation arises in the future in respect of the Airport Authority or the Mass Transit Railway Corporation (in relation to the airport and airport railway), then only the boards of directors of the Airport Authority and the Mass Transit Railway Corporation will know about the situation but not this Council?*

SECRETARY FOR WORKS: Mr President, the intention in setting up the statutory authorities, as I understand it, is precisely to ensure that those authorities, through their respective boards, do take authority and are accountable for all items of expenditure of such nature. Perhaps, Mr President, my colleague the Secretary for Economic Services may wish to add to what I have said in this regard.

DR SAMUEL WONG (in Cantonese): *Mr President, the Secretary said that the additional consultant fee of \$50 million was due to a change in the scope of design works. Does the design contract include the design of the railway interchange at the airport and other related designs? Since that part of the design has now been taken out and become a new item of work, will the PAA be entitled to a corresponding fee reduction under the original design contract, which, according to the estimate of people in the industry, is near \$50 million?*

PRESIDENT: Have you got the question, Secretary?

SECRETARY FOR WORKS: I would appreciate some elucidation. I think the final point of the question was lost in the translation, Mr President.

DR SAMUEL WONG (in Cantonese): *Mr President, has the design contract included the design of the railway interchange at the airport and other related designs? Since that part of the design has now been taken out and become a new item of work, will the PAA be entitled to a corresponding fee reduction under the original design contract, which, according to the estimate of people in the industry, is near \$50 million?*

SECRETARY FOR WORKS: Mr President, to answer the question as I understand it, within the design development of the terminal building, the payments which are the subject of question today, the \$50 million, relate to development of the building itself, after very detailed consultation with the airline industry in particular. And as far as the Airport Railway is concerned, the development of the terminal building — a matter, I believe, the Honourable Member is referring to — is not part of the matters which we are dealing with today.

DR SAMUEL WONG: *May I seek clarification, Mr President?*

PRESIDENT: Is your question not answered, Dr WONG?

DR SAMUEL WONG: *It is not answered.*

PRESIDENT: Not answered. Yes, what has not been answered?

DR SAMUEL WONG: *Mr President, can the Secretary confirm that the design of the railway interchange at the airport is not part and parcel of the original design contract? That is what I am after.*

SECRETARY FOR WORKS: Mr President, the original design contract was for a terminal building which had an interface with the Airport Railway, part and parcel of the full development of the user functionality of the terminal building which has taken into account passengers arriving, both by road and by rail. The interface between rail passengers and the airport building is being further developed between the PAA and the Mass Transit Railway Corporation. That is a further development which is not part of the additional \$50 million which the PAA Board has already authorized as payment due for additional works over and above the original design contract.

Written answers to questions**Occupational safety involving overhead work**

7. MR PANG CHUN-HOI asked (in Chinese): *According to statistics supplied by the Labour Department; the number of occupational accidents involving persons falling from a height exceeded 10 000 in each of the past three years. Will the Government inform this Council of the following:*

- (a) *the number of prosecutions instituted by the Government under sections 6A and 6B of the Factories and Industrial Undertakings Ordinance in relation to workers engaged in overhead work without taking safety precautions;*
- (b) *whether the Government has any plan to reinforce this aspect of occupational safety since workers are at present often seen to be engaged in overhead work without safety harness; and*
- (c) *whether consideration has been given to enacting legislation requiring workers engaged in overhead work to take appropriate safety precautions?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the number of occupational accidents under the "falls of person" category referred to by Mr PANG Chun-hoi include minor injuries arising from slipping on the floor or tripping over objects. There are no separate statistics in respect of persons falling from a height.

- (a) In 1992 and 1993, seven summonses against proprietors were taken out under section 6A of the Factories and Industrial Undertakings Ordinance in relation to workers engaged in overhead work without taking safety precautions. No prosecution has been taken out against employees under section 6B of the ordinance.
- (b) During a four-month campaign this summer, the Labour Department has made 796 inspections to multi-storey buildings and construction sites. Such inspections include promoting the awareness of employers and workers of the need to undertake safety measures when engaged in overhead work, failing which prosecution action will be taken.
- (c) There is already legislative control on working at height under the Construction Sites (Safety) Regulations covering all overhead work. Section 6B of the Factories and Industrial Undertakings Ordinance requires workers to take reasonable care for the health and safety of themselves and to co-operate with the proprietor in order that all the safety requirements under the ordinance can be complied with.

In addition, we are preparing a set of new Factories and Industrial Undertakings (Suspended Working Platform) Regulation targeted at the safe operation of gondolas.

Park project at Gin Drinker's Bay

8. MR ALBERT CHAN asked (in Chinese): *As the construction works of the park at Gin Drinker's Bay Landfill will soon be completed, will the Government inform this Council:*

- (a) when the park will be open to the public; if a date has yet to be fixed, why;*
- (b) on what criteria the decision was made to build a park on this landfill; what the assessment of the impact on the environment at the time was; and*
- (c) whether a review has been conducted on the feasibility of such a town planning project so that money would not be wasted on the construction of the project?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) No date has yet been fixed for the opening of the park by the Regional Council. This is because the Phase II works to be carried out by the Regional Services Department await finalization of the details of another works project which will affect Phase II of the park.
- (b) The development of this park will make optimal use of the land created upon closure of the landfill and provide open space for use by the general public. However, given the possibility of settlement of the landfill surface during the initial period after its closure, substantial buildings or structures cannot be built on it. Parks and other recreation facilities are appropriate uses for such landfill sites, provided precautions are taken to prevent discharge of leachate and the build-up of landfill gas. On the advice of consultants, measures to deal with leachate and prevent landfill gas emissions will be part of the project.
- (c) The Regional Services Department is waiting to proceed with Phase II of the park project as described in (a) above to avoid incurring unnecessary costs before the details are finalized.

Floor areas described in flat sales literature

9. MR EDWARD HO asked: *As there have been a number of cases recently concerning the sale of "diminished shop spaces in shopping arcades" in which the saleable areas of the shops differed greatly from the gross floor areas indicated on the flat sales literature, will the Government inform this Council:*

- (a) what legislative and/or other measures will be taken to ensure that the information provided by developers/real estate agents of redeveloped buildings on floor plans and on floor areas in flat sales literature is accurate; and*
- (b) whether consideration will be given to adopting a standardized formula for the calculation of gross and saleable floor areas?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the Government's aim is to encourage developers to provide sufficient accurate information in their sales material as far as practicable. At present there is no statutory definition of the terms "gross floor areas" and "saleable floor areas". However, the latter term is commonly taken to refer to the floor area exclusively allocated to a unit but excluding common areas such as stairs and lift shafts. The Consent Scheme operated by the Lands Department has adopted a standard form of Agreement for Sale and Purchase where the definition of "saleable area" set out at Annex A is used. This definition was introduced after consultation with the Consumer Council, the Real Estate Developers Association, the Hong Kong Institute of Surveyors and the Royal Institute of Chartered Surveyors. The Law Society has also adopted a similar definition for Non-Consent cases. (Please see Annex B.) Thus at the time of signing the formal Agreement for Sale and Purchase in Consent and Non-Consent cases, purchasers should be well aware of the precise saleable area of the unit and can also check the floor plan of the unit attached to the Agreement.

The saleable area is one of a number of mandatory items to be disclosed in sales brochures and publicity materials for the sale of uncompleted units in developments that are subject to the Consent Scheme. For Non-Consent Scheme developments, at present it is a matter for the developer to decide whether or not to disclose saleable areas in the sales brochure. Nonetheless, a subcommittee of the Law Reform Commission is currently studying the subject of disclosure of information in sales material on uncompleted flats. The aim of the subcommittee is to ensure that sufficient information is available to the prospective purchaser in a practical and pragmatic fashion. The subcommittee is now finalizing its report. Thereafter the Government will study the recommendations carefully.

In all cases, the prospective purchaser or tenant is well advised to carefully study all available information and, if possible, inspect the premises. He should also take his own private legal advice and, if necessary, instruct an architect or surveyor to give him an expert opinion on the premises.

Annex A

Definition of "Saleable Area"
under the Consent Scheme

Under the Consent Scheme, "saleable area" means:

- "(i) in relation to a unit enclosed by walls, the floor area of such unit (which shall include the floor area of any balconies and verandahs), measured from the exterior of the enclosing walls of such unit except where such enclosing walls separate two adjoining units in which case the measurement shall be taken from the middle of those walls, and shall include the internal partitions and columns within such unit; but shall exclude the common parts outside the enclosing walls of such unit. Provided that if any of the enclosing walls abut onto a common area, then the whole thickness of the enclosing walls which so abut shall be included;
- (ii) in relation to any cockloft, the floor area of such cockloft measured from the interior of the enclosing walls of such cockloft;
- (iii) in relation to any bay window which does not extend to the floor level of a unit, the area of such bay window measured from the exterior of the enclosing walls or glass windows of such bay window and from the point where the bay window meets the wall dropping to the floor level of a unit but excluding the thickness of such wall;
- (iv) in relation to any carparking space, the area of such carparking space measured from the interior of its demarcating lines or enclosing walls, as the case may be;
- (v) in relation to any yard, terrace, garden, flat roof or roof, the area of such yard, terrace, garden, flat roof or roof measured from the interior of their boundary lines, and where the boundary consists of a wall, then it shall be measured from the interior of such wall."

Definition of "Saleable Area"
under the Non-Consent Scheme

Under the Non-Consent Scheme, "saleable area" means:

"the floor area of the unit (which shall include the floor area of any balconies and verandahs) measured from the exterior of the enclosing walls of the said unit except where such enclosing walls separate two adjoining units in which case the measurement shall be taken to the middle of those walls, and shall include the internal partitions and columns within the said unit; but shall exclude the common parts outside the enclosing walls of the said unit provided that if any of the enclosing walls abut onto a common area, then the whole thickness of the enclosing walls which so abut shall be included. The saleable area shall not include:

- (a) any cocklofts;
- (b) any bay windows which do not extend to the floor level of the said unit,
- (c) any carparking spaces, car ports, yards, terraces, gardens and roofs of any description."

Gondola accidents

10. MR EDWARD HO asked: *In view of the recurrence of accidents in connection with gondolas used for the cleaning of glass walls of buildings, will the Government inform this Council whether there are plans:*

- (a) to step up inspection and to require regular maintenance of these gondolas;*
- (b) to lay down the qualifications for gondola operators; and*
- (c) to enhance the cleaners' knowledge of work safety?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the answers to Mr HO's three-part question are as follows:

- (a) We intend to tighten control on the inspection and maintenance of gondolas by introducing a new set of Factories and Industrial Undertakings (Suspended Working Platform) Regulation by 1994. Existing control under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulation will be

incorporated into the proposed regulation specifically targeted at the safe operation of gondolas and other suspended working platforms. All gondolas must be examined and tested by a competent examiner periodically and under specified conditions (for example, after reerection or substantial repair). They must also be inspected at least once in the preceding seven days by a competent person before they are used. Lifting gears forming parts of the gondola must also be examined periodically.

During a four-month campaign held this summer, 796 inspections by the Labour Department were made to construction sites and multi-storey buildings, including gondolas. These efforts will continue.

- (b) Under the proposed Factories and Industrial Undertakings (Suspended Working Platform) Regulation, the qualification of operators will be redefined as a person who has undergone training on the operational mechanism of a gondola and the safety aspects of working on a gondola.
- (c) The Labour Department has distributed widely information leaflets and posters on gondola safety. Seminars to promote awareness on the technical and safety aspects of gondolas have also been organized and were well received. The Occupational Safety and Health Council has run courses on the use of safety harness. These promotional efforts will be sustained and stepped up as necessary.

Bus terminals on ground floor of commercial/residential buildings

11. MR WONG WAI-YIN asked (in Chinese): *Will the Administration inform this Council:*

- (a) *of the number of bus terminals located on the ground floor of commercial/residential buildings and their respective locations; how many of them are installed with ventilation facilities and which of them are not provided with such facilities; and*
- (b) *whether measurements and assessments have been made of the air quality in these bus terminals; if so, what the findings are; whether the extent of air pollution in some of these bus terminals has been found to be adversely affecting the human body; if so, what effective measures will be taken to improve the situation?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) There are 39 transport terminals located on the ground floor of commercial/residential buildings and their respective locations are shown on the list at Annex. Twenty-eight of these terminals are equipped with mechanical ventilation systems and these are also indicated on the list.
- (b) From March to September 1993, the Environmental Protection Department (EPD) conducted a survey of the air quality in six of the 27 transport terminals with mechanical ventilation systems, namely:
 - (i) Lam Tin Transport Interchange;
 - (ii) Tsuen Wan MTR Bus Terminus (Nam Fung Centre);
 - (iii) Sha Tin Central Bus Terminus;
 - (iv) China-Hong Kong City Terminal;
 - (v) Tai Po KCR Station Bus Terminus; and
 - (vi) Kai Tak Airport Terminal.

The data collected in these surveys has not yet been fully analyzed, but the preliminary indications are that in five of the six terminals one or more of the Hong Kong air quality objectives were exceeded. The main air pollutants are nitrogen dioxide, sulphur dioxide and particulates.

The poor air quality can be attributed mainly to inadequate or ineffective ventilation. The EPD has commissioned a study to formulate the design and operational requirements for ventilation systems in these facilities to achieve acceptable air quality standards. The study is expected to be completed by May 1994. In the meantime, the EPD has advised the managers of these terminals to take interim remedial measures, such as increasing the levels of ventilation and ensuring the proper operation and maintenance of their ventilation systems.

Existing Transport Terminals on
Ground Floor of Commercial/Residential Buildings

<i>District</i>	<i>Name of Transport Terminals (With address/lot no.)</i>	<i>Equipped with Mechanical Ventilation System</i>
(A) In Hong Kong		
1. Central and Western	Central Bus and PLB Station (Exchange Square)	
2. "	Admiralty MTR Transport Transport (East Terminus)	√
3. "	Admiralty Transport Interchange (Western Terminus)	√
4. "	Public Transport Interchange at the Peak	√
5. Eastern	Tin Hau MTR Transport Interchange	√
6. "	Shau Kei Wan Transport Interchange	√
7. "	Chai Wan MTR Interchange	x
(B) In Kowloon		
8. Kowloon City	Whampoa Garden Bus Terminus	√
9. "	Kai Tak Airport Terminal	√
10. Kwun Tong	Kowloon Bay Bus Terminus (NKIL 6115)	√
11. "	Lam Tin Transport Interchange (NKIL 6046)	√
12. "	Laguna City Public Transport Terminus (NKIL 6055)	√

<i>District</i>	<i>Name of Transport Terminals (With address/lot no.)</i>	<i>Equipped with Mechanical Ventilation System</i>
(B) In Kowloon		
13. Sham Shui Po	Cheung Shan Wan Plaza Bus Terminus (NKIL 5955)	√
14. Yau Tsim	China-Hong Kong City Transport Terminal	√
15. Wong Tai Sin	Lok Fu Bus Terminus	√
16. "	Wong Tai Sin Bus Terminus at Lower Wong Tai Sin Estate	√
17. "	Choi Wan Bus Terminus	x
(C) In New Territories		
18. Shatin	Shatin Central Bus Terminus	√
19. Tai Po	Tai Po KCR Station Bus Terminus	√
20. "	Tai Wo bus Terminus	√
21. "	Fu Shin Bus Terminus	x
22. Tsuen Wan	Tsuen Wan MTR Bus Terminus (Nam Fung Centre)	√
23. "	Bayview Garden Bus Terminus	√
24. "	Riviera Garden Bus Terminus	√
25. "	New Tsuen Wan Ferry Bus Terminus	√
26. "	Sai lau Kok Road Public Light Bus Terminus	√
27. "	Lei Muk Shue Bus Terminus	x
28. Kwai Tsing	Kwai Fong MTR Station	√
29. "	Kwai Hing MTR Station	√

	<i>District</i>	<i>Name of Transport Terminals (With address/lot no.)</i>	<i>Equipped with Mechanical Ventilation System</i>
(C)	In New Territories		
30.	Kwai Tsing	Kwai Ching Central Bus Terminus	x
31.	"	Cheung Hong Estate Bus Terminus	x
32.	"	Cheung On Bus Terminus	x
33.	Kwai Tsing	Tsing Yi Estate Bus Terminus	x
34.	Tuen Mun	Tuen Mun Pier Head Transport Interchange	x
35.	"	Sam Shing Transport Interchange	√
36.	"	Tuen Mun Town Centre Bus Terminus	√
37.	"	Leung King Bus Terminus	X
38.	Yuen Long	Long Ping Bus Terminus	X
39.	Sai Kung	Tsui Lam Bus Terminus	√

Legend

√ Equipped with mechanical ventilation system.

x Not equipped with mechanical ventilation system.

Outlying islands without water and electricity supplies

12. MR CHIM PUI-CHUNG asked (in Chinese): *Will the Government inform this Council:*

(a) *of the number of outlying islands without water and electricity supplies; and*

(b) *whether consideration will be given to selling or leasing these islands to the private sector for development?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) There are slightly less than 290 islands in Hong Kong. The majority of them are very small; and some 60% are less than 1 hectare in area. (To put this in perspective, Chater Garden covers 1.2 hectares and Victoria Park 20.) Most of the islands are uninhabited. Of those which are inhabited nine have a water supply provided by the Water Supplies Department and 19 an electricity supply provided by the power companies. Some islands have other sources of water and electricity supply such as wells and individually owned diesel generators. There are no detailed records beyond what is contained in the Annex.
- (b) There is no indication of any demand for islands with or without water and electricity supplies for development purposes. If applications are received they will be considered on their merits.

Annex

Islands with electricity supply by power companies and
water supply by Water Supplies Department

	<i>Electricity</i>	<i>Water</i>
1. Lamma Island	X	X
2. Ap Lei Chau	X	X
3. Green Island	X	
4. Lantau Island	X	X
5. Cheung Chau	X	X
6. Hei Ling Chau	X	X
7. Peng Chau	X	X
8. Chek Lap Kok	X	
9. Tai A Chau	X	X
10. Shek Kwu Chau	X	
11. Shek Tsai Po/Tai O	X	
12. Ap Chau	X	
13. Kat O Chau	X	
14. Kiu Tsui Chau	X	
15. Tap Mun Chau	X	
16. Yim Tin Tsai	X	
17. Tung Lung Island	X	
18. Tsing Yi Island	X	X
19. Ma Wan	X	X

Burglaries at Customs and Excise seized Goods Store

13. MR WONG WAI-YIN asked (in Chinese): *Regarding the recent burglary of a government warehouse which is used for storing confiscated goods, will the Government inform this Council of:*

- (a) *the number of such crimes during the past year; the quantity of goods lost and their value; and*
- (b) *the measures in place to prevent the recurrence of such crimes?*

SECRETARY FOR SECURITY: Mr President, during the past year, there have been two burglaries at the Customs and Excise Tuen Mun Seized Goods Store. The first case occurred on 1 March when some \$2.2 million worth of seized goods, including 247 video cassette recorders, 749 video cassette players, 38 video cassette tapes, 104 microphones and 1 400 cigarettes, were stolen. The second case occurred on 15 October; it involved the loss of some \$0.9 million worth of seized goods, including 10 video cassette recorders, 260 video cassette players and 340 400 cigarettes.

Customs and Excise Seized Goods Stores are all fitted with strong locks, iron doors, cross bars and iron window grills. Perimeter fencing and floodlights are also installed. Watchmen are employed to patrol and guard the Stores. There is also control on the entry and exit of authorized personnel. There are other detailed instructions and guidelines on security measures. The Customs and Excise Department is now arranging for the installation of antiburglary alarm systems in all its major Seized Goods Stores, and the strengthening of the patrolling and guarding watchmen teams, in particular those on night shifts. The police have also given advice on how to prevent such crimes.

Derivative transactions in Hong Kong

14. DR HUANG CHEN-YA asked: *In view of the rapid growth of derivative transactions worldwide, will the Government inform this Council:*

- (a) *of the current extent and projected growth in the near future of derivative transactions in Hong Kong;*
- (b) *whether there are measures to ensure that these financial instruments are given the opportunity to develop but not at the expense of putting Hong Kong's financial and banking system at risk; and*

- (c) *whether there are plans to introduce guidelines, codes of practices or legislation to safeguard the financial and banking system in this connection?*

SECRETARY FOR FINANCIAL SERVICES: Mr President,

- (a) Financial derivative products traded at the Hong Kong Futures Exchange (HKFE) include the Hang Seng Index (HSI) Futures contracts; contracts on the four Hang Seng Sub-Indices; the Three Month Hong Kong Interbank Offer Rate Futures contracts; and the HSI Options contracts. Among them, the HSI futures and options are actively traded. Average daily turnover of HSI futures rose from 4 347 contracts in 1992 to 8 377 contracts for the first 10 months of 1993. The figure for 1989 was only 959 contracts. HSI options, launched in March this year, also saw a growth in daily turnover from 529 contracts in April to 2 833 contracts in October. The HKFE is examining the feasibility of introducing additional products such as futures and options on currencies or other indices.

On the Stock Exchange of Hong Kong Limited (SEHK), the only derivative product listed is warrants. Their issuance, listing and trading are subject to SEHK rules. The SEHK is developing a programme to introduce exchange traded options on individual stocks in 1994.

There are other derivatives transacted in the financial markets. For authorized institutions under the Banking Ordinance, their business in this area is mainly in interest rate and exchange rate related contracts. The nominal value on such transactions has increased rapidly, rising from \$5,122 billion at end-December 1989 to about \$12,000 billion at end-June 1993.

While the nominal value is large, the risk involved is much smaller. For local banks, the risk exposure for capital adequacy purposes amounts to only \$16 billion compared with a nominal value of \$4,300 billion, which is about 1.5% of the risk assets of these banks.

It is difficult to project the growth rate of transactions in derivatives since the activities depend on a number of conditions such as the overall investment sentiment. In general, the volume of activities can be expected to grow in future, possibly in line with the growth in the financial markets.

- (b) When HSI options was introduced in March 1993, the HKFE created a new set of regulations for the product and procured a system from the Options Clearing Corporation in the United States which utilizes the most advanced methodologies for determining risk and

establishing appropriate levels of margining to adequately protect the Hong Kong Clearing Company (HKCC), market participants and the market as a whole. The risk management system also employs various tools including the imposition of position limits and, where appropriate, the ability of the HKCC to make intra-day margin calls. This system is also utilized in respect of futures contracts traded on the HKFE.

For the SEHK, the Central Clearing and Settlement System introduced in 1992 substantially enhanced the risk management capability. Under the system, the Hong Kong Securities Clearing Company becomes the counterparty to transactions recorded on the SEHK and guarantees settlement of each transaction. In relation to the introduction of stock options trading, the SEHK will employ extensive tools for risk management purpose. It is contemplating the procurement of an automated trading system and a clearing system to effectively manage risk.

Authorized institutions involved in interest rate and exchange rate derivatives are exposed to certain risks which are supervised by the Hong Kong Monetary Authority (HKMA).

First, the credit risk of such contracts is captured under the capital adequacy rules and institutions are required to keep adequate capital for such exposure in accordance with international standards recommended by the Basle Committee on Banking Supervision. Secondly, the currency risk of authorized institutions including that arising from derivative products is governed by the guidelines issued by the HKMA. Open positions in currencies are limited to 10% of the capital base for positions in any one single currency and 15% of capital base for the aggregate position. Thirdly, the HKMA holds regular discussions with authorized institutions on systems risk and wishes to be satisfied that those with significant business in derivative products have adequate systems in place to monitor risks associated with such business.

- (c) The HKFE introduced new rules and regulations prior to the commencement of trading of HSI options which supplemented rules relating to futures contracts. These rules and regulations were approved by the Securities and Futures Commission (SFC) and include provisions covering requirements such as adequate disclosure of the risk to investors and the establishment of risk management measures and utilization of the HKFE's risk control methodology.

Similar rules, regulations and risk management measures will be required before the SEHK introduces stock options. These rules again require the approval of the SFC. The SFC will also make

regulation under the Securities Ordinance, in the absence of which option trading is prohibited.

On the legislative front, an attempt to rationalize securities and futures related legislations is being contemplated, under which additional protections regarding the issuance and trading of derivative instruments will be introduced. Besides, amendments to the Securities (Insider Dealing) Ordinance are being considered to extend the Ordinance to derivative products such as stock options, third party issued warrants and depository receipts.

On the banking side, there are already guidelines and supervisory provisions on the regulation of credit risk, currency risk and system risk arising from derivative transactions as spelt out in (b). Following the issue of two consultative papers on the supervision of interest rate risk and market risk on trading in on- and off-balance sheet products by the Basle Committee on Banking Supervision, the HKMA has conducted surveys in respect of authorized institutions and consideration will be given to whether changes to its guidelines or the Banking Ordinance is required when the Basle Committee's recommendations are finalized.

When all the measures are in place, the regulatory authorities will keep them under review so as to keep abreast with market development.

Housing production allocation

15. MISS EMILY LAU asked (in Chinese): *The Housing Authority has recently decided that 10% of the new housing production in urban districts will be set aside for the annual waiting list applicants starting from 1994-95 and the boundaries of the districts available to public housing applicants for option will be so adjusted that there will be eight instead of the existing 14 localities while the fourth allocation offer will be dispensed with.*

Will the Government inform this Council:

- (a) how the remaining 90% of the new housing production in urban districts will be allocated and how it differs from the previous allocation arrangements; what impacts the new arrangement will have on the various allocation arrangements in respect of urban renewal, clearance and fire;*
- (b) why the boundaries of the districts available for option should be extended; and*

- (c) *whether the Housing Authority will give consideration to applicants who have opted for specified districts or estates on particular grounds; what kinds of situation would be accepted as valid grounds; and on what criteria such special cases will be assessed?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) The purpose of setting aside 10% of new housing production in urban districts for waiting list applicants starting from 1994-95 is to help clear the backlog of long standing cases which are mainly attributable to the applicants' insistence on being rehoused in urban districts where supply is very limited. Allocation of the remaining 90% of new urban flats will continue to be shared among various other rehousing categories. Since 10% of new urban flats amounts to only about 970 flats per year in the next four years, the impact of the new arrangement on other rehousing categories should be minimal because there will be ample supply of refurbished vacant flats in the urban areas to meet demand.
- (b) The reason for regrouping the districts of choice for waiting list applicants is to enable the Authority to make an earlier housing offer to applicants, with a consequential benefit of reducing their waiting time. The regrouping recognizes the fact that there will be little or possibly no new rental production in some districts in the coming years, and that it will not be reasonable to expect applicants to wait indefinitely. Given that Hong Kong is not a large place and is well served by public transport, applicants will be encouraged to be more flexible in considering housing offers with better prospects of supply.
- (c) Allocation of flats is normally made in line with the expressed preference for a district but requests for a specific estate or floor level are only entertained on medical, social or compassionate grounds and subject to the availability. These special needs are assessed on their individual merits, having regard to the recommendations of the Social Welfare Department and the Department of Health where necessary.

Eastern Harbour Crossing

16. MR FRED LI asked (in Chinese): *The extremely serious congestion at the Eastern Harbour Crossing during rush hours recently has resulted in long queues of vehicles in the two centre and industrial areas of Kwun Tong, causing a great nuisance to the residents there. Will the Government inform this Council of the following:*

- (a) *the data for the monthly traffic flow of the Eastern Harbour Crossing since its commissioning; and*
- (b) *the improvement measures in place to relieve the traffic congestion in the entire town centre of Kwun Tong caused by the congestion inside the Eastern Harbour Crossing?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) Traffic volume in the Eastern Harbour Crossing has increased from a daily average of about 19 500 vehicles when the tunnel opened in September 1989 to around 83 500 in October 1993. Detailed statistics are given in the appendix to this reply.
- (b) Traffic is heaviest during the evening peak commuting hours. To try to improve traffic flow, an experimental tidal flow scheme has been tried occasionally, with three tunnel lanes being utilized in the evenings for Kowloon bound traffic. This has sometimes resulted in a backup in traffic bound for Hong Kong and congestion in the Kwun Tong area.

The Transport Department is now reviewing the trial scheme in conjunction with the tunnel company and the Traffic Police to establish its overall effectiveness. As part of this review consideration will be given to other measures that might be introduced and, in this respect, the problem of traffic snarls in the town centre of Kwun Tong will certainly be taken into account.

Appendix

EASTERN HARBOUR CROSSING
AVERAGE DAILY TRAFFIC

<i>Month</i>	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
January	-	26 329	36 694	63 293	71 072
February	-	26 127	35 769	56 012	73 613
March	-	29 590	38 653	64 362	78 046
April	-	29 066	39 989	64 181	76 112
May	-	30 877	41 558	66 702	79 283
June	-	31 456	43 459	66 742	77 930
July	-	33 190	52 240	69 162	82 954
August	-	33 796	55 441	70 920	82 178
September	19 398	34 568	57 602	73 260	81 853
October	20 543	35 295	59 003	73 153	83 475
November	23 675	37 117	61 585	74 082	-
December	25 337	37 893	62 025	76 647	-

First Reading of Bills**MAGISTRATES (AMENDMENT) BILL 1993****NEW TERRITORIES LAND (EXEMPTION) BILL****INSURANCE COMPANIES (AMENDMENT) (NO. 3) BILL 1993**

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

Second Reading of Bills**MAGISTRATES (AMENDMENT) BILL 1993**

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

He said: Mr President, I move that the Magistrates (Amendment) Bill 1993 be read the Second time. The Bill seeks to give effect to a number of improvements to the processing of summonses in the magistracies.

Summonses in the magistracies are now processed by a computerized case and summons management system which was introduced in July 1992. This computerized system issues standardized summons forms, keeps track of outstanding payments, and helps to speed up the collection of fines.

In the light of the operating experience of the computerized case and summons management system in the past year, a number of improvements have been identified in respect of the issue of a summons to a defendant and mode of service, manner of making a complaint or laying an information, proceedings at hearings, and provisions as to witnesses. The Bill, when implemented, will give effect to these improvements which are mainly intended to rationalize existing operational practices in the processing of summonses.

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

NEW TERRITORIES LAND (EXEMPTION) BILL

THE SECRETARY FOR HOME AFFAIRS moved the Second Reading of: "A Bill to exempt certain land in the New Territories from the application of Part II of the New Territories Ordinance."

He said: Mr President, I move that the New Territories Land (Exemption) Bill be read a Second time.

The purpose of the Bill is to remove doubts about existing titles and the rights of succession to land and properties in the New Territories. This is done by granting exemption to non-rural land in the New Territories from the application of Part II of the New Territories Ordinance with retrospective effect from the date of the relevant land grant.

At present, almost all land and properties in the New Territories are subject to the New Territories Ordinance, which provides, among other things, that the court shall have power to recognize and enforce any Chinese custom or customary right in any proceedings in relation to land in the New Territories. Landowners have several means by which the effect of the customary rules of succession can be avoided if they so wish. Depending on individual circumstances, the available means may include applying for exemption under the New Territories Ordinance if the individual is the sole owner, assigning the land while still alive, or holding the land in the name of a company. Owners may also make a will or hold the property as joint tenants.

However, people who have bought properties subject to Part II of the New Territories Ordinance are generally not aware that Chinese customary law may apply to their properties for the purpose of succession. Most assume that the general laws of Hong Kong would apply to their properties whether they die testate or intestate. Because of this, probate of wills or letters of administration have been obtained and many conveyances of land in the New Territories may have been carried out on the assumption that the general laws of Hong Kong, including the laws of succession to land, apply.

There has been considerable concern expressed recently over possible doubts as to succession rights and property titles in the New Territories. The Administration is well aware of this. As I mentioned in this Council during the motion debate on succession rights in the New Territories held on 13 October this year, we have been actively pursuing measures to allay public anxiety and to address any potential problem which property owners in the New Territories may face.

As a first step, we have already implemented administrative measures with effect from June this year to exempt all new grants of land in the New Territories from the application of the New Territories Ordinance, except for grants to indigenous villagers, for example, under the Small House Policy or to customary bodies established by clans and families in the New Territories. While these administrative measures eliminate the problem for land granted after June 1993, there is no provision under existing legislation for the Government to grant exemption to land already granted prior to that date and now held in undivided shares by individual owners, unless all of them join together to apply. Accordingly, the Bill before this Council now seeks to overcome the problem by deeming all non-rural land (including undivided shares) in the New Territories to have always been exempt from the application of the New Territories Ordinance.

The Bill will also remove doubt about existing titles to land or property in the New Territories which may have been purchased from a vendor who acquired the property by registration of probate, letters of administration or customary succession from a deceased owner. As there is a general uncertainty of what the true legal position may be, there may have been many conveyances in the New Territories, the validity of which may be subject to challenge and which now form part of that title. It is, therefore, necessary to take steps to retrospectively validate these conveyances.

The Bill also contains provisions to facilitate those owners of rural land who wish to avoid the effect of customary rules of succession on their property by providing for the exemption of land, including undivided shares, from the application of Part II of the New Territories Ordinance, by the Director of Lands upon application of the landowner concerned by a simple and inexpensive procedure.

As regards owners of non-rural land, they will be aware that their land is exempt from the application of the New Territories Ordinance and they may resort to the remedy of making a will if they wish customary rules of succession to apply.

Mr President, I now turn to the Bill. Clause 2 is a definition section. The item "land" has the same meaning as in the New Territories Ordinance and includes undivided shares in land. The expression "rural land" means land in the New Territories being the subject of a Crown lease of an old schedule lot, village lot, small house or similar rural holding as defined in the Bill.

Clause 3 provides that any land in the New Territories, other than rural land, shall from the date of the lease be deemed to have always been exempt from Part II of the New Territories Ordinance.

Clauses 4 and 5 are savings clauses for transactions under the general law and under the New Territories Ordinance; and for customary land trusts.

Clause 6 enables an owner of land to apply for the exemption of that land from Part II of the New Territories Ordinance.

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

INSURANCE COMPANIES (AMENDMENT) (NO. 3) BILL 1993

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

He said: Mr President, I move the Second Reading of the Insurance Companies (Amendment) (No. 3) Bill 1993.

This Bill seeks to give better protection to policy holders by providing legislative support to the self-regulation of agents and brokers.

Insurers operating in Hong Kong are subject to prudential regulation by the Insurance Authority under the Insurance Companies Ordinance.

The Law Reform Commission, in its report issued in 1986, highlighted an absence of professional standards among insurance brokers and agents and a confusion over their roles and liabilities. It therefore recommended that they be subject to the same supervision as insurers.

Continued public complaints, including misrepresentation, inadequate explanation of insurance contracts and misappropriation of premiums received, underline the need for such supervision. Consequently in January this year the Hong Kong Federation of Insurers, in consultation with the Government, introduced a non-statutory Code of Practice for the Administration of Agents. In February, the Hong Kong Confederation of Insurance Brokers was founded. The Confederation requires its members to conform with its non-statutory Rules and Regulations for Membership and Professional Conduct.

However, complaints from members of the public against insurance agents and brokers have not abated despite the industry's efforts at self-regulation. We share the concern of the insurance industry that voluntary codes, rules, regulations and criteria have not proved fully effective in the absence of statutory backing.

We therefore propose, with the industry's agreement, to introduce legislation to provide an effective sanction against non-compliance by agents, brokers and insurers.

Clause 4 of the Bill sets out the requirements for self-regulation by defining the roles of agents and brokers, making insurers responsible for the actions of their agents and enhancing transparency of representation by agents.

The Bill provides that insurance agents must be properly appointed and limits the number of insurers an agent may represent. All insurers are required to comply with the Code of Practice for the Administration of Agents.

The Bill would also require brokers to meet specified standards before they could be authorized. They must keep clients' monies in separate accounts and be properly and regularly audited.

To enhance supervision the Bill would allow the Authority to require production of books and records if necessary and to withdraw authorization of brokers and apply for winding up of agents and brokers under specified circumstances.

The Bill further proposes that brokers, who arrange reinsurance for Hong Kong insurers overseas, should be exempted, provided that they do not have an agent or place of business here. Overseas insurers who only carry on reinsurance business here are already exempt under the Insurance Companies Ordinance.

Finally, to ensure effective operation, the Bill proposes penalties for non-compliance.

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

FACTORIES AND INDUSTRIAL UNDERTAKINGS (AMENDMENT) BILL 1993

Resumption of debate on Second Reading which was moved on 13 October 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).

IMMIGRATION (AMENDMENT) (NO. 2) BILL 1993

Resumption of debate on Second Reading which was moved on 27 October 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).

WATER POLLUTION CONTROL (AMENDMENT) BILL 1992

Resumption of debate on Second Reading which was moved on 9 December 1992

Question on Second Reading proposed.

MISS CHRISTINE LOH: Mr President, the Water Pollution Control (Amendment) Bill 1992 seeks to amend the principal ordinance to improve its

enforcement effectiveness by adding regulation-making powers necessary for the construction of sewerage and related works for the control of water pollution; and generally by increasing penalties and making changes to administrative provisions.

The Bill was introduced into this Council on 9 December 1992. A Bills Committee of 10 Members was formed and commenced scrutiny of the Bill on 9 July 1993. Altogether we held four meetings, including two with the Administration, and considered two submissions from the Yuen Long District Board and the Heung Yee Kuk. As Chairman of the Bills Committee, I would like to take this opportunity to thank my colleagues in the Committee for the time and effort they put in the discussions, the Administration for their co-operation and the interested organizations for submitting their views.

Mr President, I now come to the major issues considered by the Committee.

The main issue considered is the penalty level. The current maximum penalty, as laid down in the principal ordinance, for making illegal discharges of waste or polluting matters in a water control zone is a fine of \$100,000 for a first offence, \$200,000 for a second and subsequent offence, or for a continuing offence, \$5,000 for each day during which it is proved to the satisfaction of the court that the offence has continued. Under the Bill, a maximum of six months' imprisonment will be added to create a deterrent effect. The Committee generally supports the additional custodial sentence. As for the financial penalty, according to information obtained from the Administration, the fines imposed by the courts in 1992 amounted to only 10% of the maximum penalty. The Committee therefore considers that the existing levels of maximum fines are insufficient to achieve the necessary deterrent effect.

In view of the public concern over water pollution offences and the need to send a clear message to both the Judiciary and the potential offenders of the severity of the water pollution problem, the Committee considers that the levels of maximum fines should be doubled. After discussion, the Administration agreed with the increased penalties. I shall move the necessary amendment at the Committee stage.

As regards discharges of poisonous and noxious matters into communal sewers or communal drains, a separate offence with higher penalties will be created under the Bill. Such discharges are potentially damaging to a drainage or sewerage system and can endanger the health of workmen engaged in the operation or maintenance of the system. The proposed penalties are as follows — a fine of \$200,000 and imprisonment for one year for a first offence; a fine of \$500,000 and imprisonment for two years for a second and subsequent offence; and in the case of a continuing offence, a fine of \$20,000 for each day the offence continues. For the reasons already given, the Committee considers that the maximum fines should be doubled, to maintain relativity with the penalties for illegal discharges of waste and polluting matters. Similarly, the

proposed maximum fine of \$100,000 for contravening specified provisions of regulations or specified conditions of a licence should be doubled as well. After discussion, the Administration agreed with the increased penalties. I shall again move the necessary amendments at the Committee stage.

In order to ensure that penalties for all environmental offences are consistent, the Administration has agreed to undertake an overall review of the penalty levels in other environmental protection ordinances and to submit appropriate amendments when the opportunity arises.

Another point of concern raised by the Committee is that authorized officers are empowered to enter commercial premises without a warrant whereas it is necessary to have a warrant to enter domestic premises. The Administration explained that the privacy of a person's home should not be disturbed without judicial overview to protect his rights. However, commercial and industrial premises are likely to be the sources of major polluting discharge, and such premises are more readily accessible to the public. Any restriction on entry will seriously impair the effectiveness of enforcement work. The Administration further assured the Committee that the inspectorate-level officers concerned must be authorized by the Director of Environmental Protection personally. The Committee is satisfied with the Administration's explanation.

Finally, the Committee has raised a number of related issues which are outside the ambit of the Bill. It has therefore been decided that they should be considered by the appropriate Legislative Council Panel. These include: (1) monitoring the overall review on the penalty levels to be undertaken by the Administration; (2) organizing seminars for judges on the problem of pollution and its effect on the environment; (3) exploring other ways to impress upon the Judiciary that environmental offences should carry heavy penalties, for example, examining the extent of the prosecution's role in the sentencing and processing and finally pursuing the question of the criminal liability of individual civil servants involved in offending discharges. The Legislative Council Panel on Environmental Affairs or the Panel on Administration of Justice and Legal Services may be the appropriate forum to follow up on these matters.

With these remarks, I support the Bill.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, I am grateful to the Honourable Christine LOH, the Chairman of the Bills Committee to study the Water Pollution Control (Amendment) Bill, for the careful consideration given by the Committee to the Bill, and for the amendments proposed.

These are mainly related to the maximum penalties for making illegal discharges under clause 7, and to the power of entry into non-domestic premises

by authorized officers, a power proposed under clause 24 of the Bill to enable such officers to take urgent action to abate a seriously polluting discharge. I will refer to these issues in my speech, and to the timing of the regulations to be made under the Amendment Bill.

Maximum penalties

To bring the penalty provisions of the Water Pollution Control Ordinance in line with other environmental Ordinances, the Amendment Bill proposes, under clause 7, a custodial sentence of a maximum of six months for the offence of making an illegal discharge of polluting matter in a water control zone. Also under clause 7, it proposes that the discharges of poisonous and noxious matters into communal sewers or drains be made a separate offence. The same clause further proposes that the maximum penalties for such offence should be a fine of \$200,000 and imprisonment for one year for the first offence, a fine of \$500,000 and imprisonment for two years for a second and subsequent offence, and in the case of a continuing offence, a fine of \$20,000 for each day the offence continues.

The Bills Committee was of the view that the proposed penalties should be increased further to reflect more fully the increasing concern of the community for environmental protection, and to deter potential offenders further. The Administration is ready to accept these proposals and will therefore support amendments to double the maximum fines in the Amendment Bill, to be moved by the Chairman of the Bills Committee at the Committee stage.

The Administration will also take steps to review the penalty provisions for similar offences in other environmental Ordinances when amendments to these Ordinances are made.

Power of entry to non-domestic premises

There was some concern that authorized officers were empowered under the Amendment Bill to enter non-domestic premises without a warrant. It should be noted that for an entry into any domestic premises, the Bill proposes in clause 24 the need for a warrant in order to adequately protect the privacy of a person's home; such warrants can only be issued on the approval of a magistrate under clause 24 of the Amendment Bill. However, in the case of commercial or industrial establishments, which are in any case more readily accessible to the public, the same degree of privacy does not apply. Moreover, to restrict entry in such cases could adversely affect the enforcement work of the Environmental Protection Department which must, in most cases, act quickly to collect evidence to prove an offence or to stop pollution caused by an illegal discharge. In such cases, the level of pollution associated with such discharges is potentially much greater than that associated with discharges from residential premises because discharges from commercial or industrial establishments are greater in volume and likely to carry more pollutants. I am

therefore grateful for the Bills Committee's support for entry to non-domestic premises not to require a warrant in the circumstances I have described.

Connections to public sewerage

One of the objectives of the Amendment Bill is to add regulation-making powers to enable the Authority to require the connection of private drainage to public sewerage.

We are now working on the new regulations to be made under the Amendment Bill. Subject to the approval of the Amendment Bill by this Council, these regulations should be tabled before the Council early next year.

Thank you, Mr President.

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

Bill read the Second time.

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

Committee stage of Bills

Council went into Committee.

FACTORIES AND INDUSTRIAL UNDERTAKINGS (AMENDMENT) BILL 1993

Clauses 1 to 10 were agreed to.

IMMIGRATION (AMENDMENT) (NO. 2) BILL 1993

Clauses 1 to 8 and 10 to 16 were agreed to.

Clause 9

SECRETARY FOR SECURITY: Mr Chairman, I move that clause 9 be amended as set out in the paper circulated to Members.

A recent submission from the Law Society has caused our legal advisers to recognize that clause 9, as drafted, does not achieve the desired objective. The result of the clause as drafted would be that the presumption would operate where a police officer certified the existence of reasonable grounds for believing that a person is an owner, agent, captain or crew member of a ship.

Arguably, a court would be precluded from looking behind the existence of the certificate and satisfying itself as to the reasonableness of the officer's belief.

The amendment therefore seeks to make it quite clear that it is the court which must be satisfied that the application of the presumption is justified in each case.

I am grateful to the Law Society for drawing attention to this matter.

Proposed amendment

Clause 9

That clause 9 be amended, by deleting the clause and substituting —

"9. Proof

Section 37K(2) is repealed and the following substituted -

"(2) Where a person is charged with an offence under this Part as being, and there are reasonable grounds for believing that such person may be -

- (a) the owner of a ship;
- (b) the agent of the owner of a ship; or
- (c) a member of the crew of a ship,

that person shall be presumed to be such owner, agent or member, as the case may be, in the absence of evidence to the contrary."."

Question on the amendment proposed, put and agreed to.

Question on clause 9, as amended, proposed, put and agreed to.

WATER POLLUTION CONTROL (AMENDMENT) BILL 1992

Clauses 1 to 6, 8 to 27 and 29 to 30 were agreed to.

Clauses 7 and 28

MISS CHRISTINE LOH: Mr Chairman, I move that clauses 7 and 28(d) of the Water Pollution Control (Amendment) Bill 1992 be amended as set out under my name in the paper circulated to Members.

As mentioned in my speech at the resumption of the Second Reading debate, according to information and statistics supplied by the Administration, there was a substantial difference between the average fine in the past few years and the maximum penalty laid down in the Water Pollution Control Ordinance. The options of daily fines and appeal to a higher court on the fines imposed did not seem to have been used. The Bills Committee therefore considers it necessary to take this opportunity to double the maximum penalties in order to impress upon all parties concerned that the water pollution problem should be taken very seriously. We believe that the proposed amendments will be better able to express the legislative intent of this Council.

After the increased penalties come into effect, they will fall out of line with those for similar offences. However, we are given to understand that the number of environmental Ordinances are in the process of being updated. Opportunity will be available to amend them accordingly in order to maintain consistency.

Mr Chairman, with these remarks, I beg to move.

Proposed amendments

Clause 7

That clause 7 be amended —

(a) by adding -

"(ba) by repealing "\$100,000", "\$200,000" and "\$5,000" and substituting "\$200,000", "\$400,000" and "\$10,000" respectively;"

(b) in paragraph (d), in the proposed section 11(2) by deleting "\$200,000", "\$500,000" and "\$20,000" and substituting "\$400,000", "\$1 million" and "\$40,000" respectively.

Clause 28

That the clause 28(d) be amended, in the proposed section 46(3) by deleting "\$100,000" and substituting "\$200,000".

Question on the amendments proposed, put and agreed to.

Question on clauses 7 and 28, as amended, proposed, put and agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

FACTORIES AND INDUSTRIAL UNDERTAKINGS (AMENDMENT) BILL 1993

had passed through Committee without amendment and the

IMMIGRATION (AMENDMENT) (NO. 2) BILL 1993 and WATER POLLUTION CONTROL (AMENDMENT) BILL 1992

had passed through Committee with amendments. 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 for the motion debates and Members were informed by circular on 19 November. 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.

CONTAINER TRANSPORT

MR LEE WING-TAT moved the following motion:

"Since it is expected that the development of Container Terminal 9 project in Tsing Yi will not be completed by mid-1995, hence losing its original advantage in timing, this Council urges the Government to shelve the project, and to develop at full speed a container port at North Lantau together with the transport infrastructure in the adjacent districts including Kwai Tsing and Tsuen Wan, so as to meet the growing demand in the volume of container and passenger transport."

MR LEE WING-TAT (in Cantonese): Mr President, port facilities have always been very important to Hong Kong's import and export trade. In 1992, 100 million tonnes of freight was handled in the port of Hong Kong, and port-related

services accounted for 15% of our GDP, providing 350 000 job opportunities. Hong Kong's deep water harbour can be said to be the starting point of our economic development, and it is the lifeline of our trade. As port facilities are so important to our trade and economic developments, the United Democrats of Hong Kong (UDHK) support the Government in making greater investment in port development and formulating comprehensive long-term plans.

Mr President, the development of Hong Kong into a container port began in the 1970s, when the first container terminal came into operation in Kwai Chung. Over the past 20 years or so, though the Government developed the Kwai Chung container terminal in phases in response to the volume of container transport, there has never been any comprehensive long-term planning. Apart from a large container terminal and its backup facilities, there are also industrial areas and residential areas in Kwai Chung. Such chaotic planning is totally not in line with the standard of the 1990s. The consequent traffic and environmental problems have been getting more serious with the rising volume of container transport. It was not until 1989 when the Government published *The Port and Airport Development Strategy Review* that the first comprehensive planning for Hong Kong's port development was conducted. The review concluded that towards the beginning of the 21st century, the development of container terminals would all be at Lantau. Judging from the perspectives of town planning, traffic, environment, trade and economy, the container terminal facilities at Lantau will be better than those at Kwai Chung and Tsing Yi. With the rapid growth in the volume of shipping in Hong Kong, mid-stream operations by lighters have also come a long way despite the nearly total absence of government support. With their very flexible mode of operation and at an operation cost of only half of that of container terminals, the volume of container transport handled by mid-stream operations increased in 1992 to 30% of the total volume of freight handled. The growth in volume of container transport handled by mid-stream operations greatly outstripped that of container terminals in the past few years.

Mr President, the questions under debate today are: After repeated slippages, is it still necessary to construct the CT9 at Tsing Yi? Is the project still commercially viable? Between the little economic benefits left in the CT9 project and the quality of life of the 1.4 million people of southwest New Territories, what should our choice be?

Mr President, in early 1992 when the Executive Council decided to construct CT9 at Tsing Yi, the Government stressed that Tsing Yi was the only feasible site for a new deep water container terminal in the urban areas in the run-up to 1997. The Government even claimed that the first berth of CT9 could be completed on schedule in mid-1995. However, the fact now is that, because China has all along withheld its consent to the CT9 franchise, the project is now already nine months behind schedule. As the Sino-British row over Hong Kong's political system is likely to continue, it is not expected that the Joint Liaison Group would reach an agreement on CT9 at its December

meeting. The next JLG meeting would not take place until early next year. This means that the CT9 project would at least be 12 months to 18 months behind schedule. Its first berth would probably not be completed until the middle or the end of 1996. UDHK do not approve of the way in which China is linking economic issues to political issues. In any case, to tolerate China's unreasonable demands again and again is not the correct approach. The choice before the Government is either to go ahead with the CT9 project at once, regardless of China's objections or to scrap the project and proceed at full speed to develop the container terminal at North Lantau. However, the Government is not doing anything but just bides its time. Mr Jimmy McGREGOR has made the point that China, which is objecting to the CT9 project now, will similarly object to CT10. I do not agree with his analysis. As the first berth of CT9 has to be completed by mid-1995, time is very pressing. If the CT9 project gets started right now in the middle of the Sino-British row over Hong Kong's political system, China will object all the more because the CT9 franchise would be awarded by private treaty. In contrast, the CT10 project is not scheduled to be completed until mid-1997. The go-ahead can wait until perhaps late 1994 or early 1995. I expect that the Sino-British row over Hong Kong's political system would have come to an end by mid-1994 when Legislative Council will have finished its debate on all legislative bills on the political system. As there would be ample time, the CT10 contract could be let out by a completely open tender.

Mr President, the major commercial value of CT9 hinges on the completion of its first berth by mid-1995 so that the operator of the berth can absorb the rising volume of container transport between mid-1995 and mid-1997, and has two prosperous years. The many delays so far have greatly reduced the project's commercial viability. The development cost of the four berths of CT8, at Mei Foo, was only \$4 billion. The development cost of CT9 at Tsing Yi, also with four berths, is now estimated at \$11 billion, about three times as high. A further consideration is that a new container terminal will come into operation at North Lantau in mid-1997. Would the three successful bidders still want to go ahead and spend \$11 billion on CT9, knowing that CT9 would have to face a new competitor after one year of operation? The Secretary for Economic Services once said that it would be worthwhile and necessary to construct CT9 even if the project could not be completed until May 1997, just one month before the completion of CT10. I do not agree with him. I want to ask the Secretary whether the three companies have given him any undertaking that they will invest in CT9 despite any delays? I believe that they have not given any such undertaking. Delays would give the three companies causes to ask for renegotiations with the Government on the premium and the project specifications. They may even ask for lowering the requirement of traffic management and environmental protection measures. Members of the public, including inhabitants of the southwest New Territories would certainly object to such requests. The renegotiations on project specifications would further prolong the completion late. Mr President, my conclusion is quite simple: Delays and high construction costs have again and again eroded the commercial viability of the CT9 project.

Mr President, the Government has explained to the Legislative Council that if the CT9 at Tsing Yi could not be completed by mid-1995, Hong Kong would at worst suffer an estimated economic loss of \$30 billion between 1997 and 2006. This analysis is based on many assumptions that are overblown and erroneous. The first such assumption is that shipping business that leaves Hong Kong because of its saturated port facilities will never return to Hong Kong. Another assumption is that Hong Kong's existing port facilities would not be able to absorb the increase of 2 million containers in the volume of container transport between mid-1995 to mid-1997.

Firstly, whether a shipping company will use Hong Kong's port facilities depends entirely on our efficiency, our competitiveness and our other shipping-related services. The Government's argument that "business once gone will never return" is untenable.

The estimated increase of 2 million containers in the volume of container transport between mid-1995 and mid-1997 can be absorbed by making available more land for CT1 to CT8 and assisting the development of mid-stream operations. At the last meeting of Legislative Council panel on economic and public affairs, a Government representative said that under reasonable planning, a berth in a container terminal should have 20 hectares of operation area and an additional 10 hectares of backup areas. The 15 berths of CT1 to CT7 should have 450 hectares of land. But the Government has only made available 165 hectares of land to them with a shortfall of 285 hectares. The severe shortage of space has restricted the capacity of CT1 to CT7. Container terminal companies, members of the public, as well as colleagues in this Council all agree that much land should be made available to the existing container terminals. Under such circumstances, if more land is made available, the combined capacity of the eight existing container terminals can be raised to 10 million containers a year by 1997, greater than the demanded capacity of 9.4 million containers a year expected for mid-1997. In addition, as mid-stream operations can cope with one third of the volume of container transport without any assistance from the Government, the capacity of such operations would surely be greatly enhanced if the Government renders assistance.

Mr President, the 1.4 million inhabitants of New Territories South and New Territories West (including Tuen Mun, Tsuen Wan, Kwai Chung and Tsing Yi) are suffering every day from traffic congestion, noise pollution and air pollution. These problems are caused mainly by the Kwai Chung container terminal. The Government says that a bridge will be built and more backup areas will be made available when CT9 is built and that this will completely solve the problems. This is just a myth. I believe that it would be very difficult to find supporters for such a conclusion other than the Government itself and those who have full credit in every analysis put out by the Government. In Kwai Chung, Tsing Yi, Tsuen Wan and Tuen Mun, traffic congestion is a daily

occurrence. When it rains, people will have to walk to MTR stations or ferry piers to use the only services available. When there is a typhoon, most students and people who go to work may well have to take a day off. This is a real-life description of the problems affecting the 1.4 million inhabitants. Now that the commercial value of the CT9 in Tsing Yi has dropped drastically because of slippages, are we going to insist on pursuing the CT9 project for the little economic value left, or to take into consideration the hardship of 1.4 million people? My position is quite clear: I side with the 1.4 million people. Although scrapping the CT9 project may cause short-term worsening in traffic in 1996 and 1997, there would be great improvement on the commissioning of the container terminal at Lantau in 1997.

Mr President, in a press report of the *Hong Kong Economic Journal* today, Mr Steven POON of the Liberal Party criticized me for having only the interests of the local community in mind without regard to economic development. First of all, UDHK fully support the Government's plan on port development. However, the fact is that, after repeated slippages, the little economic benefits brought about by the CT9 project would definitely be less important than the quality of life of 1.4 million people. Does Mr Steven POON of the Liberal party mean that the quality of life of these 1.4 million people (a quarter of the population of Hong Kong) is a matter of local interests that does not have to be looked after? Perhaps it is the political philosophy of Mr POON and the Liberal Party to magnify their own interests or the interests of their own party but belittle the interests of 1.4 million people. Mr President, the CT9 project had been delayed for more than nine months. During this period, neither the Economic Services Branch nor the Transport Branch of the Government Secretariat has any contingency plan in place. It can be said that they were waiting for the doom. If the CT9 project cannot go ahead, then the Government must proceed at full speed to develop the container terminal at North Lantau so that several berths may be available for use by mid-1997 to make up for the shortfall due to the scrapping of the CT9 project. Meanwhile, the Government should also take active steps to provide more backup areas for CT1 to CT8 and support mid-stream operations, so as to enhance the capacity of the port of Hong Kong in coping with the growing volume of contain transport.

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

Question on Mr LEE Wing-tat's motion proposed.

PRESIDENT: Members may now express their views on the main motion as well as each of the two Members' amendments listed in the Order Paper. I shall ask the two Members who intend to move amendments to speak first, but no amendments are to be moved at this stage.

MR STEVEN POON (in Cantonese): Mr President, the CT9 project was carefully planned by the Port Development Board with the support of various government departments. Members of this Council and the general public were extensively consulted before the project was finalized. The Government also gave detailed explanations and provided an abundance of figures, economic forecasts and demand estimates to show that the project was really necessary.

However, the grant of land for the CT9 project was disputed by China. This dispute happened to coincide with the Sino-British dispute over Hong Kong's political system. As a result, the project was put on hold again and again.

The United Democrats of Hong Kong (UDHK) now move a motion calling for the abandonment of the CT9 project. It gives people the impression that Hong Kong is going to cut its own throat. This is most disappointing.

Mr President, many of the issues raised by the Honourable LEE Wing-tat — for example, the substitution of mid-stream operations for CT9, the need to solve traffic problems and the need to provide more backup areas to enhance the efficiency of the existing container terminals — are not new. They are issues which have been raised before and on which explanations have already been given. Mr LEE's only new argument is that, since the first berth of CT10 at Lantau will be completed by 1997, the Government may as well abandon the CT9 project, which is already behind schedule.

I wish to respond to this argument with the following observations:

Firstly, it is wrong to think that, if the CT9 project is abandoned, everything will be well when the first berth at Lantau is completed in 1997. Without CT9, Hong Kong's annual container handling capacity will be reduced by 1.6 million TEUs. This capacity diminution, which equals 22% of the combined capacity of CT1 to CT8, will be permanent. It will not be possible to complete by early 1997 five berths at Lantau with a capacity of 400 000 TEUs each, in other words, a total of 2 million TEUs. Therefore, if the CT9 project is abandoned, the impact on Hong Kong's economy will be inestimable. Due to the inadequacy of backup areas, it is impractical to think that the capacity of the mid-stream operations can be increased to make up for the difference. Nor is it economically logical to do so.

Secondly, it is wrong to say that Hong Kong's traffic problem will stop to worsen if there is to be no CT9. The volume of container truck traffic depends on economic growth and on import, export and re-export activities. There will be as many container trucks as are needed by these activities. If container truck traffic is to be fast moving, container terminals must be efficient. If the capacity of container terminals is not enough to enable container truck traffic to move fast, traffic conditions will be even more chaotic in New Territories West than they are now. Traffic snarls will perhaps be a daily occurrence there. In fact, a major cause of traffic congestion in New Territories West now is the

shortage of backup space for the container terminals. 30 hectares of backup space will become available with the completion of CT9. This, plus the expansion of Tsing Yi South Bridge and other road arrangements, should help to improve the traffic conditions of New Territories West.

Thirdly, the problem with the CT9 project is this: In order to encourage competition, the Government has, on one hand, awarded the franchise for two of the berths to a newly established consortium by way of negotiation. On the other hand, to ensure that CT9 will come on line on schedule, it has awarded the franchise for the other two berths to an existing container terminal operator. The Chinese side considers this to be an example of favouritism. If there is to be no CT9, this kind of dispute is still likely to arise in the case of CT10. So there is no guarantee that CT10 will come on line on schedule.

Mr President, UDHK move this motion probably in the hope of winning the favour of the people of Tsing Yi and New Territories West. Unfortunately, many are aware that, if the motion is passed, the traffic problems of New Territories West will get worse, to the detriment of the area's residents.

The motion obviously highlights conflicts between local community interests and the interests of Hong Kong as a whole. During the transition period, there is a market for heightened conflicts and confrontations. It is my belief, however, that these are not what most Hong Kong people want to see. They are also contrary to the basic convictions of the Liberal Party. The Liberal Party advocates harmony, co-operation and solidarity and seeks them actively. The Liberal Party looks for results that are good for all.

In view of the above, I shall move an amendment to Mr LEE's motion.

Mr President, I cannot agree with Mr Jimmy McGREGOR's amendment. Firstly, it seeks the deletion of the words about urging the Government to develop at full speed a container port at Lantau. This is not an appropriate step. In fact, this project is proceeding at a very slow pace. We must do everything we can to urge the Government to quicken its pace. Unless it does so, CT10 and other port facilities will not come on line fast enough to meet the needs.

Mr McGREGOR's amendment is also clearly directed against China. China is now an influential country in international affairs and in international trade matters. It is of course aware that slippages in Hong Kong's container terminal projects will have adverse effects on Hong Kong's economy and on the economy of southern China. Mr McGREGOR's amendment is meaningful only in that it makes an accusation without specifically naming the accused. It is an example of negativism and extremism and is not of help to the solution of the problem.

I think that what this Council should do is to urge the Chinese and the British Governments to discuss the issue frankly, to show mutual understanding and to settle bilateral concerns and differences in order to come to a quick

agreement on the CT9 project. We should also urge the Government to make a decision to solve quickly the traffic problems of Tsing Yi, Kwai Chung and New Territories West. That is the only positive approach to take. It is also the point of my amendment. I look forward to support from all Members.

These are my remarks.

MR JIMMY MCGREGOR: Mr President, I was surprised when Mr LEE Wing-tat put forward this motion with wording which clearly seeks the abandonment of CT9. I could not believe that this could be the objective of the United Democrats of Hong Kong, whose members in this Council would obviously support Mr LEE.

I thought that on reflection Mr LEE would modify his motion to accept that CT9 should go ahead, with concern being expressed about the serious delay now occurring and about the need to protect residents of adjacent districts against environmental damage and pollution.

Mr LEE did not do so and therefore I put in an amendment which recognizes that CT9 is an essential element in our port development and infrastructure, also, which establishes where the present delay in approval of CT9 is occurring. My amendment was submitted well before Mr Steven POON's amendment. I was surprised therefore to find that his took precedence over mine. That, however, is the democratic application of Standing Orders and I do not complain, Mr President.

However, since it was clear to me that Mr LEE's motion would be defeated by any amendment which recognizes CT9 should be constructed, I had to change my original amendment to take Mr Steven POON's amendment into account. I have proceeded to do so because I do not think that Mr POON's amendment goes to the heart of the matter which is, of course, the delay in approval of the project by China.

Mr POON's amendment also refers to the need for the Government to push on as fast as possible CT10. We have already been assured that this is being done and the Government needs no reminding of the need to maintain an adequate flow of new container berths to meet projected demand. There is therefore a significant difference between my proposed amendment and Mr POON's.

My amendment seeks to place responsibility for the delay and approval of CT9 where it properly lies, that is, with the Chinese authorities. It follows that I am saying that the Hong Kong Government has not caused the delay, nor should it be suggested that somehow the Government has failed in its duty to proceed with the construction of CT9 as quickly as possible. Without that important reference, the amended motion proposed by Mr POON has no merit because it does not address the only real problem that presently exists with CT9,

that of approval by China. The Hong Kong Government and those people in the private sector who gave valuable advice to the Government on the further development of a port have nothing to be ashamed of, nothing to answer for in regard to the delay and approval of CT9. They have worked well together, public and private sector alike, in planning the massive development of the port which we have seen from the 1960s. They have done a truly remarkable job, especially given the seriously congested waterways and land areas adjacent to the harbour.

We have one of the most efficient port operations in the world and one of the world's largest container ports. I do not need to use statistics because they are all available and we all know them. The planners have been proven right time and again in regard to the creation of new container berths. These have been brought into use to meet demand and only in regard to the provision of backup areas can the Government be faulted.

We all know, however, that CT9 has not had the relatively smooth path, from conception through planning and construction to operation, that all the other container terminals enjoyed. There have been problems associated with fair allocation of opportunity between different operators, culminating in an attempt by the Government to please all the main players; but in so doing, complicating the arrangements for financing, construction and operation. There have been continual complaints from areas in the vicinity of CT9 whose residents feel that pollution and massive dislocation of transport systems affect their living environment and livelihood. But the most serious problem has been the inclusion of CT9 in the long list of important items whose approval has been bogged in the Joint Liaison Group for many months.

CT9, which will be finished well before the territory becomes a Special Administrative Region of China, has become a pawn in the political game, a hostage to political debate and decision. Who in this Council thinks otherwise? Who in this Council would seriously suggest that the holdup with CT9 is the result of the Hong Kong Government's apathy or inefficiency? Who suggests that the successful bidders have failed to work together and somehow caused serious delay in beginning the construction of CT9? Who in this Council suggests that the Hong Kong Government has not done everything it can to obtain approval for CT9 to be constructed? Where does the real problem lie?

Let me turn to the economic disbenefits arising for Hong Kong if CT9 is not constructed. The cumulative loss of Chinese and regional transshipment cargo, which would be lost over the period 1997 to 2006, is estimated 15.7 million TEUs, with a loss of at least \$20 billion in revenues at 1992 prices. The overall loss is likely to be much greater and there would be a strong possibility that shipping companies will seek other less congested ports on a permanent basis.

Backup areas provided for CT9 will serve other terminals. These areas are desperately needed and, when provided, they will relieve a good deal of the present traffic chaos which occurs in Tsing Yi and Kwai Chung from containers and their transports. If CT9 is not constructed, the other terminals will be overwhelmed with traffic problems from 1996.

Mid-stream port operations cannot replace the need for CT9. In fact any expansion of mid-stream operations increases the need for backup land to handle the onshore movement of the containers. Do not forget the chaotic mess caused by the storage and movement of shipping containers in the Western New Territories. That particular problem will become much worse if CT9 is not built.

I need not stress the importance of an efficient port to the Hong Kong economy. Every Councillor, indeed every citizen in Hong Kong, is aware of it. But efficiency demands planning and especially in our circumstances planning for growth. That is what CT9 is all about.

Mr LEE's proposal, I believe, will be defeated and Members must consider my amendment. In proposing this, I am stating my belief that the reason for delay in CT9 does not lie with the Hong Kong Government but with China. I am therefore urging China to think constructively about CT9 and about Hong Kong's need for this essential element of our port infrastructure. I suggest to you all that we must put the pressure where it will do the most good. We should address this appeal to China. I ask you all to support my amendment.

MR TAM YIU-CHUNG (in Cantonese): Mr President, concerning today's motion debate — whether the development of Container Terminal 9 should be shelved — I find, perhaps many Members might share my view, that there is not sufficient information available for us to hold any in-depth deliberations, such as information on the future development trend of the local freight industry and the feasibility of expanding the existing eight container terminals. I, therefore, suggest that the Government release more information on this issue. With regard to Mr LEE Wing-tat's original motion, my initial response is that his argument is not convincing enough. He is of the opinion that the Government should shelve the project and develop a container port at North Lantau simply in view of the fact that Container Terminal 9 project will not be completed in 1995, hence losing its original advantage in timing. Container Terminal 9 is a long-term infrastructural project whose value should not be judged by some less significant factors, such as whether it is to be completed a year earlier or later than the target date.

As for the construction of the Lantau container port, there is no trunk route in that area and the Government has yet to commission an environmental and ecological impact assessment study in respect of Container Terminal 10. More important still, Mr LEE Wing-tat seems to have forgotten the importance

of public consultation. If Mr LEE considers Container Terminal 9 project not to have been drawn up on the basis of public opinion, why does the development of container facilities at North Lantau not need consultation with the local community and residents? Does it mean that the residents on Lantau Island are fewer in number than those in Tsuen Wan and Tsing Yi so that opinion polls or public consultations are unnecessary? As a matter of fact, residents of the Discovery Bay launched a signature campaign over the past few days in protest of the construction of Container Terminal 10.

I very much agree that the construction of Container Terminal 9 will further aggravate the traffic congestion and air and noise pollution in New Territories South and New Territories West. Many residents will suffer as a result. However, even if the Container Terminal 9 project is shelved and the land allocated for it is used for the extension of the neighbouring terminals, these terminals will also become much busier. Large fleets of container vehicles plying in and out of the terminals will cause serious traffic congestion and pollution all the same. In other words, the shelving of the project does not necessarily mean that the problems in New Territories South mentioned just now will be mitigated.

Mr President, to promote economic development, it is necessary for Hong Kong to go in for large scale construction to provide more physical infrastructural facilities. And traffic congestion, environmental impact and so on are the price the people of Hong Kong have to pay. In view of this, it is imperative that the Government should, in the interests of the people, tackle the problem of traffic management and make available more environmental protection facilities while carrying out the infrastructural construction so as to reduce the price the people have to pay to the minimum.

Mr President, in the light of the above-mentioned reasons, I oppose the original motion. As for Mr McGREGOR's amendment motion, it seeks to place all the responsibilities on the Chinese authorities. I find such a view unsound and unable to solve the present problems. Therefore, I consider Mr Steven POON's amendment motion to be the only one I can support.

MR MARTIN BARROW: Mr President, I open by declaring an interest, but I hope that my remarks will help Members understand the importance of proceeding with the port expansion as quickly as possible.

I do not agree that sea cargo transport planning has focused only on container terminals while neglecting mid-stream operations. Hong Kong has relied heavily on mid-stream for over a century, but port development has moved with the times. Mid-stream is a niche market for ships of a certain size and trade, and cannot service the large container vessels which must use the terminals.

I also have major reservations that the throughput of Container Terminals 1 to 8 can be increased by making more land available to existing terminal operators.

Members of this Council will be painfully aware of traffic congestion seen at Kwai Chung following the passage of tropical storms.

If we are not to further overload our road system we need some straight thinking. Traffic density needs to be reduced by dispersing our container terminal activities over a wider area. This is precisely what locating Terminal 9 on Tsing Yi will do, but granting more land to existing terminals will only serve to exacerbate traffic congestion.

The thrust of the motion is that due to the delay in starting the construction of CT9, it is now better to concentrate all efforts on the development of the container port on Lantau. This view is incorrect and the motion should be opposed for the following reasons:

Firstly, time is of the essence. If CT9 commences in early 1994 the first berth will not be available until mid 1996. This of itself is already a threat to Hong Kong and southern China, but this Council must ensure that no further delay occurs and indeed should be encouraging the Government to progress matters as expeditiously as possible.

Secondly, the consultants appointed by the Government are still working on the technical feasibility of Lantau Port. However, inevitably the construction problems and the views of the Discovery Bay residents are factors which will complicate what is already a difficult project. With the best will in the world port development on Lantau will be delayed and in the best estimate the first berth cannot open until at least late 1997. We cannot allow this delay to occur, unless this Council is prepared to ignore the statistical evidence of expected increases in container throughput over the next few years.

Thirdly, CT9 on Tsing Yi followed by CT10 on Lantau are both necessary for the future prosperity of Hong Kong. Tsing Yi Island provides an excellent deep water site which naturally links in with the existing facilities. We must maximize our resources. The needs of the residents of Tsing Yi have been examined in detail and their interests can be well protected by the terms of the land grant. The container terminal is to be built on reclaimed land with backup land upon which low rise buildings will be constructed to act as noise and glare barriers. A new road system is to be constructed which will be located further away from the existing road systems and thus reduce noise level. A new four-lane bridge is to be constructed, which is designed to handle all the additional traffic associated with the terminal, but also ease traffic congestion elsewhere on the island. The terminals have adequate parking facilities which will prevent queuing and road traffic congestion.

Fourthly, the weakness of the motion relates to the mistaken belief that CT9 will increase congestion within Kwai Chung. The creation of the backup land for CT9 will provide much needed land to support all the berths of Kwai Chung. This land bank from a different location will relieve existing shortages of land for parking container vehicles, storage of containers and for emergency vehicle holding areas.

In conclusion, Mr President, it is important to look at the facts:

- we cannot realistically look at container terminals on Lantau before the fixed crossing opens in mid 1997;
- southeast Tsing Yi is the only practical option open to the Administration;
- granting more land adjacent to existing Kwai Chung terminals will only add to road traffic congestion;
- CT9 located on Tsing Yi will be financially viable;
- although mid-stream has served Hong Kong well in the past, it cannot fill the gap of CT9, but of course mid-stream should be further examined by the Administration to ensure it continues to play a role in port operations;
- the average container growth for Hong Kong for the last five years is 18.6%, which demonstrates the role Hong Kong plays as the HUB for southern China.

The inability to provide capacity to cater for such demands will be a major economic disbenefit to Hong Kong. I hope Members will support the amended motion.

MRS PEGGY LAM (in Cantonese): Mr President, I think it is both shortsighted and irresponsible to propose at this moment the shelving of Container Terminal 9 (CT9) project in Tsing Yi.

The importance of CT9 to Hong Kong's future economic development has long been recognized. The commencement date of the project is already about half a year behind the original schedule. Yet the Administration still insists with confidence that CT9 can be open for use at late 1995 or early 1996.

At present what we should do is to take more positive actions to remove the differences between China and Hong Kong and come to some understanding expeditiously. To abandon CT9 project at this sensitive moment will only send a wrong message to the public that the Legislative Council will merely react passively and back out when it encounters uncertainties.

Those who propose to abandon the project think that CT9 has already lost its original advantage in timing and therefore they put forward a proposal for the development at full speed a container port at North Lantau. Yet, if a Container Terminal 10 (CT10) is to be constructed at Lantau, the container terminal can be of use only when the Lantau Fixed Crossing is open to traffic in 1997.

In other words, even if the Administration takes expeditious actions in respect of design, tender and the launching of the project, the first berth of CT10 still cannot be completed earlier than mid-1997. For this reason, we must construct CT9 in Tsing Yi before the facilities at Lantau can be open to public use.

If we rashly abandon the CT9 project now, it will mean that we have wasted at least one and a half years' time for nothing at all. In the meantime, the economic loss resulted from our failure to catch up with the growth in container trade will run up to hundreds of millions of dollars. In fact, some of the consortia who have participated in the development of CT9 have already stated their wish that the project be commenced as soon as possible. To scrap the project will bring no economic advantages to the container transport industry.

I do not object to the proposal of urging the Government to implement CT10 project at full speed. However, if the prerequisite is to abandon CT9, I think this will be a rash action which is extremely unwise.

Apart from striking a blow at Hong Kong's overall economic development, the shelving of CT9 will also undermine the interests of residents living in Tsing Yi and areas in near vicinity.

In the plan of CT9, a large backup area has already been earmarked for storing containers and parking and servicing container trucks. Emergency vehicles are also allowed to use this extra piece of land. This backup area would benefit drivers who use the Kwai Chung Container Terminal.

Should CT9 project be shelved, it will not make things any easier to uproot the existing traffic congestion problem caused by the loading and unloading of containers at Kwai Chung.

On top of the mitigating effects brought about by this backup area, the realignment of roads and establishment of new transport network as a result of the construction of CT9 will not only improve the access to the terminal but also ease the traffic around the neighbouring residential areas.

It is envisaged that traffic conditions in Tsing Yi will change completely when a new four-lane bridge and a Mass Transit Railway extension leading to Tsing Yi open to traffic in 1996.

If the original motion is carried and acted on, such plans to improve the transport services in the southern and western parts of the New Territories for the benefit of 1.4 million residents will go down the drain.

When CT9 is under construction in future, there will be an array of environmental protection measures to reduce the nuisances to the residents. The reclamation and road realignment works involved will even make it feasible to carry out major environmental improvement projects on the site between Mayfair Gardens and the industrial area and, at the same time, provide parking spaces specially for container trucks, bearing in mind that illegal parking of container trucks on the island is one of the Tsing Yi residents' headaches.

The new road leading to the terminal will also be specially designed and paved with special material with the aim of reducing traffic noise.

The present traffic noise level at both Mayfair Gardens and Cheung Ching Estate is extremely high. Yet, with the completion of CT9, the noise level will plummet dramatically despite of the drastic increase in container truck traffic. Why? It is because the main road will be realigned to locate it a further 300 metres away from the residential area. The site in between will be used for constructing some low-rise buildings to serve as a noise barrier.

Furthermore, CT9 will be constructed on a reclaimed site designated as an industrial area for hi-tech and environmental friendly industries. When the terminal is under construction, more job opportunities at the initial stage will be available to the construction industry.

In the long run, the industrial area will create certain demand for professionals, management personnel and administrative and clerical staff in the field of computer technology, port operation and ordinary industries.

I have no doubt that the original motion is aimed at boosting Hong Kong's economy and ensuring a better living environment for the Tsing Yi residents. However, to abandon CT9 now is just like putting the cart before the horse. That would ruin things though with goodwill.

Mr President, with these remarks, I oppose the original motion and support Mr Steven POON's amendment.

MRS MIRIAM LAU (in Cantonese): Mr President, Hong Kong's vigorous and steady economic development is closely related to the fast growth of its container shipping industry. Hong Kong is one of the three busiest container ports of the world. The people of Hong Kong can clearly be proud of this achievement. However, it is certainly hard for Hong Kong to keep its position as a leading container port. We need to have a long-term comprehensive development plan.

The Port and Airport Development Strategy Study, completed in 1989, estimates that CT8 will have reached its capacity by 1995. CT9 should come on line by 1995 to cope with the growth in container shipping industry. True, the on-going Sino-British row has now slowed down the CT9 project. But CT10 at Lantau will not come on line until at least the Tsing Ma Bridge and the Kap Shui Mun Bridge are completed in mid-1997. Therefore, if the CT9 project is shelved, the existing container terminals — CT1 to CT8 — will have to cope all by themselves with the growth in container shipping industry in the coming years. This will be an unbearable burden on the existing facilities. The shipping companies, when they see that Hong Kong's port facilities cannot provide adequate services, will be forced to switch to using ports in other countries. This will very probably happen. Business that leaves Hong Kong will not easily return. Hong Kong's economy will then sustain inestimable losses. Consequently, it will lose its position as a leading container port.

Mr LEE Wing-tat is concerned that CT1 to CT8 are already causing great traffic problems to the residents of Kwai Chung and that CT9, to be built at the southern part of Tsing Yi Island, will further aggravate the situation. It is true that, after every typhoon or heavy rainstorm, traffic snarls are sure to hit Kwai Chung. Long lines of bumper to bumper container trucks affect other kinds of vehicular traffic. Traffic all over the area is paralysed. The local residents are very frustrated but they cannot do anything about it. Traffic congestion is a usual occurrence in Kwai Chung even when the weather is good. The Traffic Panel of this Council recently discussed these problems. Although the Transport Department has taken emergency measures, such as setting up an emergency traffic control centre, providing emergency parking and waiting areas and improving traffic management on roads near the container terminals, these measures only bring temporary relief for the problems. The long-term solution is that CT8 and CT9 should become fully operational. When this happens, there will be extensive backup areas for container trucks to use. Truck drivers will be relieved of the suffering of waiting on the roads for their turns to drive into the terminal areas. The existing congestion problem caused by the container trucks will also be solved. In the final analysis, the main reason why container trucks are causing traffic problems in Kwai Chung is that mistakes were made in the designing of CT1 to CT7. No suitable space was reserved for use as backup areas where trucks could wait and go about their business. The result is that trucks often cause traffic congestion even in areas outside the container terminals. The only hope now is that more space will be set aside for use as backup areas when CT8 and CT9 become fully operational. These backup areas can be used by trucks servicing the other container terminals as well. As far as I know, sufficient backup space will be reserved at CT8 and CT9 for cargo handling, parking and the maintenance of the container trucks so as to satisfy their needs in these areas. Trucks will not have to be driven so often to and from Kwai Chung and the traffic congestion so caused will be alleviated. Of course, for the full solution of the traffic problems caused by container trucks, we must wait for the completion of Route 3 and the freight railway.

From both the economic and traffic angles, CT9 is very important to Hong Kong. New planning will remedy past planning mistakes. CT9 will provide logistic services that will compensate for the deficiencies of the existing container terminals. Remedies will be provided for the traffic problems now affecting Kwai Chung. I believe that, when there are sufficient backup areas for the container terminals, illegal parking of container trucks, now found all over Kwai Chung, will also be improved, thus reducing the nuisance caused to the local residents. Therefore, where the traffic problems of Kwai Chung, Tsing Yi and northwest New Territories are concerned, the CT9 project will not be a dose of poison. On the contrary, it will be a dose of antidote for solving the problems.

Mr LEE's motion today says, "Since it is expected that the development of CT9 project in Tsing Yi will not be completed by mid-1995, hence losing its original advantage in timing, this Council urges the Government to shelve the project" I believe that the first two sentences of the motion should be deleted. I believe that, even if the CT9 project could be completed by mid-1995, Mr LEE would still ask the Government to shelve it. I say so because Mr LEE was consistently opposed to the project; nor did he ever voice any support for it. He is now harping on the same string and is seeking to block the project. Actually, he does not need such a pretence. However, I still hope that Mr LEE will think in terms of the overall interests of the community, weigh the pros and cons of the matter rationally and take a relatively objective and balanced view of the CT9 project. I believe that, if Mr LEE does so, he will finally abandon his original position and support Mr Steven POON's amendment.

Mr President, these are my remarks. The Liberal Party supports Mr POON's amendment and opposes the original motion.

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

MR ALBERT CHAN (in Cantonese): Madam deputy, as the land and planning policy spokesman of the United Democrats of Hong Kong (UDHK), I wish to explain, mainly by way of highlighting land and traffic planning, problems why UDHK want the CT9 project to be shelved.

Hong Kong's development as a port began at the Victoria Harbour. Seaborne cargo was handled in the past at buoy positions or at waterfront loading and unloading areas. These traditions changed drastically in the 1970s. Container freight has gradually replaced traditional cargo handling operation.

Hong Kong's first container terminal came on line in Kwai Chung in 1971. The Government failed to draw up well-laid plan. It was not until the late 1980s that the Government, by publishing the *Port and Airport Development Strategy*, laid down a relatively comprehensive plan for port

development in Hong Kong. In the absence of careful planning, container terminals built in early days, particularly CT1 to CT4, manifested that the planners did not attach importance to backup areas for container terminals. It was not until the CT7 and CT8 projects were designed that the Government recognized the importance of such backup areas. At a recent meeting of the Legislative Council Economic and Public Affairs Panel, the Government disclosed that each berth in a container terminal should have 20 hectares of waterfront space plus 10 hectares of backup areas. Yet CT1 to CT7 in Kwai Chung together operate in only 150 hectares of waterfront space, a far cry from the 300-hectare standard set by the Government. Their combined backup areas add up to only 20 hectares, also a far cry from the 150-hectare standard.

The shortage of land at CT1 to CT7 in Kwai Chung has affected the capacity of these terminals. Worse still, this has dealt a direct blow to traffic and living conditions in Tsuen Wan, Kwai Chung and Tsing Yi. Madam deputy, Tsuen Wan, Kwai Chung and Tsing Yi are no longer what they were during the early 1970s. These three areas and New Territories West now have a combined population of 1.4 million. The Government's poor planning in the past is subjecting these people to chronic traffic woes. Tsuen Wan, Kwai Chung and Tsing Yi are covered by the Government's metropolitan plan. The areas are already densely populated. Many factories in these areas have been relocated to China; industrial buildings have been replaced by residential and commercial buildings. I therefore believe that no more land in Tsuen Wan, Kwai Chung or Tsing Yi can be zoned for use by sea freight, especially for container terminals.

The container terminals create a heavy pressure on the roads in these areas. Thanks to a severe shortage of backup areas for CT1 to CT7, container trucks have to ply back and forth between the container terminals and the container storage areas. Nor is there any buffer zone. One often sees traffic congestion stemmed from long lines of bumper to bumper container trucks. Another thing is that the inhabitants of Tsuen Wan, Kwai Chung and Tsing Yi use more or less the same road networks that are used by the container trucks, thus adding further pressure to the roads. In many ways, the road systems are poorly designed. A case in point is the creation of many traffic bottlenecks. Most serious of all, the roads are not designed to cope with the development of container terminals. This is why traffic snarls have occurred in Tsuen Wan, Kwai Chung and Tsing Yi on several occasions. It is clear from the above that these areas cannot accommodate a further increase in container truck traffic.

Despite the absence of comprehensive planning, Kwai Chung has become the world's busiest container port. Last year, it handled 7.9 million containers. During the first seven months of this year, it handled 5.02 million containers, up 13.7% from the volume for the same period last year. Such growth is nothing short of a miracle. But I must point out that this miracle is founded on the sufferings of the inhabitants of Tsuen Wan, Kwai Chung and Tsing Yi. For many years, they have had to live with a nasty environment and traffic congestion. The Government has already spent a lot on comprehensive planning in regard to the CT10 project and on the assessment of its environmental

impact. The environmental impact assessment has now been completed. The finding is that northeast Lantau will be an excellent site for container terminals. Meanwhile, the Sino-British row has led to the loss of one year's time for the CT9 project. Even if the project goes ahead now, the first berth is not expected to be completed until mid-1996 at the earliest. I believe that, if we proceed at full speed with the CT10 project now, CT10 will surely come on line by mid-1997, to tie in with the completion of the Tsing Ma Bridge project. CT10, in operation, will also boost the toll receipts of Tsing Ma Bridge. I therefore believe that shelving the CT9 project will be a pragmatic move.

At today's debate, the Liberal Party is opposed to the shelving of the CT9 project. This is understandable. The Liberal Party usually supports the interests of the trade and industrial sector at the expense of the lowly citizens. It is particularly negligent of the interests of the 1.4 million population of New Territories South and West. In today's order of speaking, I do not see any Member from Meeting Point wishing to speak on the motion. I am somewhat surprised at this. Some time ago, Mr WONG Wai-yin said on a public occasion that he would not support Mr LEE Wing-tat's motion, allegedly on the ground that he could not attend to the interests of local communities at the expense of Hong Kong as a whole. This makes me wonder along what principle Mr WONG objects to the use of Area 16 in Tuen Mun as a temporary site for the mid-stream handling of containers. In fact, the mid-stream operations could make significant contribution to Hong Kong's economy. But Mr WONG objects to the use of Area 16 as a temporary site for mid-stream operations. This is a case of attending to the interests of a local community at the expense of Hong Kong as a whole, is it not? I hope that Members from Meeting Point will stop citing such a specious argument and stop blindly supporting the Government's recommendations. I also hope that Members from Meeting Point will realistically look at the issue from the angle of people's livelihood and on the basis of objective data on land and planning, then change their minds and support Mr LEE's motion. I further hope that Members from Meeting Point will bear in mind that their voting decision today will surely be remembered by the affected population if CT9 should come on line and cause traffic snarls in Tsuen Wan, Kwai Chung and Tsing Yi, with effects also on the several hundred thousand residents of Tuen Mun and Yuen Long in New Territories West.

Madam deputy, with these remarks, I support Mr LEE's motion.

MR MICHAEL HO (in Cantonese): Madam deputy, as a member of the New Territories West branch of the United Democrats of Hong Kong (UDHK), I would like to speak on the traffic problems likely to be brought about by the Container Terminal 9 (CT9) project.

In the debates on the traffic problems in the northwest New Territories and on the trade between China and Hong Kong, many Members have unanimously pointed out in no uncertain terms the Government's lack of comprehensive planning in its new town development such that the road

networks in new towns always fail to meet the needs. The situation gets worse in view of the drastic increase in the volume of trade between China and Hong Kong. Most of the roads in the New Territories have already reached saturation point. The most affected areas are Kwai Tsing and Tuen Mun districts. For these reasons, in previous debates many colleagues in this Council are of the view that construction of adequate road networks must be accorded top priority. Only with them in place can we go ahead with major residential or industrial and business developments.

Yet, it seems that the Government does not understand this basic planning principle as it still presses ahead with the construction of one more major container terminal before the completion of a new road network link. Unless it is not necessary for container trucks to move in or out of CT9, the traffic congestion in areas such as Tsuen Wan, Kwai Chung, Tsing Yi and Tuen Mun are bound to get worse. In analogy, the Government's decision is like forcing a patient suffering from indigestion to take several jumbo hot dogs. In this connection, UDHK think that CT9 will aggravate congestion in the districts concerned if the focus of future container port development is not to be shifted to Lantau.

The trunk routes linking up Kwai Chung Container Terminal and the border are Tolo Highway and Tuen Mun Road. Tolo Highway now becomes congested during rush hours. On Tuen Mun Road, congestion is a daily scene. According to statistics released by the Highways Department, at rush hours, heavy vehicles alone account for around 40% of the traffic flow and as high as 50% of the road surface. Very often when I use Tuen Mun Road, I feel I am driving along a great wall made up of container trucks. Any traffic accident involving a container truck may paralyse Tuen Mun Road. Even if my journey on Tuen Mun Road is smooth, I still may not be able to escape from the misfortune of getting caught in traffic congestion once I turn into Tsuen Wan Road and Kwai Chung Road when it so happens that the container terminal is a bit busy at the moment. Any chaos in the loading and unloading of cargos at the container terminal after typhoon will lead to a traffic standstill affecting half of the New Territories. Under such circumstances, a considerable number of residents in Tsing Yi, Kwai Chung, Tsuen Wan and Tuen Mun are inevitably compelled to take one day's leave. Today Container Terminal 8 is still not yet fully operational but the traffic condition in the vicinity has already been so poor. If we construct one more terminal, that is, CT9, before completion of the airport road network, it will be virtually dreadful to imagine the traffic condition on Kwai Chung Road, Castle Peak Road and Tuen Mun Road.

Madam deputy, the Lantau airport road network is scheduled to be completed in 1997. Route 3 (Country Park Section) will be completed in 1998. It is, therefore, sensible to develop at full speed a container port at Lantau. The container port would be situated far from residential areas. There would not be any conflict involving container trucks and other vehicles. Furthermore, a container terminal can only be put to full use with the support of a sound road network. That is to say, even if CT9 could be completed in 1996, traffic

congestion at Kwai Chung Road, Tuen Mun Road and Tolo Highway would become totally unbearable. This would make it impossible for CT9 to function properly. The traffic condition in the New Territories as a whole would be affected as well. The Government claimed that an additional duplicate Tsing Yi South Bridge could solve the problems. Madam deputy, if we can solve the traffic problems in the vicinity of Kwai Chung and Tsing Yi by merely building an additional Tsing Yi South Bridge, we will not need a new road network. Yet, the fact before us is that the duplicate south bridge alone definitely cannot solve the traffic problems at Kwai Chung and Tsing Yi. It, therefore, behoves us to build other sound road networks.

Madam deputy, with these remarks, I support Mr LEE Wing-tat's motion.

DR HUANG CHEN-YA (in Cantonese): Madam deputy, the development of container terminals in recent years is a miniature of Hong Kong's prosperous economic growth. The number of standard containers handled in Hong Kong last year amounted to 7 972 000, and is increasing rapidly at a rate of about 30% per year. Such a drastic increase in the volume of container transport provides hard evidence of the very close relationship of interdependence between Hong Kong's container transport and China's sustained economic growth, and has once again rendered Hong Kong one of the busiest container ports in the world.

There is no doubt that we have to build adequate container terminals and other port facilities to cope with the increasing volume of container transport. This is very important to the economic development of both Hong Kong and southern China.

Regrettably, although the Government awarded the franchise for CT9 in November last year, so far the project is still a plan on paper and a castle in the air. As we all know, although some Chinese officials said that they were dissatisfied with the way in which the Hong Kong Government awarded the franchise by private treaty rather than by open tender, they still have political considerations in mind, hoping to force a political capitulation on Hong Kong through the impact of delays on Hong Kong's economy. This stalemate has been lasting for one whole year but so far there is no sign of a resolution. Despite the fact that a JLG meeting will be held in London in December, people are still of the pessimistic view that the issue will very probably be stalled as it is.

Though the present situation is so grave, Hong Kong has completely lost the initiative. The difficulty in enhancing Hong Kong's cargo handling capacity would inevitably render Hong Kong unable to cope with the increasing volume of container transport and incur unnecessary losses to Hong Kong. More importantly, this would also deal a blow to southern China's economic development, resulting in severe losses in the economy and job opportunities of that region.

Under such circumstances, it is imperative for Hong Kong to adjust its port development plan, review its past assumptions and strive for initiative by implementing an alternative strategy to enhance Hong Kong's container operation capacity so as to eliminate the constraints and unstable effects posed by economic threats on Hong Kong. This is the only choice for Hong Kong.

The two amended motions under discussion have in fact totally failed to take a square look at the problem facing us. For example, Mr Steven POON's intention to urge the Government to reach an agreement with China is a kind of escapism which is more futile than ostrichism. This is no less than asking the Government to do something which it has been doing for one whole year but in vain. In fact, members of the Liberal Party also paid a visit to Beijing in October to meet China's Foreign Minister QIAN Qichen. But what has come out of this meeting? Therefore, the amended motion before us is like the Greek myth of Sisyphus. It is as absurd as to ask the Government to do something that will never come to fruition.

Moreover, I wonder whether Mr POON agrees with China's allegation that CT9 is a case of "private dealing", or whether he agrees with what the Government said that "private treaty" is conducive to competition and promotion of cost and managerial effectiveness. If it is a case of "private dealing", then the franchise might have to be retendered resulting in further delays which would further reduce the effectiveness of CT9. By urging the Government to reach an agreement with China, does Mr POON mean to request the Government to conduct a retendering exercise or does he want the Government to capitulate politically in return for an agreement on CT9? I look forward to Mr POON's reply.

As Members of this Council, it is incumbent on us to urge the Government to take decisive steps to promote development, rather than to encourage the Government to mark time and deceive the public by saying that passive waiting is the correct approach. If no agreement is forthcoming after half a year, or a year from now, or two years later, are we going to keep on waiting wishfully and willy nilly for a capitulation?

We reiterate that Hong Kong has already wasted too much time on waiting for the talks to bear fruit. Now is the time to work out some other feasible approaches. We would suggest that, as medium and short-term strategies, the Government should make available more backup areas for the existing container terminals and further develop "mid-stream" container operations. Meanwhile, the Government should devote the resources earmarked for CT9 to the development of CT10 at North Lantau to ensure an early completion of the project. This is the only long-term effective solution which would no longer result in unnecessary waste of time.

We think that by so doing, Hong Kong can gain back the initiative. This would dispel all the pessimism caused by passive waiting, give Hong Kong a definite direction and timetable for development, and prevent the emergence of

a bottleneck constraint on the economic development of southern China. The findings of a study show that the provision of additional 105 hectares of backup area may enhance the capacity of container terminals to 10 million standard containers per year, and hence promote Hong Kong's short-term cargo handling capacity. Therefore, the strategy proposed by UDHK is feasible.

It is said that shelving the CT9 project may result in container vessels switching to ports elsewhere, and cause long-term losses to Hong Kong. We think that this is an alarmist hyperbole. Although in the long run, Hong Kong and its neighbouring ports such as Shekou, Yantian and Gaolan will form a cluster of super ports to cater for the import and export needs of the prosperous economic development of southern China, it must be realized that modern shipping involves not only berthing facilities but also a good co-ordination of highways, railways, air transport and the various transport links, communications, warehousing, financial services, legal services and so on with all other aspects. Hong Kong can be said to be in a very advantageous position in this respect.

Another consideration is that southern China's other container ports will not be operational effectively until sometime later. Shekou could handle only 80 000 standard containers last year. The two container terminals at Yantian will not be completed until 1995 and can at best handle 1.7 million standard containers per year. The port at Gaolan will not be operational until the year 2000. Therefore, we think that the strategy proposed by UDHK is feasible for Hong Kong and that it would result in very little loss

The buzzer sounded a continuous beep.

PRESIDENT'S DEPUTY: Dr HUANG, I have to ask you to stop.

DR HUANG CHEN-YA (in Cantonese): With these remarks, I support the motion.

DR SAMUEL WONG (in Cantonese): Madam deputy, in the adjournment debate on 20 November 1991, I said I had great reservation about the construction of Container Terminal No. 9 on Tsing Yi Island. I also proposed that the decision on whether to build the container terminal on Tsing Yi Island or Lantau Island should not be made until the completion of the study report on the development of Lantau Port Peninsula. In the last two to three weeks, members of the think tank of my office of the engineering electoral division have contacted the government department concerned, the container trade and the engineering consultant company concerned, and have reached a definite conclusion that if the container terminal is to be built on Lantau Island, it will take, in the normal course of events, five years to complete the first berth. In other words, even if the Administration makes a decision to go ahead on

1 January 1994, the first berth cannot be completed until December 1998. Even if the progress of the project is speeded up and assuming the company concerned starts the construction work of the first berth on 1 January 1995, it still cannot be completed until December 1997. If the plan to build CT9 on Tsing Yi Island is shelved, then when the fourth berth of CT8 is completed in the first quarter of next year, we will have to face a vacuum period of 33 months because no more new berth will be put into service. The economic loss thus caused cannot be overlooked.

Meanwhile, if there is a miracle to the effect that the Administration can sign a contract with the consortium concerned on 1 January 1994 on the construction of CT9 on Tsing Yi Island, then the first berth can still be completed in the middle of 1996, which will be only 15 months after the completion of the fourth berth of CT8. However, it will still be one whole year later than the originally targeted completion date. If the approval of China can be obtained in the beginning of 1994, I think it is still worthwhile to build CT9. In fact, the land and the port for the construction of CT9 have already been included in the 1992-93 land disposal programme of the Sino-British Land Commission. If the Administration had invited open tenders, I believe the construction work would have already started in the beginning of this year and the first berth would be completed in 1995 as scheduled.

The Administration has entertained the rather naive idea that bringing in a new consortium by way of a private treaty grant can alter the near — monopolistic situation in the container business. Currently, there are a total of 19 berths in CT1 to CT8 of which 18 are operated by two big companies. Together with the two out of four berths of CT9, these two companies will be operating 20 berths. Such being the proportion, how can the monopoly be broken? Just look at the number of oil product companies now existing in Hong Kong, have they ever competed with one another?

It has been mentioned many times that CT9 will provide a large base of logistical support to supplement the insufficiency of logistical backup for the 11 berths of CT1 to CT6. The intention is good but impractical because the introduction of a new company for the operation of two berths will only cause difficulties to the existing operators in arranging for the optimal utilization of their berths, and good arrangement or cross-utilization of the berths can increase the throughput of containers and the efficiency of the terminals. Therefore, the Administration's "ideal plan" may not be the best arrangement. Moreover, the contracting out of the CT9 project by way of a private treaty grant will surely fail to secure a high land premium. If the consortium preferred by the Administration is not willing to pay a reasonable land premium, how is the Administration going to solve this problem? Will it invite open tenders immediately?

I have great sympathy for the residents in Tsing Yi who are facing environmental and traffic problems. I also hope that the Administration can really implement the prevention and improvement measures contained in the

paper submitted to this Council on 10 February this year, such that the construction of CT9 can bring substantive improvement in the traffic and environmental situations in Tsing Yi.

Madam deputy, with these remarks, I support the amendment motion of Mr Steven POON.

MR HOWARD YOUNG (in Cantonese): Madam deputy, it would of course be most desirable if meals are served on time. Still, we would not give up eating simply because a particular meal is taking longer to prepare. Instead, we would urge the cook to hurry up because hunger is hunger. Our need to eat would not go away because the meal is not yet ready.

This is a truism. I am convinced that the CT9 project remains necessary despite the delays in getting it started; it is more pressingly necessary because of the delays. What surprises and amazes me most is that the Member who moved the motion debate on shelving the project is a representative of the residents of Kwai Chung and Tsing Yi, and yet it was he who moved to shelve the project. It must be realized that the CT9 project is not simply a case of economic investment. The road development and backup areas covered by the project would be very conducive to alleviating the area's traffic and environmental problems because under this project, improvement would be made to the existing road network. Roads where the traffic is particularly heavy due to container transport would be redeveloped and realigned away from residential buildings. Moreover, the project could also indirectly lead to the early completion of the Tsing Yi South Bridge extension project. I believe that this project, in conjunction with the infrastructure projects in Kwai Chung and Tsing Yi and the Ting Kau Bridge project, would result in great improvement to the transport system in the area.

If the CT9 project cannot go ahead, it would not be possible to make available additional backup areas for CT7 and CT8. The purpose of such backup areas is to cater to the needs of storage of containers and parking of container trucks so as to obviate the need for container trucks to travel to and fro between two places to pick up and then unload containers, causing traffic congestion and noise pollution in the process. I think the above improvement measures would also be seriously affected if the CT9 project is shelved.

If the CT9 project is blocked, Hong Kong would not be able to cope with the increasing transport volume. Hong Kong's transport industry would also lose the present advantageous position it now enjoys. This would mean the loss of thousands of job opportunities. I am not being alarmist. I am trying to anticipate possible dangers lying ahead. When I joined the shipping industry 20 years ago, Hong Kong's main shipping routes to Europe ended at Liverpool or London. Liverpool at that time could be said to be one of the United Kingdom's busiest ports with a status somewhat similar to that of the present Hong Kong in southern China. Regrettably, at that time Liverpool did

not develop any new container terminals. As a result, its container terminals gradually reached capacity until finally all its further increase in shipping volume had to be absorbed by other ports. Southampton, where it so happened that a new container terminal was built and completed, then easily took the leading position away from Liverpool. Within a span of several years in the 1970s, major shipping companies altered their shipping routes and switched to Southampton. Liverpool, thus supplanted, has gradually become what it is today, one of the United Kingdom's cities with the highest unemployment rate. This is a bitter but very real lesson in history. We must go ahead of demand and forecast the growth of demand to provide against a rainy day. Otherwise, we would fall behind the times.

Yesterday, there was a prominent press report that a local consortium and a foreign consortium had just announced that they would invest on the construction of a container terminal in Shekou, Shenzhen. Is this not a warning signal to us that we have to expedite the construction of CT9 so as to maintain Hong Kong's advantageous position?

My Liberal Party colleagues and I cannot accept the motion which seeks to shelve the CT9 project. Such a motion is not only irrational but also myopia. Moreover, it also ignores livelihood and economic issues. Even if the CT9 project goes ahead right now, it is already a bit too late. I see no reason at all to talk lightly about shelving the project and yield Hong Kong's position as Asia's regional shipping centre to somebody else.

The Liberal Party is in favour of early development of the Lantau container port and the construction of CT10. So we find the second half of the original motion preferable. Moreover, very regrettably, although the first half of the amended motion of the Honourable Jimmy McGREGOR has some good points, the second half of his motion proposes to delete the CT10 project, making it very difficult for us to support his motion. As the volume of Hong Kong's container transport is growing at a rate of over 15% per year, the existence and position of CT9 is very important and there is no substitute for it. The provision of CT10 alone at Lantau would not be enough. Although CT10 is scheduled to be completed by 1997, to my knowledge, due to the different methods used in construction and desilting, the project would probably not be completed until 1998 or 1999, too late to solve Hong Kong's problem of shortage of container terminals.

We cannot support the Honourable Jimmy McGREGOR's amended motion because it seeks to delete the preferable part of the original motion, that is the part about the construction of CT10. I fully support the Honourable Steven POON's amended motion.

DR TANG SIU-TONG (in Cantonese): Madam deputy, when I moved the motion in this Council on 5 May to urge the Administration to improve the land and waterborne transport of Hong Kong, I pointed out that the construction of

Container Terminal 9 (CT9) could be delayed no more, lest the container transport industry of Hong Kong would be seriously affected and traffic congestion in western New Territories, Tsuen Wan and Kwai Tsing further aggravated. This view was shared by many honourable colleagues at the time.

It is most disheartening to note that work has yet to commence on the construction of CT9 more than a year after the franchise in respect thereof was awarded to a consortium by way of a private treaty grant on 10 November 1992. Economic losses are deemed to be inevitable if CT9 cannot be commissioned for use in 1995 because the throughput of CT 1 to 8 is forecast to reach saturation by mid-1995.

Many would ask: Why has the construction of CT9 yet to commence? What is the problem? The Chinese and British sides have been holding discussions over CT9 since late last year. But an agreement is still not forthcoming. Firstly, it is the question of the land grant for the development, then the question of the franchise straddling 1997, and then the argument over whether the mode of invitation of tender constitutes some sort of favouritism. Although the Land Commission and the Sino-British Joint Liaison Group have held a number of discussions, things remain at the "talks" stage. On the face of it, the delay in settling the CT9 question is caused by considerations of cost effectiveness. But in fact it is a sequela to the Sino-British squabble over the political system of Hong Kong, a product of mutual mistrust between both parties. The same goes with the financial arrangements for the new airport.

While China and Britain have all along stressed that economics and politics are separated from each other and that economic co-operation will not be affected by any political argument, the facts seem to suggest otherwise. Hence, it would be very difficult to settle any other questions should we fail to find a way of breaking the deadlock over the controversy surrounding the territory's political system.

I think there are only two ways to resolve the CT9 question or even that of the new airport. Firstly, we must accurately and positively represent that delaying the project will definitely cause serious losses to the Hong Kong economy. We must persuade the Chinese and British sides not to mix politics with economics and, better still, to handle political and economic issues separately. Secondly, the Chinese and British Governments should reach an agreement over Hong Kong's political system as soon as possible. That the talks are still continuing after 16 rounds gives a gleam of hope that the dispute will be settled eventually. We should not express disappointment and give up so soon. Of the two methods mentioned above, I hope the "separation of politics from economics" can be effective. Of course, I would be delighted if the Hong Kong Government could pursue both methods simultaneously in settling the question, while not losing sight of the overall interest of Hong Kong people.

That today's motion has called for cancelling the CT9 development on Tsing Yi rather than aiming at economic development and road improvements has deviated from reality. I cannot support the motion mainly for the following reasons:

- (1) It appears that the holding up of the construction of CT9 is not a result of economic and siting complications. It is rather because of political problems. A relocation of the terminal to Lantau therefore will not address the crux of the problem. Given that the Chinese side may decline to give its blessings to CT9 on Tsing Yi because of political considerations, it may similarly withhold such blessing for a CT9 on Lantau and even CT10 or CT11.
- (2) Should we call off the Tsing Yi development now and begin looking for sites on Lantau, exploring, planning and inviting tenders, it would take a long time. And even if everything goes smoothly, the alternative terminal will not open for use until after 1997. It is therefore still of little help in eliminating the saturation crisis of the existing terminals. Hong Kong will still have to suffer economic losses.
- (3) The tender phase for CT9 has already been completed. Should the development be cancelled, not only would the Government's credibility with the investors go down the drains, the confidence of other investors would also be undermined. The consequences would be unthinkable.
- (4) It will be a waste of our natural resources if we do not make full use of the deep water port at Tsing Yi.
- (5) With the CT9 development, we can compel the Government to build additional road networks to divert traffic, thus ameliorating the present serious traffic congestion in Kwai Tsing, Tsuen Wan and western New Territories. I believe the Government has the responsibility and indeed is willing to do so. Besides, the backup area to CT9 can be used by container trucks for storage, container stacking, repairs and emergency parking. Should CT9 be sited away from Tsing Yi, and given the government practice of considering everything in terms of priority, the traffic congestion problem of northwest New Territories and Kwai Tsing might not be given priority. Then it will undoubtedly affect the more than 1.4 million Tuen Mun and Kwai Tsing residents whose interest is our paramount concern.

For the above reasons, I am still in favour of CT9 being built on Tsing Yi. As to the two amendment motions, although I concur with the Honourable Jimmy McGREGOR's suggestion that we need to reflect to China fully the terminal's importance to Hong Kong's economy, yet his wording,

which lays responsibility on the Chinese side, will not, I believe, help matters. In contrast, the wording of the Honourable Steven POON's amendment is far more unequivocal, positive and closer to my point of view. I therefore support Mr POON's amendment.

I so submit.

THE PRESIDENT resumed the Chair.

MR ALFRED TSO (in Cantonese): Mr President, Hong Kong has already developed into a major international business centre today, and especially given China's endeavour in economic development in recent years, Hong Kong has become China's important "window" for capital, trade and technology import.

Given the sustained open policy and development of China, Hong Kong's re-export trade has increased significantly and the demand in transportation between Hong Kong and China has also increased drastically. In terms of throughput the container terminals in Hong Kong rank topmost in the world, and looking forward into the 21st century, it is forecast that container traffic will continue to grow at high speed.

The colossal volume of trade between China and Hong Kong has brought enormous benefits to Hong Kong and the further development of our container terminals will directly assist the development of trade and will be a booster to our economy. Therefore, the Administration should formulate a comprehensive development plan for the container terminal at Lantau in order to cater for the needs of the 21st century. However, while expanding our container terminals, the Administration must also be far-sighted in designing a comprehensive road network to complement the container port.

In the perspective of economic development, the Container Terminal No. 9 project is necessary and worthy of support, but considering the serious traffic congestions that may be caused, I think that the commissioning of CT9 before 1998 will seriously affect the traffic in Kwai Tsing, Tsuen Wan and western New Territories.

We know that the development of China and the relocation of many Hong Kong factories to China have led to a drastic increase in the freight business between the two places. In the past when there were fewer container terminals in Kwai Chung, "serious traffic congestion" did not occur in Kwai Tsing. But with the sharp increase in freight transportation, traffic problems have occurred in the Kwai Tsing area. This serves to reflect that the road networks of the Kwai Tsing and Tsuen Wan areas (including the Tuen Man Road) have already reached saturation capacity. This situation is the result of the Administration's lack of a comprehensive and long-term traffic development plan to go with the continued development of container terminals.

I think that the Kwai Tsing area cannot accommodate any additional volume of freight traffic. The Governor has stressed the importance of the CT9 in his policy address, but has not put forward a sound traffic improvement plan. It was remiss of him to have failed to do so. Allow me to quote our Governor in order to describe the choices that we are facing. He said, "The Peking duck is very delicious, but our stomach would not allow us to eat too much." So unless the Administration can expeditiously formulate a definite traffic plan, our superb deep water container port will eventually not be able to bring its potentials into full play.

Mr President, I would like to take this opportunity to point out again to the Administration that if we are to make the best of our container port for the purpose of further promoting our trade, the Administration should speedily implement the following three traffic plans. The first one is to expedite the construction of Route 3, which will directly relieve the problem of traffic congestion in western New Territories. The second one is to build the Northwest Railway in the New Territories by starting construction work as soon as possible so that the bulk of freight between China and Hong Kong will be transported by rail thereby relieving the pressure on the road network. The third one is to discuss as soon as possible with the Chinese Government on how to co-ordinate the transport development plans of Hong Kong and the Zhujiang Delta region, such as how to connect the Zhujiang-Tuen Mun Bridge, which is under planning by the Chinese side, with Route 3 and other road networks in Hong Kong, and how to further expand the border crossings between Hong Kong and China, such that Hong Kong can secure the most advantageous position *vis-a-vis* the economic and infrastructural developments of the Guangdong Province.

Mr President, Mr MCGREGOR's amendment motion is neither practical nor constructive. This Council should not and cannot shift the responsibility for the delay in the construction of CT9 onto the Chinese side. I think that the current situation is due to different reasons and problems on the part of the three parties, China, Britain and Hong Kong. In fact, I firmly believe that China is well aware of the importance of this container terminal to Hong Kong. Currently, large quantities of goods are imported into and exported out of China through Hong Kong. So any unreasonable delay in the construction of CT9 will cause damage not only to Hong Kong but to China as well. I have reason to believe that China will endeavour to promote the long-term development of China and Hong Kong and the co-operation between the two places. Therefore, I oppose the amendment motion of Mr MCGREGOR.

The amendment motion of Mr Steven POON is to be preferred because his motion, couched in milder terms, points out that the Chinese and Hong Kong Governments have to have co-ordination in the important matter of infrastructural works. Moreover, at the same time the amendment motion retains the spirit of Mr LEE Wing-tat's original motion which is to urge the Administration to consider the importance of the transportation problems concerned.

Mr President, I have said already that, having regard to the traffic problems concerned, I should support Mr LEE Wing-tat's motion, but considering the great importance of container terminal development to Hong Kong's economic development, I feel hesitant in supporting Mr LEE's motion. My basic position is that if the Administration has a definite plan to solve the traffic problems in Kwai Tsing, Tsuen Wan and western New Territories, then I will support the construction of CT9. Therefore, Mr President, I will abstain from voting on the motion.

MR WONG WAI-YIN (in Cantonese): Mr President, for some reason, my name is not on the order of speaking though I did indicate my wish to speak. Thank you for letting me speak.

I recall an incident. During a motion debate not long ago, Mr LEE Wing-tat got a bloody nose, as it were, when he confronted Mr TAM Yiu-chung with the latter's failure to speak. Today, one of Mr LEE's good comrades has confronted me with my failure to enter my name as a speaker, and he, too, is getting a bloody nose! I recall another incident. About two weeks ago, during a debate in this Council on Mr HUI Yin-fat's motion with regard to privileges given to senior citizens, Mr CHEUNG Man-kwong of the United Democrats of Hong Kong (UDHK) lectured us, me and some other speakers, about the "unbiased view". Yet several Members from UDHK who have now spoken fail to take such an "unbiased view" when they make their remarks. I wish that Mr CHEUNG were here today. I wonder if he would have wished to lecture his UDHK friends, telling them to take an "unbiased view" and not to second-guess other Members' stance.

Mr President, as expected, today's debate has turned into yet another round of political bickering. The CT9 project is supposed to be a pure commercial investment decision matter or an economic issue. However, in the wake of the Sino-British "wrestling" over Hong Kong's 1994-95 electoral arrangements, many economic and livelihood issues have since been politicized. The CT9 project has of course also become inexorably drawn into the political whirlpool. Clearly, today's stalemate is not due to faults on the British side. Therefore, Meeting Point thinks that, for the benefit of Hong Kong's overall economic development, China should separate political issues from economic and livelihood issues and should not mix them up. Regrettably, today's motion is only adding to the dimensions of the political whirlpool.

Meeting Point's position on the CT9 project is consistent and very clear. During many past rounds of discussion, including those at the Finance Committee, Meeting Point supported funding requests for the project. In today's debate, Meeting Point has not heard any new argument that is convincing enough to change our mind and support Mr LEE's original motion to put the project on hold. Therefore, Meeting Point supports the amendments of Mr Steven POON and Mr Jimmy MCGREGOR.

Mr LEE's strongest argument is that the CT9 project has already lost its timing advantage. But Meeting Point thinks that it is not yet abundantly clear from available documentary evidence that the CT9 project has already lost all of its timing advantage. This being so, we do not think that it is wise to rush to a decision and put the project on hold. After all, container shipping is vitally important to Hong Kong's economic development. Shelving the CT9 project will inevitably have adverse effects on Hong Kong's economic development in the coming few years and on its position as the leading port of import and export for China. Nor, on the other hand, do we have any statistical evidence to show us whether delays in the project will adversely affect its commercial viability. We think that commercial decisions should be left to commercial bodies, which will make them on the basis of commercial considerations. This Council should not make the decisions for them.

Mr LEE and his UDHK colleagues are opposed to the CT9 project. They say that they have no strong objection to the project *per se*. Their only concern is that CT9 will worsen traffic congestion in the area. It would sound paring the foot to fit the shoe, so to speak, if one chooses to urge the Government to put the CT9 project on hold and not to work positively to press the Government to improve traffic conditions in the area on such ground.

Mr Albert CHAN said a moment ago that I was opposed to turning Area 16 in Tuen Mun into an area for mid-stream operations. He was right. I am opposed to turning Tuen Mun into an area for mid-stream operations. However, I believe that, if I were not thinking in terms of the overall interests of Hong Kong, I would, as Mr CHAN said, be opposing the CT9 project in all possible ways and with every ounce of my strength. But we must not mix up the two issues. On one hand, we want economic development in Hong Kong. On the other hand, economic development will give rise to traffic and other problems. We must urge the Government to take a square look at, and find ways to ameliorate, these problems.

With regard to the mid-stream operations, all Members from UDHK seem to be avoiding the hard issues. They make no mention at all of the noise pollution and other environmental problems brought about by mid-stream operations. These problems are in fact quite serious. If the CT9 project is put on hold, Hong Kong will have to rely more heavily on mid-stream operations and this means that sites for such operations would spread out to Tsuen Wan, Kwai Chung, Tsing Yi and even in Western District and Tuen Mun. The inhabitants in the vicinity will be subjected to noise pollution and other environmental problems. Therefore, I think that some rules should be laid down so that long-term comprehensive plans may be made for sites for mid-stream operations.

Mr President, at a time when we work hard to develop our freight shipping, the Government should ensure that there will be an infrastructure that matches its growth. Land use and traffic problems in New Territories North and West, in Kwai Chung, in Tsing Yi and in Tsuen Wan are due to myopia

planning in the past. In addition, road construction has clearly failed to keep pace with the development of new towns and port facilities, leading to serious traffic problem and the severe shortage of backup areas for container terminals. Therefore, Meeting Point urges the Government: (1) to take active steps to develop suitable backup areas in keeping up with the development of freight shipping, and (2) to take a square look at the traffic problems of New Territories North and West, Kwai Chung, Tsing Yi and Tsuen Wan and to build Route 3 and the Northwest New Territories railway system expeditiously so that traffic congestion in New Territories North and West will be alleviated.

The buzzer sounded a continuous beep.

PRESIDENT: You have to discontinue, Mr WONG.

SECRETARY FOR ECONOMIC SERVICES: Mr President, in responding to points raised by Honourable Members I shall cover four issues:

- the background to, and the design of, CT9;
- the benefits CT9 will bring to Hong Kong;
- the relationship between CT9 and CT10; and
- the implications of not proceeding with CT9.

How did CT9 come about? It came about as a result of the Port and Airport Development Strategy Study (PADS) which was accepted in 1989 by the Government as a blue-print for developing our port and airport infrastructure. That study foresaw the need for additional terminals for container operation at Stonecutters Island, Tsing Yi and, once the developmental potential of these locations had been utilized, on Lantau Island.

Lantau was never envisaged as a replacement for the development at either Stonecutters Island or at Tsing Yi; neither was it envisaged that all four berths of the Tsing Yi terminal development would be completed by 1995. Rather, the intention was that the completion of Terminal 8 at Stonecutters in early 1995 would be followed by the commissioning of the first berth of CT9 on Tsing Yi and that the other berth would come on stream in the months to follow and that CT9 would be fully operational only by late 1996 or early 1997. This would open the way for Lantau Port to be developed, berth by berth, after the road link to the island had been brought into use.

It was never the intention to build and open CT9 at one go; then wait two years and open CT10. Rather, we envisaged the phased opening of berths to meet rising demand.

Now that we had had a few months' delay to the start of work, do we still need CT9? The answer is an emphatic "yes, we do". Since 1989 we set up the Port Development Board to comprehensively and regularly review our port development strategy. The board produces each year a detailed five-year forecast of container berth requirements. These forecasts have a reliable track record. The board's review last year reconfirmed the need for four berths at Tsing Yi. We have three members of the Economic Services Panel of this Council and for those Members who are not members of that panel and therefore may not be in possession of the relevant data, we shall happily supply them with all the relevant papers.

CT9 therefore is, in fact, the fruition of some six years of detailed planning and design into which considerable resources — of time, manpower and money — have been invested by the Government and by the private sector. Work on the ground could physically get underway rapidly once the project has been endorsed. There is no question as to its need. On the question of costs and viability these are being discussed with potential members of the consortium but reaction from members of that consortium is that they are still interested in going ahead.

The next question then is: will CT9 create at Tsing Yi more problems than it will solve? I would like to cover three issues on this question:

- backup space for container operation;
- the transportation issues in Kwai Chung/Tsing Yi; and the
- environmental issues related to CT9's construction.

First backup space. When the early terminals, that is, Terminals 1 to 5, were developed it was not realized that an extensive amount of support land behind the terminals would be required for stacking empty containers, for parking container trucks and generally for backing up the industry. By the time Terminals 6 and 7 were designed we addressed that problem. At CT8 there is an enlarged backup space and we intend to use CT9 to provide as much backup space as geography will allow to overcome some of the shortfalls we inherited from the earlier terminals.

For Lantau, where we are less restricted, we plan to provide 10 hectares of backup space for each 20 hectares of terminal space — a ratio of 1 to 2.

Now applying that same ratio to the existing terminals (that is, Terminals 1-8) we should have some 114 hectares of land to backup the 228 hectares of terminal space. In fact we have only 51 hectares now, a shortfall therefore of 63 hectares exists.

To address this shortfall we have two options — to develop CT9 with an enlarged backup area as designed — or go somewhere else and take up land. The latter practice, that is, to go somewhere else and take up land, would mean utilizing the buffer zone between CT9 and Mei Foo — and Members can imagine the objection to that — or grabbing land on West Kowloon Reclamation earmarked for road and rail links to the new airport, for commercial, recreational and residential development. Again I am sure Members can see why that is really not acceptable.

As to the argument about increasing the capacity of the existing terminals to cover the throughput of CT9, well, we have looked at that before. It has superficial attractions. But it would actually involve taking over the existing backup areas and using them instead for terminal operations. The result would be to go for land which, as I have described earlier, are options which would not really be acceptable.

Now I shall turn to the second issue: transport. The CT9 development, as designed at Tsing Yi, offers us the opportunity not only to add logically to our stock of terminal berth backup space, but also to relocate the key roads at Tsing Yi further to the southeast, into the reclamation and away from residential areas. This would reduce noise and inconvenience to Tsing Yi residents.

It will also enable us to add four lanes to the existing two-lane Tsing Yi South Bridge and provide a dedicated access to the container terminal and its backup areas.

These improvements to the transport infrastructure are possible because CT9 development is not merely a container terminal development. The extensive backup area which will be provided will provide a resource for the whole of Kwai Tsing port. It will provide much needed additional space not only for cargo handling, but for roads, for parking of vehicles and stacking of containers. It will alleviate pressure elsewhere and save many a wasteful journey by those container vehicles now obliged to travel up and down Tuen Mun Road to distant sites simply to park or store containers. In short, from a transport point of view CT9 is designed to actually help solve some of the existing problems.

Finally, in designing CT9 at Tsing Yi, we have taken great care to see that we can maintain and, if possible, improve the environment for the people who live and work there. To this end we propose:

- to install acoustic barriers along sensitive roads where they pass near to residential areas and to use quiet road surfaces;
- to install double glazing and air-conditioning in the nearest residential units; and

- to make use of the opportunity of reclamation to relocate the main access away from residential areas.

We believe that this combination of measures will greatly ameliorate any adverse effect and may, indeed, help bring some improvement to existing conditions.

Having described CT9 and its benefits, I would like to address the suggestion that we should dispense with CT9 and, instead, advance CT10 at Lantau.

CT10 at Lantau is not the comparatively simple extension of an existing facility; it is the creation of an entirely new infrastructure.

Unlike CT9, where we have had six years of painstaking planning and design work under our belt, we are only at an early stage of the same exercise at Lantau. Design of the port, its access roads and supporting infrastructure is in hand; but statutory processes remain to be put in place, difficulties identified and resolved. We shall go through full town planning and reclamation procedures, that is, public consultation including consultation with the residents on Lantau.

Current engineering opinion suggests that we may not be able to commission the first berth as early as ideally required. Nevertheless, we will do all that we can to achieve the earliest possible opening. But we cannot be assured at the present time that the gap between CT9 at Tsing Yi and CT10 at Lantau will be as short as suggested by some Members.

I would now like to deal briefly with the suggestion that we can shelve CT9 and instead expand mid-stream operation to cater for growth until CT10 opens. Mid-stream operation now handles about a third of our container operation. The question is: Can it handle more?

Mid-stream operation is constrained partly by the physical ability of sheltered waters for anchorages, and partly by the availability of supporting land sites.

We have less problems with providing enough sheltered waters, although we must watch that our harbour must not become too congested, but there is a significant shortage of land to support mid-stream operations. Demand for waterfront sites well exceeds supply and there are very few possibilities for remedying this for years to come. This will constrain the ability for mid-stream operation to grow. Indeed, there are signs that this is already happening. So far this year growth has been the lowest since 1990.

So, far from being able to expand mid-stream capacity, we shall be hard pressed to maintain it as a temporary measure. This will mean that we shall have to continue to rely on the acquisition of replacement sites for years. Such

sites are rarely ideal but we shall see that, in operating them, great care is taken to avoid inconveniencing the local community. We shall need Members' continuing support for the process of finding sites to replace lost sites, but I really cannot hold out any hope of finding new sites to meet growing demand.

Some Honourable Members have referred to concerns expressed over the method by which we intend to grant the site of CT9 for development. I would like to point out that the method concerned — that is, by private treaty grant — has been used for four of our existing container terminals. Our proposals for CT9 follow this familiar route. We have briefed the Chinese side and outlined all the economic disbenefits of not proceeding early with CT9. I would like to reassure Mr POON and Mr MCGREGOR that we shall spare no effort to press for a response.

Mr President, Hong Kong lives by trade and its ability to service that trade. 87% of our cargo goes through the port which is a major generator of wealth, a significant contributor to our economy and a major source of employment. Its expansion sustains the expansion of our economy. Our policy is to allow the private sector to expand the port, incrementally, berth by berth, matching supply with demand. This has given Hong Kong the world's busiest container port at minimal cost to the taxpayer.

Mr President, the Administration has taken a careful, measured view of its position on CT9. Our conclusion is that, having regard to the economic well-being of Hong Kong and to the interests of all those who live and work close to our container port, CT9 and its attendant works should be implemented at Tsing Yi at the earliest opportunity. We believe that proceeding with CT9 will also be in the interests of development in southern China and of Hong Kong's future role in the region. We have concluded that we cannot shelve the project. My senior colleagues, the official Members, will, therefore, vote today in support of the amending motion proposed by Mr POON. Thank you. Mr President.

PRESIDENT: Mr Steven POON has given notice to move an amendment to the motion. His amendment has been printed in the Order Paper and Circulated to Members. I propose to call on him to move his amendment now.

MR STEVEN POON (in Cantonese): Mr President, do I still have time to speak?

PRESIDENT: No, I am afraid. You cannot have a second speech.

MR STEVEN POON moved the following amendment to Mr LEE Wing-tat's motion:

"To delete all the words from "Since it is expected" to "to shelve the project," and substitute the following:

"This Council urges the Government to come to agreement expeditiously with China in respect of the Container Terminal 9 project in Tsing Yi, so as to ensure early completion of the project,""

MR STEVEN POON (in Cantonese): Mr President, I move that Mr LEE Wing-tat's motion be amended as set out in the Order Paper.

Question on Mr Steven POON's amendment to Mr LEE Wing-tat's motion proposed.

PRESIDENT: Mr LEE Wing-tat, do you wish to speak to Mr POON's proposed amendment?

MR LEE WING-TAT (in Cantonese): Mr President, under the Standing Order, do I still have time to speak?

PRESIDENT: You actually have the right to speak to both Mr POON's and, if appropriate, Mr MCGREGOR's amendments. You have five minutes in each case.

MR LEE WING-TAT (in Cantonese): Thank you, Mr President. I did not expect that I would have so much time to speak.

Mr President, although I have ample time, I will respond briefly to a few raised points.

First, I think that my motion is a manifestation of a bold and resolute decision rather than an evasion of responsibility. I say so because those Members who spoke against my motion were doing no more than calling upon the Chinese and British sides to continue negotiating on the Container Terminal No.9 project and calling upon us to continue waiting. Other than that, I fail to see any real action on the part of those Members and the government officials to actually get this project started. Those Members are just "looking up to heaven for help" or are just "sitting tight till kingdom come", which is an even more cowardly and irresponsible attitude.

The second point to which I would like to respond is that the analyses made and the arguments advanced by those Members who spoke against my

motion, especially those belonging to the Liberal Party, are very much alike. This has been expected because they come from the same party. For example they consider that with the backup area of CT9 and the construction of an additional bridge, the traffic problems affecting the 1.4 million people in southwestern New Territories can be resolved. I believe it is because they have relied too much on the data and analyses provided to them by the Administration that they are entertaining such a bold and imaginative idea. The construction of CT9 on Tsing Yi Island can solve the traffic problems affecting 1.4 million people in southwestern New Territories? I think even the children living there would not believe such an analysis. Such a traffic forecast is purely theoretical and formulated in an office environment out of touch with reality. Let me cite a simple example. The Administration said in the Second Comprehensive Transport Study that it was estimated that Tuen Mun Road would not reach saturation capacity until 1997, so it would not be necessary to build Route 3 — Country Park section until 1997. I believe Dr TANG Siu-tong and Mr WONG Wai-yin know very well that Tuen Mun Road already reached saturation capacity in 1990-91, and traffic congestions have never ceased since then. It is only too common that the Administration errs grossly in land and transport planning. So why are Members still so confident in the Administration this time?

Another point to which I would like to respond is the question of the overall public interest *vis-a-vis* the sectoral interest. Our colleagues from the Liberal Party have always said that they insist on safeguarding the overall public interest. But I would like to ask the Liberal Party: What is the overall public interest that you are insisting on? The Liberal Party supports the importation of labour because they think that economic development is more important than the interests of the working class. The Liberal Party opposes the raising of personal tax allowances at a time of economic prosperity because they think that the overall interests of society is more important than the interests of the individual. Now, the Liberal Party again considers the economic development to be more important than the interests of the 1.4 million people living in Tuen Mun, Tsuen Wan and Kwai Tsing. I really want to ask the Liberal Party: What public interests are you protecting? Could it be that the interests of a small group of people like you mean the interests of all the people in Hong Kong?

Finally, Mr President, I would like to respond to the speech by the Secretary for Economic Services. He considers that my proposal of expanding the backup areas of CT1 to CT8 and providing assistance to the mid-stream operation cannot cope with the expected growth in throughput of 2 million-odd containers from mid-1995 to mid-1997. Regarding this point, let me say we are looking at the problem in different perspectives. I predict, however, that in the event of no agreement being reached between the Chinese and British Governments to settle the dispute over Hong Kong's political system, with the result that the CT9 project cannot be implemented, the Secretary will say to us half a year later, "As we cannot build the CT9, we have no alternatives but to develop the backup areas of CT1 to CT8 and provide assistance for the further

development of mid-stream operation in order to cope with the growth in container throughput from mid-1995 to mid-1997". At this very moment, the Secretary will, of course, not accept my analysis as correct, otherwise he will have to decide shelving the CT9 project. Will my prediction turn out to be correct? No one knows. But if it really turns out to be correct, then I think the Administration will have to explain why analyses at different times produce different results.

Thank you, Mr President.

Question on Mr Steven POON's amendment to Mr LEE Wing-tat's motion put.

Voice vote taken.

The President said he thought the "Ayes" had it.

MR LEE WING-TAT: Mr President, I call for a division.

PRESIDENT: Yes, Council will proceed to a division.

PRESIDENT: Would Members please proceed to vote?

PRESIDENT: Are there any queries? If not, the results will now be displayed.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mr HUI Yin-fat, Mr NGAI Shiu-kit, Mr TAM Yiu-chung, Mr Andrew WONG, Mr LAU Wong-fat, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Jimmy McGREGOR, Mrs Elsie TU, Mr Peter WONG, Mr Vincent CHENG, Mr CHIM Pui-chung, Mr Timothy HA, Mr Simon IP, Dr LAM Kui-chun, Mr Eric LI, Mr Fred LI, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG, Dr Philip WONG, Mr Howard YOUNG, Mr WONG Wai-yin, Dr TANG Siu-tong and Mr Roger LUK voted for the amendment.

Mr Martin LEE, Mr SZETO Wah, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Mr LEE Wing-tat, Mr MAN Sai-cheong, Mr James TO, Dr YEUNG Sum and Miss Christine LOH voted against the amendment.

Mr Alfred TSO abstained.

THE PRESIDENT announced that there were 32 votes in favour of the amendment and 14 votes against it. He therefore declared that Mr Steven POON's amendment was approved.

PRESIDENT: Mr McGREGOR, as Mr Steven POON's amendment has been agreed, your amendment cannot proceed in its present form. Would you like to seek leave to alter the terms of your amendment?

MR JIMMY McGREGOR: Mr President, with your permission, may I change the terms of my amendment to read:

"To delete all the words after "completion of the project" and substitute the following: "and in so doing, seek to bring the Chinese authorities to a full realization of the economic disbenefits to Hong Kong of further delay in the decision to go ahead.""

PRESIDENT: You have my leave.

MR JIMMY McGREGOR moved the following amendment to Mr LEE Wing-tat's motion as amended by Mr Steven POON's amendment:

"To delete all the words after "completion of the project" and substitute the following: "and in so doing, seek to bring the Chinese authorities to a full realization of the economic disbenefits to Hong Kong of further delay in the decision to go ahead.""

MR JIMMY McGREGOR: Mr President, I move that Mr LEE Wing-tat's motion as amended by Mr Steven POON's amendment be further amended by my revised amendment.

Question on Mr Jimmy McGREGOR's amendment to Mr LEE Wing-tat's motion as amended by Mr Steven POON's amendment proposed.

PRESIDENT: Mr LEE, you do technically have a right to speak to the present form of the question. Do you wish to?

MR LEE WING-TAT (in Cantonese): Mr President, I do not intend to speak again.

Question on Mr Jimmy McGREGOR's amendment to Mr LEE Wing-tat's motion as amended by Mr Steven POON's amendment put and negatived.

MR JIMMY McGREGOR: Mr President, I seek a division.

PRESIDENT: I announced the result of the vote, Mr McGREGOR. You are too late.

MR JIMMY McGREGOR: Thank you.

PRESIDENT: Mr LEE, you still technically have a right of general reply of 1 minute 37 seconds.

MR LEE WING-TAT (in Cantonese): Mr President, I do not intend to speak.

Question on Mr LEE Wing-tat's motion as amended by Mr Steven POON's amendment put.

Voice vote taken.

The President said he thought the "Ayes" had it.

MR LEE WING-TAT: Mr President, I call for a division.

PRESIDENT: Council will proceed to a division.

PRESIDENT: Would Members please proceed to vote?

PRESIDENT: We seem to be two Members short of a full complement. A Member is not obliged to press the "Present" button, but if that Member wishes to be registered as present that button has got to be pressed.

PRESIDENT: Are there any queries? If not, the results will now be displayed.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mr HUI Yin-fat, Mr NGAI Shiu-kit, Mr TAM Yiu-chung, Mr Andrew WONG, Mr LAU Wong-fat, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Jimmy McGREGOR, Mrs Elsie TU, Mr Peter WONG, Mr Vincent CHENG, Mr CHIM Pui-chung, Mr Timothy HA, Mr Simon IP, Dr LAM Kui-chun, Mr Eric LI, Mr Fred LI, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG, Dr Philip WONG, Mr Howard YOUNG, Mr WONG Wai-yin, Dr TANG Siu-tong and Mr Roger LUK voted for the amended motion.

Mr Martin LEE, Mr SZETO Wah, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Mr LEE Wing-tat, Mr MAN Sai-cheong, Mr James TO and Dr YEUNG Sum voted against the amended motion.

Miss Christine LOH, Ms Anna WU and Mr Alfred TSO abstained.

THE PRESIDENT announced that there were 32 votes in favour of the amended motion and 13 votes against it. He therefore declared that Mr LEE Wing-tat's motion as amended by Mr Steven POON's amendment was carried.

AN EFFECTIVE AND EFFICIENT CIVIL SERVICE

MR NGAI SHIU-KIT moved the following motion:

"In view of the crucial role played by the Civil Service in maintaining a stable and prosperous Hong Kong and in order to set the minds of civil servants at ease so that they may during the transition to 1997 and beyond continue to provide service to the people of Hong Kong in a manner as effective and efficient as it has been, this Council urges the Government to implement the localization programme, ensure the continuity of the pension arrangements for civil servants, and draw up relevant measures to boost morale and to appropriately deal with the problems facing the Civil Service."

MR NGAI SHIU-KIT (in Cantonese): Mr President, I move the motion standing in my name on the Order Paper.

As everybody knows, Hong Kong owes its success today not only to its hardworking people, who cause the economy to prosper, but also to its dedicated Civil Service, on which the effective functioning of the community depends. In recent years, however, the Government's civil service policy has tended to be unstable, with direct adverse effects on the morale and the unity of civil servants. This trend not only has undermined the efficiency of the Civil

Service but is also detrimental to the smooth transition of Hong Kong. We, therefore, must take an early and square look at the problems that are bothering our civil servants.

A full range of problems are troubling the Civil Service. How can we keep our Civil Service efficient and highly motivated? How should we protect the reasonable interests of our civil servants? These are important questions. I believe that Members will make use of their allowed time to speak on the various problems now facing the Civil Service. I will offer my views on several important issues by way of starting off what I hope will be a valuable exchange.

Localization of the Civil Service

First of all, let me talk about the issue of localization. By promoting a localization policy, the Government corrected a problem — unjust discrimination against local people — that had existed throughout Hong Kong's colonial history. We of course find the spirit of this policy praiseworthy. However, a praiseworthy policy by itself is not enough. What is even more important is how the Government has proceeded to implement the localization policy practically. This is the only way to look after the rights of the local civil servants. It is conducive to the final goal, which is "Hong Kong people ruling Hong Kong."

Towards the end of July this year, the Government introduced a temporary arrangement to the effect that all expatriate civil servants who are permanent residents of Hong Kong can apply to switch to local terms. Such an arrangement, which runs counter to the declared localization policy, is undoubtedly a heavy blow to the morale of the local civil servants. I have contacted some civil servants' associations. They told me frankly that before the new transfer policy was announced, local civil servants had been able to see what lay ahead in their career, a future defined by the localization policy and by the concept of "Hong Kong people ruling Hong Kong," as laid down in the Sino-British Joint Declaration. They were given to understand that they could attain this goal by working hard. However, under the pressure of expatriate civil servants' associations and for some reasons that were not clear, the Government decisively announced the transfer policy without consultation with local civil servants' associations or the public. The policy would not only affect the local officers' opportunities for advancement but also set up unnecessary barriers for local officers seeking career development along the path leading to the goal of "Hong Kong people ruling Hong Kong." The morale of the local civil servants is greatly affected. The Government's rash announcement of the transfer policy serves to protect the vested interests, that is, the interests of those who benefit from an unjust system. Worse still, the implementation of the localization policy is abandoned, to the expressed grief of local officers generally. Local civil servants' associations have worked hard and strived for a quicker pace of localization. Their efforts have been rendered futile by the new transfer policy. What is more, some local civil servants due for promotion will see their

promotion blocked. They feel that the Government has been inconsistent and that its civil service policy is unpredictable. The end result is disunity and instability within the Civil Service.

Definition of "local"

In the final analysis, the issue of status conversion for expatriate officers hinges on the definition of "local".

Before we find out what "local" is, we should look at the definition of "expatriate." Under Regulation 115(1) of the Civil Service Regulations, an expatriate officer is one who is not habitually resident in Hong Kong, Macau, China or Taiwan and his background or social ties have nothing to do with any of these four areas. Regulation 115(4) also provides that, if a person applying for a position as an expatriate civil servant has lived in any of the four areas by reason of business requirements, he shall not be deemed to have "habitually" lived there. These two provisions of the Civil Service Regulations protect the status of "expatriate officers" and distinguish it from the status of "local officers." They provide very valuable antecedent definitions. If the Government adheres fairly to these antecedent definitions, the whole controversy can be easily resolved.

Mr President, the crux of the matter lies in the fact that if an expatriate officer thinks that his status is not different from that of a local officer, then he should first explain why he did not apply to switch to local terms upon completing his first seven years of residence in Hong Kong. Why did he take the advantage of the travel benefit for "renewing home ties" under the terms of his expatriate employment contract? According to the figures of the Treasury, nearly all expatriate officers take advantage of this kind of travel benefit. One cannot help but ask: Where is his home? Is his home in Hong Kong or elsewhere? What this means is that the Government did hire expatriate officers under expatriate terms and that the expatriate officers themselves indeed knew at the time of hiring that they would be working for the Government in expatriate capacity until their contracts expired. Both sides were witting and willing at the time; neither owes the other anything now. Therefore, it is not reasonable for the Government to yield to the pressure of expatriate civil servants' associations and decide to allow them to switch to local terms.

The Government has quoted the Immigration Ordinance to support its argument that any person who has lived in Hong Kong for seven years should be eligible for local permanent resident status. I think that this is questionable. Whether a non-Chinese person is eligible for local permanent resident status should be determined on the basis of the constitution, not any specific statute. I think that it is most proper that the provisions of the Basic Law should be the basis for determining a non-Chinese person's eligibility for permanent resident status. To put it simply, a non-Chinese person not only must have normally lived in Hong Kong for seven consecutive years but must also regard Hong Kong as his place of permanent residence before he is eligible for

permanent resident status. How should the "place of permanent residence" be defined? We know that all countries have roughly similar definitions and that these definitions are not just laid down statutorily.

I believe that, in order that the civil service localization policy can be implemented successfully, the Government should quickly conduct a study in those departments where the progress of localization is lagging behind. The study will identify the problems in this regard. In addition, a review should be made of the criteria adopted by these departments for deciding which position cannot be filled by local people. Out-dated or discriminatory policies should be corrected. Furthermore, the Government should lay down a timetable to complete localization in all departments. Talented and experienced local officers should be promoted to positions at the policy-making level. The idea of "Hong Kong people ruling Hong Kong" can then be carried out. This will not only enhance local officers' sense of belonging to Hong Kong, but will also ensure that the policies introduced by the Government can be carried out smoothly because they are in touch with the populace. The community in Hong Kong will then become more cohesive, more stable and more prosperous. As there must be convergence for the political system, so must there be convergence for the Civil Service.

The setting up of an independent arbitration committee

Reasonable pay and conditions of service are the major factors which motivate civil servants to continue to work hard. However, every time that the Government revises the salaries of civil servants, one sees quarrels and unpleasant scenes. The Government should honour the agreement that it reached with civil servants in 1968, which says that, in the event of disagreement between the Government and its employees, an independent arbitration committee should be set up to assess the reasonable level of pay adjustments. This will enable the management and the staff to develop a more harmonious relationship. Therefore, I suggest that the Government should set up an independent arbitration committee as early as possible to assess the level of pay adjustments and to improve communications between the two sides. This Committee will then work out a fair and effective solution to the long-standing problem.

Civil service pensions

In his policy address this year, the Governor announced that a Pension Reserve Fund would be set up and the Government would inject \$7 billion into the Fund over two years. Civil servants' associations welcome the establishment of this Fund. But they note that the specified maximum amount to be injected will not be enough because \$7 billion suffices only to meet one and a half year's pension payments.

I feel that the interminable argument about what amount of injection will be enough may not help to relieve civil servants of their worries. The Governor said in his policy address that "The Fund's resources would be used exclusively to pay pensions in the unlikely event that they would not be covered from general revenue." I think that it is most important for the Government to have a balanced budget or a budget with a surplus. The chances that resources from the Fund will be used will then be slim. Civil servants will then believe that money from the Fund will be used only to meet unexpected payment needs. They will then cease to worry about whether there will be enough money in the Fund. On the other hand, if the Government spends more than it receives, money from the Fund will have to be used every now and then to meet pension payments. Civil servants then cannot rest assured no matter how much money is injected into the Fund. Therefore, the whole issue hinges on whether the Government has a prudent and sound financial philosophy. I wonder if the Government will consider slightly adjusting the "cash basis" accounting method that is now in use and consider adopting the "accrual basis" accounting system. The pension expenditure will then clearly show up in the Government's accounts, as will the Government's funding commitments. Civil servants will then have more confidence in their pension arrangements.

A senior civil servant once said that the success of Hong Kong's Civil Service was due to the fact that political factors were minimized in the Government's civil service policy so that civil servants could discharge their duties objectively and remain politically neutral. However, during the latter half of the transition period, political winds are blowing within the Civil Service, with adverse effects on the judgments and moods of civil servants. These "winds" must not prevail.

In view of the above, the Government may wish to consider setting up a Civil Service Affairs Committee to be composed of government officials, representatives of civil servants' associations and Members of this Council. This Committee will monitor progress in localization, supervise pension arrangements and study carefully the problems that are facing civil servants. The point is to improve communications among the three sides. The Committee will, through consultation and exchange of opinions, prescribe the right medicines for the right diseases. It will arrive at mutually acceptable conclusions which will help to solve the various problems of the Civil Service.

Mr President, playing politics may be so much fun that everything else is forgotten. But civil servants definitely must not join in playing this game. Now that troubling things are happening, we should take a sober and square look at the internal and external problems facing our civil servants. We must do our best to solve their problems, not create more problems for them.

The Government is the territory's biggest employer. It should do its best to solve fairly and effectively the problems between itself and its employees so

as to show its commitment to Hong Kong and its ability to rule effectively. However, if any action taken implies a policy change, then the Chinese side must be consulted, so that a consensus may be reached.

With these remarks, I beg to move.

Question on the motion proposed.

CHIEF SECRETARY: Mr President, a few weeks ago I gave a speech in this Council which I described as my last major speech. I apologize if I am disappointing Members by getting to my feet yet again. My excuse is that this is not a major speech and in any event it seems appropriate to me that after more than a quarter of a century in the public service in Hong Kong, and the last seven years as Chief Secretary and head of the Civil Service, my final contribution as an official Member of this Council should be devoted to the Civil Service itself. Mr President, I therefore welcome this motion as an opportunity to say a few words about the service and to pay tribute to my colleagues. I hope it goes without saying the Government remains fully and firmly committed to doing whatever is necessary to maintain a stable, efficient and effective Civil Service.

I would like to think that the Civil Service is somehow symbolic of the special qualities of Hong Kong people which have been the driving force behind the success of this place: an extraordinary capacity for hard work, innovation and a readiness and adaptability to change.

I think we sometimes forget just how much the Civil Service impacts on the daily life of people in Hong Kong: safe and clean streets, schools, postal services and recreational facilities, not to mention housing, medical services and the development of the new towns. All this at a cost of less than 20% of Hong Kong's GDP! On the political and constitutional side, the Civil Service has responded well to all the challenges thrust upon it and it has set us on a well paved and secure road to the transition to 1997. We have not only accepted this change, but also greatly improved the efficiency and quality of our service to the public at the same time.

So let me assure Honourable Members that the Government remains committed to the maintenance of a first class Civil Service. I believe our record shows we can deliver on that promise. My colleague, the Secretary for the Civil Service will deal with the key issues raised in this motion in detail. But I would like to address just a few of them in broader terms, including the measures we have taken to improve the quality and culture of the service, localization, and the relationship of the legislature with the Civil Service.

I believe that we have managed to pull off the trick of improving the quality of our work while at the same time facing new and more complex challenges, and rapidly rising community expectations. Much of this has been

due to the resources we have put into training. Over the last five years, we have more than doubled our training budget, from \$301 million to \$671 million. At the same time we have made departments take on much more responsibilities for the training of their own people. After all they should know best what they need by way of training. And, finally, we have tackled the needs of the transition by focusing on China-related training. This year, we have run seven special courses involving 83 carefully selected officers, including those at the Qing Hua University in Beijing. We really are laying the ground work for the future.

On the thorny issue of localization referred to by Mr NGAI, I would have to say — as someone who is to be "localized" with effect from next Monday — that there has been a good deal of misunderstanding of our record in this area up to now, and not a little underestimation and understatement of what we have so far achieved.

I think it is worth looking at the figures again. In 1952, overseas officers accounted for 4.4% of the Civil Service. Today, they account for 1.1%. In terms of absolute numbers, there are now only 2 100 overseas officers in the service of more than 180 000. At the directorate level, 65.5% of the posts are now filled by local officers; some 80% of the senior management/professional officers are locals, and half of our Policy Secretaries and Heads of Departments are local.

Let me once again make it clear: we are very well aware of our obligations and our commitment to localize the Civil Service. Not least as it affects Principal Official posts, and Honourable Members can be assured that these arrangements will be in place in good time. Equally, I am sure that Honourable Members will want to be assured that the service will continue to have the right mix of expertise and range of experience it needs to deliver the goods. That is entirely consistent with the kind of civil service envisaged under the Joint Declaration and the Basic Law.

The relationship between Legislative Council and the Civil Service has always been crucial. In my experience it has also always been good. And notwithstanding the new pressures which have been placed on both sides, particularly since the 1991 elections, I believe that the relationship remains sound, based as it is on a mutual desire to do what is best for our fellow citizens. I feel confident that as the Government continues to demonstrate its accountability that relationship will develop constructively, even allowing for the occasional wrinkle when we may not see eye to eye.

But I would like to mention one aspect of the relationship which I believe needs to be carefully preserved. This legislature, in particular through the Establishment Subcommittee of the Finance Committee, has an important duty to discharge in the examination and approval of civil service directorate posts. It is your job to see that the public is getting value for money. There have been some signs however that this role has been widened by some Members and as a

result they may have strayed into areas where I believe the Administration should be in the driving seat, including management decisions and particularly matters relating to individual appointments.

We do need to take the greatest care that the legislature does not step too far down this slippery slope to a point which could lead to the politicization of the Civil Service. Appointments are a management responsibility and we have the Public Service Commission to ensure, as a proper mechanism of public safeguard, that these responsibilities are properly discharged. And the political neutrality of the Civil Service is itself one of the key safeguards of our system of government, now and in the future.

Mr President, I have been honoured to head the Civil Service for the past seven years. We do have a fine and immensely loyal body of men and women doing their best for the people of Hong Kong. As I said earlier, to me they embody in so many ways all the attributes of our own community. Of course, this means weaknesses as well as strengths. But if you look about you and see what we have together achieved, I think you will agree that those strengths demonstrably overwhelm any weaknesses. Long may it continue to be so.

Mr President, I hope I will not be ruled out of order if I also say a few words which are not directly related to this motion because I would like to thank, you, Mr President, and all Members of this Council for all the kindness, friendship and support which you have showed me during my time, both as the Chief Secretary and also as Chairman of the Finance Committee. My Wednesday and Friday afternoons will never be quite the same again. I am very sad to be leaving Hong Kong, but I have two consolations. Firstly, I can continue to serve Hong Kong as Hong Kong's Commissioner in London and, secondly, I leave my post in very capable hands.

Mr President, I am happy to support this motion.

MRS SELINA CHOW (in Cantonese): Mr President, it is Liberal Party's long-held view that an important factor for Hong Kong's smooth transition in 1997 is a stable, incorrupt, confident and motivated civil service. It is because the Government counts on this 190 000 force to ensure policy implementation and effective administration. Such a huge force must of course be trained, cared for, maintained and led. It will then be able to play its role effectively in the face of the important changes in the run-up to the transfer of sovereignty.

Hong Kong has been a British colony for over 150 years. The Government, in both form and substance, is naturally modelled on that of its sovereign power. Many civil servants in top positions are Britons or expatriates. However, back in the 1960s, the United Kingdom made a far-sighted move to set a direction — the localization of Hong Kong's civil servants. This direction then became the Hong Kong Government's policy. Under this policy, expatriates were hired on very favourable contract terms. Overseas

staff knew, when they were first hired, that their contracts would be renewed only if qualified replacements were unavailable locally. Regrettably, this policy was not closely adhered to over the years. The contracts of overseas staff were often renewed automatically. This was detrimental to the implementation of the localization policy. Career advancement for qualified and experienced local civil servants was blocked by the overseas contract staff. This is unfair and has caused strong resentment. The Government over the years did nothing to correct such unfairness. Instead, towards the end of July this year, the Government, invoking the Bill of Rights Ordinance, compounded its mistake by allowing overseas staff to transfer to local terms, thereby enabling them to keep their original positions and ranks. This has indeed aroused enormous discontent among local civil servants, who already complained in the past that the better terms of employment offered to overseas staff were discriminatory. So they have now stood up *en masse* to raise objections. Well then, does the policy change satisfy those overseas contract staff who want to remain in Hong Kong? Of course not. As we all know, some overseas staff applying to switch to local status under the new arrangements are unhappy because the Government has rejected their applications. They are planning to take the Government to court. In fact, the new arrangements introduced by the Government have displeased all three parties: Local and overseas officers are of course chagrined; even members of the public are very unhappy. The Government has come under fire from various quarters for the way it handles this matter: It is accused of being partial to overseas staff, of disregarding the due process of law, of refusing to hold consultation, of turning a deaf ear to public opinion and of acting arbitrarily. Although not all of the accusations may be justified, the Government's arrogance and obstinacy are disappointing and infuriating. This Council is going to debate a Private Member's Bill moved by Mr TAM Yiu-chung next month to "freeze" such a wrong policy by the Government. So I do not intend here to offer my views as to the solution for the problem. Still, I am quite certain that, if it has the confidence and the resolve to act, the Government will not find it too difficult to identify a solution satisfactory to all parties.

The above issue, coupled with other changes in the Government's civil service policy, is detrimental to a smooth transition. Lord David WILSON, the former Governor, used to encourage civil servants to make contacts with the Chinese side and to improve communication and promote mutual understanding. This broad guideline has been changed. In a complete reversal of the bridge-building policy, civil servants now must inform the Government and secure prior approval even if they want to have contacts with members of the Preliminary Working Committee (PWC) of the Special Administrative Region Preparatory Committee. This causes trouble for civil servants. Given that many members of PWC hold public office and often have occasions to meet Hong Kong Government officials to talk about non-PWC matters, will this not give headaches to our prudent civil servants?

Recently there are other changes or developments that affect our civil servants: The screening of civil servants will now be handled by ICAC instead of the police's Special Branch; the public has been given cause to be suspicious of ICAC's internal operations; many senior positions have been filled other than by promoting qualified local civil servants to fill them; and an idea about the creation of a functional constituency of civil servants was floated on the eve of the Sino-British talks on Hong Kong's political system. This has caused worries among civil servants. The public, too, is concerned about some other important administrative developments.

We fully agree with what the Chief Secretary said a moment ago. We know that our dedicated and dutiful civil servants have done their work well with integrity. We hope that the Governor, the Executive Council and officials responsible for civil service policy will pay attention to the worries of our civil servants and to the public's expectations from the Civil Service. We hope that they will act responsibly and properly to dispel the worries of our civil servants.

MR TAM YIU-CHUNG (in Cantonese): Mr President, as chairman of the Legislative Council Public Service Panel, I should like to use this opportunity to offer some advice to the Government apart from expressing my support for the motion. It is because the Government's present policy line in respect of the Civil Service fails to address fully the problems and needs of civil servants, so much so that certain policies have caused bewilderment and discontent among the civil servants, thus undermining their morale. This certainly goes against the goal of stabilizing the Civil Service.

The Government's latest arrangement of allowing expatriate officers employed on overseas contract terms to transfer to local contract terms runs counter to the spirit of the civil service localization policy which has been implemented for a long time. Moreover, the Government did not consult the various civil service associations or unions before reaching this decision. It even advanced some very farfetched and unconvincing reasons to hastily launch the policy. The result is of course strong reaction from the civil service associations. And diverse views have been expressed within the community. This about-turn in the Government's civil service policy is indeed dealing a serious blow to the many local civil servants who have the potentials, the ability and the desire to serve the Hong Kong community. That Members of this Council have to resort to a Private Member's Bill now to put the Government's transfer arrangements under freeze for six months is indeed a last-ditch measure. It is hoped that the Government will grasp the severity of the situation and revert to the original course as soon as possible to give effect to the spirit of the localization policy which has been observed for years. This will stabilize the morale among civil servants. The Government should also speed up the pace of localization, so that sufficient numbers of local talents will be available to learn and master the ropes and to provide the public with services of an even higher quality.

However, I have to stress that the Government must implement the localization policy with sincerity, train real capable local officers and promote them to higher echelons of the Administration. While abilities and experience must be the selection criteria for government appointments, consideration should also be given to whether a convincing case can be made to justify an appointment. Moreover, the Government should not create some "adviser" posts to be filled by expatriate officers who lose their jobs because of the localization simply for the sake of placating them. This will not only be a waste of large amounts of public money, but will also reduce the administrative efficiency of departments.

Apart from speeding up the full implementation of the civil service localization policy, the Government still need to discuss with the Chinese side, at an early date and in accordance with pertinent provisions of the Basic Law, the transitional arrangements for the various policy secretary and several top ranking posts so that continuity for these particular posts can be guaranteed for 1997. On the other hand, existing ordinances and guidelines governing the Civil Service, such as the Letters Patent, Colonial Regulations and Civil Service Regulations, will have to be repealed or amended with the onset of 1997. The Government should make early and relevant preparations for this.

Although civil servants now have to meet the challenge posed by an increasingly politicized community of Hong Kong, I loathe seeing them being caught in politics. Civil servants should act as politically neutral executors of policy rather than direct participants in politics. I hope the Government will be wary of letting civil servants become embroiled in the Sino-British squabble, lest the Civil Service would be subject to impact.

Moreover, the question of a pensions fund which has been a year's old concern among the Civil Service was specifically addressed only when the Governor made his latest policy address. The Government has undertaken to inject \$7 billion into this fund, but I hope that this pensions reserve fund will be expanded in accordance with the financial capabilities of the Government. This \$7 billion should also be managed separately from the other government accounts so that it may snowball to meet the needs of the future.

Finally, I should like to say a few words about the "old account" of which the nine civil service associations have been strongly pressing for a settlement lately. It is the 3.52% pay adjustment shortfall for the 1990 and 1991 civil service pay rises which had deviated from the pay trend survey indicators on grounds of high inflation and budgetary restraints. These associations have formed the view that it has been an unfair policy and that the Government should compensate civil servants for the 3.52% shortfall. This has been a longstanding bone of contention between the Government and the civil servants. I hope the Government will address this question properly, delay no more and

set up as quickly as possible a committee of arbitration to deal with this question. Later during the Session, I shall move a motion debate on this subject.

Mr President, I so submit.

MRS PEGGY LAM (in Cantonese): Mr President, people may have different interpretations with regard to smooth transition in Hong Kong. Yet it is undeniable that in such a period to set the minds of civil servants at ease should be one of an essential jobs.

Apart from our hardworking people, the territory's success, and indeed our social stability, hinges on the effective implementation of government policies by a strong Civil Service. Among the 180 000 civil servants, there are, of course, some redundant personnel, officers with bureaucratic airs or ineffective staff but our Civil Service is on the whole honest and effective.

In fact, there are provisions in the Basic Law which protect the interests of civil servants in all government departments. It is stated that civil servants may all remain in employment and retain their seniority after 1997 with pay, allowances and benefits no less favourable than before. The provisions ensure a smooth transition of the Civil Service. Yet, it is understandable that a considerable number of civil servants have still misgivings about their future.

If the relationship between civil servants' "new boss" and "old boss" is amicable, any problems can be ironed out through negotiation any problems can be ironed out through negotiation. And proper arrangements could be made for the transition with regard to the Civil Service. The Civil servants would also have confidence that such arrangements are workable. However, in the last one or two years, the relationship between China on the one hand, and the United Kingdom and Hong Kong on the other has been deteriorating over the ongoing political row. Under such circumstances, can matters in relation to the Civil Service be fully taken care of? Will the stable administration structure be undermined gradually because one side just looks on with folded arms while the other side fails to obtain necessary information?

Everyone is, in fact, concerned about the prospect of Hong Kong in the transition period. We show our special concern for civil servants because we cannot afford to see the executive go wrong. Furthermore, the Government, I believe, does have the ability to implement some measures for directly boosting civil servants' confidence and morale.

Enhancing communication between China and Hong Kong

China and Hong Kong will be guided by the principle of "one country, two systems". Civil servants in Hong Kong will certainly come into more contacts with their Chinese counterparts as China is going to resume sovereignty over Hong Kong. To achieve better co-ordination and efficiency, the

Government should organize more training courses and exchange programmes, especially those for senior civil servants. This will enhance communication between civil servants of both sides of the border and enable them to understand the other side's mode of operation. It is hoped that, through such exchanges, suspicions or misgivings about incompatibility can be allayed.

Our civil servants have all along been politically neutral. They implement and explain government policies with no uneasy feelings. However, in these two years the Hong Kong Government has changed its tactics in its handling of political issues in a way that senior civil servants are inevitably compelled to take a political stand. Civil servants who are not accustomed to such political tactics may feel worried that their career may be affected by their so-called political view they are forced to express today. I hope the Hong Kong Government, in consideration of the necessity of retaining qualified personnel for the continuity of their service in Hong Kong, would maintain civil servants' long-standing political neutrality.

Pensions

The Governor proposed in this year's policy address the establishment of a pension reserve fund for civil servants. The injection of \$7 billion into the fund over the next two years indicates that the Government understands, and responds to, civil servants' concern. This is, in my opinion, an appropriate arrangement. However, some civil servants' associations demand an increase of the amount. This is simply asking the Government to freeze a large sum of fiscal reserve. The demand is virtually not justified. Furthermore, pensions are both civil servants' statutory right and a charge on public revenue. The establishment of the reserve fund has already helped to boost civil servants' confidence. Yet, the Government may go one step further by explaining how the amount of \$7 billion is arrived at and the operation details of the reserve fund.

Conditions of service

Civil servants think that the Government has in the past few years failed to adjust their pay rise on a fair basis. It is a long-standing practice that the pay rise of civil servants is based on pay adjustment surveys in the private sector. However, in the years in question, the Government chose not to follow this practice on the ground of practising austerity. The general public would certainly support any move to rein in public expenditure during difficult times and hence support measures to suppress civil servants' pay rise. Yet, in fairness, the Government should set up an independent commission to study their pay adjustment, or their morale, I am sure, will be undermined.

Workload

Apart from suppressing pay rise, the Government has also controlled the growth of the Civil Service in recent years. Some years ago it decided to delete

those established posts which had been left vacant for a long period. Yet it still cannot fill all the existing vacancies. Under the circumstances, some civil servants feel that their workload is so great that it is disproportionate to their pay. I urge the Government to review the establishment so that workload can be effectively distributed.

As regards representative government, I believe some officers will find it undesirable because their official authority will encounter more challenges. Yet, I believe that the incumbent civil servants, as they work for an accountable government, will certainly be courageous enough to face public challenges. This is, after all, an open society. Civil servants must also move with times. In the meantime, the Government should provide officers concerned with appropriate training to enable them to take up challenges more effectively.

Localization

In general, to boost civil servants' morale and to reassure them to serve the community, the Government should press ahead with the localization policy and it is one of the measures which the Government would find the greatest room to make improvement.

The localization policy in the Civil Service has been implemented for over a decade. It is a pity that progress is extremely slow, especially in the Legal Department and the Judiciary. This will affect the realization of the concept of Hong Kong people ruling Hong Kong and strike a heavy blow at the morale of most civil servants as well.

Last week the Government allowed two expatriate government officers on contract terms to transfer to local terms. This has aroused the discontent of civil servants' associations. Furthermore, this manifests that the Government has paid no heed to the fact that this Council is studying a Private Member's Bill on the transfer of conditions of service for public officers.

In the overall directorate grade, the proportion of expatriate officers over the last decade has only decreased from 55% to 35%. Now arrangements are made for them to transfer to local terms. One wonders whether the Government is determined to put the localization policy into practice.

I support the principle of the appointment of qualified officers and the necessity to evaluate the importance of the localization policy. However, it is improper to take unnecessary pains to study the term "local". Furthermore, how can we boost our 100 000-strong local civil servants' morale when they are not given fair promotion opportunities and necessary training by an insincere employer?

The buzzer sounded a continuous beep.

PRESIDENT: I have to ask you to discontinue, Mrs LAM.

MRS PEGGY LAM (in Cantonese): Mr President, with these remarks, I support the motion.

MR LAU WONG-FAT (in Cantonese): Mr President, it is well recognized that the civil servants of Hong Kong are of high calibre and efficient. One of the main reasons for the smooth running of Hong Kong at various levels is that we have an outstanding and dedicated Civil Service. In another three years, the sovereignty of Hong Kong will be reverted to China. At this historic turning point, we need all the more a dedicated Civil Service to assist in the smooth transition of Hong Kong, so that the territory will continue to enjoy stability and prosperity.

It is understandable that in the face of the change of sovereignty, civil servants may have worries about their career prospects. Undoubtedly, it is incumbent upon both the Chinese and the British Governments to create a suitable environment to stabilize the Civil Service. In fact, there are explicit provisions in Chapter IV of the Basic Law of the Hong Kong Special Administrative Region which safeguard the interests of civil servants. The areas covered include remuneration, terms of service, welfare benefits and pensions and so on, and the provisions can be said to be both comprehensive and solid. However, in order to tie in better with the provisions of the Basic Law and to further boost the confidence of civil servants, I think that it is necessary for the Administration to take some positive measures in this regard. For example, the setting up of a Pension Reserve Fund and the arrangement for civil servants to visit Mainland China for exchange of views are desirable moves.

The effects of a Pension Reserve Fund are self-explanatory. The exchange visits of Hong Kong and Chinese officials could strengthen communications between the two areas and enhance mutual understanding as well as establish effective working relationship. This is very important to civil servants who are going to stay and serve for Hong Kong. I think it is necessary for the Government to extend the programme because at present those who visit mainland China are mainly branch secretaries and department heads. The Administration seems to have worries about sending civil servants of other grades, particularly those in the disciplinary forces, northwards to visit mainland China. I think such worries are unwarranted. As the date for returning the sovereignty of Hong Kong to China in 1997 is drawing near, the Administration should encourage and arrange more civil servants from different departments and grades to pay such visits. Restricting such activities would not be in the overall interest of Hong Kong.

Mr President, a few days ago, the Administration indicated its readiness to discuss with the Chinese side about the criteria for appointment of senior civil servants. Such a pragmatic approach is laudable. By doing so, the continuity of

the tenure of senior civil servants after 1997 will be better protected. Similarly, the Administration should take a pragmatic attitude in addressing issues relating to the smooth transition of Hong Kong such as localization and the switch of the expatriate civil servants to local terms. It should listen more to the opinions of local staff unions. In view of the fact that this Council has almost taken the same stand on these two issues, I am not going to elaborate further.

Recently, there has been a dispute over whether civil servants should participate in politics. I find this issue worthy of due attention. The Civil Service has all along been politically neutral, and this is one of our systems and traditional practices which works well and proves to be effective. I see no convincing reasons for changing such a practice and system. The politicization of the Civil Service will bring about a lot of hidden worries, one of which will be the possibility of our civil servants being involved in disputes among political parties and the consequent dampening of their efficiency. Moreover, such a practice will arouse scepticism about our civil servants' impartiality in conducting business, and will affect the credibility of the Government in return. More importantly, it may result in the "government being inseparable from the political parties".

Mr President, a good or poor Sino-British relationship will have profound impacts on Hong Kong, especially on the morale and confidence of our civil servants. If the Sino-British relationship is tense and the two sides distrust each other, the difficult situation faced by civil servants, particularly the senior civil servants, is understandable. It is the common hope of our civil servants and members of the public that the two Governments will iron out their differences and improve their relationship in a joint effort to get things relating to the transition properly done.

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

MR MARTIN BARROW: Mr President, Hong Kong's proven capacity to search creatively for more productive strategies to meet competitive economic challenges has underpinned Hong Kong's success. As we strive to preserve healthy GDP growth and our lead as a regional business centre, we have an obligation to promote this capacity in our public sector.

The wording of the motion suggests to me a somewhat passive acceptance and defence of our existing public service infrastructure and organizational behaviour for its own sake. Protecting continuity is admirable in the context of achieving higher levels of efficiency but not as a goal in itself. I certainly do not see logic or benefit in viewing the Civil Service in isolation from the market forces that our private sector exploits with entrepreneurial drive.

If we are committed to promoting civil service efficiency and effectiveness, and to achieving this kind of service-orientated culture pivotal to maintaining our status as the region's service hub, we should be encouraging

flexibility in our public service organizations; we should be promoting decentralized structures and decision-making, and perhaps a lower division of labour to ensure our Civil Service does not get bogged down in efficiency-draining co-ordination and communication bottlenecks.

I recognize that we have a responsibility to focus on improving civil service morale, as the motion suggests. I agree that it is essential to achieve the higher standards to which we aspire. However, we must be wary of slipping into a myopic focus on localization as a key issue to promoting morale.

It is a process which is already moving well and is on schedule as mentioned by the Chief Secretary a moment ago. Localization is a complex and sensitive issue ill served by some Council Members' tendency to exploit it for apparent political gain. The Government has put out a consultation paper and it would be wise to await the outcome before moving ahead with the proposed Private Member's Bill, which I oppose. Indeed in the short term the Bill could have the opposite result of what was intended. I believe too much has been said on the issue and that this Council has overreacted, causing misunderstandings in the community. There are other issues that beg our attention:

- In monitoring civil service activities, performance and productivity, this Council should be cognizant of its own approach to ensure it does not impinge on, or block, civil service efficiency. In the context of promoting high morale, it is certainly in no one's interest for Council Members to indulge in counter-productive nit-picking for political purposes. I endorse what the Chief Secretary said earlier and I consider it absurd for this Council to second-guess government decisions on individual staff issues. As I mentioned in a question to Mr Donald TSANG earlier today, we must avoid the situation whereby civil servants spend all their time reporting rather than getting on with the job.
- We should be looking for ways to build on customer-orientated reform we have already begun with measures such as performance pledges and the effective work of the Efficiency Unit which has my full support. There is perhaps room for targeted training programmes to promote individual organizational insight and growth. We should also consider introducing administrative efficiency measures such as decentralization, and giving branches more autonomy and decision-making clout.

Our economy has been so buoyant that it is understandably difficult to direct professional faculty and know-how to the public sector and to keep it there. From this point of view, a commitment to corporatization would empower Hong Kong's service sector by drawing on professional capability — which must be recognized as a catalyst to economic growth.

That said, however, I do not, of course, believe entrepreneurialism and civil service culture are incompatible; a marriage is achievable, and that is what we should be working towards in the best interests of Hong Kong.

- The Government has already shown welcome commitment to simplifying paperwork and procedure, but more needs to be done. The Inland Revenue Department's plans, for example, to streamline two forms for salaries tax and sole proprietor's profits tax into one is the kind of approach we need to see more of. We need to commit to reforms that will see our civil service managers promoting the kind of environment that encourages civil servants to take the initiative to come up with ideas to promote efficiency.

As Hong Kong seeks to implement a suitable framework for a secure future, and the public sector plays an ever important role in providing those things which the private sector will not or cannot provide, the effectiveness of our disciplined services should continue to warrant a high priority.

As a member of the Disciplined Services Standing Committee and chairman of the Police Committee since 1988, I have spent many hours with the police and I would like to take this opportunity to pay tribute to their *esprit de corps* and ability to get difficult jobs done effectively and efficiently.

I can say with confidence that we are in good hands, whether it is amongst those who patrol the border day and night; the tough work of the anti-vice squad in Mong Kok; the man on the beat in Wan Chai; or the anti-smuggling squad performing their difficult and dangerous tasks.

In conclusion, Mr President, in seeking to promote a more customer-orientated civil service culture in Hong Kong, we are very fortunate to have an excellent foundation on which to build effectiveness and efficiency for the future. Sir David FORD deserves tribute for his outstanding leadership and management in helping to shape a dedicated and loyal Civil Service that is the envy of many. He has recognized that operational, managerial and administrative skill is no less vital in our public sector than in our business sectors in this challenging economic era and, accordingly, the Civil Service and the community as a whole owe him a great deal. If there is one thing on which this Council is unanimous, it is certainly in wishing Sir David well in London. I am delighted, Mr President, that he chose to speak to us again today.

As we look ahead for ways to consolidate our prosperity by fuelling efficiency and effectiveness we could heed the advice of our own management experts at the Hong Kong University: they contend that one of the rarest commodities in the world is the kind of entrepreneurial talent that can be used

effectively within large organizations. Surely it is incumbent upon us to focus on promoting a civil service environment in which entrepreneurial talent can proliferate, as it does in our private sector, to great economic success.

With these words, Mr President, I support the motion.

MRS MIRIAM LAU (in Cantonese): Mr President, Hong Kong is going to be reverted to China three and a half years from now. At this final stage of transition, it is imperative that we have an efficient and stable government to ensure Hong Kong's continued stability and prosperity. Being the mainstay of the community, our civil servants have to shoulder heavier responsibility, provide high quality services and ensure the continuity of services in the crucial few years to come so as to maintain a stable government.

Facing the turning point of a new era in 1997, Hong Kong people are naturally worried. Civil servants are no exceptions. Apart from being disturbed by the possible social changes, they cannot help worrying about their career prospects after 1997. Such worries have a direct bearing on the civil servant's morale, leading to wastage and indirectly affecting the efficient operation of the Government. This has aroused the deepest concern among the disciplined services because they are charged to maintain law and order. Whenever a change of regime, what worries the people most is always the community's law and order. Therefore, the disciplined services are subject to greater pressure than other civil servants. The police officers are undertaking the most sensitive job, compared with other disciplined forces because, where the maintenance of law and order is concerned, they are not only doing front-line job, but also playing the rearguards. Over the past few years, Hong Kong's law and order situation has been deteriorating and the number of violent crimes on the increase. Armed robbery is nearly a daily occurrence. Smuggling activities are rampant. Under these circumstances, people are sitting on pins and needles all the time. The Government should face these problems squarely, or else its governance power will undoubtedly be undermined and as a result, the overall stability of the community will be disturbed and may even lead to social unrest.

Our police force is an excellent and efficient team. The force used to experience difficulties in recruiting rank and file officers and to suffer from high wastage rate. Although these problems seem to have been successfully dealt with through adjustments in their salaries, the Government certainly knows that the solution actually lies, to a large extent, in the willingness on the part of the authorities concerned to maintain communication with the force, through which the Administration could be cognizant of their concerns and understands their demands. The recruitment exercises have been encouraging but salary adjustment can only solve part of the problems faced by the force. It is imperative that the Government should look into other aspects such as improving the management of the force and identifying ways to enhance the overall morale and foster a stronger sense of belonging among the officers. If

previous experiences are anything to go by, the Government should improve the communication between the management and the staff within the force by removing any misunderstanding so as to enhance mutual understanding. In this regard, I am disappointed that the review on the police's management, though commenced one and a half years ago, has not yet come to a conclusion. I believe that the review and any recommendations for improvement as a result of the review will help to enhance the police's efficiency. I hope that the Government will complete the review as soon as possible. However, I must stress that the Government should consult the staff side on the proposed recommendations and take their views into full consideration to ensure that the proposed measures be implemented on a mutually recognized basis between the management and the staff.

The police aside, other disciplined services such as the Immigration, the Customs and Excise, the Correctional Services and the Independent Commission Against Corruption all play an important role in maintaining law and order. They are confronted with different problems and have varying degrees of misgivings as to their future. The Government should be more prepared to listen to their views. It should also take positive action to dispel their misgivings and lift their morale so that each of the disciplined forces may perform with highest efficiency and join forces in assisting our smooth transition in 1997 by maintaining law and order and rule of law in Hong Kong.

With these remarks, I support the motion.

THE PRESIDENTS DEPUTY, MRS ELSIE TU, took the Chair.

MR LAU WAH-SUM (in Cantonese): Madam deputy, many Members have talked about the establishment, organization and efficiency of the Civil Service and its contribution to our economy. So I will not be repeating these points. Instead, I would like to talk about three things that have been a cause of worry to civil servants.

The first is the pension fund. The Administration has recently allocated \$7 billion to set up a pension fund. First of all, I think that \$7 billion is not enough. Perhaps let me refer to the employees' fund of the Hospital Authority for which I am responsible. After being set up for less than a year, the fund has already \$2 billion. I have spread this \$2 billion among seven professional investment companies to make investments for the fund. I think the Administration should at least start up the pension fund with \$10 billion, and this \$10 billion should become a trust fund to be entrusted to different investment consultants who will spread the investments in a variety of portfolios in order not to affect Hong Kong's monetary system. As regards the other aspects of operation, such as fund asset management and so on, the authority concerned may follow the provisions of the recently enacted Occupational Retirement Schemes Ordinance because this ordinance is to regulate private

retirement funds. So the Administration should at least follow these provisions. Besides, I hope that the present allocation to the fund is but a start. In the future, the Administration should set aside from recurrent expenditure an amount equal to the contributions that should be made by all the civil servants and put this sum into the fund, such that the fund can keep on growing until such time when, after the older generation of the civil servants have retired, the pensions for the younger generation of civil servants can be drawn from the fund. This should be our ultimate target. As to the details of implementation, I hope that the Administration can appoint some professionals and let them carefully examine all the details for the setting up of a comprehensive civil service retirement fund.

The second is the recently released paper on the unified employment conditions. I think that the direction and objective of this paper is very correct, because we want to have a set of unified employment conditions which draw no distinction between local and expatriate officers. However, I am upset by Chapter Four of the paper which talks about the transfer arrangements for officers on overseas contract terms. Such arrangements are totally unrelated to the unification of employment conditions and mention of such arrangements in the paper will only confuse the object of the paper. Now, I would like to talk about conversion from overseas terms to local terms. Whether it be expatriate or local officer, if his contract expires, then neither the employer nor the employee has the legal responsibility to extend the contract. The correct way is to regard such a contract to be terminated at the time of its expiration, and the vacancy should be filled by an eligible officer within the Civil Service. If no eligible candidates can be found, then an open recruitment exercise should be conducted in which both serving and resigned civil servants can apply. Therefore, there is no question of infringement of human rights. It is also unnecessary for us to give a definition of local people at this early stage for the benefit of the Chinese and British sides, because both local and expatriate candidates have a chance to be employed.

The third point that I would like to talk about is the politicization of civil servants. This issue will most easily give rise to divisiveness. I am very much opposed to the recent proposal of adding a civil service functional constituency, because that will cause confusion as to the identity and role of the civil servants and also a conflict of interests. And such a divisive policy will also lower the efficiency of the Civil Service. I have to stress that the non-politicization of civil servants does not mean a deprivation of their rights to participate in political activities, because the Administration has issued guidelines as early as 1990 allowing civil servants, other than those in sensitive departments and those of special ranks, to join political organizations, to vote in the elections of various tiers of boards and councils and to take part in electioneering activities. But if a civil servant wants to stand for an election, he must first resign his post.

Finally, I agree that civil servants should have the civic rights of participating in political activities. Provided that they abide by the regulations concerned and the transparency of the political activities concerned is increased,

and that their working efficiency is not affected, civil servants should be entitled to certain political rights.

I have to reiterate that an efficient civil service has a far reaching effect on the stability and prosperity of Hong Kong. Our Administration has the responsibility to maintain the morale of the Civil Service. If there is any problem, both sides should try to reach a solution by way of consultation. Only by so doing can a smooth transition be ensured.

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

MR PETER WONG: Madam deputy, underlining the motion moved by the Honourable NGAI Shiu-kit is a special tribute paid to our 190 000 civil servants. During the last two years, we have witnessed a quiet evolution of the Civil Service which has demonstrated its strength and resilience in keeping pace with Hong Kong's rapid political changes. On many occasions, our administrators have shown their mettle in coping with the demands of the public and this Council, and in maintaining a fine balance in making policy decisions. Hong Kong can rightfully boast about its civil service corps of efficient, dedicated and politically neutral men and women who are playing an indispensable role in ensuring a smooth transition to 1997.

Unfortunately, the change of sovereignty, which has been causing concern and uneasiness among Hong Kong people at large, is haunting our civil servants who are directly involved in the governance of Hong Kong. Since their personal career and well-being are dependent on a stable political environment, it is only logical that political uncertainty will adversely affect their confidence in the future. More and more civil servants are applying for early retirement or resigning to seek refuge in the private sector. This wastage of the civil service human resource is obviously not in the best interest of Hong Kong.

Topping civil servants' concerns for the future is their pension payments, aggravated by the Sino-British row and the new airport construction. It is therefore gratifying to see that the Administration has addressed this issue by setting up a separate \$7 billion Civil Service Pension Reserve Fund, thus helping to resolve what was fast becoming a major confidence crisis. However, the Reserve Fund is only the first step in giving civil servants income protection during their retirement. Much more still needs to be done to get the Fund off the ground.

First of all, the Government needs to work out the real cost of funding its long-term pension liability. At the moment, all we know is that the civil service pension-on-cost is about 25% of the salary bill or 5.2% of the annual recurrent expenditure up to the year 2005. However, annual salary increments, periodic pay adjustments and growing inflation all contribute to a steadily expanding pension liability, or what I call a public finance time-bomb. Thus, a full actuarial valuation, the last one conducted back in 1987 would definitely

increase the \$120 billion which, according to the Government's estimation, will be needed to fully fund pension commitments up to 1997. The figure is likely to creep up to peak at \$200 billion, which is three times the amount of reserves designated for the SAR Government. Hence, the \$7 billion allocated for the Reserve Fund is but a drop in the ocean.

If the Government is sincere in its attempt to defuse the civil service pension time-bomb, then it must set up without delay a funding mechanism similar to that in the private sector. It is essential for the Government to spell out whether the Fund will be developed through investments, or what protection will be given to the appropriated funds. Like private sector retirement funds, an independent trustee and the professional services of actuaries are needed for the Fund to operate successfully. Hopefully, given comprehensive planning and proper management, the civil service pensions can become fully funded in about 20 years' time.

While a properly managed Pension Reserve Fund will go a long way towards boosting the civil service morale, efforts must also be made to redress the worries held by many civil servants over the change of sovereignty. We have been alerted to the need for an early discussion on the question of throughtrain for some 60 principal officials who are at the helm of the Civil Service. A recent opinion survey conducted among middle-ranking civil servants also showed that many of them are apprehensive of the administrative changes after 1997 and their inability to adapt to the new system.

It would seem that the current liaison programmes organized for civil servants to get to know the political system in China are merely window-dressing, failing to serve a real orientation purpose. Apart from visits, talks and exchange sessions, more needs to be done to enable our civil servants to establish closer personal contacts with that Chinese counterparts from whom they can get first-hand information. It is also necessary to provide more specialist training for our generalist Administrative Officers. Specialization not only helps to cut down the payment of exorbitant consultancy fees for various public service projects, but it also enables us to build up a highly sophisticated Civil Service that can face up to the challenges of time.

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

MR ALBERT CHAN (in Cantonese): Madam deputy, to maintain a highly effective and stable civil service, it is necessary for the Government to establish a reasonable and fair system for the Civil Service. Only by doing so will it be possible to cultivate a harmonious relationship between the Government and the civil servants, to boost their morale and to allow their abilities to be given full play. Taking into consideration the recent industrial action staged by the Social Work Assistants, I would like to review certain aspects of the Civil Service to identify areas for improvement.

On the ground that their academic qualifications are higher than that of the Senior Welfare Workers and that their job nature is identical and similar to that of the Senior Welfare Workers, whereas their workload is heavier, the Social Work Assistants demanded a review of the pay structure of their grade as well as the addition of three more points on top of the maximum point of their pay scale. Of course, at this stage it is necessary to conduct further study in order to decide who is right and who is wrong in the dispute. This issue and the recent industrial action staged by the Social Work Assistants show that there is no sound channel in the government structure, especially in the management system, to reflect staff demands, not to mention a sound channel to handle complaints lodged by the staff on a collective basis.

Repeatedly (I stress "repeatedly"), the Social Work Assistants made their representations to the Social Welfare Department and the Civil Service Branch but their requests were turned down time and again. This is not the first time that the issue of pay structure gives rise to disputes, nor will this be the last time when such disputes arise. Past experiences tell us that at a point when both the management and the labour side stick to their own arguments and refuse to give way, the Government will only turn a deaf ear and maintain its original decision. As a result, this will only intensify the conflicts and contradictions existing between the two sides. Madam deputy, I feel that at this stage, it is necessary to set up an independent arbitration committee with the specific responsibilities of reviewing the salary structure and fringe benefits within the Civil Service, as well as to arbitrate in disputes. It is imperative that such a system be set up. Otherwise requests and demands will not be properly addressed and the morale of the civil servants will continue to suffer as a result of the neglect of their demands by the Government.

It is understandable that the Social Work Assistants have taken industrial actions as a gesture of protest because their requests and demands have not been addressed properly. In response, however, the Social Welfare Department resorted to the punitive measure of salary deduction as a means to intimidate and force its staff to subservience. I feel that such measures, so high-handed, are absolutely unacceptable, because this will only stifle the opportunities for consultation. Moreover, the right to strike is a basic right to which employees are entitled, and I believe Mr PATTEN, the Governor, will definitely not refuse to recognize such a right. By resorting to an intimidating measure to deter the Social Work Assistants from taking industrial actions, the Government is stripping staff of their basic right in a disguised manner. As the avowed objective of the Government is to be "fair, reasonable and acceptable to the majority of the Hong Kong people", is it prepared to be accused of being an employer which strips its employees of their rights and interests, and which deters them from taking industrial actions?

As a matter of fact, Social Work Assistants are confronted with the problem of high wastage and poor promotion prospect. A survey indicates that by 1997, the grade of Social Work Assistants who are diploma holders will suffer a shortage of as many as 447. Of these serving Social Work Assistants,

47% have reached the maximum point of their salary scale, and their prospect for promotion is bleak because many of them have served in the same rank for almost two decades. If such problems remain unresolved and the Government continues to ignore their demand for a review of their pay structure, the situation will, as a matter of course, lead to deteriorating labour relations, wastage and poor staff morale. The Social Work Assistants are going to stage a hunger strike tomorrow. What kind of staff are prepared to resort to hunger strike just for the sake of getting three more points in their salary scale? I think none of the policy Secretaries here are willing to do so by way of a sit-in, let alone a hunger strike. Under such circumstance, there is no point in all this sweet talk about maintaining an effective civil service. And, that it will remain in the "talk" stage, I am afraid, is but the wishful thinking of the Government.

Madam deputy, I feel that it is not appropriate for the Government to adopt a high-handed approach to deter its staff from taking industrial actions. Otherwise, in the present political climate which is already so murky, the morale of the civil servants will only be further damaged.

These are my remarks.

MR CHEUNG MAN-KWONG (in Cantonese): Madam deputy, Hong Kong now has more than 180 000 civil servants. Before 1997 and beyond, it will be their duty to carry out the Government's established policies and their noble goal to serve the people loyally. They are a very important force. It is the Government's inescapable responsibility to make sure that they can continue to serve with their knowledge, experience and professional expertise during the transition period and thereafter. The transfer of power can then be effected smoothly. The stability of the Civil Service will also inspire confidence in the people of Hong Kong

Of course, the effective administration of Hong Kong is a matter of concern to us. However, I would like to point out that civil servants need to have certain special qualities during the transition period. We must emphasize these qualities, or else, they will fade gradually. Madam deputy, during the transition period, the community needs a Civil Service that is impartial, incorrupt, friendly and responsible. The public has a right to such a Civil Service, the more so because a lot of cross-border political and economic things are happening during the transition period.

Talking about a partial and incorrupt civil service, one thinks of the ICAC. The ICAC's mission is to eliminate corruption. However, as everybody knows, corruption is and will be the political culture of cadres in China. Even the Chinese Government acknowledges that there is corruption which must be fought. The people of Hong Kong have reason to worry that our civil servants may be infected. Statistical evidence already shows that cross-border corruption is becoming a serious problem. The ICAC must pay more attention to this

problem, thus enabling members of the public to remain confident in the integrity of the Civil Service.

Judging from this angle, the stability of the ICAC is exceedingly important. It must be impartial in both its internal and external operations. The recent unexplained sacking of its deputy director has filled the ICAC staff with worries. I suggest the establishment of an independent appeal body composed of credible judges. When an employee of the ICAC is fired, he should be allowed the avenue of appeal. If his appeal is successful, the ICAC must change its decision. The alternative is to transfer the employee to a different job or to pay him cash compensation.

Next, I would like to talk about the morale of junior civil servants. Over the past few years, the number of junior civil servants has basically been declining. Yet the number of directorate posts has been rising at a 12% annual rate over the past four years. On one hand, the Government says that the number of civil servants must be kept under control. On the other hand, the number of directorate posts is on the increase. There are too many chiefs and few Indians. Increased workloads cause the junior civil servants to become disgruntled. But they can do nothing to change the situation. How can their morale be high?

Senior civil servants, too, have worries. The future of senior officials who are responsible for defending the interests of Hong Kong gives particular concern. According to hearsay, over the issue of the 1997 through train for principal officials, the Government will review the personal records of these officials one by one with the Chinese side. I think that the Government has a responsibility to make sure that the political future of these civil servants will not be blocked. This will give them the courage to defend the interests of Hong Kong. Otherwise, when 1997 arrives, not only the Members of this Council but also these government officials will have to get off the train. They will then find themselves in the same boat.

Madam deputy, the facts about the early retirement of civil servants in recent years are disturbing. Pension payments to early retirees are growing at an alarming rate. These payments amounted to only \$164 million in 1989. But this year they amount to \$600 million, in other words, an increase of 266% over four years. Civil servants may take the early option for different reasons. But the statistical evidence shows to some extent that they are unhappy with the system and are afraid of the change of sovereignty. To the Government, should this serious problem not be food for thought?

While talking about the morale of civil servants, I must mention the privatization of the Radio Television Hong Kong (RTHK). The plan has been held back and no deadline has yet been set. When the RTHK signs a contract with a new employee or renews a contract with an existing employee, it is difficult to set the terms of the contract. The morale of the staff of the RTHK has been low and there is an increasing number of people leaving the

establishment. True, the Chinese Government wants an official radio station after 1997. Is this any justification for making a policy decision affecting the fate of RTHK's hundreds of employees and for keeping the government officials quiet with fear? How can a responsible government allow such a thing to happen?

As we all know, Hong Kong always has had freedom of the press. An independent non-commercial radio station will be an effective counter-weight against the commercially operated media. Where the media are diversified, competition will help to defend the freedom of the press after 1997. The Government must never wince from the privatization of the RTHK.

Next, I would like to talk about the Advisory Committee on Post-Retirement Employment.

Madam deputy, senior civil servants are joining private institutions after retirement or resignation. The situation is become really worrisome. Statistical evidence shows that, during a six-year period ending on 10 November 1993, the Advisory Committee received 163 applications and withheld approval from only three of them. By yesterday, the number of applications had gone up to 170. In other words, seven new applications were received within a short 13 days. All of the new applications were approved. I wonder if the figures will change again even as I deliver this speech of several minutes duration. What I do know is that, throughout its existence, the Advisory Committee turned down only three applications in respect of which it did not make a positive recommendation to the Governor. Such being its performance record, how can people not wonder that it is a rubber stamp?

The Advisory Committee came into existence in 1987. Its members were all appointed by the Governor. Since then, it has held only seven formal meetings. Many of the applications were considered by way of circulation. The Committee is only required to submit a written report to the Governor each year. Members of the public know nothing about this important Committee. It is accountable only to the Governor, as if it existed for the benefit of the Governor alone. What about its accountability to the public? I hope that it will increase its transparency and accountability and get rid of its rubber stamp image.

The buzzer sounded a continuous beep.

PRESIDENT'S DEPUTY: Mr CHEUNG, I have to ask you to stop.

MR CHEUNG MAN-KWONG (in Cantonese): Madam deputy, these are my remarks.

MR CHIM PUI-CHUNG (in Cantonese): Madam deputy, first of all I have to indicate my support for this motion which relates to a very important part in the operation of the Hong Kong Government. I would like to give a three-part analysis in respect of this motion.

Firstly, from the viewpoint of the public. We understand that the present strength of the Civil Service is about 182 000. Assuming that each civil servant has a family of four, then the total number of people who are civil servants or immediately related to civil servants will be 728 000, representing some 12% of the total population of Hong Kong. Judging from this figure, the Civil Service is closely bound up with the public. During the transition period, the public relies on the civil servants for their dedicated service and for their discharging of social responsibilities so that all of us can share the fruits of Hong Kong's success. As a member of the public, apart from recognizing the efforts and contribution made by the civil servants to society in the past, it is my wish that the civil servants can join hands with the public to brave the difficulties ahead.

Secondly, from the viewpoint of the Government. We must understand that the Government represents the entire population of Hong Kong and, put into such context, it is even more essential for the Government to set up a sound system for the Civil Service. Of the 19 incumbent Policy Secretaries, 13 have served for over 25 years. In the past they have worked hard in silence for the benefit of the people and their families in Hong Kong. (Of course, on the other hand there have been opportunities for them to stand in the limelight.) They have spent more than two decades, that is, half of their lifetime in serving the community. They long for an even more secure environment in future in order to continue to make their personal contribution (of course they also hope that this can be a means to secure an income). Unfortunately, confronted by the problem of 1997, the Hong Kong Government adopts a very politicized approach towards the issue which virtually forces the civil servants to be sharply divided even among themselves and they tend to evade their responsibilities in several areas. Of course they behave in different manners and styles. Some approach their tasks audaciously, which means that they accept their responsibilities with courage; but many others choose to shirk their responsibilities. That the question of the Civil Service should become so politicized is at the same time both very unfair and unfortunate to the civil servants. This is because it is their responsibility to do their job and nothing political should be involved. As regards Members of the Legislative Council, with the exception of a few who are appointed, the rest of us have all chosen to participate in politics of our own free will and we have only ourselves to blame, because there is no pressure whatsoever on us to do any of the things that we are now doing. We did once lodge a protest against the injustice with which we have been treated (that is the time when we demanded for an increase of our allowances), but we have to understand that neither in the 1991 election nor at the time when a number of our colleagues are directly appointed did the Government make a promise as to how much allowance we would be entitled to. We got what we wanted at the end of the day. However, we must bear in mind that the majority of the civil servants are forced to do what they are doing.

Madam deputy, my third approach is to look at the issue from the viewpoint of the civil servants. We must understand that in the face of economic recession worldwide, the free world is focussing its attention on the economic development of the Asian-Pacific region, especially that of China. We also have a firm belief that among senior officials in the Civil Service, some have already paved a way for their future while others are also considering finding a way out for themselves. Naturally they have decided to stay in Hong Kong because of various factors: first, because of a zeal in serving the people of Hong Kong; second, because of their own financial needs. Whatever the reasons, they must bear in mind that once they choose to stay in Hong Kong they must first of all show confidence, and secondly, apart from receiving their salaries, they must keep pace with the changes occurring around them and stand up to the challenges. There is in fact no need for worries and anxieties because there is always a guarantee of a safe way out if they do become afraid and want to quit. One important thing we must know is that at present about \$35 billion in recurrent public expenditure is being spent on the civil servants every year, representing about 23% of the total expenditure of \$150 billion spent by the Hong Kong Government. This is a huge amount paid out by the public as a form of support to the civil servants. Therefore the civil servants should also contribute their efforts to the public in return. Of course, on the issue of whether they should participate in politics, the civil servants should make their own decisions. If they wish to take part in frontline politics, they have to make an assessment into the possibilities of backing down in future. The civil servants should bear in mind that apart from getting an income, they should maintain an attitude of serving society. If they want to become rich or to run a business of their own, I think they have to follow the examples of China where government officials can try their luck in the commercial sector. If they think it is good to make a fortune, the civil servants should join the business community. If they are to continue to work in the Civil Service, they should dedicate themselves to their job.

Madam deputy, I so submit.

THE PRESIDENT resumed the Chair.

MR MICHAEL HO (in Cantonese): Mr President, the Civil Service has always been known for its loyalty, reliability and efficiency and its contributions to the community are indisputable. With 1997 approaching, the people of Hong Kong all hope that the Civil Service will remain politically neutral during the transition period and preserve this fine quality under the future administration.

To maintain an efficient civil service is by no means easy. First of all, we must find out what is wrong with the present system. This will enable us to have a better understanding of the worries of civil servants. Then we must find ways to address their worries and improve the civil service system with a view to enhance the morale of civil servants.

Among the internal problems, I would like to talk first of all about the issue of localization. The localization policy has been implemented for many years but the results in recent years have been very disappointing. A case in point is the localization of the directorate posts. This year, expatriate civil servants account for 38.3% of all heads of departments which is slightly higher than that of two years ago, which was 37.9%. This is a very worrying situation and the Government's resolve in promoting localization is questionable.

Worse still, the status-conversion ruling announced on 31 July this year was a step in the wrong direction. It has affected the morale of local civil servants and blocked the progress of localization. Even more inexplicably, the Government has published a consultation paper on a common set of terms and conditions of service for all future appointments. It was mentioned in the paper that the definition of "local" has to be drawn up. But soon afterwards, that is, a few days ago, the Government approved the renewal of the contracts of two expatriate civil servants and allow them to switch to local terms. Unquestionably, this *fait accompli* was a sneaky way to give a definition to "local". If the Government has already concluded that anybody who has lived in Hong Kong for not less than seven years is eligible for "local" status, then the consultation exercise is a farce. What has been done shows that the consultation is in bad faith. The objections of local civil servants and the public are ignored.

I would also like to talk about the Pension Reserve Fund. Though the Sino-British Joint Declaration guarantees that pensions will continue to be paid by the Special Administrative Region (SAR), civil servants worry that the future SAR Government may not be able to afford to pay them. In his policy address this year, the Governor announced that a \$7 billion Pension Reserve Fund would be set up in order to set the minds of the civil servants at ease. We all welcome such a proposal.

However, if this year's figures are meant to be a guide, then a \$7 billion fund can only meet the pension expenditure for one to one and a half years. A further consideration is that the amount to be paid out as pensions will rise steadily with inflation and salary increases. It may happen that \$7 billion will suffice to pay only one year's or less than one year's civil service pensions. A fund of such size will hardly be effective for dispelling the worries of civil servants. The size of the fund is an important factor which the Government must take into account if the worries of the civil servants are to be dispelled.

Lastly, I would like to talk about employer-employee relations between the Government and civil servants. The Government, as Hong Kong's biggest employer, should do its best to improve its management of human resources. Meanwhile, civil servants, as employees, must have the right to take part in management decisions and to express their views. Therefore, we very much hope that the employer-employee relations will be improved by efforts on both sides so that human resources may be put to the best use under fair and reasonable conditions of service.

Regrettably, the existing civil service management system does not meet the requirements of this ideal. At present, there are four councils through which the Government can solicit and obtain the views of civil servants. But these councils have long been criticized for their narrow representative base. The Senior Civil Service Council is made up of representatives from only three major civil service unions, whereas the total number of civil service unions has increased to 180. It is doubtful how broadly representative the Senior Civil Service Council is. Members of the public have also criticized the Government that such way of consultation has deprived other civil service unions of their right of expression and it is unfair to them. We therefore think that membership in the Senior Civil Service Council should be open to all other civil service unions which are sufficiently representative.

Besides, the four councils perform only advisory functions. They do not give civil service unions the right to take part in the making of decisions. As we can see, such a system can produce only one result: On issues closely affecting their interests, civil servants often have only the right to be consulted, while the Government is not bound to act according to their suggestions. Therefore, I hope that the Government will quickly review its relations with civil servants and introduce a system permitting collective bargaining by the civil service.

I would also like to mention the disputes between the Social Welfare Assistants and the management. The Government said recently that it might resort to pay cuts. I regret this very much. Such a confrontational approach will do no real good at all. We hope that the Government will take the initiative in being friendly and quickly solve the problem through talks with the Social Welfare Assistants.

Mr President, these are my remarks.

8.00 pm

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

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

Question proposed, put and agreed to.

DR CONRAD LAM (in Cantonese): Mr President, since the Administration announced the introduction of the localization policy of the Civil Service in 1946, nearly half a century has elapsed. The policy has borne fruit, but mainly in the middle and lower ranks of the Civil Service. Localization progress in the higher ranks (especially the top echelons) is still slow. Although the proportion of local officers has increased, their political power has not commensurably increased. We have to understand that the essence of the localization of the Civil Service is the transfer of political power instead of the mere increase in the proportion of local officers. Who are the few holders of power in the Hong Kong Government now? We should have a pretty good idea as to who they are.

Looking back on the localization exercise in all these decades, we cannot help wondering why, from a comparative point of view, ethnic Chinese officers are usually doing some relatively low-level jobs while expatriate officers are usually occupying higher positions. Is it because the ethnic Chinese officers were less competent, or is it due to racial discrimination or any other factors? These problems can be said to be both simple and complex. Simple because we may simply regard such situation as the result of self propagation under colonial rule. Complex because it is sometimes difficult to tell, in comparative terms, good working performance from bad. But what is even more important is that the Administration might have made special arrangements in the civil service system because of the China dimension.

Previous studies have shown that the average age at which a local senior civil servant joins the Government is around 27 years old, while that of the expatriate officer is around 34 years old. The difference is six to seven years. However, among those who are promoted to point 45 or above of the Master Pay Scale, the age differential between the two categories of officers has narrowed to two to three years. In some government departments, the average age of the local officers who are promoted to higher ranks is greater than that of their expatriate colleagues at comparable ranks. The higher the rank, the more patent is the case. It can therefore be seen that local officers, especially those at senior levels, have to spend more time than their expatriate colleagues in being promoted to the same rank.

Some people consider that the expatriate civil servants' average age on joining the service is higher than that of the local officers, which serves to reflect that these expatriate officers have more working experience and can therefore adapt to their new jobs quickly after they arrive in Hong Kong. Such an explanation may be true. But conversely the advantageous qualities that local officers possess cannot be found in the great majority of the expatriate officers, qualities such as familiarity with Hong Kong and the Chinese people, the ability to speak Chinese and so on. So comparing with these advantageous qualities of the local officers, the expatriate officers do not seem to be any more outstanding. However, have we overlooked how the factor of academic qualifications influence the promotion of officers? Is the education level of the expatriate officers generally higher than that of the local officers? The findings

of the studies concerned are quite surprising. From the 1970s to the mid 1980s, the education level of the local senior officers is patently higher than that of their expatriate colleagues. According to an analysis, it seems that the longer the service and the higher the qualifications, the more difficult it will be to get a promotion. This is a peculiar phenomenon in the Civil Service.

As regards the morale of the civil servants, Members of this Council have to set a good example. Some senior officials have told me that the comments made by Legislative Council Members against the Administration are very detrimental to their morale. In the past many officials (there are in fact still quite a number now), having been in high positions for many years, had the smug attitude of playing "the infallible official" and would insist on the Administration being right in the face of criticisms by Members, regardless of whether such criticisms are justified or not. They maintained that consultations on and amendments of policies were the main reasons for lowering the Administration's operative efficiency. But they overlooked whether the policies were correctly orientated and the importance of accountability to the public. Conversely, being the representatives of the public to monitor the Administration, we Members should also respect the civil servants and avoid as far as possible making personal attacks, such as telling a government department to send some "smarter people" next time to attend the meeting. Such comments will damage the morale of the civil servants. The senior government officials have high salaries and are very busy. But I have on many occasions found them sitting leisurely in the ante-chamber of this Council. They were not being lazy; it was only that Members of some panels or Bills Committee were not being punctual in seeing them. I hope that Members can improve in this regard and set a good example so as to enhance directly or indirectly the efficiency of the civil servants.

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

MR FRED LI (in Cantonese): Mr President, the four Members from Meeting Point support the Honourable NGAI Shiu-kit's motion. I will concentrate on discussing problems related to the localization of the Civil Service, offering our views and probing the depoliticization of civil servants and the role played by the Public Service Commission.

A number of colleagues have raised a variety of points in respect of civil service localization. I have to point out that the needs of the colonial administration in the past made it necessary for the Hong Kong Government to pursue an expatriate-led civil service policy whereby many top government posts were monopolized by expatriate officers. Since Hong Kong will have to break away from this colonial political system after 1997, the future civil service establishment should be composed of local citizens. Speeding up the localization of the Civil Service and breaking loose from the tradition of favouring expatriates therefore can brook no further delay. For example, according to the Immigration Ordinance, holders of British passport need not

apply for a work permit or any permission before they can work in private companies or government departments. They are granted unconditional stay initially for one year, subject to renewal every three years. But Canadians, Australians, Americans and people of any other nationalities are not given such preferences. They have to apply for a work permit before they can work here. Obviously the Immigration Ordinance has been favouring British passport holders for years. While this is a colonial tradition, I believe this ordinance will be amended and this state of affairs will not arise after 1997.

The pace of localization with the Police Force, the Legal Department and the Judiciary is still far from being ideal. Although the Chief Secretary, Sir David FORD, has said just now that many posts have been filled by locals, I have to tell Members that the ratio of locals to expatriates from Directorate Staff Grade B up to Secretary level is still 2:1, that is, for every two local officers there is one expatriate. This ratio is of course more progressive than in the past. But let us not forget that the localization policy has been in operation well over 40 years. The pace is really too slow when the ratio now is still 2:1 and we have only a little over three years before 1997. The Government need to formulate more positively a specific manpower development programme in order to improve the present situation. The Public Service Commission should also step up its monitoring of civil service recruitments and promotions so as to achieve the goals of civil service localization.

As regards the depoliticization of civil servants, we, Meeting Point, reiterate that civil servants should remain politically neutral, as this will be beneficial to the development of Hong Kong. But the present system of having policies formulated by civil servants is less than desirable. We think that the appointment of officials at the Secretary level should be political appointments, with candidates being non-civil servants or those retiring from the service. Only by way of this arrangement can civil servants really remain politically neutral and serve each and every citizen without discrimination.

Finally, I should like to say a few words about the Public Service Commission. If we are to maintain the integrity and neutrality of the Civil Service, we need a statutory public body accepted by the public to assume the monitoring role. The commission would exercise its functions more effectively if its existing terms of reference and social interface were expanded. We have formed the view that instead of the present practice of appointing a retired civil servant, the commission chairman should be a renowned and respected leader of the community who is not affiliated to any political party.

Before closing, I would like to dwell on the Civil Service Regulations. The existing Civil Service Regulations have spelt out the appropriate conduct of civil servants and their terms and conditions of service, and so on. But these are only administrative regulations formulated by the Government, beyond compare with a comprehensive Civil Service Ordinance which would provide better statutory protection and controls in respect of the role, purview and conduct of civil servants. The Government could then provide for details regarding civil

service matters by way of subsidiary legislation in accordance with the Civil Service Ordinance. The reorganized Public Service Commission should also be covered by this ordinance.

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

MR HOWARD YOUNG (in Cantonese): Mr President, factors that may haunt our civil servants, undermine their morale and shake their confidence include their pay level, the scale of salary adjustment, localization and terms of employment. But there are other factors as well. Disputes stemmed from the said factors are complicated in nature. Yet they can be resolved through negotiations whereby the management and the staff side could sit down and exchange views frankly. What make our civil servants worry most or what trouble them most are certain annoying but closely guarded matters which they have to keep tight-lipped. The position of the civil servants is miserable because they are hard pressed in "a sandwich government". They have to serve both the present government and the Special Administrative Region government in future. Certainly it would be nice if the present government would be considerate enough to allow its employees to make preparation for the transition and even encourage them to hold communication with our future sovereign state. However, if this outgoing government clings to its power and applies the legendary "golden hoop" and restrains their movement, the employees find it hard to please both their present and future bosses. They will find themselves always in a twitter and feel uneasy and nervous.

My worry is that the situation mentioned just now may happen to our honourable and respectable civil servants. I once heard a saying and indeed was told it is a long standing practice — I am not sure whether it is a directive or not — that government officials at the directorate level or above, whenever they have contacts with the Chinese side such as the Xinhua News Agency officials, are required to inform their supervisors beforehand and submit a written report afterwards. I do not know whether there was, or is, such a practice. This practice, if it exists, indeed blocks the communication channels and also embodies the distrust and nonsensical suspicion mentality. Good-will and fair communication and contacts are looked at from a distorted point of view. I hope that this is merely a hearsay in the past or an already defunct practice. Otherwise, with the transition drawing nearer and nearer, how can we expect the civil servants to handle the transition issues with regards to administration without proper communication channels? Moreover, with the setting up and expansion of the Chinese preparatory organizations such as the Preparatory Working Committee, the Hong Kong Affairs Advisors body and so on, there are bound to have closer and more frequent contacts.

I hope that the Government will look at the issue of communication between the civil servants and Chinese officials and organizations impartially and objectively. I also hope that the Government will encourage communication which could promote the transition of the civil service and the administrative

structure in 1997. Members from the Liberal Party have already presented our case to the Government on localization, salary level and pension just now. Apart from urging the Government to address these issues, I request the Government to make a solemn clarification as to the practice I mentioned above. Such a practice does not help to build up the confidence of the civil servants and their communication with China. Furthermore, efforts should be made to relieve the civil servants of their psychological burden. It was mentioned by some Members just now that the civil servants are smart. As I see it, the civil servants in this Chamber all seem to be very smart. I think smart people should realize that we need to communicate with the Chinese side to ensure a smooth transition in 1997.

I support the motion.

DR TANG SIU-TONG (in Cantonese): Mr President, a highly efficient Civil Service is the cornerstone of a healthy government. It is also the stabilizer which helps a society to remain stable. Just as the Honourable NGAI Shiu-kit, the mover of the motion, has said, "the Civil Service plays a crucial role in maintaining a stable and prosperous Hong Kong". If we want to ensure the high efficiency and good morale of our 180 000-strong Civil Service, we cannot just rely on a special vehicle plate number (which is now being owned by a department head). More importantly, the Government should be fair and give them the salaries, fringe benefits and promotion prospects that they deserve. They should also be given the opportunities to develop their skills, so that they could have job satisfaction. In the past few months, the Government has started a wrangle with local civil servants' associations regarding the new policy of allowing expatriate officers on overseas agreement terms to switch to local terms. If this issue is not handled properly, it will certainly deal a great blow to the morale of local officers and undermine the stability of society.

The new transfer policy was introduced by the Government without any consultation. Though it has stated that it is only an interim measure, it is obviously a serious regression insofar as the localization of civil servants is concerned. It is also an intended move to enable senior expatriate officers to renew their contracts one more time automatically. Then they can retain all the privileges that they are enjoying now. Besides, under the new policy, the status of expatriate officers will be changed to local permanent residents, it is in a way changing the localization of civil servants to the localization of overseas officers. Such a change will definitely slow down the progress of local Chinese officers taking over senior policy-making posts in the Government. This will in turn affect the structure and the operation of the future Hong Kong SAR Government.

The greatest fault of the Administration in this incident is that, while local officers are still heated about the transfer policy and this Council is about to introduce the Public Officers (Variation of Conditions of Service) (Temporary Provisions) Bill, the Government has approved the applications from two

expatriate officers for transfer to local terms. This is obviously an act of "cheating" or "jumping the gun" on the part of the Government. It indicates that the Government wants to create a *fait accompli*. It has neither taken into account the strong objection from local officers nor the views of this Council. I find this most regrettable. The serious consequence of this move is that, while the issue of "the permanent resident status of foreign nationals" has still not been ironed out in the Joint Liaison Group, the Government has already provided its own interpretation. The Government intends to force the Chinese side to accept this interpretation, thus elevating the issue to a political level. Maybe this is the real motive of the Government in introducing the transfer policy.

The transfer policy runs counter to the localization policy. We should be fair to expatriate officers but not at the expense of local officers. Nor should this become the stumbling block to the smooth transition of Hong Kong. To prevent this issue from further deteriorating, the Government should freeze the transfer policy immediately. It should speed up localization and launch longterm policies which are supported by civil servants. In his policy address this year, the Governor proposed to set up a \$7 billion Pension Reserved Fund. Though this amount is far from adequate, it is a step in the right direction. It will enhance the confidence of the civil servants to stay in the Government. Around a month ago, nine civil servants' associations came to the Complaints Division of this Council to lodge a complaint over the pay adjustment for the year 1990-91. This has highlighted the conflicts long existed between the Civil Service and the Government. As the saying goes, a single spark may start a prairie fire. It should deal with the problem as early as possible, for example, to set up an arbitration committee to look into the pay disputes in order to avoid further conflicts. During this transition period, it is essential to maintain the stability and morale of civil servants and to set their minds at ease so that they will continue to serve the territory effectively and efficiently. This will go a long way in maintaining the stability and prosperity of Hong Kong and ensuring a smooth transition.

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

MR VINCENT CHENG: Mr President, Hong Kong's success is a miracle. From a barren rock, it has grown into a major international financial and business centre, where 6 million people live and work. While this miracle is the fruit of hard work, innovation and entrepreneurship of the people of Hong Kong, it would not have been possible to achieve what have been achieved without a good government. And we are fortunate to have such a dedicated Civil Service. For Hong Kong to remain successful, we must maintain the morale, efficiency, and integrity of the Civil Service in the years to come.

As I have said on many occasions, we have a first-class Civil Service and some finest civil servants; some of them are non-Chinese but have made Hong Kong their home. Our civil servants can match, if not surpass, their counterparts in other territories in integrity, efficiency and skills. Despite the

absence of a representative government in the past, government policies have taken into account public opinions, have been wisely constructed and effectively implemented.

Inevitably, there have been mistakes in policy decisions and in implementation. And once in a while, in our contact with the Government, we may encounter a civil servant who does not meet the standard of performance required by the Government and society. But this is real life, there are more than 180 000 civil servants. We cannot expect them to meet the highest quality of service. We have to accept everyone of human errors although we must try to avoid them and put in remedies as soon as possible.

Some mistakes of course could be frustrating. One example is the unclear localization policy and the absence of a definition of the word "local". We have been talking about localization for years. It has just dawned on us that, all these years, we did not quite know what we were talking about. We did not know, and still do not, what local means in practice.

One wonders whether we have in the past given the localization issue sufficient attention. If we had, we should have known and dealt with the problem a long time ago. This lack of clarity is not only unfair to local officers in the Civil Service, it is also unfair to those who are on expatriate terms but have made Hong Kong their home. We must have a clear definition as soon as possible. In my view, localization does not mean that only ethnic Chinese officers could remain in the Civil Service. Expatriate civil servants who have the necessary skills and want to make Hong Kong their home should be allowed to continue their service. I agree that some expatriate officers have not performed to levels required and they should be replaced. But we also have a number of expatriate officers who have contributed significantly and have the necessary expertise. The correct approach therefore would be for these civil servants to continue serving Hong Kong on local terms. Hong Kong is an international city. We should allow people of other ethnic origins to continue serving in the Civil Service. It would be wrong to do otherwise. I therefore support the Government's policy to allow some expatriate officers to serve on local terms.

Job security and good career prospects are important to civil service morale. But that alone cannot be sufficient in maintaining high morale. It is human nature that when one has done a good job, he/she would like to be appreciated or commended. Civil servants are no exception. Unfortunately, it is also human nature that people tended to be less generous with compliments than making complaints. This is especially true for this Council. Because we do not have the unenviable task of governing Hong Kong, and our prime responsibility is to monitor government performance as check and balance, we have a tendency to focus on shortcomings and on areas where aspirations of this Council are not fully met. This biased approach creates the impression that we do not appreciate the hard work of the civil servants. Such impression has been further reinforced by the need to use harsh language in order to draw media

attention and to score political points. For those who are at the receiving end, this is very demoralizing. While no civil servants have openly admitted that such criticisms have affected their morale, privately many of my friends in the Civil Service, some in very senior positions, are frustrated. Fortunately for Hong Kong, they still maintain a professional approach and continue to devote their energy fully to discharge their duties. I have nothing but the highest admiration for this finest men and women.

If this Council really believes that government morale is important, we ought to be doing our part as well. We should have the courage to give the Government credit where credit is due and support the Government when support should be given. Being negative and permanently taking a populist stance are not a responsible approach to the governance of Hong Kong.

Mr President, the Civil Service will not be efficient, will not have high morale, and will not be able to discharge their duties effectively without the support of this Council. We have to work as partners for the good of Hong Kong. Hong Kong people have the right to demand this partnership. Mr President, Mr BARROW has made some very fair comments about the Civil Service and has made some good suggestions on improving civil service efficiency. I fully support those comments and ideas. This is Sir David FORD's last appearance in this Council as Chief Secretary. I would like to put on record my deep gratitude to him for his life-long service and contribution to Hong Kong. Hong Kong is lucky to have such a fine Chief Secretary. I wish him all the best in the years to come. Mr President, Mr Jimmy MCGREGOR wants me to say that he shares this sentiment, too.

Thank you.

SECRETARY FOR THE CIVIL SERVICE: Mr President, I am most grateful to the Honourable NGAI Shiu-kit for moving this motion, thus giving me a golden opportunity to pay a well deserved tribute to the men and women of our Civil Service.

As the Chief Secretary has said, it is all too easy to forget or to take for granted the central role the Civil Service plays. It is a fact that the Civil Service is vitally important for the stability and prosperity of Hong Kong. I am glad that this fact is recognized by the motion.

The Government attaches the greatest importance to having a highly motivated service. We are determined to ensure that civil servants continue to see a long-term career in the Government and look to 1997 and beyond with a positive spirit, in the knowledge that the public values their contribution. We have done and are doing a great deal to this end. And I shall respond to the points Members raised in a minute.

I shall not pretend that civil servants do not have worries and concerns about the future: we all do. Indeed the Civil Service is undergoing a period of unprecedented change:

- First, we have to adjust to far higher expectations from members of the public. Quite rightly the public expects quick, efficient and courteous service. And we have responded very well to this. We have for example introduced performance pledges in all departments. As Mr BARROW said, more needs to be done, and we are working in that direction.
- Secondly, Members of this Council are also adding to the pressures on the service. Our political scene in Hong Kong is unrecognizable from a few years ago. Again, civil servants have risen extremely well — and competently — to the challenge.
- Thirdly, is the transition to Chinese sovereignty. Members have dealt with many aspects of this. Yes, there are still many imponderables. But let us examine what we have in fact done.

Pensions and pension safeguards

For a start, over the last decade we have done an enormous amount to provide pension security. How anyone could argue that we have not done enough to meet legitimate concerns in this area baffles me:

- at the Administration's initiative, pensions are now a statutory right and a statutory charge on the general revenue.
- similarly, pension increases in line with inflation are now a statutory right.
- both the Basic Law and Joint Declaration guarantee unambiguously that pensions will continue to be paid on terms no less favourable than before, irrespective of nationality or place of residence.
- and, in his address to this Council last month the Governor announced we would be establishing a \$7 billion pension reserve fund. This is a very large amount of money by any of our standards. We shall soon start discussion with staff on the details. And I would make the point that pensions are projected to remain at only 4% to 5% of the Government's operating expenditure well into the future, a very manageable level.

Localization

Much has been said about localization recently and several Honourable Members have again made it a central theme to their speeches. I am frankly disappointed that we seem unable to look at this subject objectively.

The Hong Kong Government is firmly committed to localization. The policy is being translated into reality every day of every week. We have a very strong preference for local recruitment — for example, last year only 85 out of over 11 300 recruits came from overseas, substantially less than 1%.

Other figures quoted by the Chief Secretary earlier in the debate about the filling of senior posts and his assurances about the filling of Principal Official posts speak for themselves. Where progress is uneven, we have shown that we are prepared to take special measures, such as those recently announced in the Legal and Legal Aid Departments.

We have also faced up to the fact that the traditional system of civil service employment, with its division between so-called local and overseas officers, is out of date and was in some respects inconsistent with the Bill of Rights.

To deal with this situation we have adopted a two-stage approach. The first stage was the interim measure, announced in July, whereby qualified permanent residents currently serving on overseas contract terms could apply for one contract only on local conditions. Please note that this is not the same as saying that they are local, nor is acceptance automatic. So there has been no *fait accompli*. The second stage is the consultative exercise announced last month which proposes that we should abolish local and overseas conditions and have a new common set of terms for the future. As part of this exercise we also need to come up with a definition of who is to be regarded as "local", because we lack such a definition at present.

Facing up to the future in this way was always going to be a painful process, and so it has proved. But that does not mean that it was not necessary or that we should give up. Indeed we must continue down this path in order to build a solid foundation for the future. When we have done so, the Civil Service will be a much healthier organization, and even better equipped to face the challenges of the future.

Unfortunately there appear to be some who, perhaps not unnaturally, prefer to cling to the more familiar, if in some ways now discredited, ground of the traditional system. This includes proponents of the Private Member's Bill which seeks to stop permanent residents switching to local terms under the first stage of our approach. In doing so, I wonder whether these Members are saying that permanent residents are not Hong Kong people. If so, why not? I should point out that the Basic Law gives permanent residents the right, amongst other things, to have permanent identity cards with the right of abode here, to

vote and to stand for election. The Basic Law also says that the SAR Government shall employ permanent residents. We have made it clear that we are prepared to accept the definition of "permanent resident" along the lines of the Basic Law. We are just waiting for the two sides to finish their discussions in the Joint Liaison Group on bringing our Immigration Ordinance into line with the Basic Law. So I say that, notwithstanding the difficulties, we should not turn the clock back. We must go forward from here. It is about time we faced up to these thorny issues squarely and dealt with them. We can and will do so, successfully, if we will only look to the future.

Finally on this subject, let us not forget that for the vast majority of civil servants localization is a dead issue. That in itself is a measure of the progress which has been made over the years.

Morale

There are other issues which have caught the public eye recently which have also been portrayed by some as showing that there is currently an unusual degree of strife in the Civil Service. Frankly the gulf between these portrayals and reality does nothing for the credibility of those who make such claims.

I believe that the "operational morale", if I may use that phrase, among civil servants remains extremely high. Despite increasing workload and the pressures, civil servants have risen time and again to the challenge and have shown a high degree of professionalism, conscientiousness and integrity in carrying out their work. And here I can say that contrary to our widely held misconception the wastage rate from resignation and so on in the Civil Service is at an almost historic low point, far lower than the rates normally experienced in the private sector. People are queueing up to join the Civil Service and they are not in a hurry to leave. So we must be doing something right.

As for general morale — the "feel good" factor as the Americans might put it — this depends on much more than a few issues. It depends on the competence of management in leading and supporting their staff and in meeting their everyday legitimate needs and desires.

Here we have, again, done and are doing a great deal in trying to foster harmony and to satisfy the legitimate desires of civil servants. I hope Members will forgive me if I recite a list from just recent memory of small but significant things which we have done, some of them not so small, I may say:

- A package introduced in May 1992 has very successfully addressed the recruitment and retention problems of Junior Police Officers.
- In the area of medical and dental benefits for civil servants we have increased the number of dental chairs and will have a new families clinic in 1994.

- This year we increased flexibility in the use of leave and passage allowances. We also gave more flexibility for the long service travel scheme.
- We have done much in staff relations; to give one or two examples, we introduced a retirement souvenir in 1992; and we increased the ceiling for awards under the staff suggestion scheme in 1991; and we increased the maximum grant under the Staff Relief Fund;
- Perhaps a good reflection of staff relations and morale was the turnout of 12 000 civil servants for the charity walk last month where we raised over \$9 million for the Community Chest.
- In 1990 we introduced new arrangements to allow civil servants to own their own property. This has been a conspicuous success, although the pace of property price increases is eroding their worth. We appreciate that this is a concern to staff and we have responded by reviewing the existing housing benefits. Members, I am glad to say, are being asked this Friday to approve modest improvements to the Home Purchase Scheme. Another review is being carried out on the Hong Financing Scheme. We also ensure that our disciplined services are properly catered for and Members recognized this last week when voting no less than \$2.6 billion for purchase of more quarters.
- We improved the arrangements for dependants' pensions benefits in February this year and recently established a Pensioners Welfare Fund.
- Last but by no means least, as the Chief Secretary alluded to, we are greatly stepping up our training, especially that related to China and Putonghua, to equip civil servants to meet the transition. And here I might just add that the Administration positively encourages more contact between civil servants and Chinese officials, and the establishment of the Beijing course, various familiarization visits and duty visits in both directions is happening all the time. In our China studies programme, we also invite Chinese officials and academics to speak directly to civil servants as and when there are suitable speakers and subjects. So our programmes in this areas are expanding rapidly and are far more than window-dressing, as one Honourable Member might describe them.

All of those measures that I have just outlined, together with sympathetic management, are the sorts of issues that affect all civil servants on a day-to-day basis and which have a more direct impact on morale than one-off issues which hit the headlines. I think the list I have given which is far from exhaustive, if I may say, speaks for itself.

Politicization

Some Members mentioned politicization of the Civil Service and the dangers in that. I would just say that the Civil Service has always been politically neutral; there is no intention nor any reason to change this. And I am glad that Honourable Members recognize the value of maintaining this position.

Public Service Commission

On the Public Service Commission, I am afraid that Members may have little idea due to lack of familiarity with its work. As to the very important role played by this institution, one of its key roles is to ensure that there is no political interference in appointments. It also vigorously scrutinizes the Administration's practices in this area. We have no plans to make changes to the PSC's role.

Pay

Some Members referred to the issue of pay and suggested that we might refer this to a third party to resolve.

The Government's declared policy on civil service remuneration is that the pay and fringe benefits of the Civil Service should be broadly comparable with those paid by good employers in the private sector. We have not departed from this policy. There is no evidence to suggest that civil service pay is lagging behind that in the private sector. On the contrary, there has been criticism that civil servants enjoy more favourable treatment.

The annual pay adjustments have been determined in accordance with the established mechanism and approved by the Executive Council and Finance Committee. They are settled decisions. Because each pay adjustment is a separate and independent exercise, there is no commitment, on the part of the Government, to make up any differences from previous years.

In the Administration's view, arbitration is justified only if there are major policy issues to be resolved and if it is in the public interest to do so. But it is difficult to argue that the pay settlement this year is unreasonable, nor does the community at large support such a view.

Staff disputes

As regards individual staff disputes, Mr President, I cannot leave the question of morale without responding to the Honourable Albert CHAN's points on the Social Welfare Assistants. It is quite wrong to suggest that we, or the Social Welfare Department, have not done everything we can to meet staff's requests. The department has boosted training and created promotion posts and has held numerous meetings with the staff association. Its offer of a review team is still on the table. The Social Welfare Assistants only have to pick that offer

up and start talking. I understand that Members will be meeting the Administration tomorrow morning to discuss this issue. But I can assure them that our attitude throughout has been one of calmness and logic and I will say that we have an excellent record on staff relations, especially for such a large organization, and that we believe that our machinery is working very well.

Conclusion

All in all, Mr President, to conclude, the Civil Service is in far better shape than some people appear to think. The transition obviously presents a challenge but the evidence is that the service is coping extremely well.

Of course there are times when criticism is right, and we respond well to justified criticism. But there is nothing more detrimental to morale than constant negative criticism and back seat driving. I have to say that this Council sometimes crosses the line and gets too closely involved in the management of the Civil Service.

What the Civil Service needs above all else in current circumstances is to be left to get on with the job that it does so well and to be given a little bit of encouragement now and again. This is not a lot to ask and I do hope that Honourable Members will take the message to heart.

Mr President, with these words I support the motion.

PRESIDENT: Mr NGAI Shiu-kit, do you wish to reply? You have 45 seconds left.

MR NGAI SHIU-KIT: Yes, just a few words.

MR NGAI SHIU-KIT (in Cantonese): Mr President, I would like to thank my colleagues for speaking enthusiastically on today's motion. I believe the Administration is fully aware of the fact that this issue could have far-reaching implications. And Members of this Council have also expressed their deepest concern over the issue.

First, I agree with what Mr Peter WONG has said just now, that is, the meaning behind my motion is to pay high tributes to civil servants. As they have provided dedicated service to the community and shown much concern about our daily life

Upon the digital timer showing 00.45

PRESIDENT: You have got to stop, I am afraid, Mr NGAI. Under Standing Orders I have to call on you to stop.

MR NGAI SHIU-KIT: Mr President, how many minutes do I have?

PRESIDENT: You have no more. *(Laughter)*

MR NGAI SHIU-KIT: No more? It is all right. I have finished. Thank you.

PRESIDENT: You had 45 seconds, Mr NGAI. I am sorry. That is Standing Orders.

Question on the motion put and agreed to.

Valedictory

PRESIDENT: Honourable Members, today we pay tribute to Sir David FORD, who retires as Chief Secretary and senior *ex officio* Member of the Legislative Council, after seven years service in this office.

Sir David first joined this Council in June 1980 as Secretary for Information and served thereafter in this Council as Secretary for Housing and then as Secretary for the Civil Service.

His 13 years with this Council span the most important part of our history to date. I do not need to labour the point, nor to dwell on the present crucial stage of our constitutional development.

We have been privileged to have Sir David serve in this Council and to play so great a part in shaping its development.

No one serving in this Council, in these momentous times, can fail to be touched by them. I think Sir David will recognize, as must indeed us all, that service in this Council has been a privilege.

But we are in his debt for the dedication he has brought to his duties and for discharging them with such distinction.

Although Sir David leaves this Council, he will continue to serve this community as Commissioner in London. I am sure Members will wish to join

me in wishing Sir David and Lady FORD many happy and challenging years ahead.

MRS ELSIE TU: Mr President, as House Committee Chairman I should like to add a few words to support your valedictory to Sir David.

Farewells are occasions when we think of the good times we have shared together and as Sir David meets us here for the last time as Chief Secretary, I am sure we can remember the fun we have had in our small Noah's Ark, with the tiger, the duck and the rhinoceros, and the fun we have had at sports and dinners and receptions, as well as the times when we have all begged to differ from him.

Sir David has had a checkered career in all kinds of jobs in all kinds of places, but we all know that it will not be long before nostalgia brings him back to Hong Kong, either as a temporary visitor or as a permanent resident, if we can ever manage to fathom out what "permanent resident" means. *(Laughter)*

Anyone who has lived here for as long as Sir David is sure to regard Hong Kong as home and I am sure that Lady FORD will share the same feelings for Hong Kong after all her years of public service here.

The London Office is Sir David's old stomping grounds. So he will be quite at home there too, during his term of office; and there are plenty of animals at the London zoo to remind him of his Hong Kong habitat.

We shall miss Sir David after his years of popping up, first as Chief Secretary, then as Governor. Popping up so often in these two guises that he probably forgets which role he is in, just as sometimes we forget whether to address him as Chief Secretary or Governor.

I am sure that my colleagues will join me in wishing Sir David, Lady FORD, and their family a very enjoyable sojourn in London and a very happy future. *(Clapping)*

Adjournment and next sitting

PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 1 December 1993.

Adjourned accordingly at eleven minutes to Nine o'clock.

Note: The short titles of the Bills/motions listed in the Hansard, with the exception of New Territories Land (Exemption) Bill, have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.

WRITTEN ANSWER**Annex I****Written answer by the Secretary for Security to Mrs Selina CHOW's supplementary question to Question 4**

The police did not conduct a study of the 1991 district board elections, similar to those carried out in 1985 and 1988; nor was there any police study of the Legislative Council elections held in that year. This was because the need for the studies fell away. The 1985 and 1988 studies indicated that there was no evidence of organized triad infiltration of district boards. The present electoral legislation provides sufficiently stringent requirements to preserve the credibility and integrity of the boards and councils concerned.

