

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 19 January 1994

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 FINANCIAL SECRETARY

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

THE ATTORNEY GENERAL

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

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

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

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

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

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

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

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, O.B.E., J.P.

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

THE HONOURABLE SIMON IP SIK-ON, 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 EMILY LAU WAI-HING

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 CHIEF SECRETARY

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

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

IN ATTENDANCE

MR MICHAEL SUEN MING-YEUNG, J.P.
SECRETARY FOR HOME AFFAIRS

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

MR CHAU TAK-HAY, J.P.

SECRETARY FOR TRADE AND INDUSTRY

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 LAM WOON-KWONG, J.P.

SECRETARY FOR EDUCATION AND MANPOWER

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 *L.N. No.*

Rabies Regulation -----	5/94
Road Traffic (Public Service Vehicles) (Amendment) Regulation 1994 -----	6/94
The Hong Kong Association of Banks (Amendment of Schedule 1) Order 1994 -----	7/94
Tramway Ordinance (Alteration of Fares) (Amendment) Notice 1994 -----	8/94
Clubs (Safety of Premises) (Exclusion) (Amendment) Order 1994 -----	56/94
Declaration of Change of Title (Environmental Pollution Advisory Committee) Notice 1994 -----	57/94
Shipping and Port Control Ordinance (Exemption) (Amendment) Notice 1994-----	58/94

Sessional Papers 1993-94

No.50 — Statement of Accounts and Report on the Administration of the Travel Agents' Reserve Fund for the Year Ended 31 March 1993

Miscellaneous

Second Periodic Report on Hong Kong regarding Articles 10-15 of the International Covenant on Economic, Social and Cultural Rights

Oral answers to questions**District Board and District Management Committee**

1. MRS SELINA CHOW asked: *What is the relationship between district boards (DBs) and District Management Committees (DMCs), and what*

assurances exist for government representatives on a DMC to take into account views of the DB, particularly when a majority view is reached on an issue?

SECRETARY FOR HOME AFFAIRS: Mr President, district boards are set up under the District Boards Ordinance (Cap 366) to advise the Government on matters affecting the well-being of the people in the districts. On the other hand, District Management Committees are set up by the Government to enable representatives of government departments working in the districts to discuss how best to provide services in the districts efficiently and effectively. District Management Committees are chaired by District Officers and district board chairmen are invited to attend their meetings as observers.

In practice, departments working in the districts make full use of the District Management Committees as forums for discussing and resolving district problems. They co-ordinate departmental operations and services in the districts and respond positively to district needs. In this connection, District Management Committees develop and maintain a close, cordial and effective working relationship with the district boards.

As district boards are in the best position to advise on the impact of government initiatives on the local community and how the needs of local residents might best be served, their advice is normally followed provided it does not conflict with established government policies or practices. Where the advice of a district board is at variance with existing policies or practices, the relevant policy branch or department will be asked to carefully examine the merits of this advice to see if existing policies and practices could be refined, revised or applied flexibly to accommodate it. If it is decided not to accept the advice of the district board, a full explanation of the reasons for not accepting the district board's advice would be given to it.

MRS SELINA CHOW: *Mr President, are the district boards represented in the meetings of the DMCs? If not, why not; if yes, how effectively would the views of the district boards be taken into account by the DMCs?*

SECRETARY FOR HOME AFFAIRS: Mr President, as I have said, District Management Committees are interdepartmental working bodies. They are staffed mainly by government officials. District board chairmen are invited to attend District Management Committee meetings as observers. They are allowed the opportunity to represent to the District Management Committees the views of district board members and these views are often fully taken into account when the District Management Committees decide on a course of action to take.

MR TIK CHI-YUEN (in Cantonese): *Mr President, very often district boards are not entirely happy with the work progress of DMCs in dealing with district matters. Now that the Administration says that district board chairmen attend the meetings of the DMCs as observers, may I ask the Administration how district board chairmen can, in the capacity of observers only, be expected to monitor the progress of work of the Administration? Are there any other ways to enhance the co-operation between the DMCs and the district boards, for example by holding regular joint meetings?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): *Mr President, I believe we all understand that district board members can express their views on local issues and suggest to the Administration ways to deal with them. Therefore, district board meetings themselves already provide sufficient channels for members to exchange their views. The primary role of a DMC is to take follow-up actions on the views of the district board and to implement the proposals of the district board in connection with district affairs. Therefore, members are allowed sufficient opportunities to exchange views. As for monitoring the progress of work of DMCs, progress reports on the work of the Administration are in fact regularly submitted to district boards for consideration.*

MR FREDERICK FUNG (in Cantonese): *Mr President, from the interviews with district board members, the Urban Council got two different pictures from district board chairmen about their right to speak at DMC meetings. Some like the Chairman of Sham Shui Po District Board claimed that they had no right to speak at DMC meetings while others like the Chairman of Mong Kok District Board told the Legislative Council that they could speak at those meetings. Will the Secretary account for these two different situations? Are district board chairmen working on DMCs allowed to speak at the committee's meetings? Has the Administration also considered allowing chairmen of other committees, like that of the Environment Committees, to attend those meetings as members or observers?*

PRESIDENT: *Sorry, are those two questions, Mr FUNG?*

MR FREDERICK FUNG (in Cantonese): *Mr President, perhaps I would try to make my question clearer. During the interviews with district board members, the Legislative Councillors got two pictures from them. Some district board chairmen were allowed to speak at DMC meetings while others were not. They also brought up the issue of allowing chairmen of other committees, especially that of the Environment Committees, to attend the committee's meetings. In fact, Members of this Council have raised the issue with the Administration after the interview. Can the Secretary give an answer to the question?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Mr President, all district board chairmen attending DMC meetings in the capacity of observers have a right to speak. As regards the situations mentioned just now, I believe that they are individual cases only. It might be due to misunderstanding as a result of unfamiliarity with procedures when members came for the first meeting. We have made clarification to the effect that all district board chairmen who come for DMC meetings have a right to speak at meetings to express their views. As to the question of allowing chairmen of other committees to attend, I do not believe that there is such a need. The main reason is that the role of a DMC is to take follow-up actions on the views of the district board, with the actual work being carried out by the government departments in the district. As I have mentioned just now, DMCs will submit progress reports to district boards on a regular basis. If we accept that, then I believe the problem that Mr FUNG refers to can be resolved.

MRS PEGGY LAM (in Cantonese): *Mr President, part of my question has been asked by Mr Frederick FUNG. I would like to raise another supplementary. Given that the situations mentioned earlier arose as a result of different ways in which District Officers chaired the DMC meetings, and to prevent recurrence of similar situations in future, will consideration be given to issuing a guideline to all District Officers, advising them of the capacity and rights of district board chairmen in attending the committee's meetings?*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Mr President, I think it is not necessary to issue a specific guideline on this because we have clearly advised all our colleagues of the capacity and rights of district board chairmen in attending DMC meetings.

DR CONRAD LAM (in Cantonese): *Mr President, I would like the Administration to clarify one point. If district board chairmen attend the DMC meetings only in the capacity of observers, I would appreciate if the Administration will advise all district board members of that because in some cases, like the subject of the pace of democratization, district board chairmen may not represent the views of all its members. If the DMC chairmen thought that the district board chairmen could represent the views of all the members, then it would run the risk of distorting public views.*

SECRETARY FOR HOME AFFAIRS (in Cantonese): Mr President, I could understand what Dr LAM meant to say. But I would like to make it clear that the primary role of a DMC is not to gather opinions. Rather it is to follow up and implement the work to be done in the district. As for expression of views, district boards can reflect their views to the various government departments direct. Therefore, there should be no confusion about the role of DMCs and I

believe there is no such confusion among district board members and our colleagues.

PRESIDENT: Do you have a further question, Mrs CHOW?

MRS SELINA CHOW: *Thank you, Mr President. In his reply, the Secretary said that the DMCs are chaired by District Officers. As chairmen, they play a co-ordinating role, rather than a decision-making role. I just want to ask: when decisions have to be taken and government departments represented in the DMC happen to choose to go contrary to a decision or a request of the district board, what would the chairman of the DMC do to deal with the situation?*

SECRETARY FOR HOME AFFAIRS: Mr President, I think those cases would be very rare. But if they do arise, I think it depends on whether the advice we receive comes into conflict in any way with the established policies or practices of government departments. If the advice is in some way in conflict or at variance with government policies or practices, then, as indicated in my main reply, we will ask the relevant departments to consider whether their established policies and practices can in any way be modified, refined, changed or applied flexibly. If all these cannot be done, then the chairman obviously has to come to a view. If the view taken is not to accept the advice of the district board then he is obliged to give a very full explanation to the board as to the reason why their advice cannot be accepted.

Importation of skilled labour

2. MR JAMES TIEN asked: *In view of the fact that the unemployment rate is consistently below 3% since importation of skilled labour of up to 25 000 was allowed two years ago, will the Government inform this Council whether consideration will be given to increasing the quota by 12 500 as soon as possible?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the purpose of the general labour importation scheme is to help relieve bottlenecks in the employment market due to labour shortage at the technician, craftsman, supervisor and experienced operative levels so that economic growth is not impeded. In considering whether the scheme should be expanded, the Government takes into account a number of factors, of which the unemployment rate is just one of them. At present, there is no plan to further expand the general labour importation scheme.

MR JAMES TIEN: *Mr President, when the current scheme for 25 000 imported workers was introduced in 1990, the unemployment rate at that time of 3% was cited as the main factor — or just one of the many factors, as the Secretary has said in his reply. Would the Secretary please inform us when the Government unilaterally changed the criteria for assessing whether the number should be increased, what other new factors are being considered and what the weighting is for each of these new factors?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, we did take into account a number of factors in making decision at various stages to expand the scheme in the previous few years. Factors, other than unemployment rate, that we took into account and still do include the overall labour relations in Hong Kong and other possible ways of relieving the shortage in the labour market, such as retraining and increasing the productivity. We do not have fixed weighting for these factors since obviously we have to deal with the situation pragmatically and flexibly. It is our judgement, having taken all factors into account, that there is no need to further expand the scheme at the moment.

MR SZETO WAH (in Cantonese): *Mr President, will the Administration inform this Council whether it is aware of the stance and attitude of trade unions and local groups, which represent the middle and lower strade of society, on importation of labour? What will be their reaction if the Administration further expands the labour importation scheme?*

PRESIDENT: Sorry, are you asking what the reaction of the Administration will be or the reaction of the unions, Mr SZETO Wah?

MR SZETO WAH (in Cantonese): *Mr President, I was asking whether the Administration was aware of the attitude of trade unions and local groups on importation of labour and what their reaction would be if the Administration further expanded the scheme. I was asking two questions.*

PRESIDENT: Yes, but you cannot ask the Administration what the opinion of the unions will be. That would be asking the Administration for an opinion or a view as to someone else's opinion. Would you like to rephrase your question?

MR SZETO WAH (in Cantonese): *Mr President, the Administration should be aware of the views put forward by local groups.*

PRESIDENT: Secretary, insofar as you are able to assess opinion.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, we have had contacts with different trade unions, local groups and all other bodies interested in this issue. We think we have a clear picture of what their opinions are, to which we will refer when assessing the general labour importation scheme.

MR LAU WAH-SUM: *Mr President, would the Government inform this Council if there will be quotas set for the importation of workers coming from different countries?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, under the present general labour importation scheme, the quotas are not confined to any particular nationalities. We do not see the need for doing that. And we would continue to operate the present quota system flexibly to suit individual needs.

PRESIDENT: Was that your question, Mr LAU?

MR LAU WAH-SUM: *Could I ask a follow-up question?*

PRESIDENT: Well, only if your question has not been answered, you think. If it is a supplementary, there are lots of people wanting to ask questions, I am afraid.

MR TAM YIU-CHUNG (in Cantonese): *Mr President, the increase of quota of one-way permits naturally will bring about an increase in the size of our work force. In such circumstances, will the Administration consider cutting down the quota under the general labour importation scheme?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, the increase of quota of one-way permits serves a specific purpose and it will take quite some time before more people can join the labour market. Therefore in the foreseeable future, we do not think an increase of quota of one-way permits should bring about a corresponding decrease of quota of imported labour.

MR MARTIN BARROW: *Mr President, would the Government not accept that in view of the 70 000 vacancies and unemployment at a negligible rate of 2%, the quota level should be re-examined and in particular would it recognize that Hong Kong's future as an international business and tourism centre will depend on an adequate supply of labour in order to maintain service standards, bringing benefits to all the people of Hong Kong?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, we do monitor the situation very closely and do review the situation from time to time. We, of course, agree that it is important that Hong Kong should maintain its service standard, given the importance of Hong Kong as an international trade, finance and service centre. But we do consider that there are other ways to help relieve the labour market other than simply using the labour importation scheme. We have been working very hard through the Employees Retraining Board to retrain the displaced workers, many of whom were from the manufacturing sector, to join the service sector. That is one way. And, of course, over the last few years it is evident that the employers in the private sector have done quite a lot to enhance productivity and this has helped in relieving the labour shortage in the last few years.

MR HENRY TANG (in Cantonese): *Mr President, will the Administration inform this Council whether importation of labour has any effect on inflation, and in its plan to combat inflation, whether importation of labour has been used as a weapon against inflation?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, as the number of imported labour represents less than 1% of the total work force, this is no evidence to suggest that the number of imported labour has a substantial effect on inflation. Of course, the main reason we import labour is that we do not want to see the territory's economic development being hampered by labour shortage. If curbing inflation can be a spinoff of importation of labour, we certainly will welcome it, but it is not our main purpose of having imported labour.

PRESIDENT: Your question has not been answered, Mr TANG?

MR HENRY TANG: *Yes, Mr President. (In Cantonese): In fact what I would like to ask is: Given that in Singapore, the proportion of imported labour against the entire work force is higher than that of Hong Kong, yet it has a lower inflation rate and higher productivity, why has the Administration not studied the case of Singapore when looking at the question of inflation?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, every country or region has its unique political and economic situation. When evaluating the labour market situation in Hong Kong, one should look at the objective factors. The different levels in respect of the two places are governed by different local factors as well as many complicated factors. So I would not comment on them. But we do think that objective factors should be used as the criteria in assessing whether the territory needs to import more labour.

MR LAU CHIN-SHEK (in Cantonese): *Mr President, we have not made good use of our marginal workers, including housewives, older people who are physically fit and the disabled. Will the introduction of relevant laws and policies help in any way in lowering the quota level?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, the Administration has all along been encouraging housewives and other people who can work to join the labour market as far as possible. In fact, a considerable number of those retrained by the Employees Retraining Board are women, and some of them are housewives who are interested in rejoining the labour market. We believe that some of these housewives have already benefited from the scheme and they have helped in boosting the size of the work force. The Employees Retraining Board has allocated \$10 million this year to organize retraining programmes for disabled people who are still fit to work so as help them join the labour market.

MR MICHAEL HO (in Cantonese): *Mr President, I would like to ask a question on retraining. In the 1992 policy address, the Governor announced that \$300 million would be spent on retraining 15 000 workers within the next two to three years. Will the Administration inform this Council whether it will use the placement rate as a key indicator in deciding whether or not to reduce the quota of imported labour?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, from our experience of retraining last year, about 80% of those retrained were very keen and active in looking for jobs and among them, three quarters were able to find a suitable job within a short time. In the past year, we have retrained more than 8 000 workers and actually the majority were able to rejoin the labour market very quickly. Through regular review and close monitoring of our labour market situation, we will determine whether appropriate adjustments should be made to the labour importation scheme.

MR HOWARD YOUNG (in Cantonese): *Mr President, it is mentioned in the Secretary's reply that the purpose of the general labour importation scheme is to help relieving bottlenecks in the employment market and that a number of factors have to be taken into account. Apart from unemployment rate, will vacancies in different industries be taken into account? I have just read the 1992 Manpower Survey Report which indicates that the vacancies in the tourism industry are as high as 4% while that of the hotel industry may even be higher. If the vacancy rate is higher than the unemployment rate, does it mean that there is labour shortage?*

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, according to the quota allocation formula we are using, vacancies in different industries is one of the criteria in determining the quota level. In other words, if long-term vacancies exist in a certain industry and the situation is more serious than other industries, and presuming other factors remaining unchanged, that industry will be given more places under the existing quota of 25 000.

MR CHEUNG MAN-KWONG (in Cantonese): *Mr President, as the labour importation policy has led to unemployment of a large number of unskilled middle-aged and old-age workers, in particular underemployment as well as wage reduction and blockage of wage increase, this has adverse effect on the livelihood of workers. In such circumstances, will the Administration reduce the quota or even abolish the labour importation scheme?*

PRESIDENT: We are straying a distance from the original question and answer, Secretary.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr President, we have been closely monitoring the underemployment and unemployment situation of different industries. Figures in the past two years show that the underemployment and unemployment rate stays in the region of 2% with no significant changes. We certainly understand that older workers and particularly displaced workers looking for new jobs will need greater assistance. Therefore, we would pay particular attention to the need of this category of people and retrain them under our retraining programme. Regarding the quota level, as I have mentioned, we would regularly and closely monitor the changes in the overall labour market and would make adjustments only if necessary.

Taxi service

3. MR CHIM PUI-CHUNG asked (in Cantonese): *Given the substantial fare increases in mid-November 1993, taxi services should be improved accordingly. Will the Government inform this Council:*

- (a) of the corresponding policy to monitor and improve the quality of taxi service;*
- (b) whether it will be stipulated that a Code of Practice for Drivers should be posted inside taxi compartments;*
- (c) whether organizations concerned or trade unions will be encouraged to organize short courses for taxi drivers, so as to teach them the proper manners and some practical English; and*
- (d) whether prosecution will be stepped up against drivers for refusing hire and charging excessive fare and whether consideration will be given to increasing the level of penalties for such offences?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) In his preamble, the Honourable CHIM Pui-chung referred to "substantial fare increases". Indeed the urban and New Territories taxi fares went up in November last year by 17.7% and 19.2% respectively, but in perspective, it should be remembered that these were implemented after a gap of almost two full years since the previous adjustment in fares.

The quality of taxi service is primarily dependent on the availability of taxis and the conduct of taxi drivers. The Transport Department monitors the quality of taxi services through regular surveys of passenger waiting times and times between empty taxis at popular locations, as well as through complaints against taxi services received by themselves, the Transport Complaints Unit and the police. Regular meetings are held between the taxi operators and the department to discuss taxi services and possible improvement measures.

Taxi services are regulated by law. This covers:

- (i) the standard and quality of the vehicles;
- (ii) the accuracy of the taxi meters;
- (iii) the standard of driving; and

(iv) the conduct of drivers.

The Transport Advisory Committee (TAC) is now finalizing its review on taxi policy, with particular emphasis on the measures to improve the quality of taxi services and it should complete its deliberations by the end of this month.

- (b) *A Guide to Taxi Service* was published by the Transport Department as an information booklet. This contains information on how to hire taxis and where to make complaints. The department intends to revise the booklet later this year and update the code of practice for taxi drivers. The Honourable CHIM Pui-chung's suggestion that such a code to be posted inside taxi compartments will be considered as part of the exercise.
- (c) A number of taxi associations have already taken the initiative to organize training courses for potential and new taxi drivers. These courses cover good manners but not practical English. The Transport Department assists in the organization of these courses and the suggestion to include some English in these courses will certainly be borne in mind.
- (d) The major complaints against taxi malpractices relate to refusing hire and charging excessive fares. The police have stepped up enforcement and prosecution action.

In the last four months of 1993, 132 large-scale operations were mounted, resulting in an average of 255 prosecutions per month. This compares with an average of 12 operations and 52 prosecutions per month in the first eight months of 1993. The courts do take into account previous convictions. For example, three taxi drivers had their taxi licences suspended. This intensified enforcement action has resulted in a fall in the number of complaints against taxis from the peak in July 1993 to a figure of 203 in December 1993.

The Honourable Member's suggestion to impose heavier penalties for refusing hire and charging excessive fares, and the feasibility of making these offences punishable by fixed penalty tickets, will certainly be considered by the Administration.

MR CHIM PUI-CHUNG (in Cantonese): *Mr President, the Administration's reply seems to imply that a 9% increase a year is very reasonable. Will the Secretary inform this Council if the scope of the review will cover the attitude of taxi drivers? With a taxi licence costing almost \$2 million and the monopoly of consortia, will these be the reasons for taxi fare increases and deterioration of quality of service? Has the Administration considered issuing more taxi licences for the benefit of taxi drivers?*

SECRETARY FOR TRANSPORT: Mr President, applications for increase in taxi fares are considered on their own merit each and every time when they are submitted by the taxi operators. In considering such applications the main factors or criteria that are taken into account include the financial viability of the taxi trade, that an acceptable level of service should be provided for the public, whether or not there is a reasonable differential in the fares between taxis and other modes of transport and of course whether or not this new fare structure would be acceptable to the public. The applications for increases in taxi fares are considered by the TAC. It does not follow necessarily that the increase next time will be in the same order as that of the last increase in November 1993. As regards the premium quoted by the Honourable CHIM Pui-chung of \$2 million for a taxi licence, this particular subject is also a matter which is being reviewed by the TAC. And whilst it would be premature for me to pre-empt the decision that will be taken by the TAC, I do believe that a practical solution would be to offer more taxi licences in the coming year.

MR MARVIN CHEUNG: *Mr President, will the Government advise this Council what priority the police assign to dealing with complaints against taxi malpractices relative to their other duties?*

SECRETARY FOR TRANSPORT: Mr President, police operations and priorities are a matter for the police. Certainly operations against taxi malpractices have been stepped up, as I indicated in my reply. And in a recent discussion with the police, they have assured me that they will continue to pay due attention to the problem. But I think the exact number of operations and the priority they accord must relate to their other commitments.

MRS MIRIAM LAU (in Cantonese): *Mr President, will the Administration inform this Council whether it is the taxi drivers or owners who stand to benefit most each time taxi fare is increased? Will the Administration consider putting in place measures to balance the interests between them so as to minimize conflicts and to improve the quality of service? If yes, what are the measures, and if no, why?*

SECRETARY FOR TRANSPORT: Mr President, as I indicated earlier on, when considering applications for fare increases, a variety of factors and criteria are taken into account and it is not as a result of pressure either from the taxi owners or taxi drivers themselves. And it is the fare level and whether or not it is acceptable that is paramount. As I mentioned, factors to be considered include the financial viability of the taxi trade, whether or not there will be an acceptable level of service and the fare differential between different transport modes.

REV FUNG CHI-WOOD (in Cantonese): *Mr President, it was mentioned in the last paragraph of the Secretary's reply that heavier penalties would be considered. I understand drivers associations are also in favour of this. May I ask the Secretary how long it will take before a decision can be made and the factors that will be taken into account? Moreover, will this be included in the taxi policy review of the Transport Advisory Committee which will be completed by the end of this month?*

SECRETARY FOR TRANSPORT: Mr President, the answer is yes. Certainly the views of taxi drivers and operators will be, and indeed have been, taken into account by the TAC. And I think once any recommendations are made and decisions are taken, there will be plenty of opportunities for further dialogue with the trade.

Car park rent increase

4. MR WONG WAI-YIN asked (in Cantonese): *Regarding the recent hefty car park rent increases in some private residential estates by developers who own all the car parking spaces in the estates concerned and increase the rents indiscriminately, will the Government inform this Council whether consideration will be given to:*

- (a) adopting measures to safeguard consumers' interests; and*
- (b) vesting the Consumer Council with statutory powers to investigate and study any complaints arising therefrom?*

SECRETARY FOR TRADE AND INDUSTRY: Mr President, on part (a) of the question, the level of provision for parking spaces in private developments is stipulated in the Hong Kong Planning Standards and Guidelines. These planning standards are being reviewed as part of a Parking Demand Study recently commissioned by the Transport Department. The review of the planning standard will help to ensure that consumers' interests are safeguarded through the provision of adequate parking facilities. However, there are no plans to control parking charges in private car parks. These must be determined by market forces.

On part (b), under the Consumer Council Ordinance, the Council is empowered to examine complaints by consumers and to take such action as it deems fit on the basis of the information available. In response to recent complaints from the public on increases in car park rent in some private residential estates, the Council has decided to conduct a study on the subject. We do not consider it necessary to provide the Council with additional powers to investigate and study these complaints. The Council has, as the result of public complaints, conducted studies on the operation of government and

commercial car parks in the past and has not found that it needs additional powers to perform these tasks satisfactorily.

MR WONG WAI-YIN (in Cantonese): *Mr President, the Secretary has said in the first paragraph of his reply that "there are no plans to control parking charges in private car parks. These must be determined by market forces". As we all know, the demand for car parks far outstrips supply and the so-called "market forces" referred to by the Secretary seem to have been controlled by a small group of people. Although the Administration has said that the planning standards for car parks will be reviewed, may I know when such a review can be completed at the earliest? Before the completion of the review, will the Administration just look on unconcerned, as it does now, while the car owners affected have to resort to different means of protests to counter the monopoly?*

SECRETARY FOR TRADE AND INDUSTRY: With your permission, Mr President, I will pass that question to my colleague, the Secretary for Transport.

SECRETARY FOR TRANSPORT: Mr President, the Transport Department has recently commissioned a study on the level of both public and private parking spaces. This study commenced in October last year and is estimated to take about a year to complete. In the meantime, as my colleague has said just now, the Government does not believe that there is a need to intervene in the price levels determined by the market.

MR ALBERT CHAN (in Cantonese): *Mr President, I do not know if the Secretary will refer my question to the Secretary for Planning, Environment and Lands, who is not in the Chamber at the moment. Is the Administration aware that in many areas, especially in remote places, most of the car parks are controlled by a small number of developers? Is the Administration considering measures to break such a monopoly, like providing more land in these areas for building public car parks so as to counter the control and monopoly of developers?*

SECRETARY FOR TRADE AND INDUSTRY: Mr President, I think that question, too, falls to my colleague.

SECRETARY FOR TRANSPORT: Mr President, I think the answer to the Honourable Member's question must await the outcome of the study to which I referred. As far as parking is concerned, there is a dilemma: on the one hand, of course, we all know that there is a problem with the number of cars and, on the other, perhaps, to provide more parking spaces might further aggravate this

particular problem. But having said that, obviously parking has to be provided but the provision of more government parking spaces will have to wait until the study to which I referred is completed.

MRS ELSIE TU: *Mr President, in its study, will the Government consider tackling this problem by requiring developers to give purchasers the option of purchasing the car-parking spaces when they purchase their flats?*

SECRETARY FOR TRANSPORT: Mr President, this is really a question of the Land Grant Conditions, and I believe it is a question for my colleague, the Secretary for Planning, Environment and Lands, to answer. I shall refer this to him and request him to provide a written answer. (Annex I)

MRS MIRIAM LAU (in Cantonese): *Mr President, the Administration has remained indifferent to the problem of parking spaces; is that part of the Administration's policy to curb the growth in vehicles?*

SECRETARY FOR TRANSPORT: Mr President, this obviously is a possible solution but no decision has yet been taken. I think the Honourable Member has asked, in her capacity as chairperson of the Legislative Council Transport Panel, for a particular briefing on this subject. And I am happy to say that early in February colleagues from the Administration will respond to this request and we can discuss this in further detail.

MR RONALD ARCULLI: *Mr President, I am following up the question from the Honourable Mrs Miriam LAU. Can the Administration inform this Council whether, in considering its policy, it has decided that the presence of car parks will increase the number of cars and therefore to prevent proliferation of cars the number of car parks must be suppressed, or alternatively, that since we have so many cars one way to keep them off the road is to provide carparks? Would the Administration please decide which way it wants to go rather than keep switching all the time?*

SECRETARY FOR TRANSPORT: Mr President, yes, I hope that we will come to a decision soon. But the question asked by the Honourable Ronald ARCULLI is whether or not a decision has been taken, and the answer is no.

MR MICHAEL HO (in Cantonese): *Mr President, I agree with what the Administration has said in its reply that parking charges must be determined by market forces, but it is obvious that in many remote places, there is a monopoly of some of the parking spaces. Can the Administration inform this Council how*

it can ensure that these parking spaces will not be controlled and that market forces can operate smoothly?

SECRETARY FOR TRANSPORT: Mr President, I believe that in remote places, for example in certain parts of the New Territories, there are sites available on short-term tenancy grants. And I think anyone who is interested in acquiring such a site and running it as a carpark can apply to the authorities concerned.

MR FREDERICK FUNG (in Cantonese): *Mr President, the monopoly of parking spaces is in fact related to supply and demand. Besides that of private residential estates, the hourly rentals of car parks in some crowded areas are also very high. In some commercial cities of developed countries, there are town planning laws that provide that the lowest two levels or the two basement levels of commercial or residential buildings have to be used as car parks and that the parking places can be for sale or for rental. Will the Administration consider adopting this kind of town planning?*

SECRETARY FOR TRANSPORT: Mr President, I believe that parking spaces in private residential blocks are available both for sale and for rental, and certainly I do believe that the Administration has taken into account the mode of operation in other countries. I also understand that for residential development, depending on the nature and the density of the project, the number of carparks is adjusted accordingly.

REV FUNG CHI-WOOD (in Cantonese): *Mr President, there is no tenancy for most of the rental parking spaces. Will the Administration consider asking big developers to enter into tenancy agreement with unit owners, which will state for example the period of notification for rent increase and other conditions, so as to protect the interests of unit owners?*

SECRETARY FOR TRANSPORT: Mr President, on the first question, I think certainly it is a question of the Conditions of Sale and it is a matter between the developer and the prospective purchaser. I understand that some car-parking spaces are in fact sold and others are rented but I shall take this up further with my colleague, the Secretary for Planning, Environment and Lands. (Annex II)

MR JAMES TIEN: *Mr President, does the Secretary for Transport agree that every time the Government increases illegal car-parking fines, car park rents increase accordingly? That being the case, does the Government agree that it is leading the rise in car-parking charges?*

SECRETARY FOR TRANSPORT: Mr President, no, I do not agree. *(Laughter)*

DR CONRAD LAM (in Cantonese): *Mr President, in order to bridge the chasm between the number of parking spaces and the number of vehicles, will the Administration consider requiring the prospective car purchaser to prove that he has a parking space before a licence is issued?*

SECRETARY FOR TRANSPORT: Mr President, at present there is no requirement that the prospective purchaser of a car has a parking space but this can certainly be taken into consideration.

MR JIMMY MCGREGOR: *Mr President, in regard to government-owned car parks, will the Secretary advise whether the charges for these are aligned to private sector market charges or aligned to actual cost of operation? And where government car parks are contracted out, as is the case with Wilson, what proportion of charges goes to the Government? I understand that that may be something over 80%, in which case the Government itself would be contributing to the inflationary trend.*

SECRETARY FOR TRANSPORT: Mr President, in government-owned car parks — these are now contracted out to operators, as Mr MCGREGOR has quite rightly stated — the level of the charges is partly determined by the prevailing market rate in private carparks. As regards the percentage of charges that the Government takes, I do not have the answer at hand and I shall provide this in writing. (Annex III)

Identity card information

5. MR PETER WONG asked: *When a person uses his Hong Kong Identity Card to leave Hong Kong, the information is captured by the computer. Through this information, the movement of a person can be traced. Will the Administration inform this Council:*

- (a) what data are captured in the computer;*
- (b) what are the criteria to permit the use of this information by either the Immigration Department or any other government department;*
- (c) what are the criteria to permit the use of this information by foreign governments; and*
- (d) what measures are being taken to prevent personal privacy of the individual from being infringed?*

SECRETARY FOR SECURITY: Mr President,

- (a) The computer captures the following data: the Identity Card number, the nationality of the person concerned, the date and time of immigration clearance, the control point, the person's destination and the carrier.
- (b) The use of this information by the Immigration Department is restricted to immigration clearance purposes, and the preparation of statistical records. The use of this information by other government departments is restricted to criminal investigations. The handling of data, in both cases, is guided by the *Data Protection Principles and Guidelines*, issued by the Government in 1988, copies of which have already been made available to Members.
- (c) Movement information is provided to foreign governments only in connection with international criminal investigations. Requests for such assistance are made either through consulates or through Interpol.
- (d) In the case of immigration records, stringent measures are taken to guard against unauthorized access, alteration, or disclosure of individuals' movement information. These measures include:
 - (i) limiting access to computer data through the use of application codes and user passwords;
 - (ii) logging computer transactions for monitoring and audit purposes;
 - (iii) adopting procedural safeguards to ensure data protection; and
 - (iv) installing physical security safeguards at computer sites and terminal areas.

MR PETER WONG: *Mr President, within the Immigration Department computers, is there any cross-referencing to any local or foreign passport that the resident may possess, and is there any intention on the part of the Government to change the existing policy of using the Permanent Resident Identity Card as the sole document to leave Hong Kong?*

SECRETARY FOR SECURITY: Mr President, I believe that in both cases the answer is no. The Immigration Department computer is not linked to other computers and so other users cannot have immediate access to the Immigration Department information. The use of identity cards to enter and leave Hong Kong by permanent residents is an option, it is not compulsory. They can

use travel documents if they wish but for ease of travel they are able to use identity cards. There is no intention to change this; indeed, we have in recent years gradually extended the use of identity cards as travel documents.

MR JAMES TO (in Cantonese): *Mr President, the handling of data mentioned just now is guided by the "Data Protection Principles and Guidelines" issued by the Government in 1988 which, however, are no more than administrative rules and measures, and cannot guard against abuse. Does the Administration consider it important that the legislative process should be speeded up to protect privacy of the individual? Will such information be passed on to the Hong Kong Special Administrative Region government?*

SECRETARY FOR SECURITY: Mr President, the Administration is considering the introduction of legislation in this area. I believe that the Law Reform Commission is actually studying this subject, but no decisions have yet been taken. And we will await the recommendations of the Law Reform Commission.

PRESIDENT: Yes, you had a second question, Mr TO.

MR JAMES TO (in Cantonese): *Mr President, the second part of my question is: Will the information be passed on to the Hong Kong Special Administrative Region government?*

PRESIDENT: Yes, the second question, Secretary.

SECRETARY FOR SECURITY: Mr President, could I ask for clarification: what information?

MR JAMES TO: *The information referred to in paragraph (a) of the answer, Mr President.*

SECRETARY FOR SECURITY: Mr President, the answer is yes. The information is kept for 10 years and we intend to continue with that practice.

MS ANNA WU: *Mr President, will the Administration inform us which agencies, government departments or officials are entitled to have access to the computer data without reference to the Immigration Department? And is there a computer record kept of accesses to or requests for information made?*

SECRETARY FOR SECURITY: Mr President, I do not believe that anybody is allowed to have access to these records except through the Immigration Department. There certainly are records kept of requests for information made to the Immigration Department. For example, I have information here that some 600 requests were made last year by individuals asking for access to information on them. There were also some 200 requests from local consulates and some 300 requests made through Interpol. There is a full record kept of all these.

MR CHIM PUI-CHUNG (in Cantonese): *Mr President, it is mentioned in paragraph (c) of the Secretary's reply that "Movement information is provided to foreign governments only in connection with international criminal investigations". At present, there are a large number of residents emigrating to other countries like Canada and Australia and it is quite likely that these emigrants may fail to report to the authorities concerned the number of days in a year they have resided in the country. Should the governments of these countries approach the Hong Kong Government for movement information in connection with these emigrants, will their requests have anything to do with "international criminal investigation"?*

SECRETARY FOR SECURITY: Mr President, I think what I can say is that it is a generally accepted principle of mutual legal co-operation in criminal matters that there should be some commonality of offence between the two jurisdictions. Now we do not have any agreements with other countries on mutual legal assistance in criminal matters, although we are hoping to negotiate and conclude such agreements in the next few years. But we do follow that principle in guidelines that we have issued to departments and they would have to consider each case on its merits as to whether the criminal investigation related to an offence which would be an offence both in Hong Kong and in the other country.

DR CONRAD LAM (in Cantonese): *Mr President, it is mentioned in paragraph (b) of the Secretary's reply that the use of computer data by other government departments is restricted to criminal investigations. Then if a person is found to be missing after leaving the territory, will the Administration assist the wife or husband of the missing person in locating his or her spouse?*

SECRETARY FOR SECURITY: Mr President, I am not sure. I will have to answer that question in writing. (Annex IV)

MISS EMILY LAU (in Cantonese): *Mr President, I would like to follow up Mr CHIM Pui-chung's question. Have other foreign governments, in checking their immigration records, requested the Hong Kong Government to disclose movement information, and did the Hong Kong Government provide the information as requested?*

SECRETARY FOR SECURITY: Mr President, as I said, I think, in answer to a previous supplementary, we do regularly get each year a number of requests from foreign governments for movement record data. We had some 300 requests through Interpol last year and a further 200 or so direct from consulates, and we have guidelines as to when we provide such information: it has to be in connection with a criminal investigation.

MRS SELINA CHOW (in Cantonese): *Mr President, the Secretary mentioned just now that more than 600 requests from individuals for access to their personal records had been granted. Are there cases in which requests for access to personal records have been denied. If so, why? Furthermore, if people find that the information held on them is incorrect, can they ask for amendment?*

SECRETARY FOR SECURITY: Mr President, individuals are entitled to ask for information on themselves and are required to pay a fee for such information. I do not believe that any such requests have been or would be refused. Very stringent steps are taken to ensure that the immigration movement records are correct and I am not aware that any case has arisen where an individual has disputed the records. But, clearly, if someone could prove that the information was wrong in some way, then no doubt the Immigration Department would consider that.

MR HENRY TANG (in Cantonese): *Mr President, I would like to follow up the question raised by Miss Emily LAU. Referring to the several hundred requests the Immigration Department received last year from foreign governments for records of Hong Kong people entering and leaving the territory, how many of these requests were granted?*

SECRETARY FOR SECURITY: Mr President, I think the figures I gave, which were approximately 200 through consulates and 300 through Interpol, relate to requests which were granted. But I will have to give the detail of that in writing. (Annex V) I do not know the exact figures.

Manslaughter

6. MR LAU WONG FAT asked (in Cantonese): *In a number of "manslaughter" conviction cases, the sentences passed by judges were but a few years of imprisonment, which were far below the maximum penalty of life imprisonment for the offence and, on some occasions, were even lighter than the sentences for robbery cases not involving casualties. Will the Government inform this Council:*

- (a) *of the annual figure of "manslaughter" conviction cases and their respective terms of imprisonment in the past five years; how many of them involved defendants who were originally charged with murder but subsequently convicted of the offence of manslaughter; and*
- (b) *how the authorities concerned will arouse public awareness of the gravity of the "manslaughter" and whether, for instance, a minimum penalty will be set for the offence in order to enhance the deterrent effect?*

ATTORNEY GENERAL: Mr President, attached to the written copy of this answer are statistics relating to convictions and sentences for manslaughter recorded in the last five years. In each of these years, the majority of convictions were of defendants who had been charged originally with murder.

Turning to the second part of the question, any killing of a human being is of course an extremely grave matter. I do not believe there is any need to arouse public awareness of this.

Mr President, the offence of manslaughter covers killings in a wide variety of circumstances that make the offence less blameworthy than murder. It includes a killing that is provoked, a killing by a person suffering from an abnormality of mind, and a killing where there was no intention to kill or to do grievous harm but where the defendant acted recklessly. The maximum penalty in all cases is life imprisonment.

It would be contrary to legal policy for the law to attempt to lay down a minimum penalty for this offence. As the law stands, a judge, when sentencing, is able to decide what sentence within the statutory maximum is just and appropriate having regard to all the facts and circumstances. A minimum penalty would inevitably create unfairness. Some cases of manslaughter do not involve serious misconduct, for example where the defendant merely punched another, but the victim fell, struck his head, and died as a result. In such circumstances, if the defendant is of good character a fairly light sentence is appropriate. In addition, in cases where the defendant is suffering from mental illness a hospital order, not a prison sentence, is appropriate. But other cases

may be very serious. It all depends on the facts and one should not fetter the discretion of the sentencing judge.

MANSLAUGHTER

1. Convictions

	<i>1989</i>	<i>1990</i>	<i>1991</i>	<i>1992</i>	<i>1993</i>
(a) Total number of convictions	31	50	53	40	41
(b) Number of convictions where defendant was charged with murder	31	45	49	36	38

Notes

1. Where a defendant has been convicted of several offences of manslaughter these statistics record one case only.
2. Where an appeal has been allowed and a retrial ordered, only details of the retrial are recorded.

2. Sentences imposed

1989	25	sentences of imprisonment ranging from 1 year to 12 years, the average sentence being 5.3 years 3 hospital orders 2 probation orders 1 training centre order
1990	40	sentences of imprisonment ranging from 1 year to 12 years, the average sentence being 4.7 years 6 hospital orders 2 probation orders 2 training centre orders.
1991	46	sentences of imprisonment ranging from 1 year to life imprisonment, the average sentence (if the life sentence is treated as a sentence of 20 years imprisonment) being 5.6 years 5 hospital orders 2 training centre orders.

- 1992 32 sentences of imprisonment ranging from 1 year to life imprisonment, the average sentence (if the life sentence is treated as a sentence of 20 years imprisonment) being 5.2 years
- 4 hospital orders
 - 3 probation orders
 - 1 binding over
- 1993 35 sentences of imprisonment ranging from immediate release to 25 years, the average sentence being 6.7 years
- 5 hospital orders
 - 1 probation order

PRESIDENT: Before Members go to supplementaries, I would remind them of Standing Order 18(1)(g) that a question shall not reflect on the decision of a court of law. So Members should avoid referring to specifics.

MR LAU WONG-FAT (in Cantonese): *Mr President, as a Chinese saying goes "Life is sacred and therefore should be our foremost concern". Does the Administration intend to review the existing sentencing for manslaughter so as to fully reflect the gravity of the crime of killing and to give due regard to the community's concern in this respect?*

ATTORNEY GENERAL: Mr President, as I said in my main reply, the crime of manslaughter covers a very wide range of circumstances. The law lays down, at the moment, a statutory maximum penalty of life imprisonment and, as the figures show, that has been imposed on some occasions. In relation to specific cases, I have a power to seek a review of any particular sentence where I believe that that sentence is wrong in principle or is manifestly inadequate, and that is a power that I have from time to time exercised.

MRS SELINA CHOW (in Cantonese): *Mr President, in the past five years, has the Legal Department ever asked for a review of sentences for manslaughter which it considered manifestly inadequate and sought a heavier sentence? If yes, how many of these review cases are there?*

ATTORNEY GENERAL: Mr President, I have, in the past five years, sought a review of two sentences for manslaughter. In one case a death resulted from a triad revenge attack, but it was accepted that there was no intent to kill or to cause grievous bodily harm. A sentence of imprisonment for one and a half

years was imposed which, after a review of sentence which I had sought, was increased to three years. In the second case a prostitute was killed in the course of a robbery. The two defendants, who did not actually commit the killing, were both convicted of robbery and manslaughter. One of these received concurrent sentences of seven years for robbery and two years for manslaughter, and after a review these sentences were made to run consecutively. The other defendant received concurrent sentences of three years for robbery and two years for manslaughter. On a review of these sentences, the Court of Appeal decided that the sentences were manifestly inadequate but, in view of special circumstances concerning the defendant's way of life since her release, it would not interfere with the actual sentences imposed by the trial judge.

MR SIMON IP: *Mr President, for the four years 1990 to 1993, those who received hospital orders accounted for over 10% of all the convictions. Does the Attorney General or the Government think that to be of any significance, and if so, what is the Government going to do about it?*

PRESIDENT: Attorney General, did the question come through?

ATTORNEY GENERAL: Yes, thank you, Mr President. Hospital orders would usually be imposed following psychiatric reports and following a finding of diminished responsibility. That is a matter that turns entirely, of course, on the medical and psychiatric evidence that would be adduced in court.

Written answers to questions

Autotoll system of the Cross Harbour Tunnel

7. MRS MIRIAM LAU asked (in Chinese): *With regard to the autotoll system which has been installed at the Cross Harbour Tunnel, will the Government inform this Council whether:*

- (a) *the effectiveness of the system has been assessed; if so, what are the findings;*
- (b) *the system has increased the traffic flow and reduced the congestion at the Tunnel; and*
- (c) *any efforts have been made to promote the system and to encourage drivers to make use of it?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) The autotoll system at the Cross Harbour Tunnel has so far proven to be effective. The number of users has increased from about 10 000 when the system was introduced in August 1993 to about 24 000 by the end of 1993. Operation of the system is subject to ongoing monitoring by both the Cross Harbour Tunnel Company and Transport Department which has resulted in various improvements, including the broadcasting in the tunnel of more frequent messages advising motorists of the location of autotoll lanes and the stationing of more tunnel staff to direct the traffic.
- (b) The traffic flow at the Cross Harbour Tunnel is limited by the capacity of the tunnel, which is about 3 200 vehicles per hour in each direction. Autotoll cannot in itself reduce traffic congestion since the tunnel is operating beyond its capacity during peak hours and the approach roads and exit points are also constraining factors. But users of the system do enjoy the benefit of a quicker passage through the toll booths and, thus, can save a little time.
- (c) The autotoll system is provided by the Cross Harbour Tunnel Company. They have taken steps to promote it, particularly prior to the implementation of the system at the Cross Harbour Tunnel in August last year. This has been done by way of publicity posters, leaflets and brochures. The system has also been advertised on the radio and in the newspapers.

Country park trails

8. MR LEE WING-TAT asked (in Chinese): *Will the Government inform this Council:*
- (a) *whether the facilities of the country park trails, such as the signposts and surface of the trails, are regularly checked and given the necessary maintenance;*
 - (b) *what measures have been or will be taken to protect hikers from attacks by village dogs when they must pass through villages to gain access to country parks trails; and*
 - (c) *whether consideration will be given to prohibiting vehicles from approaching the reservoir zones in all country parks during holidays, so as to reduce the safety hazards and nuisance faced by the hikers?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) Country park trails are regularly patrolled by Park Wardens. Signposts, trail surfaces and other features are also regularly checked and properly maintained.
- (b) Owners are required to control their dogs properly in public areas under the Dogs and Cats Regulations. One of the duties of the Park Wardens when they pass through villages is to advise residents to keep their dogs under control, and residents are usually co-operative in this respect. Dog Catching Teams are deployed to catch stray dogs found in country parks.
- (c) The entry of vehicles to country parks is subject to control under the Country Parks and Special Areas Regulations. Permission is normally given only to the residents of an area and their visitors, and to government employees and others on duty. Otherwise, a daily quota of only 30 coaches is allowed to enter the Sai Kung Country Parks through the Pak Tam Chung Barrier for recreational purposes. The restrictions apply on weekdays as well as Sundays and public holidays to keep vehicles in country parks to the minimum.

Nursing staff at special schools

9. MR SZETO WAH asked (in Chinese): *With regard to the manning scale of nursing staff at special schools and the existing policy of providing only one nursing staff to each special school, will the Government inform this Council:*

- (a) *of the rationale for not assessing the requirements for nursing staff in proportion to the size of the school; and*
- (b) *whether the existing policy of providing only one nursing staff to each special school will be reviewed so that an adequate number of nursing staff will be provided in proportion to the number of students?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the policy of providing one nurse for each special school is to recognize the need to provide nursing care for these children, particularly to handle emergency cases. It is considered also that children who are sick or have complex or acute health problems would not be attending schools. They would instead be under the care of a medical practitioner. It is, hence, considered that the provision of one nurse would be sufficient for rendering nursing care and dealing with emergencies.

The provision of nursing staff in special schools has been reviewed by the Education Department, in conjunction with the Hong Kong Special Schools Council. Improvement measures based on the size of special schools are proposed. When justified, these measures will be implemented.

Racial discrimination

10. MR MARTIN BARROW asked: *Will the Government inform this Council what steps it plans to take to eliminate racial discrimination by residents or owners of apartment buildings?*

SECRETARY FOR HOME AFFAIRS: Mr President, the Hong Kong Government fully subscribes to the principle of equality between persons of different race, colour, sex, language, religion, political or other opinion, national or social origin, property, birth or other status. The Bill of Rights Ordinance provides that all persons are equal before the law and are entitled without any discrimination to the equal protection of the law.

There is no evidence of widespread racial discrimination in Hong Kong. In fact, Hong Kong can pride itself as a place where people of different races and cultures live in peace and harmony. The Government has therefore not found it necessary to introduce legislation to govern this aspect of inter-citizen relationships, whether in apartment buildings or elsewhere. We are of course aware of isolated incidents involving discrimination, but these incidents have always been resolved rapidly among the private parties concerned. This is probably due to the strong public support for the view that racial discrimination has no place in an open, progressive and dynamic society such as Hong Kong.

The Hong Kong Government is not complacent. In order to perpetuate and build on this tradition of respect for people of different races and cultures we must continue to cultivate a spirit of appreciation for racial diversity through sustained human rights education. This is being carried out in schools by the Education Department and in the community at large with particular vigour by the Committee on the Promotion of Civic Education.

The Human Rights Education Subcommittee under the Committee on the Promotion of Civic Education has recently published a teaching kit for secondary schools. One of the central messages contained in the kit is the concept of equality and the right to be free from discrimination. The Administration will continue to give its fullest support to the committee in their efforts to promote human rights education.

Draft Basic Law

11. MISS CHRISTINE LOH asked: *In a paper presented to the Foreign Affairs Committee in respect of the inquiry into "Relationship between Hong Kong and China up to and beyond 1997," the Deputy Legal Adviser to the Foreign and Commonwealth Office, Mr Kevin CHAMBERLAIN, indicated that "The British Government followed the drafting of the Basic Law closely and drew the attention of the Chinese side to areas in the draft Basic Law which in our view were inconsistent with the Joint Declaration or which might cause the Hong Kong Government practical difficulties. Indeed some of our suggestions have been reflected in the final version of the Basic Law, although we would have liked to see more of our suggestions accepted by the Chinese side. However, the Basic Law was not a document to which the British Government gave or had to give its agreement." Will the Government inform this Council whether it is aware of:*

- (a) the areas in the draft Basic Law which were considered to be inconsistent with the Joint Declaration; and*
- (b) the suggestions that have been reflected in the Basic Law, and those that have not been reflected?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, the British Government's views and suggestions on the draft Basic Law were conveyed to the Chinese side through diplomatic channels. As these exchanges were confidential, it would not be appropriate to disclose the contents.

MTRC's post of Managing Director

12. MR STEVEN POON asked (in Chinese): *It has been specified in sections 4 and 7 of the Mass Transit Railway Corporation Ordinance that the Mass Transit Railway Corporation (MTRC) shall have a Managing Director on the board. According to the annual reports of the MTRC, however, the post has been deleted. Will the Government inform this Council:*

- (a) whether the Government agrees to the deletion of the post of Managing Director by the MTRC and whether the Attorney General has been consulted on this decision to determine whether it is in conformity with the spirit and letter of the Ordinance; and*
- (b) if the Government agrees to such decision, why should the creation of this post be specified when the Ordinance was first enacted?*

SECRETARY FOR TRANSPORT: Mr President, section 4 of the MTRC Ordinance (Cap 270) does indeed provide for the corporation to have both a Chairman and Managing Director. The latter post has not been deleted but, rather, is currently held by Mr Hamish MATHERS, in addition to his appointment as Chairman of the corporation. This is quite in order. Legal advice was obtained before this arrangement was introduced in November 1986.

In the earlier years of the corporation, the Managing Director was responsible for the co-ordination of the construction of the Mass Transit Railway System. Following the completion of the system in 1986 and in accordance with the requirement to operate the corporation business on prudent commercial principles, the Chairman was also appointed Managing Director. This arrangement remains in place today.

Traffic accidents caused by drivers under the influence of alcohol

13. MR ROGER LUK asked: *Will the Administration inform this Council what measures are being taken to reduce traffic accidents caused by drivers under the influence of alcohol?*

SECRETARY FOR TRANSPORT: Mr President, the statistics on prosecutions for the offence of driving under the influence of drink or drugs are annexed.

While these statistics do not appear to indicate a serious problem, the fact is that it has been difficult to take enforcement action since existing legislation on the subject is inadequate. Present legislation does not set limits for alcohol concentrations in breath, blood or urine beyond which drivers will be prosecuted, nor does it require drivers to be subjected to tests to establish such alcohol levels. Proposals for amending the legislation so as to remedy these deficiencies are now being considered by the Road Safety Council, which is chaired by the Deputy Commissioner of Police (Operations) and includes representatives of relevant government departments and outside bodies concerned with road safety.

Publicity on television to remind the public of the consequences of driving while under the influence of alcohol are broadcast regularly, particularly before major festivals. In addition, opportunities are taken at road safety campaigns to highlight the dangers of drunken driving and the subject has also been given coverage in the latest issue of Transport Department's *Road Safety Quarterly* magazine.

We seek therefore to reduce the incidence of traffic accidents caused by driving under the influence of alcohol by means of police enforcement action, driver education, publicity, and, in the future, through enhanced legislative provision.

Annex

Numbers of Prosecution for the Offence of
Driving under the Influence of Drink or Drugs

1989	1990	1991	1992	1993*
25	18	16	20	38

(*Provisional figure)

Home Ownership Scheme flats

14. DR TANG SIU-TONG asked (in Chinese): *Under the terms and conditions for sale and purchase of new Home Ownership Scheme (HOS) flats, no resale or letting is permitted within the first 10 years of their intake. Will the Government inform this Council:*

- (a) *what measures the Housing Department has to prevent HOS flat-owners from violating this restriction; whether such measures are regularly reviewed;*
- (b) *whether the Housing Department has found any cases of HOS flat-owners breaching the terms and conditions mentioned above; if so, how such cases were dealt with; and*
- (c) *whether those who have bought or rented HOS flats will be affected if the vendors/landlords of their flats are found to have violated this restriction?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the sale of Home Ownership Scheme (HOS) and Private Sector Participation Scheme (PSPS) flats is subject to the terms, covenants and conditions in the Schedule to the Housing Ordinance. The Schedule states that a purchaser shall not alienate, convey, purport to alienate or convey or part with possession of his flat unless a period of 10 years has elapsed from the date of the assignment and he has paid to the Housing Authority a premium.

It is a criminal offence under section 27A of the Housing Ordinance for a HOS or PSPS flat owner to breach the restrictions referred to and this can lead to a maximum fine of \$200,000 and maximum imprisonment for one year.

(a) *Prevention and monitoring*

HOS and PSPS owners are regularly reminded of these restrictions by the Housing Department through notices in estate management offices, estate newsletters, and regular meetings between management and Mutual Aid Committees and Residents Associations.

Unlawful lettings or sales are not easy to detect. In the past, violations or purported violations have come to attention as a result of complaints from neighbours, relatives or friends of the owners and prospective tenants or purchasers, and through estate agents or, in one case, by referral from the Land Registry. Cases are referred to the Attorney General for prosecution action under section 27A of the Housing Ordinance. The Housing Department will continue to monitor and review the situation and initiate appropriate action where irregularities are detected.

(b) *Prosecution*

To date, a total of five cases have been referred by the Housing Department to the Attorney General for prosecution. The offenders in three cases have been successfully prosecuted and convicted and legal action is in progress on the other two cases.

(c) *Consequences for purchasers and tenants*

Under section 17B of the Housing Ordinance, the sale or letting of a HOS or PSPS flat which is unlawful is void. Purchasers and tenants who suffer loss as a result of the unlawful sale or letting of a HOS or PSPS flat may sue the vendor or landlord and any estate agent or solicitor involved for damages through civil proceedings.

Landslides caused by torrential rain

15. MR MICHAEL HO asked (in Chinese): *The torrential rain on 5 November 1993 caused landslides and floods in many areas of the town centre of Tuen Mun, with very serious landslides on the hill slopes along the section of Castle Peak Road near Castle Peak Bay in close proximity to Alpine Garden. Will the Government inform this Council:*

- (a) *whether and when slope investigations were carried out at the above location after the incident;*
- (b) *of the causes of the landslides on the hill slopes at the above location; and*
- (c) *of the measures to be adopted to prevent recurrence of similar incidents?*

SECRETARY FOR WORKS: Mr President,

- (a) The serious flooding that occurred at Alpine Garden on 5 November 1993 was accompanied by erosion of the slopes to the east of Alpine Garden. The incident was reported to and inspected by the Geotechnical Engineering Office (GEO) of the Civil Engineering Department on 5 November 1993. GEO undertook to investigate the causes of the flooding incident and the work commenced on 10 November 1993. An interim report, which documented the factual information collected in the first stage of the investigation, was prepared in early December 1993. A final report, which presents the full findings of the investigation, is nearing completion.
- (b) The investigation so far has shown that the incident was in part related to the overflowing of the Tai Lam Chung Catchwater. It should, however, be noted that catchwaters are designed to discharge water at predetermined points when the water level in the catchwater channel is too high, due for instance to extreme rainfall in the catchment area. This is a safety measure to prevent uncontrolled overtopping of the catchwaters.

On 5 November 1993, the water level in the Tai Lam Chung catchwater east of Alpine Garden was high because of heavy rainfall. The partial blockage of the catchwater by landslip debris would have further raised the water level in the catchwater. Water discharged from the overflow weirs above Alpine Garden as intended. Water from the overflow weir discharged into a natural stream course that is intercepted by a network of drainage channels.

Field observations of erosion that occurred on 5 November suggested that some of the channels could not cope with the water flow because they were blocked in places, partly as a result of squatter activities on the slope. Partial blockage of the channels and

a catchpit resulted in the overflow of water, erosion of the cut slopes and flooding in Alpine Garden.

Along with the investigation of the flooding incident, the cut slopes behind Alpine Garden have been fully inspected and the designs reviewed. It has been confirmed that these slopes meet the current standards of stability and safety, and they pose no danger to life even during exceptionally heavy rainfall.

- (c) The Government will improve the drainage channels on the slopes to the east of Alpine Garden before the onset of the next wet season. Eroded parts of the slopes will be reinstated, and the channels concerned will be reconstructed to improve their drainage capacity. The drainage channels will also be kept in good working condition by regular maintenance.

Relocation of Kwun Tong Government Offices and Jockey Club Health Centre

16. MR FRED LI asked (in Chinese): *As the Government's plan for the relocation of the Kwun Tong Government Offices and Jockey Club Health Centre has caused dissatisfaction among many residents in the district while the Kwun Tong District Board Members have unanimously requested the Government to develop the vacant site at Fuk Tong Road first before relocating the Government Offices and Health Centre, will the Government inform this Council:*

- (a) *of the number of available options for relocation and their details; whether one of the options is to maintain the status quo and withdraw the relocation plan; and*
- (b) *whether consideration has been given to inviting private developers to develop as soon as possible the land on Fuk Tong Road and the existing site of the government offices so as to save government expenditure and expedite the entire redevelopment plan?*

SECRETARY FOR THE TREASURY: Mr President, there are essentially three options in considering the future of the Kwun Tong Government Offices and Jockey Club Clinic (which includes both a health centre and methadone clinic). These are:

- to maintain the *status quo*;

- to incorporate the government offices and clinic in a new government or joint venture development at Fuk Tong Road; and
- to make other appropriate arrangements for the temporary and permanent relocation of the government offices and clinic.

The first option would deny a valuable opportunity to upgrade facilities at the clinic, to meet identified space shortfalls in government offices in the existing building, and to provide a modern public transport terminal and commercial complex in the Kwun Tong town centre for the benefit of residents.

The second option would have the same effect. The limited requirement for additional government office space at Fuk Tong Road does not justify a self-contained composite government building developed there to the full potential of the site. In any case, such a composite government building will command a low priority in the Public Works Programme among many other more worthy claims.

The alternative of joint venture has been considered. However, the inclusion of government facilities, and in particular the need to place the health centre on the more valuable, lower floors of the building, would make a joint venture commercially unattractive. We have also explored the possibility of including both the Fuk Tong Road and Tung Yan Street sites in a joint venture. But the requirement to complete the Fuk Tong Road development first, before the redevelopment of the Tung Yan Street site could physically start, would make such a project quite unattractive to a private developer because of the long delay — at least three years — in the possession of the latter site.

For these reasons, the Government has pursued the third option.

Following consultation with the Kwun Tong District Board, and members of the local community, the Government now intends:

- to house the government offices in nearby accommodation. However, key government facilities, such as the District Office, and the District Board Secretariat, will be reprovisioned in due course to the Tung Yan Street redevelopment;
- to reprovision and upgrade the health centre at Fuk Tong Road; and
- to reprovision the methadone clinic to a carpark site at the rear of the East Kowloon Government Offices Building. Arrangements will be made to shelter the clinic from residential buildings.

Complaints not investigated by the Commissioner for Administrative Complaints

17. MR JAMES TO asked (in Chinese): *Will the Government inform this Council:*

- (a) *of the number of complaints in each of the past three years which were not investigated by the Commissioner for Administrative Complaints for the reason that they related to civil or criminal proceedings before a court of law and were not subject to investigation by the Commissioner; broken down by the government departments or organizations under complaint; of these, how many cases not investigated involved proceedings handled by the Legal Aid Department;*
- (b) *of the number of complaints which were not investigated by the Commissioner for other reasons in the same period, broken down by government departments or organizations under complaint; of these, how many cases were not investigated due to lack of professional knowledge in the Commissioner's office; and what arrangements exist to ensure that professional expertise is available to the office to investigate complaints, if required; and*
- (c) *of the number of complaints which were considered by the Commissioner to be within his jurisdiction to investigate but considered otherwise by the government departments or organizations under complaint in the same period, broken down by departments and organizations, with details of the nature and outcome including reasons for investigating or not investigating these complaints?*

CHIEF SECRETARY: Mr President,

- (a) The number of complaints received but not investigated by the Commissioner for Administrative Complaints (COMAC) because they related to civil or criminal proceedings before a court of law is as follows:

1990-91	11
1991-92	2
1992-93	5
1993-94 (up to 8 January 1994)	6

Of these, three cases in 1990-91 and one in 1992-93 involved proceedings handled by the Legal Aid Department. A breakdown by departments is at Annex A.

- (b) The number of complaints received but not investigated by COMAC for reasons other than those related to civil or criminal proceedings is as follows:

1990-91	40
1991-92	36
1992-93	65
1993-94 (up to 8 January 1994)	48

A breakdown by departments and reasons is at Annex B.

So far, no complaint has not been investigated due to the lack of professional knowledge in the COMAC Office. To ensure that all complaints are handled professionally, all complaints received are scrutinized personally by the Commissioner as to whether they fall within his jurisdiction under the Commissioner for Administrative Complaints Ordinance, and subsequent investigations are undertaken by a team of full-time investigators seconded from the Civil Service. They are all experienced civil servants who are conversant with the practices and procedures of the Government. They are well qualified to assist COMAC's work given the remit of COMAC, that is, the investigation of alleged maladministration.

- (c) No separate record is kept of complaints that were considered by the Commissioner to be within his jurisdiction to investigate but were considered otherwise by the government departments under complaint. A reliable figure cannot be ascertained without a laborious search through all the case files. Nonetheless, according to the experience of the COMAC Office, the number should be very small. In those few cases, the differences of views were usually resolved through further discussion between the COMAC Office and the departments concerned and by the provision of more information on the cases. So far there has been no serious disagreement between COMAC and departments on COMAC's jurisdiction.

Annex A

Cases Not Investigated
because of Court Proceedings
(Section 10(1)(e)(ii) of COMAC Ordinance)

<i>Year</i>	<i>90-91</i>	<i>91-92</i>	<i>92-93</i>	<i>93-94</i> <i>(up to 8.1.1994)</i>
<i>Departments</i>				
Buildings and Lands Department (Reorganized into the Buildings Department and the Lands Department on 1.8.93)	3	1	1	
Civil Aviation Department	1			
Correctional Services Department				1
Fire Services Department	1			
Government Secretariat (PELB)		1		
Hospital Services Department			1	
Hospital Authority			2	1
Housing Department				1
Judiciary	1			1
Labour Department	1			
Lands Department				1
Legal Aid Department	2		1	
Marine Department	1			
Urban Services Department	1			
Water Supplies Department				1
Total	11	2	5	6

Complaints Not Investigated For Other Reasons

Year: 1990-91

<i>Reasons</i>	<i>Complainant untraceable (note 1)</i>	<i>Contractual/ Commercial transactions (note 2)</i>	<i>Dept not subject to investigation (note 3)</i>	<i>Frivolous or Vexatious complaints (note 4)</i>	<i>Investigation Not necessary (note 5)</i>	<i>No consent to referral (note 6)</i>	<i>No injustice sustained (note 7)</i>
<i>Departments</i>							
Agriculture & Fisheries					1		
Buildings and Lands		1					
City and New Territories Administration							
Department of Health					1		
Education							
Fire Services							
Government Secretariat							
Government Supplies							
Hospital Services					1		
Housing					1		
Immigration							
Information Services							
Judiciary							
Legal Aid							1
Medical Council			1				
Royal Hong Kong Police Force			2				
Social Welfare							
Territory Development							
Treasury					2		
Tung Wan Group of Hospitals			1				
total	0	1	4	0	6	0	1

Explanatory Notes

Complaints not investigated under:

- (1) Section 10(1)(c) of the Commissioner for Administration Complaints Ordinance 1988 (the Ordinance)
- (2) Schedule 2(4) of the Ordinance
- (3) Section 7(1) of the Ordinance
- (4) Section 10(2)(c) of the Ordinance
- (5) Section 10(2)(d) of the Ordinance
- (6) Section 7(1)(b) of the Ordinance
- (7) Section 7(1)(a) of the Ordinance
- (8) Section 10(1)(d) of the Ordinance
- (9) Section 7(1)(b) of the Ordinance

<i>Non-Agrieved party (note 8)</i>	<i>Not referred by MLCs (note 9)</i>	<i>Personnel matters (note 10)</i>	<i>Previous similar case no maladministration (note 11)</i>	<i>Resolved By mediation</i>	<i>Statutory right of appeal (note 12)</i>	<i>Time barred (note 13)</i>	<i>Trivial matters (note 14)</i>	<i>Withdrawn</i>	<i>Total</i>
									1
									1
			1			1			2
								1	2
		3							3
		1							1
		2	1				1		4
		1							1
		2				3			6
2		1				1		1	6
1									1
		1							1
1									1
						1			2
									1
									2
									1
		1							1
									2
		1							1
4	0	13	2	0	0	6	1	2	40

- (10) Schedule 2(5) of the Ordinance
- (11) Section 10(2)(a) of the Ordinance
- (12) Section 10(1)(e)(i) of the Ordinance
- (13) Section 10(1)(a) of the Ordinance
- (14) Section 10(2)(b) of the Ordinance

Others:

- (15) MLC — Member of the Legislative Council

Complaints Not Investigated For Other Reasons

Year: 1991-92

<i>Departments</i>	<i>Reasons</i>	<i>Complainant untraceable (note 1)</i>	<i>Contractual/ Commercial transactions (note 2)</i>	<i>Dept not subject to investigation (note 3)</i>	<i>Frivolous or Vexatious complaints (note 4)</i>	<i>Investigation Not necessary (note 5)</i>	<i>No consent to referral (note 6)</i>	<i>No injustice sustained (note 7)</i>
Administration (note 16)						1		
Buildings and Lands						1	1	
City and New Territories Administration								
Correctional Services								
Education								
Government Secretariat						2		
Highways							1	
Hospital Services								
Housing		1				1		
Immigration						2		
Independent Commission Against Corruption				1				
Inland Revenue							1	
Labour								
Post Office						1		
Regional Services							1	
Royal Hong Kong Police Force				2				
Social Welfare								
Transport								
Treasury						1		
Urban Services								
Total		1	0	3	0	9	4	0

Explanatory Notes

Complaints not investigated under:

- (1) Section 10(1)(c) of the Commissioner for Administration Complaints Ordinance 1988 (the Ordinance)
- (2) Schedule 2(4) of the Ordinance
- (3) Section 7(1) of the Ordinance
- (4) Section 10(2)(c) of the Ordinance
- (5) Section 10(2)(d) of the Ordinance
- (6) Section 7(1)(b) of the Ordinance
- (7) Section 7(1)(a) of the Ordinance
- (8) Section 10(1)(d) of the Ordinance
- (9) Section 7(1)(b) of the Ordinance

<i>Non-Agrieved Party (note 8)</i>	<i>Not referred by MLCs (note 9)</i>	<i>Personnel Matters (note 10)</i>	<i>Previous similar case no maladministration (note 11)</i>	<i>Resolved By mediation</i>	<i>Statutory right of appeal (note 12)</i>	<i>Time barred (note 13)</i>	<i>Trivial matters (note 14)</i>	<i>Withdrawn</i>	<i>Total</i>
		1							2
1	2							2	7
1					1				2
								1	1
2	1								3
									2
		1							1
									2
	1								3
									1
1									1
									1
1									2
									2
		1							1
						1			1
									1
								1	1
6	4	3	0	0	1	1	0	4	36

- (10) Schedule 2(5) of the Ordinance
 (11) Section 10(2)(a) of the Ordinance
 (12) Section 10(1)(e)(i) of the Ordinance
 (13) Section 10(1)(a) of the Ordinance
 (14) Section 10(2)(b) of the Ordinance

Others:

- (15) MLC — Members of the Legislative Council
 (16) Administration — complaint against the Government in general

Complaints Not Investigated For Other Reasons

Year: 1992-93

<i>Departments</i>	<i>Reasons</i>	<i>Complainant Untraceable (note 1)</i>	<i>Contractual/ Commercial transactions (note 2)</i>	<i>Dept not subject to investigation (note 3)</i>	<i>Frivolous or Vexatious complaints (note 4)</i>	<i>Investigation Not necessary (note 5)</i>	<i>No consent to referral (note 6)</i>	<i>No injustice sustained (note 7)</i>
Administration (note 16)		1				1	1	
Buildings and Lands							2	
Census & Statistics						1		
City and New Territories Administration								
Civil Aviation								
Correctional Services						1		
Customs and Excise								1
Education							1	
Electrical and Mechanical Services						1		
Environmental Protection						1		
Fire Services						1		
Government Secretariat					1			
Highways								
Hospital Authority								
Housing						2		
Immigration						1		
Inland Revenue						2		
Labour							1	
Legal						1		
Legal Aid						1		
Regional Services								
Registrar General's								
Royal Hong Kong Police Force				2				
Social Welfare						1		
Transport						1	1	
Urban Services						1	1	
Water Supplies								
Total		1	0	2	1	16	7	1

Explanatory Notes

Complaints not investigated under:

- (1) Section 10(1)(c) of the Commissioner for Administration Complaints Ordinance 1988 (the Ordinance)
- (2) Schedule 2(4) of the Ordinance
- (3) Section 7(1) of the Ordinance

<i>Non-Agrieved Party (note 8)</i>	<i>Not referred by MLCs (note 9)</i>	<i>Personnel Matters (note 10)</i>	<i>Previous similar case no maladministration (note 11)</i>	<i>Resolved By mediation</i>	<i>Statutory right of appeal (note 12)</i>	<i>Time barred (note 13)</i>	<i>Trivial matters (note 14)</i>	<i>Withdrawn</i>	<i>Total</i>
1								1	5
3	2		1					3	11
				1					2
				1				2	3
							1		1
		2							3
				1					2
		1							2
	1								2
									1
		2							1
		1							3
								1	1
1				2		1		1	1
	1								7
				2					2
									4
							1		1
									1
				1					1
									1
									2
									1
	1								3
									2
				1					1
5	5	6	1	9	0	1	2	8	65

- (4) Section 10(2)(c) of the Ordinance
- (5) Section 10(2)(d) of the Ordinance
- (6) Section 7(1)(b) of the Ordinance
- (7) Section 7(1)(a) of the Ordinance
- (8) Section 10(1)(d) of the Ordinance
- (9) Section 7(1)(b) of the Ordinance
- (10) Schedule 2(5) of the Ordinance

- (11) Section 10(2)(a) of the Ordinance
- (12) Section 10(1)(a)(i) of the Ordinance
- (13) Section (10)(1)(a) of the Ordinance
- (14) Section 10(2)(b) of the Ordinance

Others:

- (15) MLC — Member of the Legislative Council
- (16) Administration — complaint against the Government in general

Complaints Not Investigated For Other Reasons

Year: 1993-94 (as at 8.1.94)

<i>Reasons</i>	<i>Complainant Untraceable (note 1)</i>	<i>Contractual/ Commercial transactions (note 2)</i>	<i>Dept not subject to investigation (note 3)</i>	<i>Frivolous or Vexatious complaints (note 4)</i>	<i>Investigation Not necessary (note 5)</i>	<i>No consent to referral (note 6)</i>	<i>No injustice sustained (note 7)</i>
<i>Departments</i>							
Administration (note 16)							
Buildings and Lands (reorganized into the Building Dept & the Lands Dept from 1.8.93)							
Buildings							
Correctional Services							
Duchess of Kent Children's Hospital			1				
Education							
Government Secretariat							
Home Office (UK)			1				
Hospital Authority							
Housing					1	2	
Immigration							
Information Technology Services							
Inland Revenue					1		
Judiciary						1	
Labour							
Land Development Corporation			1				
Lands						1	
Legal Aid							
Legislative Council			1				
Marine							
Rating and Valuation					1		
Regional Services							
Royal Hong Kong Police Force			4				
Social Welfare							
Telecommunications Authority							
Transport							
Treasury							
Urban Services							
Water Supplies							
Total	0	0	8	0	3	4	0

Explanatory Notes

Complaints not investigated under:

- (1) Section 10(1)(c) of the Commissioner for Administration Complaints Ordinance 1988 (the Ordinance)
- (2) Schedule 2(4) of the Ordinance
- (3) Section 7(1) of the Ordinance

<i>Non-Agrieved Party (note 8)</i>	<i>Not referred by MLCs (note 9)</i>	<i>Personnel Matters (note 10)</i>	<i>Previous similar case no maladministration (note 11)</i>	<i>Resolved By mediation</i>	<i>Statutory right of appeal (note 12)</i>	<i>Time barred (note 13)</i>	<i>Trivial matters (note 14)</i>	<i>Withdrawn</i>	<i>Total</i>
	1	1							2
	1								1
1				1					2
				1					1
									1
	1	1		1					3
	1	1							2
									1
	1								1
									3
	1			2				1	4
		1		1					2
	1			2					4
									1
				2					2
									1
				1					2
								1	1
1									1
									1
		1							1
									4
				1					1
								1	1
				1					1
		1							1
		1							1
2	7	7	0	14	0	0	0	3	48

- (4) Section 10(2)(c) of the Ordinance
- (5) Section 10(2)(d) of the Ordinance
- (6) Section 7(1)(b) of the Ordinance
- (7) Section 7(1)(a) of the Ordinance
- (8) Section 10(1)(d) of the Ordinance
- (9) Section 7(1)(b) of the Ordinance
- (10) Schedule 2(5) of the Ordinance
- (11) Section 10(2)(a) of the Ordinance
- (12) Section 10(1)(e)(i) of the Ordinance
- (13) Section 10(1)(a) of the Ordinance
- (13) Section 10(1)(a) of the Ordinance

Others:

- (15) MLC — Member of the Legislative Council
- (16) Administration — complaint against the Government in general

Route 3 (Country Park Section)

18. DR SAMUEL WONG asked (in Chinese): *Will the Government inform this Council of the following:*

- (a) *why construction work of the Tai Lam Tunnel and Yuen Long Approach Road, which was recently announced in an information brochure on Route 3 (Country Park Section), will not officially commence until early 1995 while tenders for the two projects will be closed on 8 April 1994 and contracts awarded in the latter part of 1994; whether this has anything to do with the Government's delay in commencing land resumption work at the northern approaches of the tunnel and Pat Heung in Yuen Long;*
- (b) *whether the Government can, according to the current rate of land resumption, complete a major portion of the required land resumption work by the end of 1994, so that contractors can commence construction immediately after being awarded contracts without undue delay;*
- (c) *whether the Government will consider speeding up the land resumption work so that the whole Route 3 (Country Park Section) project can be implemented at an early date; and*
- (d) *the exact commencement and completion dates of the Tai Lam Tunnel and Yuen Long Approach Road projects of the Country Park Section of Route 3?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) The timing for starting construction of the Tai Lam Tunnel and Yuen Long Approach Road will depend not only on progress with land resumption, but also on a number of other equally important steps which must be taken before a franchise can be awarded.

After the close of tenders on 8 April 1994, the bids will need to be carefully evaluated following which the Administration will need to negotiate with the tenderers. In parallel we shall work on the draft legislation for the award of the franchise with a view to introducing an enabling Bill to the Legislative Council by October/November 1994 and enactment by the end of the year. These steps are complicated processes and, based on the experience of the Western Harbour Crossing exercise, could take up to nine months to complete. The programme is already tight and the scope for compression is very limited.

In addition, since the franchise for the new road will span 1997, it will also be necessary to consult the Chinese side of the Joint Liaison Group.

- (b) The current land resumption programme allows for the handover of the site for the project in phases, so that land will be made available to tie in with the construction programme. Handover of the first site is scheduled to take place at the beginning of the franchise period. This will enable work to begin as soon as the franchise is awarded.
- (c) One major constraint is the statutory procedure that has to be followed to process objections received under the Roads (Works, Use and Compensation) Ordinance (Cap 370). Preliminary work, for example, identifying land that has to be resumed, has already commenced and we believe that the land resumption timetable is realistic.
- (d) Construction work on the Tai Lam Tunnel and Yuen Long Approach Road is targeted to commence in early 1995, for completion in late 1998, that is, a four-year construction period. The exact start date will depend on the progress with negotiations, consultation, land resumption, and the enactment of the enabling legislation.

Publication of changes in school fees in the Gazette

19. MR TIMOTHY HA asked (in Chinese): *According to the provision of Education Regulations, all particulars relating to changes in school fees should be submitted for publication in the Gazette through the Education Department. Such notices took up only limited space in the Gazette years ago when there were not so many schools. However, the demand for space to publish these notices has grown substantially with the increase in the number of schools.*

Will the Government inform this Council:

- (a) *whether it has reviewed the necessity of publishing such particulars in the Gazette in order to avoid waste of gazette space; and*
- (b) *if the publication of these particulars is still deemed necessary, whether consideration has been given to publishing such information through other means instead of the Gazette?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the gazetting of inclusive fees (that is, tuition fee and Tong Fai) is a requirement under Regulation 60 of the Education Regulations. Other than serving the

purpose of informing students and parents, the gazette notice also serves as evidence of public notification.

The Education Department recently reviewed the need for gazetting these notices and has concluded that the Fees Certificates issued to schools under Regulation 67 already serve as evidence of notification. Students and parents can enquire at the Education Department about school fees instead of looking up gazette notices.

The Education Department will therefore seek to amend Regulation 60 of the Education Regulations to remove the requirement to gazette inclusive fees.

Multi-storey Buildings (Owners Incorporation) Ordinance

20. MR ERIC LI asked (in Chinese): *Under section 34E(4) of the 1992 Multistorey Buildings (Owners Incorporation) (Amendment) Ordinance, the Secretary for Home Affairs may exempt the manager of a building from termination of appointment by the owners' corporation for a period of three years, and the criteria governing the exercise of such discretion were gazetted on 23 July 1993. Will the Government inform this Council of the respective numbers of:*

- (a) *numbers of the public who have expressed their views on the criteria after their gazettal; and*
- (b) *applications from building managers seeking exemption from termination of appointment by owners' corporations so far?*

SECRETARY FOR HOME AFFAIRS: Mr President, my reply to the question is as follows:

- (a) since the gazettal on 23 July 1993 of the guidelines pursuant to section 34E(8) of the Building Management Ordinance, we have not received any views from the public on the guidelines; and
- (b) there has not been any application from any building manager for exclusion from termination of appointment by owners' corporations.

First Reading of Bills

POST-RELEASE SUPERVISION OF PRISONERS BILL

CIVIL AVIATION BILL

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

Second Reading of Bills

POST-RELEASE SUPERVISION OF PRISONERS BILL

THE SECRETARY FOR SECURITY moved the Second Reading of: "A Bill to provide for the release under supervision of certain categories of prisoner, on the order of a board established for the purpose."

He said: Mr President, I move that the Post-Release Supervision of Prisoners Bill be read a Second time. This Bill seeks to establish a statutory supervision scheme to help discharged adult prisoners reintegrate into society and discourage them from reoffending.

There is, at present, a statutory supervision scheme for discharged young offenders, which has been working successfully since it was introduced in 1980. Statistics show that over 70% of the young offenders placed under supervision have not committed an offence again after their release. No such scheme exists for adult prisoners and we now propose to set up a similar statutory care and guidance system for selected categories of adult prisoners after their release.

Under the proposed scheme, an independent, statutory Post-Release Supervision Board, chaired by a Judge, or a former Judge, of the High Court or District Court, will be set up to administer the scheme. The board will examine the case of each prisoner falling under the scope of the scheme. It will decide whether a supervision order should be made and, if so, the appropriate length and conditions of supervision. It will also be empowered to suspend or vary a supervision order, depending on the supervisee's behaviour or any change in circumstances.

The categories of prisoners to be covered by the scheme will be set out in the Regulation to be made under the Bill. It is the Administration's intention that, at the initial stage, the board will consider prisoners serving sentences of six years or more and those prisoners sentenced to two years or more for specific types of offences, such as triad-related offences, sexual offences, and crimes of violence. Consideration will be given to amending or extending the scope of the scheme at a later stage in the light of experience.

Prisoners placed under supervision will be supervised by Correctional Services and police officers, who will visit the released prisoners regularly in their homes or workplaces to provide care and guidance to them. It is envisaged that the supervision period recommended will normally be between one and two years; in any event, the supervision period cannot be longer than the remitted part of a prisoner's sentence. The scheme will not, therefore, alter the length of a prisoner's sentence.

Mr President, I believe that the scheme I have just outlined will be welcomed by the public, as it will help and encourage ex-prisoners to reintegrate into society as law-abiding citizens, and thereby reduce recidivism.

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

CIVIL AVIATION BILL

THE SECRETARY FOR ECONOMIC SERVICES moved the Second Reading of: "A Bill to repeal and re-enact with appropriate modifications certain provisions relating to civil aviation."

He said: Mr President, I move that the Civil Aviation Bill be read a Second time.

The purpose of the Bill is to replace, through the enactment of local legislation, a number of provisions covering civil aviation management and air transport regulations which are currently applied to Hong Kong by the United Kingdom Civil Aviation Act 1949 (Overseas Territories) Order 1969.

To date, the legislative framework for the regulation of civil aviation in Hong Kong has, for the most part, been governed by United Kingdom enactments applied to the territory. As United Kingdom enactments cannot remain in force after 30 June 1997, they must be replaced by a comprehensive set of civil aviation laws enacted in Hong Kong.

The Bill before Honourable Members marks an important first step in the process of localization of civil aviation legislation. It replicates a number of technical provisions in the United Kingdom Order relating to the day-to-day operation of civil aviation management. Modifications to the United Kingdom law have been made where considered necessary to suit Hong Kong's particular circumstances.

Specifically, the Bill provides for:

- the investigation of aircraft accidents in Hong Kong or occurring elsewhere to Hong Kong registered aircraft;
- the re-enactment of provisions to enable regulations to be made requiring air transport and commercial flying to be licensed;
- the supply of information regarding air transport or related undertakings to be provided to specified authorities, for example, the Director of Civil Aviation and the Air Transport Licensing Authority;

- the exemption in certain circumstances of operators of aircraft from liability arising from their flight over property; and
- the detention of aircraft to secure compliance with regulations and enactments specified in the Bill.

The Bill also provides for the saving of the Hong Kong Civil Aviation (Investigation of Accidents) Regulations and the current Air Transport (Licensing of Air Services) Regulations to enable these to remain in force after 30 June 1997.

Mr President, the enactment of a comprehensive body of local civil aviation legislation is crucial to ensuring that Hong Kong maintains its status as a centre of international and regional aviation. The proposed Bill is the first step towards that objective. I commend it to this Council for favourable consideration.

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

FIXED PENALTY (TRAFFIC CONTRAVENTIONS) (AMENDMENT) (NO. 2) BILL 1993

Resumption of debate on Second Reading which was moved on 10 November 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).

FIXED PENALTY (CRIMINAL PROCEEDINGS) (AMENDMENT) BILL 1993

Resumption of debate on Second Reading which was moved on 10 November 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).

PROTECTION OF WAGES ON INSOLVENCY (AMENDMENT) (NO. 2) BILL 1993**Resumption of debate on Second Reading which was moved on 8 December 1993**

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

Bill read the Second time.

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

Committee stage of Bills

Council went into Committee.

FIXED PENALTY (TRAFFIC CONTRAVENTIONS) (AMENDMENT) (NO. 2) BILL 1993

Clause 1

SECRETARY FOR TRANSPORT: Mr Chairman, I move that clause 1 be amended as set out on the paper circulated to Members.

This is a minor technical amendment which does not affect the substance of the Bill

Proposed amendment

Clause 1

That clause 1 be amended, by deleting "(No. 2) Ordinance 1993" and substituting "Ordinance 1994".

Question on the amendment proposed, put and agreed to.

Question on clause 1, as amended, proposed, put and agreed to.

Clause 2 was agreed to.

FIXED PENALTY (CRIMINAL PROCEEDINGS) (AMENDMENT) BILL 1993

Clauses 1 and 2 were agreed to.

PROTECTION OF WAGES ON INSOLVENCY (AMENDMENT) (NO. 2) BILL 1993

Clause 1

SECRETARY FOR EDUCATION AND MANPOWER: Mr Chairman, I move that clause 1 be amended as set out in the paper circulated to Members.

This is a minor technical amendment which does not affect the substance of the Bill.

Proposed amendment

Clause 1

That clause 1 be amended, by deleting "(No. 2) Ordinance 1993" and substituting "Ordinance 1994".

Question on the amendment proposed, put and agreed to.

Question on clause 1, as amended, proposed, put and agreed to.

Clauses 2 and 3 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

FIXED PENALTY (TRAFFIC CONTRAVENTIONS) (AMENDMENT) (NO. 2) BILL 1993 and

PROTECTION OF WAGES ON INSOLVENCY (AMENDMENT) (NO. 2) BILL 1993

had passed through Committee with amendments and the

FIXED PENALTY (CRIMINAL PROCEEDINGS) (AMENDMENT) BILL 1993

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

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

Bills read the Third time and passed.

Members' motions

PRESIDENT: I have accepted the recommendations of the House Committee as to time limits on speeches for the motion debates and Members were informed by circular on 17 January. 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.

FARE INCREASES OF THE KOWLOON MOTOR BUS COMPANY AND CHINA MOTOR BUS COMPANY

MR LEE WING-TAT moved the following motion:

"In view of the Kowloon Motor Bus Company (KMB)'s application to the Government for a fare increase of 19.6%, this Council urges the Government to rigorously examine the operation, efficiency, future development and service improvement of the company and, on the premise of safeguarding the livelihood of the public, to set the increase at a level below the inflation rate of 1993; and to promptly conduct a review of KMB's Scheme of Control."

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

Most colleagues are private car owners so I believe that the increase in the monthly tally of public transport fees even at a dramatic rate is not going to have any real impact at all on their livelihood. However, in so far as a family on a modest income is concerned, the annual fare increase sought by public transport operators will translate into a heavy financial burden to them. It is for this reason that they naturally will be very concerned about the annual substantial fare increase by the franchised bus companies. The share of the bus companies in the public transport market is nearly 50%. To a great many daily commuters, the bus is the only mode of transport available for them to get to

work and school everyday. However, the Kowloon Motor Bus Company (KMB) has seen fit to take the lead at this point when inflation remains high to demand a fare increase of up to 19.6% for 1994. It is a demand which has surprised not only members of the public and Members of this Council, but also government officials. In this regard, my motion requests firstly, that the financial position and operational data of KMB should be subject to rigorous scrutiny, and secondly, that bus fare increase should be set at a level below inflation, and thirdly, that the scheme of control applicable to KMB should be reviewed as expeditiously as possible.

First of all, I would explain why I cast doubt on the justification put forward by KMB for fare increase, and after that, I will discuss the grounds of the fare increase put forward by KMB, from the perspectives of its operation, inflation, its service development and public acceptability. Finally, I will expound why we are requesting that the fare increase should be set at a level below the inflation rate.

The justifications for fare increase put forward by KMB include the perceived need to make up for the shortfall between proposed and permitted fare increases of last year, rising costs and wages, large-scale maintenance of its bus fleet, purchase of new buses, development of new bus routes, and the anticipated loss of hundreds of millions of dollars as a result of the introduction of concessionary fare for senior citizens. Of course, there is also the justification, which KMB has refrained from using publicly, that the currently proposed fare increase will enable the company to achieve a 16% return on its assets value, which is the highest rate of return permitted by law.

In its application for fare increase this year, KMB has initially stressed that it wants to recover the shortfall of 2% from last year's fare increase and the loss caused by delayed implementation of fare increase which it was forced to accept last year. However, given the strong public outcry, this argument has been played down. It is clear then that KMB is quite aware that this line of argument does not really stand up to reason. As a matter of fact, the fare increase approved by the Executive Council last year was already higher than the rate of inflation. Nobody dare say that the increase is on the low side. In this regard, it is odd that the bus company should still be acting as if the Government and the travelling public are owing it a big favour. Indeed, if KMB is allowed to recover the shortfall, it would practically overrule the decision of the Executive Council. Once a precedent is established, other utility companies will surely be tempted to make the same requests. The result of this trend will make members of the public debtors to all of the utility companies.

In so far as cost is concerned, the point has been stressed by KMB that 60% of its operational costs will go to wage payment. KMB employees were given a 10.5% wage rise last year. However, a wage increase of 10.5% does not mean that the overall operational cost will also rise by 10.5%. Indeed, it does not follow that the rising costs will necessarily mean that there is no room for KMB to achieve greater cost efficiency and cost reduction. This line of

argument cannot justify KMB's application to seek a fare increase of 19.6%. In this regard, I would like the Government to scrutinize KMB's application all the more rigorously, and reject it, if at the end of the day no justifiable arguments could be found.

The maintenance of a safe and efficient service is the basic responsibility of every public utility company. If KMB is to use as a ground for fare increase the need to subject its large bus fleet to large-scale maintenance, one is prone to ask why the maintenance costs, which one gathers should be part of the day-to-day operation cost, should after all be treated rather like additional costs. Why should the passengers be made to pay extra fare to cover such additional costs? It is hard to believe that the usual fare does not already cover the maintenance costs. Meanwhile, the purchase of new buses should be financed by the development fund or by the shareholders themselves. After all, the development of new bus routes is a profitable long-term investment. Among the 320 new buses, in particular, 90% have been air-conditioned buses which could ensure speedy and high return. There is no reason why KMB should be allowed to make its present patrons finance its investment plans which will yield long-term profits for the company. Unless KMB is able to prove that all of its new bus routes are loss-making, there is no reason why the Government should allow the company to boost its profits by drawing \$30 million from its development fund and to accede to its absurd request of asking the commuters to fund its development plans.

KMB claims that nine months after the introduction of concessionary fares for the elderly the company has incurred a loss of over \$40 million and a fare increase is called for so that the company can recover that loss. First of all, we would like to question the way in which KMB reached the conclusion that the loss of over \$40 million is the result of offering concessionary fares. Under normal circumstances, it is very rare for senior citizens to travel during peak hours. If however there have been more journeys made by senior citizens during off-peak hours, then this would not add to any additional cost but would actually jack up KMB's off-peak income. In any case, even if the introduction of concessionary fares for the elderly has led to any additional cost, the Government has already paid for the scheme on behalf of the public by way of waiving land tax and bus licence fee for KMB. According to the agreement between the Government and KMB, the rest of the cost of implementing the concessionary scheme has to be borne by shareholders, rather than passengers. If KMB should wish to shift the cost of the concessionary scheme on to other passengers, then it would have to formally secure the agreement of the majority of its passengers and rename the scheme in such a way as to truly reflect the benefactors, that is, KMB passengers rather than KMB itself. Unless KMB is prepared to do that, it has absolutely no right to ask passengers to pay a higher fare and bear the cost of running the concessionary scheme.

In devising the fare increase, KMB sets it at a level commensurate with the 16% return rate on its assets value. I would like to draw the attention of the Executive Council and the Government to the fact that the 16% return rate on

assets value is not assured profit. The Executive Council is in no position to assure KMB on behalf of the people of Hong Kong that under whatever circumstances it will be able to achieve a 16% return. There is no question of assured profit in a fair and openly competitive society. In any case, the net profit of \$330 million which KMB was able to achieve in the year 1992, which represented 14.8% of the prevailing value of its corporate assets, has been the highest level of profit achieved among all public transport operators. I would regard KMB's target this time of a 16% return to be nothing but greedy.

From the perspective of inflation, KMB's fare increase application will certainly create inflationary pressure. It is estimated that the accumulated fare increases introduced by KMB over the 10 years from 1983 to 1993 have added up to 190%. Inflation over the same period of time has been 130% only. Put in another way, the accumulated fare increase has been 60% above the rate of inflation over the last 10 years. Let us not forget that were it not for the abolition of the fuel tax by the Government in 1992 the aggregate bus fare increase would have been definitely much higher. According to a government report of January 1993, KMB's bus fare increase, higher than any other public utility tariff increases, has had the greatest impact on Consumer Price Index A since 1990. It is fair and reasonable therefore that, in order not to further fuel inflation, KMB's bus fare increase this year should be set at a level lower than the inflation rate of 1993. It is difficult in any case to imagine why such a large increase by KMB is actually called for in 1994, given that the corporate results announced by KMB in early January this year for the year 1993 has improved dramatically and been most gratifying. Turnover has grown by 9.3% and after tax profit has reached an enviable \$1.566 billion, or four times the net profit of 1992. KMB has achieved a profit which is higher than any other public transport companies. Looking at these figures, we wonder why KMB, despite its huge and growing profits, is still seeking to raise its fares. Admittedly, KMB has claimed that \$1.2 billion of its profit has been derived from land sales and has nothing to do with its bus operation. However, let me just say that were it not for the government lease of other interim and permanent depots for KMB to replace the depot sites in question, the company would still have had to use the same sites and there would have been no question of those sites being put up for sale in the first place. In this regard, it is unreasonable to argue, and therefore very difficult to accept, that proceeds from land sales have nothing to do with either the Government or the taxpayers, and that KMB has received no concession whatsoever from the Government.

In so far as public acceptability is concerned, we can see clearly wide public discontent, judging by the opinions expressed on radio programmes and through newspaper columns, judging by the over 100 000 signatures collected by the United Democrats in the short space of two weeks, of people who are against fare increase by the two companies.

Mr President, inflation is certainly a factor to consider whether the proposed fare increase is fair or not. Yet, after all, given that the justifications given by KMB are not at all convincing, that the proposed fare increase is too

high, that KMB has in fact been able to reap impressive profits for 1992 and 1993, and that there has been widespread strong public resentment against the fare increase, it is more reasonable for the fare increase to be set in a more objective manner, in such a way as not to cause hardship for the common people and at a level below the rate of inflation. However, I want to stress that we are not requesting that the rate of inflation be used as the only criterion for considering applications by all bus companies for fare increases at all times. Whereas KMB took advantage of the scheme of control to greatly expand its fixed assets in the 1980s, it has failed to make significant improvement to the efficiency of its operation. The increase in fixed assets has provided KMB, ironically, with an excuse to ask for a large fare increase. It is becoming a vicious circle. Now that neither the China Motor Bus Company (CMB) nor the City Bus Company has such a scheme, it is time for the Government to consider a review of the scheme of control applicable to KMB. Mr LAU Chin-shek will later on take up this issue in greater detail.

In moving this motion today, I must bring up CMB's case. CMB imitates KMB's move and asks for a fare increase of 19.1%. The justifications given are even more ridiculous. Since I have missed the deadline for re-wording my own motion to deal with CMB's fare increase application, Dr HUANG Chen-ya of the United Democrats is going to move an amendment which will seek to limit CMB's fare increase to no higher than the rate of inflation, in order that the interests of commuters as a whole will be taken care of properly.

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

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

PRESIDENT: Dr HUANG Chen-ya, Mr TAM Yiu-chung and Mrs Miriam LAU have given notice to move amendments to this motion. As Members were informed by circular on 17 January, under Standing Order 25(4) I shall ask Dr HUANG to speak first, to be followed by Mr TAM and Mrs LAU; but no amendments are to be moved at this stage. Members may then express their views on the main motion as well as each of the three Members' amendments listed in the Order Paper.

DR HUANG CHEN-YA (in Cantonese): Mr President, Mr LEE Wing-tat has already explained why he would like me to amend his motion.

In the last few days, the United Democrats of Hong Kong (UDHK) have launched a signature campaign in the Central and Western and Southern Districts in Hong Kong. That so many people had signed up in objection to the fare increase of the China Motor Bus Company (CMB) reflected how badly they were discontent with the exorbitant fare increase proposed by CMB. The discontent is especially serious in the Southern District where there is no Mass Transit Railway (MTR) and bus is the principal means of transport for the

general public. CMB fares for the Southern District have all along been higher than those in other districts. Any further significant increase in fares will definitely increase the burden on the public who will find them unacceptable. The other Members of the UDHK and I definitely cannot agree to such a fare increase.

I will now speak on CMB's fare increase application while the other Members of the UDHK will later on comment on the fare increase of the Kowloon Motor Bus Company. First, I would like to briefly mention Mrs Miriam LAU's proposed amendment. Her amendment uses public acceptability of the fare increases as a yardstick for considering the rate of fare increase. This is in fact a euphemistic way of describing the situation. To put it bluntly, that is to let the two bus companies "grab" as much as possible until the public can "stand it no more". This I cannot accept.

The reasons offered by CMB for its fare increase application are: (1) cost increases, (2) drop in patronage and (3) the need to make up for last year's shortfall in fare increase. These three reasons are anything but convincing.

Firstly, the cost increases are mainly due to CMB's operational inefficiency. Why is CMB asking for a 19.1% increase in fares when its increase in staff salaries is only 10.5%? I think what CMB needs most is to improve its cost-effectiveness and economize on administrative costs instead of transferring the loss caused by mismanagement onto passengers.

Secondly, the significant drop in patronage is obviously due to CMB's competitiveness being weaker than its competitors. However, CMB considers the recent plunge in the number of passengers has been caused by (1) the loss of 26 routes, (2) the cancellation of peak-hour surcharge by the MTR, and (3) the opening for use of the escalators connecting Mid-levels and Central.

In fact, the relationship between competitiveness and products and services is really very simple. As long as the price is fair and the quality good, there is just no need to worry about clientele. But if your service quality is poor and your charge is high, then how are you supposed to compete with others?

CMB now needs improvement in many areas. According to surveys conducted by the UDHK, the public are quite dissatisfied with the insufficient frequency and unpunctuality of CMB's ordinary buses. There are problems even in the quality of the buses and the attitude of its staff. In the face of strong competition, CMB has not reviewed its bus services, nor has it initiated any improvement. Instead, it attempts to increase its fares significantly in order to protect its revenue. In these circumstances, how can it expect to win the confidence of the passengers?

If the rate of fare increase proposed by CMB is approved, the number of passengers will definitely drop further. Will CMB then not have to apply for an

even higher percentage of fare increase in order to make the books even? This will only bring about a vicious circle in the long run, ultimately leading to the collapse of the company.

CMB's argument for recovering the shortfall of last year's fare increase is even more unreasonable. In fact, last year's 13% increase was already on the high side, far exceeding the inflation rate. But the service of CMB has still seen no improvement.

According to the surveys conducted recently by the UDHK, CMB's air-conditioned and cross-harbour buses operate in excessive frequency during peak hours, while the problem of unpunctuality and insufficient frequency is serious with its ordinary bus service. This clearly reflects that CMB cares only about its profits but is indifferent to the overall transportational requirements.

In a free market, all enterprises are subject to the natural law of the survival of the fittest. But since bus companies have franchises, they are protected to a certain extent. Hence the effectiveness of the market mechanism is undermined. Bus companies can therefore feel secure that they have the franchise as a strong backing, and take passengers' money as something in their bags. As a result, they do not rely on good services to encourage patronage. Nor do they endeavour to cut expenditure and attract more passengers as a means to increase profits. Instead, they try to squeeze profits from the public by fare increases. If the Administration does agree to the two bus companies' fare increases *per se*, it will be confusing reward with punishment, indulging the two bus companies to disregard their public obligations and encouraging them to remain inert in seeking improvements and progress. However, if we limit this year's fare increase to below the inflation rate, it will send a strong and clear message to the two bus companies that their prospects lie in improving their services and attracting more passengers.

When I visited the Transport Department to learn more about CMB's fare increase application, I found that the figures that it had provided to the Administration were very insufficient and there were even errors in such information. For example, the adjusted fares of some routes were even lower than the current ones and several runs of bus services had mysteriously disappeared.

The fare increase involves public interests and is not a trifling matter. Besides being conservative and stubborn, CMB has always turned a deaf ear to public opinion, not to mention its extremely low transparency to the public. Now even the information it provided to the Administration in respect of its operations is so insufficient. The UDHK and I therefore call on the Administration not to allow the CMB to continue in this way.

The buzzer sounded a continuous beep.

PRESIDENT: Dr HUANG, you have to stop, I am afraid.

DR HUANG CHEN-YA (in Cantonese): Mr President, I so submit.

MR TAM YIU-CHUNG (in Cantonese): Mr President, it is surprising that the first new year present that Hong Kong people received at the early beginning of 1994 should be a spate of fare increases requested by the various public utility companies. The most shocking of such increases are the fare increases requested by the two bus companies. The Kowloon Motor Bus Company (KMB) and the China Motor Bus Company (CMB) have requested fare increases of 19.6% and 19.1% respectively. Such near 20% increases not only far exceed the present inflation rate of about 8.5%, but will also certainly push up the local inflation rate and add to the already heavy burden on the public. Such unreasonable increases are simply unacceptable to me. Since the original motion only calls for government control over KMB's fare increase, I have amended the motion and requested the Government to set the two bus companies' fare increases at a level below the inflation rate.

Actually, the two bus companies' reasons for huge fare increases this time are totally unfounded. KMB's reason for fare increase is that its expenditure has increased as a result of the implementation of the elderly concessionary fare scheme. However, this scheme is a long-term policy. After the implementation of the scheme for a short span of only one year, one should not jump to the conclusion that it is necessary to increase fares to make up for the increase in expenditure. Moreover, the cost of the elderly concessionary fare scheme should be shared by the Government and KMB. If KMB has to increase its expenditure due to implementation of the scheme, they should negotiate with the Government in order to find a solution.

Moreover, KMB has reaped \$1.7 billion through a recent auction of depot land. I consider that rather than increasing the fares drastically, the company should use the proceeds thus obtained to make up for the increase in expenditure. I recall that, four years ago, when the Government allowed the Hong Kong Tramways Limited (HKT) to use its depot for commercial development, the HKT promised the Government to freeze the fare increase of the company for four years. Why did the Government not make a similar request to KMB when it approved the land sale of the company now? I hope that the Government can explain this to the public.

In addition, the Government's imposition of the Scheme of Control on KMB in fact enables the company to increase its fares drastically on a regular basis. The ever increasing value of KMB's fixed assets over the past few years always gives the company an excuse to increase the fares, and thus has very detrimental effects on people's livelihood. At present, the burden of travelling expenses on the public is already very heavy. With the rapid increase in population in the New Territories towns, the number of New Territories

residents commuting to and from the urban area for work every day will definitely be on the increase. The impact of KMB's fare increase on them will naturally be greater. Therefore, KMB's fare increase must be set at a level affordable to the public and should not be an impetus for pushing up the inflation rate. The Government should also conduct a further review before 1997 on the Scheme of Control which connives at KMB's drastic fare increase.

CMB's reasons for fare increase are even more absurd. CMB applies for fare increase on the grounds of wage increase, rise of operating costs as well as the cancellation of 26 CMB bus routes by the Government. In fact, after the cancellation of the 26 CMB bus routes last year, CMB had laid off a lot of staff and cut down its expenditure, so where is the justification for a huge fare increase?

Since the fare increases requested by the two bus companies are very unreasonable and will be detrimental to people's livelihood, all branches of the Democratic Alliance for the Betterment of Hong Kong conducted opinion surveys on the streets at various locations in Hong Kong Island and Kowloon on 8 to 9 January and 14 to 16 January. A total of 3 595 persons were interviewed with a view to sounding out public views on the current fare increases requested by the two bus companies. The findings of the surveys indicated that over 90% of the respondents considered the fare increases above inflation rate requested by the two bus companies unreasonable. Most people considered that the two bus companies' fare increases should not exceed the inflation rate, that is 8.5%.

Mr President, since public opinion has clearly indicated that it is the wish of the public that the two bus companies' fare increases should be set at a level below the inflation rate, I urge the Government to take public opinion into consideration and conform to the wish of the people by restricting the fare increases requested by the two bus companies to the inflation rate.

Mr President, these are my remarks. Since there is another amendment to the motion similar to the one I proposed, I will respect the President's arrangements.

MRS MIRIAM LAU (in Cantonese): Mr President, first of all, I would like to declare that the Liberal Party agrees with the amendments proposed by Dr HUANG and Mr TAM to Mr LEE Wing-tat's motion. The two bus companies have applied for fare increase at almost the same time. Today's debate offers us a very good opportunity to make some comments on their applications for fare increase. Admittedly, Members of this Council may not hold the same views on this issue. However, I believe that all of us would like to see that the bus fare increase will be reasonable and that the bus companies will be able to provide an efficient and sound service to commuters.

The position of the Liberal Party on the current fare increase applications of the two bus companies has been very clear. Firstly, we are opposed to the proposed 19.6% increase of the Kowloon Motor Bus (KMB) and the proposed 19.1% increase of the China Motor Bus (CMB). We think that the proposed increases are too high and unlikely to be acceptable to the public. Secondly, we take the view that if a public transport company proposes a fare increase which is higher than the rate of inflation then it must be prepared to put forth convincing arguments which will justify its move. It is on the basis of this fair and right stance that we would, through the Government, ask the companies concerned to provide necessary data and materials. We are hoping that with the data and materials made available, Members will be able to have a better understanding of the reasons for their fare increase in order that a rational debate can take place and that a reasonable fare increase can be agreed upon at the end of the day.

Many people criticize the applications for such high fare increases by the two bus companies as greedy and extremely unreasonable. Yet, if one seeks to arbitrarily limit the rate of fare increase and fires salvos in an uninformed and trigger-happy sort of way without any knowledge of the operation of the two bus companies over the past fiscal year, their future development plans and the need to improve commuter service generally, then I must say that it is not a logical thing to do, that it is just like jumping to conclusion without studying and analysing the facts in an objective way or putting the cart before the horse, so to speak. The public transport companies are not operating in a food market. In a food market, while we will certainly not tolerate a vendor seeking to raise prices at will, which the proverbial food vendor is prone to do, we, the buyers, should not drive a hard bargain by making a totally unreasonable counter offer either. I would consider Mr LEE Wing-tat's original motion is logically flawed. If we think that the Government is obliged to examine objectively the operation of the bus company, taking into account such factors as its efficiency, future development and service improvement, then there is no reason that we should arbitrarily make a decision that fare increase cannot exceed a certain level. It is against the principle of fairness because this is to reach verdict before the trial has even begun.

In considering the applications of the two bus companies for fare increase, it is very important for us not to lose sight of the fact that they are business operations. The Liberal Party is well aware of the fact that it is the public's view that any fare increase, if necessary, must be moderate and in line with inflation. It is for this reason that we have asked the Government to take the public wish into account. However, the two bus companies are business operators. While they are running a service for the travelling public, there is also the need for them to achieve a reasonable return on the investment of shareholders in order to offer the latter the incentive to continue to invest in the development of bus services. After all, the public have had higher expectations of bus service. It is up to the bus companies to respond to these demands positively, in the way of increasing frequency, developing new routes, providing more air-conditioned coaches and so forth. This is the sort of healthy

development which the bus companies should be going for. In this regard, inflation apart, the need to improve service would also drive up their operation costs. Of course the onus is on the Government to forestall any attempts by the companies to engage in profiteering on the pretext of improving service. However, it is also important to ensure that the companies would have reasonable resources to continue their normal operation and cope with future development for otherwise the quality of service will suffer.

In applying for fare increase last year, KMB informed the Transport Panel of this Council that of the proposed increase of 13.8%, 8.9% was for off-setting inflation, 2.5% for service improvement, and 2.4% was for compensating for inevitable waste of resources. And by waste of resources it was meant the need to retain routes which were incurring serious loss due to poor patronage. Those routes had to be heavily subsidized with the proceeds from other routes, hence the pressure on fare increase. Service improvement and the incurring of inevitable loss have nothing whatsoever to do with inflation. It goes without saying that the company must seek to provide a better service through better efficiency just as it must keep waste of resources to a minimum. However, if we are satisfied that the additional outlay by the bus company is still quite inevitable despite the best efforts made, then it would seem fair and reasonable that such factors should be taken on board in the examination of its application for fare increase.

The public certainly would want the fare increase to be kept as low as possible. However, they must realize that the bus company also has to meet some very real needs. How is the balance to be struck between public interest and corporate needs? It is up to the Government to conduct a prudent study taking into consideration not only the real circumstantial needs, but also the acceptability of this level of increase to the public and the consequential inflationary impact. The Government should also make public all relevant information as far as practicable in order that the application procedures and the rate of fare increase will be governed by the principle of being open, fair and acceptable to the people of Hong Kong. What is more, the Government should make it mandatory for the bus companies to make improvement to their services in order to make sure that the travelling public will be able to enjoy quality bus service and will get value for their money.

In the past, there was little transparency with regard to bus fare increase. Although we have seen some improvement over the last one or two years, the data and materials made available to Members are still quite limited. Worse still, CMB has yet to disclose such data and materials. In order to enable Members to have a better understanding of the operation of the bus companies so that a more equitable evaluation could be made, we must be allowed to gain access to the information regarding the bus operators' cost structure. For example, we would have to know how the rising cost is estimated, to what extent individual cost items have increased, the reasons for their increase and any relevant data. Meanwhile, we would also want to know whether the company has actually made genuine attempts to improve efficiency and cut costs, what

sort of efforts has been made in the way of reducing waste of resources, and whether such efforts are genuine or not. It is also very important for the bus companies to come up with background information and cost estimates with regard to service improvement and development. I do not consider such data and materials sensitive and as such there is no justification to keep them confidential.

Even without the benefit of detailed information, I would still like to put forth two strong views, which I hope the Government will seriously consider, with regard to the *prima facie* reasons given by the two bus companies for fare increase.

- (1) KMB has used the concessionary fare scheme for the elderly as a ground for seeking a fare increase. This is tantamount to shifting its social responsibility on to other commuters. It is fair neither to the community nor to the commuters as a whole.
- (2) CMB has cited its loss of 26 routes as a ground for seeking a fare increase. This is also tantamount to forcing commuters to take its blame for losing the market share in the first place. It is unfair.

These two justifications for fare increase are equally unacceptable.

Lastly, I agree that in so far as public transport is concerned the Scheme of Control is already out of date. The Government should conduct a review and consider the abolition of the much criticized Scheme of Control when the current KMB franchise expires in 1997. However, in the remaining three and a half years before 1997, I think it is enough for the Government to conduct a timely review. I believe that, with the abolition of the Scheme of Control, all public transport companies will be able to compete on an equal footing. I think that would ensure the travelling public an even better transport service.

Mr President, these are my remarks. I will later on move my amendment motion to strike out the reference to an arbitrary restriction on the level of fare increase and replace it instead by what I would consider to be more reasonable wording. I would ask the Government to fully appreciate and give due weight to the acceptability of this level of increase to the public as well as its effect on inflation.

MR SZETO WAH (in Cantonese): Mr President, Kowloon Motor Bus (KMB) and China Motor Bus (CMB) apply for fare increases to the tune of 19.6% and 19.1% respectively. A fare increase of this magnitude could only be described as exorbitant and their fare increase applications outrageous.

I have spent four evenings urging passers-by to support our signature campaign in opposition to the fare increase of the two bus companies. They responded most enthusiastically; indeed the level of response was only second to

the overwhelming response to the signature campaign in 1986 against the building of the Daya Bay nuclear plant.

Since the bus operators submit their fare increase applications, the man in the street has been asking himself a question, that is, what chance does he have for a wage increase of 19.6% or 19.1% for that matter? Why is it that fare increase demanded by the two bus companies are surprisingly twice that of the rate of inflation? Is the Government trying to fight inflation, or pursuing an inflationary policy instead? The public find the fare increases outrageous. I would add that public indignation has reached a near breaking point.

In the face of the impudent demand of the two bus companies for fare increase, in the face of the strong public resentment against the exorbitant fare increase, again we as legislators and members of various political parties are practically going through another test. Are we going to side with the masses or are we going to side with a handful of people with vested interests?

There are altogether four motions before us today, including the original motion and the amendment motions. The main difference on this issue is marked by the opposition between the United Democrats of Hong Kong and the Liberal Party. The position of the United Democrats is unequivocal indeed. We demand that the Government should contain the bus fare increase to a level below the rate of inflation; we demand that the Government should review the relevant Scheme of Control as soon as possible. The position of the Liberal Party, on the contrary, is ambivalent. It only wants the Government to gauge and give due weight to the acceptability of the level of increase to the public and its effect on inflation. It only wants the Government to conduct a timely review of the Scheme of Control. Stripped of its disguise, the position of the Liberal Party is that the fare increase may be set at a level above inflation and there is no hurry in terms of reviewing the Scheme of Control.

What does the Liberal Party mean by the public's acceptability? Does it mean that man in the street has to be reduced to abject poverty, with nothing to subsist upon, before it can be said that the fare increase is more than the public can bear? Can the fare increase be said to be acceptable to the public if it adds to the burden of the man in the street to the extent that his quality of life is undermined, and he has to make do with less, with scarcely enough to eat and wear?

The Liberal Party talks about the effect on inflation. The word "effect" is neutral in sense. It could refer to the effect of runaway inflation or, on the contrary, that of inflation-curbing measures. And an effect on inflation may just very well be moderately or extremely inflationary. I do not quite understand what the Liberal Party means by "effect". If it is the intention of the Liberal Party to combat inflation, the Liberal Party would not have amended the original motion of the United Democrats in the first place.

At a meeting of the Finance Committee last week the Government asked for an increase of public assistance at a rate commensurate with the rate of inflation. A Liberal Party legislator queried whether this would be inflationary. The implication of course was that anything which was inflationary was bad. I followed up with his question and asked: If inflation could be softened when people were left to starve to death, would the Government resort to a policy which would produce such effect to combat inflation? The Financial Secretary provided a subtle answer. He said that it was an economic question, not a moral one, where inflationary impact was brought about as a result of the adjustment of the level of public assistance. I understood him to mean that it was immoral not to adjust the level of public assistance purely for fear of creating an inflationary impact.

I can see from the query of the Liberal Party legislator that the Liberal Party is extremely wary of inflationary impact. After all, he is upset about the adjustment of the level of public assistance though with an aim to offset inflation. However, I cannot understand why the Liberal Party is now opposed to the United Democrats' demand that the bus fare increase be kept at a level below the rate of inflation, which is manifestly a measure to counter inflation. The position of the Liberal party smacks of double standards, does it not? It is biased in favour of the vested interests at the expense of the poor and the helpless. That is the position and approach of the Liberal Party.

The Hong Kong Government has learnt from the ancient Chinese philosopher Laozi who was an advocate of the political philosophy of "governing by doing nothing" and invented an economic strategy of "achieving prosperity without doing anything". That strategy is epitomized by the Scheme of Control, which is actually a scheme of guaranteed profits. Since prosperity can be achieved without doing anything, those operate under the Scheme of Control do not have to bother about management. They may just as well lie down and do not have to care about making any improvement to their operation. They may just as well make a mess of things. They are always assured of a clean profit at 16% of one's net assets value, never mind the drain on resources. I wonder whether this state of affairs is in line with the laws of free competition in a capitalist market economy.

The Scheme of Control has been the subject of intense public criticism over the past 10-odd years. However, the Government has turned a deaf ear to such criticism and done nothing to rectify the situation. We have now reached a point when a review of the Scheme of Control can no longer be put off. The Liberal Party has said that timely review should be conducted

The buzzer sounded a continuous beep.

PRESIDENT: Please discontinue, Mr SZETO Wah.

MRS PEGGY LAM (in Cantonese): Mr President, the community has been quite unanimous in voicing its opposition to the fare increase applications of the two bus companies. However, we can see that the China Motor Bus (CMB) has been the more honest of the two bus companies in conceding that it is only willing to offer concessionary fares to the elderly during certain times of the day and on certain bus routes only. It quite honestly says that it can commit not too much towards this end. However, the Kowloon Motor Bus (KMB) has made a point of being apparently far more generous in offering concessionary fares to elderly citizens on all of its routes. Scarcely has a year gone by then the company has actually used the concessionary fare scheme, which it says has led to rising operating costs, as a ground for demanding a fare increase. It is unacceptable for KMB to take this stance of asking the community to foot the bill for a treat for which it takes the entire credit.

Fare increases are sometimes quite unavoidable because wages have to be adjusted and the operation has to turn in a profit for the company. Even though the three railways, wholly owned by the Government, have fare adjustments every year. An entirely privately owned company should therefore be no exception. It is unfortunate that both KMB and CMB have come up with totally unconvincing arguments in their applications this year for fare increase of well over 19%. This rate of increase is really alarming.

Recently, the Government has invited senior citizens to apply for senior citizen cards. In appealing to corporations and individuals to join in the concessionary scheme for the elderly, the Secretary for Health and Welfare has stressed that sponsors should not expect to receive any reward or preferential treatment from the Government which will only act as a champion of the good cause.

I would like to urge the Government to be consistent in applying that policy. In examining KMB's fare increase justifications, the Government should take account of the fare concession being a rebate to the elderly. It should not be used as an excuse for making bigger profits.

Meanwhile, both KMB and CMB have mentioned that the fare increases approved last year were not satisfactory enough. KMB wanted 13.8% but was given 11.2%. CMB wanted 16% but was given 13%. In this regard, they argue that they should be given a bigger increase to compensate for the poor deal they struck last year.

Theoretically, the government decision should be based on the rationality of the rate of increase applied for. This is not a case similar to that of civil servants seeking compensation for pay rise shortfalls. If the bus companies think they are entitled to making up for what rates of increase they think unsatisfactory year after year, they might as well decide the rate themselves, dispensing with the government approval.

With regard to KMB's argument that maintenance costs have risen dramatically, while it is admittedly true that an operator will doubtless try to pass as much cost as possible on to the consumer, it is not exactly fair that it should use no money out of its own pockets, expecting that the commuters will somehow provide the capital required. What is more, the commuter is in a particularly vulnerable position because the bus company is a franchised company. He has no choice but to comply. Who would lend a helping hand other than the Government?

It is unfortunate that the Government has continued to adhere to the Scheme of Control. Under this scheme, KMB can easily ask for a fare increase on even the weakest excuse to make sure that it gets a return of 16% on its average net fixed assets value.

Even if we can prove that the arguments of KMB for fare increase are quite indefensible this year, it can surely come up with better arguments next year, arguments which they can more easily defend. Actually, KMB may as well ignore public opinion altogether. If the company should increase its fares on the ground of permitted profit, there is nothing we can do about it either.

I would like to urge the Government to conduct a review of KMB's Scheme of Control immediately. The Government should positively address social changes and the wish of the community, rather than wasting our time in repeating time and again that the notion of permitted profit is already out of date.

As a matter of fact, the other bus company, that is, CMB, had already relinquished using its net fixed assets value for calculation of return when its franchise was renewed last year. I would like to take this opportunity to talk about the fare increase of CMB because, as Chairman of the Wanchai District Board, I am particularly concerned about the transport services on Hong Kong Island.

I am sure colleagues are aware that CMB lost 26 of its routes to Citybus because it had failed to provide a satisfactory service. However, CMB's using the loss of these 26 routes, hence the reduced overall patronage, as an argument justifying its fare increase is indicative of the company's reluctance to adopt a more progressive approach to its operation. Indeed, we also understand that some of these 26 routes are loss-making routes which CMB consider not to be worth continued operation.

According to information provided by the Government, CMB patronage has dropped by 2.6%. However, if it can learn from its mistake and improve the quality of its service, then it should not find it difficult to attract more patronage. Now that CMB has resorted to the passive solution of increasing fare, it would only cause even stronger resentment. I would urge CMB to explain to the Wanchai District Board the justifications for its fare increase.

Admittedly, it has been said that the bus fare increase of 20% comes down to no more than a dollar or so and it is therefore unlikely to have a great impact on people's livelihood. However, if all the public utility companies should increase their tariffs by 20%, then the resulting burden to the general public would not be a matter of a dollar. Both the Society for Community Organizations and the Association for the Rights of the Elderly have petitioned Members of this Council against spiralling prices. They have estimated that 13 utilities will put up their charges one after another. How are the low income groups and retired persons going to cope with them?

As the Secretary for Economic Services has said just now, since there is not enough transparency to the operation of a considerable number of public corporations, there is no way the public can tell whether their tariff increases are justified or not.

I am very glad that the Government has at long last shown its willingness to address this issue. However, only the Government has access to relatively more information necessary to assess the fare increase applications of the bus companies. Not even Legislative Council Members can have access to the information. Therefore I would like to urge the Government to assume the responsibility of rigorously examining the operations of the two bus companies and the quality and safety of their services, and taking into account the impact of their fare increase on people's livelihood, before granting approval to their fare increase applications.

With these remarks, Mr President, I will later on vote in favour of Mrs Miriam LAU's amendment.

MR CHIM PUI-CHUNG (in Cantonese): Mr President, I am sure colleagues are aware that clothing, food, housing, transport and electricity are conducive to people's livelihood. Indeed, I would say transport and electricity have the most direct bearing on people. It is generally estimated that the rate of increase in transport expenses is between 8% and 10% each year. However, none of us can avoid using transport on a daily basis. I recall that riots broke out in Hong Kong in 1967 because of a fare increase of five cents by the Star Ferry. Now that we have party politics in the Legislative Council, it is only inevitable that the political parties will want to use this opportunity to propagate their causes. However, I would like Members to take a dispassionate look at the facts, for the maintenance of social stability is of utmost importance.

Mr President, I would first of all like to voice my objection to the fare increases of 19.6% and 19.1% sought by the Kowloon Motor Bus (KMB) and the China Motor Bus (CMB) respectively. However, we should look at the facts while we are in opposition to the fare increases. It is absolutely necessary for the Chairman and the General Manager of KMB, which is a listed company, to work for the interests of its shareholders. In this regard, given the government-acquiesced permitted rate of return not more than 16%, why should KMB's

Chairman and General Manager not seek to the best of their ability to achieve precisely that? Otherwise, how are they going to explain to KMB's largest shareholder, that is, Sun Hung Kai Properties Limited? Who will say no to a larger profit? I think we should all bear that in mind.

In this regard, what I am trying to say is, if there is a mistake made somewhere along the line, it must in the first place be a mistake inherent in the franchise policy of the Government. The interest rate for savings around the world is now as low as 2.3%. Meanwhile, the 16% assured rate of return is not the bus company's own making; it is a gift from the Government.

Secondly, while it is doubtless true that KMB has made as much as \$1.7 billion from its land sales, we have to bear in mind that whether the land was part of KMB's assets or a grant by the Government. If KMB should be envied for making a profit of \$1.7 billion, how much more enviable is the Hong Kong and Shanghai Banking Corporation which has made over tens of billions of dollars? Bearing in mind that many real estate companies have made billions of dollars, I think KMB shareholders should have demanded at their general meetings that the board should switch to real estate altogether. Had it been the case, the present situation would have been very different indeed. In so far as the Government is concerned, it should refrain from granting land to KMB upon discovering that once the company has been given land of its own it can then sell it off or put it to other use for an exorbitant profit. KMB should use land of its own. In making land grants, the Government should attach certain conditions regarding their use. The recipient of the land grant should, as has been suggested just now, make certain undertakings just as some other transport operators have done.

Thirdly, the arguments forwarded for fare increase by KMB are not justified at all. It should have said in its application that it was only acting in the interests of shareholders in taking full advantage of the maximum 16% return permitted by the Government. Meanwhile KMB should also refuse to sponsor the concessionary fare scheme for the elderly proposed by the Government on the grounds that this would affect its revenue. By refusing to sponsor the scheme, the hypocrisy of the Government in introducing the scheme can be laid bare for everyone to see. It is not reasonable for KMB to make commuters bear the cost of the government conditions which it has accepted itself. KMB should have indicated at the outset that it was not going to sponsor the preferential scheme because it would affect its revenue. Now that the company has sought to increase its fares after joining in the scheme, indeed using cost as an excuse now while making no mention of it in the first place, I would consider that both the General Manager and the entire management should have some explaining to do.

Mr President, the case of CMB, which had the permitted rate of return arrangement abolished last year, is completely different from that of KMB. It has no alternative but to accept the challenge of the open market and to accept that it be assessed on its own merits. If CMB refuses to review its operation

even now, it is likely to face even stronger competition from other modes of transport. It is likely, as some Members put it just now, that CMB will be eliminated in the competition altogether. If that should happen, we can only regret it as members of the community and users of social resources. It is clear that Hong Kong abides by the principle of free competition. While many businesses close down after operating for one or two years, some of them will shift to other fields of operation after a wrong start. Competition is fair in our society.

Mr President, in considering the proposed fare increases of 19.6% and 19.1% by KMB and CMB respectively, I think that the most important thing is to review the government policy. In line with what has been done to CMB, KMB should also be stripped of its right to permitted rate of return. Even if the permitted rate of return arrangement is to be retained, it should be pitched at 10% or under in view of the current circumstances. I think that the Transport Advisory Committee has the absolute responsibility for examining the franchise agreement and the arrangement for permitted rate of return. Under the present circumstances, all we can do is to tell KMB that it has to take into account the wishes expressed by the public and to co-operate reasonably by making a second assessment. With regard to measuring the fare increase against inflation, I would personally consider that to be absolutely unreasonable. Inflation is caused by many other factors. For example, it is likely that the rate of wage increase has already exceeded the so-called average inflation rate of 8.5%. Seen in this light, it is well nigh impossible to demand that a certain company or corporation should accept the restriction at the expense of its vested interest. If, however, it is written into the franchise agreement and the company accepts the restriction as part of the agreement terms, then it is of course another issue. In this regard, Mr President, we agree in principle that the two bus companies should accept the views expressed by the general public and conduct a new assessment in that light. However, the Government is also largely responsible to the extent that it grants the franchise and masterminded the whole concept of permitted rate of return. Meanwhile, I hope that the public will await the development of this issue patiently.

Thank you, Mr President.

REV FUNG CHI-WOOD (in Cantonese): Mr President, as an elected Member representing New Territories North and a Tai Po resident, I understand very well that residents in new towns, especially those who have to go to work or attend school in urban areas, are heavily dependent on public transport services. Insufficient public transport services and whopping annual fare increases will add to their cost of living. Worse still, if the services are not satisfactory, they will find the services a raw deal and become more annoyed.

Not all the residents in new towns are living in vicinity to railway stations. For those who are not, their only alternative is to take a public bus to go to work or attend school. They may have to change to other modes of

transport as well. For this reason, many of them have to spend over \$30 per day on transport. Although bus service is of prime importance to them, regrettably, the bus service provided by the Kowloon Motor Bus (KMB) is hardly satisfactory. Here I would illustrate the point by citing the recent survey conducted by the liaison office of the United Democrats of Hong Kong's New Territories North branch. Among the 1 000-odd Tai Po residents being interviewed, over 60% of them feel dissatisfied with KMB's bus frequency, its failure to follow the bus timetable and the high bus fares. Meanwhile I am afraid that KMB will not be able to cope with the transport needs of the growing population in the new towns. When things come to that stage, KMB may raise bus fares substantially and the public in turn will request the increase of other transport services such as the green minibus and the coach services operated by housing estates. In that case, KMB would virtually undermine its competitiveness on its own accord and it would only have itself to blame. I am loath to see that KMB will, just like the case of the China Motor Bus (CMB), ask for fare increases with the excuse of a drop of passengers.

If the franchised bus companies always try to maintain their own profit margin by asking for fare increases but do not concern themselves with the improvement in their services and competitiveness, it will merely lead to a vicious circle and eventually the bus companies will be shunned by the travelling public. To forestall such a scenario, KMB should refrain from maintaining a 16% profit return by increasing the fares year after year. It should take practical steps to improve its operation efficiency and service quality and, on that solid basis, to rebuild its client base. Failing that the annual high fare increase will certainly drive the passengers away, who would shun bus services and resort to other modes of transport including the MTR, trains, light buses and so forth. As for the deterioration of bus services resulting from road congestion, the company should discuss with the Government about ways to tackle traffic congestion or the possibility of employing measures such as increasing certain bus lanes, altering bus routes, avoiding the busiest roads and so forth. The United Democrats heartily support the Government for its introduction of more substantial measures to encourage the public to take a bus and travel on train. This may also discourage more people from taking private cars or taxis, which are not economical modes of transport. However, if the Government allows bus fares to go up drastically each year, I am sure that more will prefer driving their own cars or taking a taxi instead of a bus. To ease traffic congestion, we urge the Government to vigorously monitor the fare increases as proposed by the two bus companies.

As regards setting the increase at a level below the inflation rate, I think this is a very reasonable request with the support of the general public. Even the Liberal Party requested in its signature campaign and stated on their erected banners that the increase of bus fares should not be at a level above the inflation rate. We, the United Democrats, make this request after careful consideration of a number of factors which include the profits made by the two bus companies

PRESIDENT: Yes, Mrs Miriam LAU?

MRS MIRIAM LAU: Mr President, can I ask for clarification?

MRS MIRIAM LAU (in Cantonese): Rev FUNG has just referred to the banners of the Liberal Party demanding that fare increase of KMB should be kept at a level below the inflation rate. I would like to know exactly which banner Rev FUNG is referring to, where it was displayed, the exact wording, as well as the wording on other banners. Does he know these details?

PRESIDENT: It is up to you, Rev FUNG Chi-wood.

REV FUNG CHI-WOOD (in Cantonese): Mr President, Mr LEE Wing-tat will deal with Mrs LAU's question later. The UDHK made this demand after having taken into account a number of factors, including the level of return and the accumulated rate of increase of the two bus companies, whether the increase is fair to the public and the standard of services provided. Inflation is merely one of our considerations.

I hope that KMB would set aside a sum from the \$1.7 billion proceeds from land sale as recurrent expenditure so as to reduce the rate of fare increase. Mr President, taking into consideration such factors as the interests of bus passengers in the territory and the way forward for bus services, I would support Mr LEE Wing-tat's motion and Dr HUANG Chen-ya's amendment.

MR FREDERICK FUNG (in Cantonese): Mr President, the applications by Kowloon Motor Bus (KMB) and China Motor Bus (CMB) for an average fare increase of close to 20% with effect from April 1994 took me by surprise.

The grounds given for the proposed fare increase are the same old arguments such as increased operation costs, development of new routes, large-scale maintenance works, improvement of service and so forth. Indeed, KMB has also made a point of justifying its fare increase by its intention to make up for the loss which it has incurred as a result of offering concessionary fares for the elderly. I would consider most of the arguments provided by the two bus companies unacceptable.

First of all, in so far as KMB is concerned, while it is quite justifiable for the bus operator to apply for fare increase on the ground of rising costs, it is quite difficult to understand why the company has seen fit to ask for a fare increase which is twice the level of inflation. KMB has asserted that a major contributing factor to its rising costs is increased staff remuneration. However, it would seem from the information available that KMB staff's wages have only

gone up by about 10%, and in any case, inflation recorded for the last quarter was only 8.2%. In comparison, the proposed fare increase of nearly 20% is what I would consider to be unreasonable.

Another justification given by KMB for fare increase is the need to improve service. I would consider that the improvement of service in the way of carrying out large-scale maintenance works on the bus fleet, or developing new bus routes for that matter, should figure in the regular operation costs. Such costs should be met by corporate investment instead of being shifted on to commuters. With regard to the point about raising fares in order to improve the service of air-conditioned coaches, I find that totally unconvincing. It is reported that KMB will purchase a total of 320 buses, of which 300 are air-conditioned buses, in 1994. I very much doubt whether this is really an attempt to force commuters to switch to air-conditioned buses and that would effectively deny them the option of continuing to use regular buses. It must be borne in mind that riding regular bus on certain routes is already quite as expensive as riding air-conditioned bus. Meanwhile, the average fare of an air-conditioned bus is about 40% or more higher than that of a regular bus. I would like to elaborate my point with an example. It costs \$4 to travel on a 81C bus from the Hung Hom Railway Station to Yiu On Estate at Sha Tin. The same journey made on an air-conditioned bus costs \$6. In comparison, the air-conditioned bus journey is 50% more expensive than the regular bus journey for the same destination. The whole issue of choice between riding a regular bus and an air-conditioned bus actually reminds me of the debate which we held last year with regard to *Towards Better Health: A Consultation Document*. In the document, the Government was proposing to introduce class B hospital beds. The majority view of this Council at the time was, that while it was understandable that a better option should be provided for people who have the means to pay for it, the provision of regular hospital beds should be maintained at a given level in both quantitative and qualitative terms. However, if we look at the issue of bus service from the same perspective, then we will discover that whereas the fleet of air-conditioned buses has been steadily expanding, there has been a corresponding decline in the number of regular buses. I do not think this state of affairs is acceptable to either legislators or the public at large.

The proposed fare increase of 20% by KMB is effectively an attempt to make commuters help pay for its purchase of new air-conditioned buses. This kind of public subsidy ironically limits the range of options of the travelling public at the same time. How can this be argued as reasonable? The spokesman for KMB has put its case forward vigorously that the proposed fare increase is a fair deal. Yet I wonder how he can justify his claim. I think that while the provision of air-conditioned buses may be stepped up, the provision of regular bus service should concurrently be maintained at a given level. Furthermore, air-conditioned bus fare should not be 20% or more higher than regular bus fare.

Meanwhile, KMB claims that it has incurred a loss of over \$40 million as a result of the concessionary fare scheme which has been implemented for a

period of eight months. According to government estimates, the annual expenditure of KMB on that front should be under \$30 million because the company is already exempted from paying the land tax and licence fee for compensation. Put in another way, the taxpayers are already doing their fair share in terms of contributing to the concessionary fare scheme run by KMB. Given the discrepancy between the Government and KMB in terms of the calculation of expenditure, I think that KMB should make public the methodology which it has used in its calculation. As a matter of fact, it is the responsibility of KMB as a public utility company to provide concessionary fare for the benefit of the senior citizens. It should not seek to use the loss incurred as an excuse to ask the Government for a fare increase of close to 20%. If the KMB excuse is accepted as a justification for fare increase, then the other public utility companies such as CMB, the tram company, the Mass Transit Railway Corporation (MTRC) and the Hongkong Electric Company will seek to follow suit. If this should happen, then public interests, particularly the interests of our senior citizens, will not be duly taken care of, and there will be no more preferential scheme for our senior citizens.

Also, if we bear in mind the profit margins and results of KMB for the past years, we can see that it is still more necessary for the Government to closely scrutinize the justifications of KMB's for fare increase. KMB's fare increases over the years have been consistently higher than inflation. It has achieved an after tax profit of as much as \$1.566 billion for the fiscal year 1993. Given such a high profit margin, there is no compelling reason why the company should still seek a fare increase of close to 20%.

With regard to the application by CMB for a fare increase of a similar size, I find it equally unjustifiable. It is the case of CMB that it has suffered a 30% decline in patronage as a result of a loss of 26 routes scrapped by the Government, and that it has suffered similarly as a result of the waiving by MTRC of its peak hour surcharge. CMB has used these as justifications for a fare increase of 19.1%. The case being what it is, I absolutely cannot agree with such justifications.

The main reason why the Government has cut 26 of the CMB routes is that the company has failed to provide a satisfactory service and its passengers are generally not satisfied with its service. I think it is fair and correct for the Government to take such action. Since CMB has failed to provide a proper service, it is natural that patronage will fall. I do not think it is wise for the company to seek a substantial fare increase. My advice to CMB is that its first and foremost job should be to improve the quality of its service before considering any fare increase.

Lastly, I would like to urge the Government to immediately review the present monitoring mechanism with regard to the operation of the two bus companies. Meanwhile, the Government should, in the process of vetting the fare or tariff increase applications of public utility companies, take into careful consideration their results, efficiency and how successful they have honoured

their pledges to improve services. Fare or tariff increases of public utility companies should be closely monitored in order to safeguard the livelihood of the general public.

With these remarks, I support Dr HUANG Chen-ya's amendment.

DR LAM KUI-CHUN (in Cantonese): Mr President, let me make it clear on the outset that the Liberal Party has moved the amendment not because we agree that the level of fare increase demanded by the two bus companies is reasonable. We oppose the original motion because it seeks to arbitrarily restrict the level of bus fare increase to below the rate of inflation and it flaws logically to assume that such an arbitrary restriction can be sustained or indeed be conducive to the improvement of bus service as a whole.

The rate of inflation is essentially calculated on basis of specific combinations of nine different categories of goods and services whose prices may rise at different rates. As a result of each component's intrinsic qualities, these nine categories of goods and services will undergo quite different price adjustments every year. The Consumer Price Index (A), being an average, must necessarily fall somewhere between the the top and bottom ends of the scale. Over the years, goods of high inflation rate have always maintained a rate above the average rate of inflation. It is very difficult to expect such high inflation goods to rise at a drastically reduced rate, unless their nature is radically changed. For example, in the case of newspapers, since the cost of wages has risen faster than the average rate of inflation, the price of a piece of newspaper has risen by about 300% over the past 10 years. It is only because of the offsetting effect by low inflation items like rice, the price of which has risen by only 40% over the same 10-year period, that we have been able to maintain an average inflation rate of 110%. In this regard, unless journalists are no longer needed to do the reporting for the newspaper and unless we can do away with editors and writers, there is no question of reducing the inflation rate of newspaper to equal to the average inflation rate which has taken on board low inflation components.

Bus fare, to which we now turn to, has always been a high inflation item and risen by about 140% over the past 10 years, as opposed to the average inflation rate of 110% over the same period. The Liberal Party is concerned that the rate of bus fare increase should not deviate too far from the average rate of inflation. However, unless there can be some fundamental change to the nature of the bus service, it is impossible for us to arbitrarily reduce the inflation rate of bus fare, which is a high inflation item, to the same level as average inflation.

Therefore the original motion's demand that a high inflation item should, without altering its nature, be brought down to on par with the average inflation rate is pursuing an unattainable goal, like chasing a mirage in the vast expanse of the desert.

Mr President, I am not speaking for the bus companies. It is not my responsibility to offer an explanation on their behalf. All I want to do is to present the picture in such a way as to enable everyone to look at it more clearly. An argument soothing to the ear may not be logically sound.

If we go along with the logic of the original motion, providing that the nature of bus service remains unchanged, should we push up the price of rice in order to achieve a higher inflation, thus putting the rate of bus fare increase on par with the average inflation rate, in order to reach that unattainable goal of the obsessed traveller in the desert? If the answer to this question is no, then I doubt whether the original motion will achieve a result which is in public interest. It obviously will not. For logic aside, we may as well look at the nature of the bus service itself. Staff remuneration, vehicle depreciation and maintenance and repair costs make up the recurrent expenditure of a bus operation. Revenue minus these operating costs is the profit going to the bus company.

In fact, the heaviest expenditure item of all for the bus company is staff remuneration. It accounts for two-thirds of the total expenditure. If we examine the price of newspapers for the last 10 years, we will discover that it has consistently risen over and above the Consumer Price Index. It has increased by more than 50% above the overall average increase in commodity prices. This is in line with the Hong Kong phenomenon of the poor becoming richer. If we were to cut the expenditure in this area, we would have to effectively ask employees to cut their remuneration and welfare, dismiss experienced and well-paid employees and replace them with green ones. A solution such as this, even if it were to originate from this Council, would not, I think, be accepted by the two bus companies.

With regard to vehicle depreciation, the rate of depreciation is about 25% per year due to the original price and age. The depreciation rate is far higher than the inflation rate, not governed by any other theories which apply to inflation. In order to reduce the expenditure on depreciation, the only way is to purchase used and cheap buses. And in order to reduce the expenditure on maintenance and repair, the only way is to reduce the frequency of maintenance, and not to bother with the consequence in terms of bus accidents. I am sure Honourable Members know very well which way is in line with public interest.

Quite apart from the recurrent expenditure, improvements to the bus service, such as provision of training for staff to improve their attitude towards serving passengers, improving the standards of maintenance and the punctuality of bus service generally, and keeping the bus compartment clean and tidy, cannot basically be measured by inflation.

There is one way of cutting costs and reducing the fare increase immediately, which I am sure will be welcomed by the two bus companies, that is, the cancellation of loss-making routes and new routes which are planned for

newly developed districts. This measure will drastically cut the operating costs. But will it be in keeping with public interest?

Mr President, we do not wish to give the bus companies an excuse for refusing to improve their services. What is more, we do not wish to see the employees of the two bus companies being exploited in terms of their wages or even dismissed unfairly. However, we will not turn a blind eye to a grossly unfair fare increase. Nor will we let members of the public be forced to pay unreasonably high transport fees.

That the Liberal Party opposes the original motion's requirement that bus fare increases be contained below the rate of inflation does not mean that the Liberal Party thinks that the bus fare increases must be much higher than inflation. As a matter of fact, the Liberal Party is opposed to the currently proposed fare increases which are much higher than any fare increase implemented for any previous year. With regard to what rate of an increase is reasonable and acceptable to the public, I think it should be determined after taking into account the justifications given by the two bus companies. What we should not do is to put a ceiling on the fare increase without giving overall consideration to the whole issue. The arguments may sound good but they also have to be realistic, too.

With these remarks, Mr President, I support Mrs Miriam LAU's amendment and oppose the original motion.

MR LAU CHIN-SHEK (in Cantonese): Mr President, the people of Hong Kong are appalled by the "mad" fare increases currently proposed by the two bus companies. Even the Secretary for Transport has been astonished by the high fare increases being asked for. Public opinion has been rather unanimous in condemning the two bus companies for irresponsibly requesting fare increases which are entirely over the top. However, if we are to trace the root of the problem, I think that the Government has to take part of the blame for it is exactly the Scheme of Control agreements entered into between the Government and the bus companies years ago that have led to the current "mad" fare increases!

Under the respective Schemes of Control, the profits of the bus companies are pegged to their net fixed assets value. The rate of return is as high as 15% for China Motor Bus Company (CMB) and 16% for Kowloon Bus Company (KMB). There are many shortcomings in the Scheme of Control arrangement, the most obvious being:

firstly, the company will seek to expand its fixed assets indefinitely in a bid to increase its profits. The consequences of thoughtless expansion of assets regardless of real demand and cost effectiveness will eventually be borne by passengers. This has been the main cause of many wholly unnecessary and exorbitant fare increases;

secondly, since the value of fixed assets is used as a criterion for calculating profits, there is no motivation at all for the company to look for ways to improve the efficiency of its operation. Neither will it initiate service improvement efforts to attract more passengers. Lastly, improvement in productivity and efficiency is bound to be very slow, thus putting the company in the vicious circle of "dropped patronage — fare increase — even lower patronage — fare increase again";

thirdly, profits calculated on basis of the net fixed assets value become "assured profits" in disguise. Hence the "rate of fare increase" is pulled by the "rate of corporate profits". In the end, the bus companies will raise its fares indiscriminately without regard to the affordability of the travelling public; and

fourthly, given the fact that the bus company is a franchised company assured of profits, it literally behaves like a miserly overlord who cares only about profit-making and has no regard for people's livelihood. Nor does it take account of public interest and its social obligations as a public corporation.

Mr President, it is precisely because the Government has overlooked the shortcomings of the Scheme of Control that the bus companies have been able to operate in this manner within the system for the past decade or two. The irony is that the people of Hong Kong have to bear all the undesirable consequences today when the effects of the shortcomings surface.

The Scheme of Control was devised by the Government with the original purpose of encouraging investment by the public corporations. However, in so far as bus service is concerned, there are no longer any large-scale development plans to speak of. This is evident in the zero growth in patronage of the two bus companies during the last decade. In this regard, the bus company should engage in improving its service to attract more passengers instead of seeking to continue to augment its fixed assets in an attempt to profiteer. I urge the Government to enter into discussions with KMB as expeditiously as possible on the question of abolishing the Scheme of Control, so as to forestall the bus company from using the scheme as an excuse to ask for exorbitant fare increases in detriment to people's livelihood.

Despite their over-zealous pursuit of huge profits, the two bus companies which have grown under their respective Schemes of Control do not seem to have much sense of social responsibility. When the KMB agreed to sponsor the concessionary fare scheme for the elderly last year, it made a clear undertaking that the expenditure so incurred would be paid for by shareholders. However, in its application for fare increase, the company has seen fit to eat its own words and transfer the cost of the scheme to passengers. It is outrageous that the bus company should behave in such an irresponsible manner.

As a matter of fact, KMB shareholders are entirely in a very good position to pay for the cost of the concessionary fare scheme for the company has made \$1.2 billion from the sale of its depot at Kwun Tong and a further \$500 million from another at Kwai Chung. Part of the proceeds from the land sales can also be ploughed back to improve bus service and efficiency of the company generally. What happened instead was KMB actually lost no time in rewarding its shareholders with a cash dividend of close to \$1.1 billion out of the \$1.2 billion. This was done apparently to bag the proceeds as quickly as possible, so that shareholders would not be caught with the responsibility of paying for the concessionary fare scheme for the elderly and re-investments.

In so far as CMB is concerned, despite the fact that it has had its Scheme of Control abolished and 26 of its routes severed, its recent performance and its justifications for the current fare increase indicate that the company has not learnt from its mistake and go for real improvement. How outrageous is such kind of behaviour!

According to a survey conducted by the Transport Department in early January this year, there were less buses running on 10-odd routes than originally requested during morning peak hours. Indeed, there were routes (such as Route 2) where the shortfall was as high as three buses. Meanwhile, there were routes which were run by more buses than was originally requested. Route 23, for example, was run by nine buses more than requested. In fact, there are indications that CMB is trying to siphon buses off the relatively low patronage routes to high patronage ones. This is a most irresponsible practice because passengers of the affected routes will effectively have to wait longer. I urge the Government to further curtail the number of routes operated by CMB if there is no improvement to this state of affairs. The company has to be stripped of not only those loss making routes, but also an equal number of profit-making routes in order to achieve any deterrent effect.

If the Government is still reluctant to go for a complete abolition of the Scheme of Control, and if the bus companies are still reluctant to honour their social obligations in terms of making positive improvement to service efficiency and undertaking to finance the concessionary fare scheme for the elderly, then I think "mad" fare increases will still be sought by the two bus companies in the future. I wonder if the Government then will have become so accustomed to such exorbitant fare increases that it will no longer be "astonished" by them at all!

With these remarks, Mr President, I will continue to organize the people to oppose the "mad" fare increases!

MR FRED LI (in Cantonese): Mr President, today we indeed debate for the sake of debate since we only differ on one issue. However, there are two points on which we have consensus in respect of the motion.

Firstly, I believe everyone here would consider the proposed fare increases by the two bus companies too high. This is our consensus. So far, I have not heard anyone say that the increases are reasonable, justifiable or the rate of increase is inadequate.

Secondly, now it is time to review the Scheme of Control. Previously Hong Kong Telecommunications Limited also operated under a Scheme of Control but the outdated scheme was later scrapped to allow fair competition in the wake of the addition of a second network. In its place is a newer mode or a rate increase mechanism whereby a ceiling on price is set at a level equivalent to prevailing inflation rate minus 4%. Can Kowloon Motor Bus Company (KMB) also adopt this mechanism of prevailing inflation rate minus 4%? In consideration of its size of operation, I am afraid similar fare increase restrictions may not be imposed on KMB, but I do think a prompt review of KMB's Scheme of Control is necessary.

I do not see any differences amongst Members on the above two points. The most controversial point is whether fare increase should be set at a level below inflation rate. As a matter of fact, Members all know that we do not have the power to decide on a rate of increase. The applications for fare increase by the two bus companies would eventually be submitted, with recommendations, to the Executive Council through the Transport Branch for a final decision. All that this Council can do is to reflect as far as possible the views of the general public. For this reason, many directly-elected Members and Members affiliated with political parties organized signature campaigns in the street corners to gather public opinion which they would subsequently reflect to the authorities concerned.

If Mr LEE Wing-tat were to move a motion to freeze KMB's application for a fare increase or not to allow it to do so, I think a lot more Members would raise objection or alternatively an amendment would have been moved to set the rate of increase at just 5%. If a Member were to move an amendment to disallow a fare increase or to accept a 5% fare increase, in that case, Mr LEE Wing-tat's motion would sound fairly mild. By saying so, I just wish to make the point that it is difficult to define a reasonable fare increase. Even the Liberal Party opines that the current rate of increase is too high.

We have no knowledge about which routes of the two bus companies are making money and which routes are losing money. The two bus companies have never provided us with such information despite our repeated requests. As such, on what basis can we decide a level of increase rate which would be considered as reasonable — reasonable in the sense that it would lead to better bus services on the one hand while the general public find it affordable on the other? In the absence of the necessary information, I share Mr LAU's view that we are like the blind feeling an elephant. We are not making troubles. The problem lies in the fact that this Council does not have a say on the Schemes of Control nor have any monitoring role to play. This Council can only raise objections and lodge complaints on behalf of the general public. Mr LEE

Wing-tat moves to set the rate of increase at a level below the inflation rate. Yet he cannot be certain whether such a rate of increase is reasonable. Looking from this angle, the applications for fare increase by the two bus companies are akin to buying food in a market — a higher rate of increase was proposed as a basis on which to haggle with the Administration. The proposed increases may in the end be reduced by several percentage points, but the bus companies can still manage to get what they want.

Mr LEE proposes to set the KMB fare increase at a level below the inflation rate. I think he himself does not know for certain how the bus company would be affected by this proposal. However the spirit of the motion is to press the Administration to rigorously and seriously examine the fare increase application. Whether the increase rate should be above or below the inflation rate is only a minor issue. We should bear in mind that bus users mainly come from the low social stratum who have a relatively lower income. The fact that they still choose to take buses with the option of the Mass Transit Railway shows that their spending power is relatively weak. I think this Council should consider the current fare increase proposals by the bus companies from the people's standpoint. Given that the proposed increase rate is excessively high, we really have to ensure that their travelling expenses would not be too high so that their quality of life can be safeguarded.

Mr President, I think Members have reached consensus on many aspects of this motion. We should not abandon ourselves to emotions just because we belong to different political parties. It is hoped that Members would appreciate that it is our major task to let the Administration understand that the general public are extremely unhappy with the proposed fare increase. On this premise, I would rather lend my support to the option which sets the rate of increase at a level below the inflation rate as a basis on which to carry out negotiation and as a mechanism of negotiation as well. In this connection, Meeting Point supports the original motion proposed by Mr LEE Wing-tat.

MR MAN SAI-CHEONG (in Cantonese): Mr President, in regard to the two bus companies' fare increases, I only want to say a few words on the China Motor Bus (CMB) with which I am more familiar.

I do not think that CMB's current application for fare increase, which is 100% over the inflation rate, is acceptable. In fact, the rate of each fare increase application by CMB is always higher than inflation. However, judging from the standards of service provided, CMB has made no improvement at all. Last November, the United Democrats of Hong Kong conducted a questionnaire survey on the quality of CMB's service, to find out whether there had been any improvement in CMB's service after Citybus had taken over 26 routes, that is, after the introduction of competition. Findings of the survey revealed that ordinary bus service often suffered from insufficient frequency and serious unpunctuality, whereas there was an over provision of air-conditioned and tunnel bus services. This reflects that CMB only emphasizes profit while

ignoring the overall public demand for transport. The general bus service is also steadily deteriorating. After the introduction of competition, CMB has not yet improved the general quality of its service but rather proposed a sharp increase in its fares. Is this not a way of "hard bargaining"?

While CMB has asked for an increase twice the inflation rate, its cost increase has not yet reached this level. According to the information given by CMB, the wage increase of its staff is 10.5%, which is more or less the same as inflation. As regards operating costs, given that replacement parts for vehicle maintenance are mostly imported from Britain and that the current exchange rate between Hong Kong Dollar and sterling is quite stable, CMB should not have incurred additional expenditure as a result of exchange rate fluctuations.

From the information provided by CMB, we cannot see any justification for a fare increase twice the inflation rate. CMB has the duty to improve its operational efficiency and cost effectiveness, rather than transferring any adverse effect of operational inefficiency onto passengers.

Lastly, CMB's former depot at Tsat Tsz Mui Road is situated in the heart of North Point. Given the presently high property prices, if an agreement can be reached with a development on the development of this site, CMB could probably generate very considerable recurrent revenue from it. With the prospect of tremendous revenue in the future, CMB still ignores people's livelihood and increases its fares sharply. Is CMB not acting against the moral and duty of its role as a public utility? Without much increase in operating costs or any sign of improvement in service, is such a rate of increase reasonable to the consumers? I hope that all these will be noted by the Transport Department so that when CMB's franchise expires by August 1994, it will take all these into account in considering the renewal of CMB's franchise.

I so submit.

MR STEVEN POON (in Cantonese): Mr President, operating a public utility is a strenuous business. It involves not only matters of technology, finance and personnel management, but also acceptability to the public.

The clientele of a public utility is the public. Its service would bear on people's lives. The principal objectives of operating a public utility are to attract investments by shareholders to acquire new facilities and improve the existing ones to provide a quality service for the public, while at the same time providing the service at a low price. It is the aim of all public utility operators and government monitoring mechanisms over the world to achieve both objectives. However, such perfect objectives are all too elusive for those in pursuit! Cases of public utilities successfully meeting the public's demands while attracting investment to expand quality services have been rare. Having said that, I conjure up two local utilities. The first one is the China Light and Power Company Limited (CLP). The company has been very successful in its

development of power supply while keeping charges at a relatively low level. The second one is the Hong Kong Telecommunications (HK Telecom). It introduced advanced technologies into Hong Kong, thus putting the territory's telecommunication service at the world level, and at the same time keeping charges at a level acceptable to the public. Incidentally, I feel very sorry for Mr Mike GALE, Chief Executive of HK Telecom, who died an untimely death today.

The successful development of power and telecommunication has been the result of the two aforesaid companies' farsightedness, bold innovation, readiness to depart from their erstwhile mode of operation and their full confidence in Hong Kong. Had CLP not had the vision and determination to use coal for generation of electricity, it might still have been using fuel for the generation today while consumers are required to foot heavy power bills. Had HK Telecom not replaced the copper wire telephone system with a digital and optical system, we might not have had the advanced telephone system today and would have had to pay much higher telephone bill. I learn a lot from these examples. Mr President, the Legislative Council holds a few debates every year on the service quality and fare increase of public transport companies. However, we are still unable to find a solution to the problem of their fare increase despite the many debates we have already had. In fact, high fare increases by public transport companies have not shown any sign of easing off. Conversely, the rate of increase is becoming more and more unacceptable. Today, the two bus companies apply for over 19% fare increases. How shocking it is for their rates of increase to exceed inflation by such a great margin!

Viewing from another angle, this high rate of increase indicates that the two bus companies' management lacks visionary strategy and long-term planning. Their stopgap measures have failed to solve their problems such as service quality and fare increase pressure.

Mr President, I think that the two bus companies should each prepare a five-year plan every year, setting out development proposals, routes arrangement, and improvement and costs reduction measures. They should also set out, on the basis of their five-year plans, the rate of fare increase for each year. In addition to deliberation by the Transport Advisory Committee, the plans should also be subject to public consultation before being submitted to the Executive Council for final approval. This will give the public an opportunity to have a say in the development plans of the two bus companies and to see whether their fare increases are justified. Besides, the operation objectives and development plans of the two companies must gain the public's recognition, lest we would only be doing a futile job even if we debate this question in this Council every day!

In fact we know very well that we must adopt some rather extraordinary measures if we are to contain bus fare increase at a level acceptable to the public while enabling the bus companies to make reasonable profits. In this

connection, I wish to point out that Mass Transit Railway Corporation has to rely on property development to finance its operation and that the viability of the airport railway hinges upon the land granted along the railway line for development to finance its operation. These are what I meant by extraordinary measures. I am not saying that the bus companies need this kind of measures. But some extraordinary measure must be taken to contain their fare increase.

To solve the problems of the bus companies, the Government also needs to depart from its erstwhile mode of operation and to seek bold and innovative solutions.

Mr President, containing the rate of increase below inflation is only one of the many facets in my consideration of the bus company question. We should not consider it on the basis of any subjective perception or wish but objective and real figures. And more importantly, we should resolve the problem at its root and start by examining the bus companies' development plans. For this reason, I support the Honourable Miriam LAU's amendment.

MR HOWARD YOUNG (in Cantonese): Mr President, the latest bus fare increases, be it in the case of the China Motor Bus or the Kowloon Motor Bus, are indeed disgusting to the public because of the exorbitant increase rates intended to drive a hard bargain. I believe the several major political parties which have their members serving this Council, including the Liberal Party, the United Democrats of Hong Kong and Meeting Point, are deeply concerned about this issue today. And they have organized signature campaigns in various districts to let the public express their dissatisfaction about this fare increase.

I feel that one particular point raised by Meeting Point's Mr Fred LI just now is well founded. Indeed Members of this Council are in consensus rather than at odds over the question under debate. We share a common wish, that is, firstly, the bus fare increase must be supported by good reasons; and secondly, the rate of increase should not be set at an unreasonable high level to the bus operators' liking.

Although we are in consensus over the question under debate today, just now a handful of Members still resorted to their usual labelling, elevating the subject to a dizzying height or using exaggerated and sensational remarks in attacking a certain political party. If I have not picked it up wrong, I heard a certain Member from the UDHK use just now some dramatic remarks such as "squeezing profits" or "robbing the public", or even attack the Liberal Party as a party with vested interest. I feel that such comments have no material help to the debate. I hope that in future debates, we can discuss matters in a manner as peaceful and objective as possible. But I cannot accept any attack against the Liberal Party by innuendos labelling it as a party with vested interest. As far as I know, none of the Members of this Council is a bus company director or a shareholder, including Members from the Liberal Party, Meeting Point and the UDHK. I for one have not bought any of their shares. Therefore, I am not a

shareholder. (I know that over 30 years ago a Senior Member of this Council had had ties with a certain bus company.) In this connection, how can they insinuate that a certain Member or political party has vested interest? I think this is going over the edge.

I believe all the political parties in this Council do wish public utilities could at best refrain from any fare increase, and there is a inflation at all. However, an oft-heard story runs like this: the first question asked by employees of many companies, particularly public utilities (including civil servants) at the beginning of each new year is the rate of their annual pay rise. We also hear very often the employees of many companies, even civil servants, demand a pay rise at a level higher than inflation. That is to say, on the one hand, a bus company has to satisfy its employees' demand for a higher-than-inflation pay rise, while on the other, it also must make investment to develop new services, open new routes and improve service quality and at the same time keep the rate of fare increase below inflation. I may have come from the commercial and industrial sector though, I simply do not know how to run such a business. As a representative of the tourism industry, I have had opportunities visiting many major international cities. From my observations, there is only one city other than Hong Kong whose frequency of bus service and number of routes are comparable to the territory. It is London. But in London, a passenger has to pay a fare equivalent to HK\$6 even if he is travelling to the next stop only once he has boarded a bus. Compared with London, bus service in Hong Kong is not bad at all.

From a market operation's point of view, is there a service which has been increasing charges continuously but at a level below inflation? Yes, the tourism industry. Over the last decade or two, the annual fare increase by many airline operators has been lower than inflation. Air ticket price has in fact been reduced by half during all these years. But more than 100 of some 200 airline operators in the world are either operating in the red or on the verge of folding up. Will it be in Hong Kong's interest if bus companies develop into such a similar state? I do not think so. I think we should take an objective and realistic look at the reasons for their fare increases. It is all very understandable if a fare increase is required to subsidize some loss-making routes. But I find it unreasonable of China Motor Bus (CMB) to cite the loss of franchise over the running of certain routes as an excuse for fare increase, because it is the company's fault, is it not? After all, we should not act like "a blind feeling an elephant" as suggested by the Honourable Miriam LAU earlier.

It would be wrong to set a compulsory ceiling to any fare increase until all relevant data are made available. The Honourable MAN Sai-cheong said earlier that although he is a member of the UDHK, he still hopes to review the question of fare increase in a comprehensive way. I agree with his point. Therefore, I shall vote for the first and second amendments to the motion today.

MR JAMES TO (in Cantonese): Mr President, let me first of all apologize for coming in late and missing my turn to speak according to schedule.

Just now Mr Howard YOUNG made his speech. He was addressing the issue in his usual style, complaining of politicization, polarization and malicious distortion. As a matter of fact, politics is after all public affairs. It is no big deal that different views are being held by people speaking from different perspectives on the same issue. I can see no malice in conducting a rational debate in this Council, with Members advocating the causes of different social classes and from different points of view. We should refrain from seeing malice in everything people do. Certainly there is no shortage of malice in Hong Kong. However, it is very normal indeed for public affairs to be debated in the Legislative Council. If we want to achieve social consensus on every issue, then we may as well be talking about a totalitarian society or a society under military rule. For otherwise, divergent views which already exist will be bound to emerge.

As a directly elected legislator, I have a rather straightforward view on this issue. It is not my intention to give a whole lot of statistics or offer too many arguments from a macro point of view. I have conducted a number of signature campaigns. It is true that different signature campaigns drew quite different kinds of response. I am quite clearly impressed by the public response to the signature campaigns with which I have been involved over the past couple of weeks. People were literally coming to us to put their names down. Some of them were cursing the bus fare increase. There were others who offered various sorts of arguments against the bus fare increase. They talked with us for quite a while after they put their names down. On other occasions when we solicited signatures for our petition against other tariff increases, we were not able to get such an enthusiastic response. But this time, people were very forthcoming. It is my duty as a directly elected legislator to remind the Government of the need to be wary of the public sentiment. The widespread riots which broke out about 20 to 30 years ago were triggered off by a fare increase of five, or no more than 10 cents. There is strong public resentment against the fare increase of 20% this time around. I would like to earnestly advise the Government that the strong public resentment is not the result of any incitement or out of any sabotage. The resentment has been quite a natural public reaction. I hope that the Government will deal with this issue most prudently for otherwise we may be caught off guard by something which we did not quite anticipate.

I would only add that although there are different social classes and there are different people representing their different interests, there is still a way for us to reach a consensus. Today, I have read the position paper of the Liberal Party prepared by its policy group on transport. I think the attitude of the Liberal Party should be closely examined.

Mr LEE Wing-tat has put forth what he wants to achieve very clearly in his motion, and so has Mr TAM Yiu-chung in his motion. However, in

paragraph 4 of the Liberal Party's proposal, it states that, if the proposed increase percentage is felt to be really and manifestly unfair, then we will, in the public interests, definitely bring pressure to bear on the Government to urge the two bus companies to make improvement. The position of the Liberal Party is reluctant and weak, and extremely mild. The Liberal Party is trying to get away with it by making such an empty statement. It has not even seen fit to ask for a fare reduction, or at any rate, ask for reasonable fare increase. It asks the bus operators no more than making improvement. As a matter of fact, the statement betrays the position and attitude of the Liberal Party. I hope that Members will clearly and explicitly state their views when they discuss this issue. We owe this much as legislators to the public at large.

Lastly, I would like to urge the Government to sincerely listen to Members' views. For otherwise dire consequences may result. All it takes is for some extreme radicals, whom the United Democrats may consider too hot-headed, to incite the public and riot would very well break out. Workers would go on strike. More drastic actions would just as likely happen. I believe this is a very explosive situation which, if managed poorly, will land us in very dangerous trouble indeed. I hope that the Government will handle it with extreme care.

DR TANG SIU-TONG (in Cantonese): Mr President, the Kowloon Motor Bus (KMB) has asked for an upward adjustment of 19.6% in its fare increase application this year. This rate of increase has come as a shock to the general public who think that the company is going too far. It is grossly irrational for the fare increase to exceed the prevailing inflation rate by more than 100%. Besides it will trigger off chain reaction whereby the other public transport companies and public utilities will follow suit one after the other. That the China Motor Bus (CMB) now applies for a fare increase of 19.1% without any good reasons is a case in point.

KMB has effected seven fare increases during the past decade with each increase being higher than the prevailing inflation rate. It is opined that if the rate of increase were not higher than inflation, any profits accrued from the operation would be totally offset by inflation and the company's survival would be in jeopardy. However, we would find that this point could not be farther from the truth when we look at another commercial organization — Hong Kong Telecommunications (HK Telecom).

HK Telecom's rate of increase in charges has been set at a level lower than inflation. This is consummate proof that as long as a company manages soundly and makes best use of its staff, operational efficiency can be raised and profits increased; business is still viable even if the increase rate is lower than inflation. The records of KMB's past fare increases demonstrate that the company failed to consider improving its operational efficiency, inflation and the public's affordability and acceptability. It focused only on shareholders' interest.

That KMB's fare increase application is not supported by good reasons has been pointed out by honourable colleagues speaking before me. I do not intend to repeat here. I would make a few comments on KMB's Scheme of Control.

Each fare increase by KMB shows that it is in fact manipulating the rules of the game, that is, a rate of return not more than 16% as stipulated by the Scheme of Control. Strictly speaking, KMB is entirely observing the rules of the game as long as its gain from the fare increase is not higher than 16% of its net assets value. The crux of the question is there are loopholes in the Scheme of Control. The Scheme of Control has turned into an amulet for profit protection. With the net assets value ever multiplying, the rate of return in real terms will rise correspondingly, thus pitching the net assets value and fare pricing into a vicious competition of racing against each other. A 16% annual rate of return is indeed very substantial for the net assets value can increase by 100% in four and a half years. Let us look at a comparison of two figures. KMB's net assets value was \$640 million in 1983 and it increased to \$2.1 billion in 1993. It is spectacular to see how the company's net assets value was expanded by 230% within 10 years. According to the Scheme of Control, KMB made a profit of \$102.4 million in 1983 and then \$336 million in 1993. One can have an idea of the real meaning of the "Scheme of Control" from this comparison. Two weeks ago, we conducted a signature campaign in Yuen Long to oppose the KMB fare increase and collected 6 000 signatures in only four hours. Last Thursday when I presented to KMB the signatures in opposition of the fare increase, a high ranking official of the company disclosed unwittingly that the company's 1992 profit return rate was about 14.8% and that for 1993 was expected to be 14%. That is to say the bus operator would reap a profit of \$300 million, excluding the proceeds of \$1.7 billion from the sale of the Kwun Tong depot. Thanks to the mechanism of the "Scheme of Control" which has turned into a guarantee of profit return, KMB can still put in a plausible application for fare increase despite some \$2 billion profits last years.

Earlier, the Secretary for Transport said he was also surprised by the exorbitant fare increases that the bus companies applied for. The public is equally surprised. The Hong Kong Government is in fact the culprit who has made it possible for the bus companies to make such a greedy opening bid for fare increase. In the past, the Government gave all sorts of assistance to public utilities, such as enabling them to acquire suitable lands for operation and sell them later. The Government's reluctance to stop public utilities from expanding their assets to net greater profits, in addition to profit protection made possible by the Scheme of Control, has made public utilities very greedy at the expense of the public interest. In order to turn the tide against irrational fare increases by public utilities, the Government must correct its mentality of shielding public utilities. Therefore, to conduct a comprehensive review of the Scheme of Control for public utilities and to study the feasibility of setting up a monitoring mechanism is the real solution.

Although separate amendments to the motion have been moved by Dr HUANG Chen-ya and Mr TAM Yiu-chung, they are in fact amendments on technical terminology and are in agreement with the original motion's spirit. The original motion is comparatively narrow in scope for it pinpoints only the problems arising from this year's bus fare increase. The Government should formulate a long-term policy to control any abuse of fare increase by the two bus companies. However, I do not support a compulsory restriction on any fare increase to be set at a level below inflation. It is my view that under the principle of commercial operation, it is common that consideration has to be given to factors other than inflation. But I think that given their healthy financial situation and enormous surplus this year, bus companies should bring their fare increase within the public's affordability. They could even freeze the fares or delay the increase, bearing in mind in particular the heavy transport expenditure the New Territories residents have to bear.

I think the wording of Mrs Miriam LAU's amendment is too loose. Her amendment exerts no pressure on restricting irrational fare increase by bus companies, while at the same time fails to show the urgency with which this Council presses for a speedy and comprehensive review of the schemes of control. I am afraid the amendment might give the bus companies the opportunity to exploit loopholes, in the sense that they will put on an act by claiming their commitment to give consideration to public's views and conduct review on the one hand, while continuing to raise their fare increases unjustifiably on the other. I therefore have reservations about the amendment.

Mr President, I so submit.

MR WONG WAI-YIN (in Cantonese): Mr President, "the Kowloon Motor Bus (KMB) is putting up its fares and so is the China Motor Bus (CMB); together, they are taking their passengers for a ride". That was the slogan which I chanted along with members of the various branches of Meeting Point in our petition at Government House yesterday to voice our strong objection to the sharp fare increase by the two bus companies. The fare increases of 19.6% and 19.1% proposed by KMB and CMB respectively have been strongly resented by the public at large. Meeting Point has arranged to meet with senior managers of the two bus companies respectively and requested the release of the full facts and figures justifying their fare increase proposals on the one hand as well as a big cut in the proposed fare increases on the other. Although we did have a meeting with the Managing Director of KMB, Mr John CHAN, we were rather disappointed at not being able to secure more information than they had so far been willing to give. In this regard, as my colleague Mr LI Wah-ming put it just now, there is no way we can come to an informed judgement of whether the fare increase is justified, without full access to information.

Our experience with CMB has been even more exasperating. With a reputation as a forbidden empire to outsiders, CMB's senior managers have refused to meet us. This is indeed regrettable. What sort of a public

corporation is CMB which does not even have the courage to listen to public views?

Hong Kong people are allegedly so accustomed to price rises that they have become rather insensitive to them. However, the recent bids by the two bus companies for such mad fare increases have surprisingly infuriated even the insensitive Hong Kong public. They have been so incensed that they are voicing their strong objection to the fare increases. The exorbitant demand of the bus companies has drawn the strongest public outcry. I am sure there are people who will argue that fare increases are bound to be unpopular anyway. As a matter of fact, are Hong Kong people always opposed to all kinds of price rise? This may not be the case. The question is really whether the rate of increase is reasonable. If a sharp fare increase will bring about significant improvement of service, the public will not react so strongly. However, it is unfortunate that the sharp fare increases by the two bus companies are not meant to improve service. The increases seek to scoop even greater profits. Over the years, the reason given by the two bus companies for fare increases has always been the need to improve bus service. But have their services really been improved over the years? Passengers still have to wait in long queues. Unpunctuality still remains serious. Although there has been a drop in the number of complaints, it is still quite high. These facts show that the services provided by the two bus companies have not been improved.

Mr President, that we have had such a strong public reaction against the fare increase is because the excuses given by the two companies are extremely flimsy and hardly convincing at all. Meeting Point has the following views on the issue.

Firstly, Meeting Point has come to the view that the reasons why KMB seeks a fare increase of 19.6% are mainly that under the existing franchise, it is assured of an profit of 16%, so much so that when operating costs increase it has neither the will nor the motivation to improve efficiency or reduce costs. Instead it will try to achieve the profit target of 16% by way of fare increase.

Secondly, it is ridiculous and totally incredible that CMB has used reduced patronage and falling revenue as a result of the loss of 26 bus routes in the Southern District as an excuse for a massive fare increase. But some of the 26 routes severed from CMB are actually loss-making routes. What is more, given that those 26 routes have been lost for less than six months, it is unlikely that the lost revenue should figure prominently in the financial position of the company. That is a very weak argument to justify such a hefty fare increase.

Thirdly, the two bus companies have both used falling patronage as an argument for fare increase. However, falling patronage is either the result of inefficient management by the company itself or overall road congestion. It is the responsibility of the Government to find a solution to the problem of road congestion in Hong Kong. We must suit the remedy to the case. Putting up

fares is a misconceived solution which will only lead to continuing decline in patronage.

Fourthly, it is doubtlessly true that wage increases will create pressure for a fare increase. However, the level of increase in wages awarded to employees of the two bus companies has been less than 10.5%, a percentage completely incompatible with the hefty fare increase sought. The justification is all the more unreasonable in the face of a fall in fuel prices.

Fifthly, in so far as new town residents who have to go to work in the urban areas and low income households are concerned, it must be noted that transport fees take up an important slice of their expenditure. Therefore in scrutinizing the fare increase applications by the two bus companies, the Executive Council should take into account the general acceptability and affordability of commuters in the New Territories.

Sixthly, the improvement of service is the best way to increase the income of the bus company. It is also an investment that should be financed by shareholders. There is no question of investment costs being transferred onto passengers, nor fare revenue used as a way of raising funds.

Meeting Point opines that the current fare increase applications by the two bus companies are totally unreasonable and will add to the burden of the people. In this regard, we urge the Government to take the following actions:

Firstly, the Government should reduce the proposed fare increase to a reasonable level;

Secondly, the Government should review KMB's Scheme of Control; and

Thirdly, the Government should expeditiously introduce positive and effective measures to solve the problem of road congestion in Hong Kong.

Mr President, the people of Hong Kong have long passed the era of accepting injustices done to them. We hope that the Government and the various public corporations will adopt a more open attitude in terms of releasing information of public interest to achieve greater transparency and to listen more to public views, lest the public will continue to have no faith in the Government and despise the public corporations. Lastly, I would like to issue a warning to the two bus companies. They should stop treating Hong Kong people as fools and refrain from seeking hefty fare increases.

Mr President, with these remarks, Meeting Point supports the amendment by Dr HUANG Chen-ya and strongly opposes the proposed hefty increases in bus fares.

MR JAMES TIEN: Mr President, bus operations affect millions of people in a very direct way. But no doubt some legislators can hardly see how this will affect those who presumably do not travel on mass transport. In their preconceived mind, they are people who sit in an air-conditioned limousine and live in an isolated world of luxury. It is always easy for unscrupulous politicians to dramatically segregate people into different classes in order to appeal to a larger target group of voters and discredit the fewer. Maybe this is the universal truth of politics, but this is surely the sad reality we are facing today.

The fact of being a vehicle owner did not alter my habit of shuttling to and from the legislature and my office in Kowloon on the Mass Transit Railway (MTR). It is naive, if not ignorant, to presume bus operation is not the concern of employers. Bus operation affect my constituents and me in a very direct way because many of my employees and workers commute on coaches. Whether they get to work on time and in good shape affects productivity and thus our business. So far we employers have some complaints about bus operations but these are outweighed by our sensible realization that it is never easy to move millions of passengers a day.

I certainly do not approve the 19.6% average fare increase sought by the Kowloon Motor Bus (KMB) for the coming fiscal year. However, I cannot bring myself to agree to the argument presented by the Honourable LEE Wing-tat in a bid to set the fare increase at a level below the inflation rate. Yes, the argument supported by the United Democrats is appealing to all commuters, or even to the general public. Who on earth would like to pay more? Who on earth do not want everything free of charges? However, we are living in a real world, a capitalist world. You have to pay fair price for fair service. As legislators of Hong Kong, we have the responsibility to explain the rationale behind every issue in a sensible way instead of a sensational way. I am not an eloquent speaker who can comfort you with some empty promises and sensational slogans, but I would like to ask the public to share the basic facts with me.

Mr President, not all companies can improve their efficiency or enhance productivity to neutralize inflation, especially those whose expenditure is mainly for salary purposes. To set the bus fare increase at a level below the inflation rate would mean to ask the operators to make less money until the bus companies are actually running at a deficit and eventually after many years into bankruptcy, at which time the Government using the public money may have to bail out the utilities. If the original motion is passed in this Council, can we then convince the bus company staff — whose salaries account for 60% of KMB's operating cost — to limit their remuneration increases to the same rate? By the same token, can we tell the KMB drivers to accept a salary increase less than inflation? Can we likewise convince the British coach builders to do the same with their buses sold to Hong Kong? If we allow the same argument to apply to all other price increases, we will end up living in an Utopia with

everything setting a price at a level of no inflation rate involved. But I wonder if anyone will remain in the business anymore.

Let us not be pressed into a dogmatic approach to the bus franchises. Let us assess every case based on the fine points. Let us, as Mrs Miriam LAU has pointed out, keep the issue on track rather than see it used for political ends. Let us be sensible.

With these remarks, Mr President, I support Mrs Miriam LAU's amended motion.

MRS SELINA CHOW (in Cantonese): Mr President, "Uncle Wah" is admittedly the most outstanding political animal of this Council. The expressions and words he uses are very explosive. Just then, he has mentioned the Liberal Party several times in his speech. I thank him for enhancing the exposure of the Liberal Party. However, I object to his using some paradoxical arguments to attack the Liberal Party. He used the livelihood issue, an issue of universal concern, to give rein to his political bias. His whole speech is full of provocative language, for example, he disparaged the absolutely reasonable rationale of public acceptability as a nullity, and negated this reasonable rationale with words like "destitute and bankrupt".

"Uncle Wah" said the motion moved by the United Democrats of Hong Kong (UDHK) was crystal clear. I am of the view that the UDHK, which claim to be a pressure group, never fail to oppose issues which nobody wants to face but are necessary. To them, the most important thing is to be "good guys" and all adverse consequences are to be disregarded. Thus, they oppose fare increases, insufficient personal allowance and pay increases because all these are safe stands welcomed by all. In this way, the UDHK take the lead and do a lot of things. As long as their wishes are satisfied, they will not question whether it is reasonable or not, what the impact would be on the whole community and whether it is acceptable to the commercial sector which has to bear the risk. On the contrary, I appreciate the sincere words uttered by Mr LEE Wing-tat during a debate on taxi fare increase. He said, "No one likes fare increases, but if they are reasonable, they have to be accepted." Therefore, we totally agree that fare increases have to be based on the principle of "reasonableness". We also totally agree to Mr LEE's original motion which has not set the ceiling at the inflation level. In fact, the amended motion moved by Mrs Miriam LAU is but Mr LEE's original motion.

I have to respond to "Uncle Wah" that the Liberal Party's stand is not dubious at all. We think that the 19.6% and 19.1% fare increases requested by KMB and CMB respectively are indeed too high. But what is the rationale for setting the ceiling at the inflation level? What consequences will it have on bus services? Does "Uncle Wah" know about these? Does Mr LEE Wing-tat know about this? Mr James TO described the speech of the Liberal Party as being very mild and weak. I hope that he will not confuse a mild attitude with a weak

one. If we are to analyse an issue in a fair and reasonable manner, we have to be calm and patient, and also have to think in order to find out the crux of the matter. That is the minimum requirement which the public expects of Members in considering an issue.

Finally, may I advise "Uncle Wah" not to create the imaginary revolutionary struggles like those in the Cultural Revolution again. Do not take the Liberal Party arbitrarily as an enemy to be provoked and overrun. Actually, we are all on the same side, that is the people's side. The difference between the Liberal Party and the UDHK is that the Liberal Party will argue strongly on just grounds, securing consumer rights for the public on one hand, and putting forward reasonable and practical arrangements acceptable to the bus companies on the other. The UDHK obstinately set a ceiling on fare increase in the absence of substantial reasons. I believe that colleagues and members of the public will definitely identify Mrs Miriam LAU's amendment (that is Mr LEE Wing-tat's original motion) as the wise choice.

Thank you, Mr President.

MR CHEUNG MAN-KWONG (in Cantonese): Mr President, I would like to respond to a few points. Mrs Miriam LAU said that while the two bus companies sought to raise fares exorbitantly, the United Democrats moved the motion to try to drive a hard bargain with them. Both the bus companies and the United Democrats are considered not in the right. On the face of it, the comment looks fair as criticism is levelled at both sides. In essence, it is equivocal. Under the pretence of fairness, the equivocal remarks are in fact in support of the proposed fare increase which is set at a level above inflation. Mrs Miriam LAU said that the level of fare increases should be acceptable to the public. Then I would like to ask why those who live from hand to mouth should travel on buses. The answer is that they take a bus to go to work and they go to work to earn a living. Apart from buses which are operated under a franchise, there is no alternative mode of transport available unless they take the more expensive means such as the Mass Transit Railway (MTR), taxi or private car. Though the public do not accept the fare increases, they still have to go to work to make a living, do they not? In other words, the so-called public's acceptability of the level of fare increases is in fact an elastic pressure cable, so to speak. So long as the cable does not crush them to death, people have no alternative but to live with it, though reluctantly. The so-called public acceptability is not at all a reference point but rather a breach. Once the breach is opened, the two bus companies can increase fares at will and the scale of increase may far exceed inflation. This leaves the public at the mercy of the companies and fuels inflation as well.

Dr LAM Kui-chun said that the United Democrats' proposal to set the fare increases of the two bus companies at a level below the inflation rate was one that sounded good but of no material use. But I think that this proposal can at least serve one useful purpose, that is, it will compel the bus companies to

generate more revenue by improving their services. Actually, we do not have to worry about the financial health of the two bus companies. In the past, profits poured in from all directions when cross-harbour routes were introduced one after another. At the moment, the bus companies are expanding their air-conditioning bus services and are making good profits. The Kowloon Motor Bus (KMB) is going to purchase several hundreds of new buses, mostly air-conditioning ones, in the coming few years. This evinces that service improvement is a means to boost profit margin and also a goal towards which both bus companies should move, despite the fact that we have hesitation to support the bus companies to purchase so many air-conditioning buses.

Mr President, there is another reason why I consider the United Democrats' proposal workable. Should this proposal be accepted by the Government, it will obviate the need for the two bus companies to engage in "creative writing". What is "creative writing" in this context? It has to do with "creating reasons". What sorts of reasons? For example, KMB claimed that its concessionary fare scheme for the elderly incurred a loss. The China Motor Bus (CMB) complained that the abolition of its 26 bus routes by the Government led to a drop in passenger volume. All these reasons are "created", or made up, by the bus operators. Now this is my advice to the two bus operators: fact the reality and set your sights on service improvement; this is the sort of attitude that a down-to-earth public corporation should adopt.

Mr Howard YOUNG said that it was like a blind man trying to size up an elephant to propose unilaterally a fare increase below that of inflation. As a matter of fact, such an accusation is not only directed at the United Democrats bus also the general public sharing such a view. In face of the high cost of living, the general public have seen through the ridiculous theories in support of the proposed fare increases as put forward by the two bus companies and the Government's unreasonable fare increase mechanism. They are not blind at all; they are able to distinguish between right and wrong. In a brief signature drive organized by the United Democrats, we have collected 100 000 signatures supporting the proposal to set the bus fare increase at a level below inflation. Are these people all blind?

Anyway, the saying that we are like blind men trying to size up an elephant has indeed some truth in it because the two bus companies are behaving like an elephant. They run wild, as it were, and act in a reckless manner on the issue of fare increase. They observe the law of jungle where the stronger preys upon the weak. The real victims are the general public who enjoy no right to stop them from increasing fares because they are the weak in this concrete jungle, and hardly able to survive the elephants' rampage.

Mrs Selina CHOW said that the United Democrats employ pressure group tactics to tackle this matter and could not shake off their pressure group image. This is incorrect because the United Democrats' views do not always tally with public opinion. We have our own position. The cases in point are matters concerning capital punishment and the abolition of port of first asylum. We

have our own position and our own thinking. On the issue of fare increases proposed by the two companies, we support the public's sensible requests and find the reasons put forward by the two companies absurd. We are not a pressure group. This is our stance to speak for the lowly citizens and the mass. Thank you, Mr President.

SECRETARY FOR TRANSPORT: Mr President, the applications for fare increases submitted by the Kowloon Motor Bus Company Limited (KMB) in December and the China Motor Bus Company Limited (CMB) earlier this month are both being examined by the Transport Department. It would therefore be premature for me to deal with these applications specifically *per se* this afternoon. Indeed there is no need to since the Honourable LEE Wing-tat's motion and the various amendments that have been proposed relate to two basic points: the fundamental principle as to whether approval for the fare increases sought by the bus companies need be restricted to the rate of inflation, and the Scheme of Control.

One of the major thrusts of our transport policy is to encourage the use of public transport. Buses play an integral role — they carry 3.4 million passengers daily or account for 34% of daily passenger trips. The Administration's prime responsibility is therefore to ensure that an efficient and acceptable standard of bus service is provided at a reasonable price. But, by the same token, the operator must be permitted to make some return on his investment, otherwise there is a real danger that bus services will deteriorate, let alone the incentive to improve services.

So what then are the criteria that should be taken into account in considering and processing applications for fare increases? These are:

- (a) the increase in operating costs since the last fare adjustment;
- (b) efforts made to reduce costs and increase revenue, for example, economy measures and efforts to increase non-farebox revenue such as advertising;
- (c) the quantity and quality of service provided having regard to passenger demand and feedback;
- (d) future development plans and service improvement programmes;
- (e) forecast of future costs, revenue and return;
- (f) public affordability and acceptability including the impact on livelihood; and
- (g) elderly concessionary fares.

And, in this respect, I certainly support the Honourable Miriam LAU's call for the fuller disclosure of information on the part of the bus companies. This can only facilitate the process of the application for fare increases.

In addition to all the factors I have outlined, "inflation" is of course a key element that is all-encompassing. The impact of inflation necessitates upward adjustments but the actual increase in costs may well outstrip the level of inflation.

Let me illustrate this. Bus operations are a labour intensive industry. Labour costs alone constitute about 60% of the operating expenses. The bus companies have to compete for drivers. Consistent with the general trend, salaries have risen higher than inflation. Over the past 10 years, the Nominal Wage Index has increased by an average 9.7% per annum compared with the average annual increase of 7.6% in the Consumer Price Index.

Maintenance is another major and expensive expenditure item. A large proportion of the maintenance costs is attributable to rigorous inspection and overhauling. Often new replacement parts are required to meet the exacting standards to qualify for the issue of certificates of fitness. Such examinations are essential because they reinforce road worthiness and ensure the safe operation of buses on our roads.

Then, there is the question of service improvements. With the opening of the new towns and new housing developments in the urban areas, and indeed in response to community demand for qualitative improvements, KMB and CMB have increased the number of routes from 355 in 1989 to 424 in 1993 and have furthermore implemented 193 improvements in frequencies over the same period. Overall, the result has thus been a general upgrading of our bus services, including a shorter waiting time, less crowding on buses, higher quality vehicles and direct long-distance routes. This illustrates a degree of better service and more comfort. But, of course, complaints are still voiced, and quite rightly so, and we have to cope with these. To meet rising expectations, an additional 24 new routes and 70 frequency improvements are being planned for 1994 following extensive consultations with passengers and district boards. These improvements that the public want and expect have to be funded and paid for and thus contribute some way towards the justification for higher fares. Inflation alone does not cover such expenditure.

The cost of elderly concessionary fares is, likewise, not covered by the general level of inflation. Such concessionary fares are not compulsory. The Government certainly encourages public transport operators to introduce half fares for our senior citizens and the Administration has contributed to the scheme by waiving rentals and bus licence fees. The bus companies have introduced a concessionary fare scheme and it is for detailed consideration whether and to what extent the revenue so foregone on their part should be taken into account through subsequent fare structures.

So whilst I have certainly taken note of the arguments advanced by the Honourable LEE Wing-tat and those Honourable Members who support the spirit of his motion, I hope I have also illustrated that there are other factors that must be taken into account. Indeed, many other Honourable Members have elaborated on the reasons, the logic and the necessity for this. And the Honourable James TIEN has focussed on the temptation of politicizing the subject.

Some Members have commented on the recent windfall profit of some \$1.7 billion accruing to KMB's shareholders through the sale of two bus depots and questioned why the proceeds should not be used to keep fares at a modest level. An explanation is called for. The sites in question were obtained by KMB at full market value. It was paid for by their shareholders. These two sites were no longer required for bus operations and, hence, the Administration gave them permission for their disposal. As regards the Honourable LEE Wing-tat's comments on new depot sites, many of the KMB new depots are in the New Territories and are operationally required there.

The main concern underlying this motion debate is the impact of the public transport fare increases, including bus fare increases on public livelihood. This needs to be put in perspective. For the four-year period between 1990 and 1993, the average annual total impact on the Consumer Price Index from a public transport fare increase point of view is but half a percentage point. Take 1993 for example, the total impact was to raise the Consumer Price Index by 0.53% of which the bus fare increases of the two Companies implemented last April accounted for only 0.2%. The transport component of the average household expenditure, which covers both public and private transport, in round figures, is only 7%. Thus for example, in dollar terms, where household expenditure is, say, \$10,000, only \$700 is spent on transport-related expenses. And indeed the annual increase in wages compensates for this to some degree.

Let me now turn to the other aspect of the motion debate, namely KMB's Scheme of Control. This is an integral part of KMB's current franchise. The Scheme of Control is legally binding on both the Government and the Company and cannot be changed unilaterally. The scheme provides for a permitted return of 16% on average net fixed assets. However, there is certainly no obligation on the Government's part to agree to pitch bus fares at a level which would enable the company to achieve this maximum return. I certainly agree with the Honourable LEE Wing-tat's call for the need to review this scheme and this will be undertaken. In this respect, it is, of course, pertinent that none of the other three franchised bus operators now have such a scheme.

Let me assure Members that the Administration is equally concerned about fare increase applications. We have a dual responsibility: first, to ensure

that bus services meet public expectations, they must be efficient and at an acceptable standard. And the fares must be reasonable, bearing in mind the underlying principle that there should be no government subsidy. Second, because private bus companies provide the service, the fare levels also need to be pitched at a level which allows them to obtain a reasonable but not excessive return. Unfortunately, the Honourable LEE Wing-tat's motion to pin down fare increases to inflation levels would preclude a full account being taken of other factors. It would be foolhardy to adopt such a sacrosanct doctrine. This may be a very tempting short-term palliative but, in the long run, it could seriously undermine the provision of bus services.

The amendment proposed by the Honourable Miriam LAU recognizes the dilemma and I certainly share the views expressed by those Honourable Members who have argued why inflation percentages should not arbitrarily fix the ceiling for the level of increases which can be allowed. The Administration certainly recognizes the need to vet applications for fare increases most meticulously and, indeed, that is what is being done. Public comment and feedback is not only important, it is essential. We fully understand the strong public sentiments which have been expressed. The Government has no remit to bat on behalf of the bus companies. The constructive ideas and comments put forward by Members today will certainly be taken into account and brought to the attention of both the Transport Advisory Committee and the Executive Council.

The message today from all Honourable Members is crystal clear, namely that they hold the view that the increases sought by KMB and CMB are excessive. And indeed, the Honourable Fred LI has summed up quite correctly that no Member supports the level of increases sought. I said at the beginning of my speech that these applications are now being scrutinized and whilst I am not in a position to indicate the likely level of the increases that will be recommended to TAC and the Executive Council, I can quite categorically say that the Administration's preliminary view is that the levels sought by CMB and KMB have not been justified. I therefore anticipate and expect that some downward adjustment will be necessary. And in this respect I have earlier outlined the criteria that will be applied in processing these applications. Whatever the outcome, the Administration is accountable and will fully explain the reasons for the decision on the level of fares that are ultimately approved.

The Administration therefore supports the Honourable Miriam LAU's amended motion. Thank you, Mr President.

PRESIDENT: Dr HUANG Chen-ya 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.

DR HUANG CHEN-YA moved the following amendment to Mr LEE Wing-tat's motion:

"To replace the words "Kowloon Motor Bus Company (KMB)'s application to the Government for a fare increase of 19.6%" by "applications of the Kowloon Motor Bus Company (KMB) and China Motor Bus Company to the Government for a fare increase of almost 20%"; and to replace the word "company" after the words "service improvement of the" by "two companies"."

DR HUANG CHEN-YA (in Cantonese): I move that Mr LEE Wing-tat's motion be amended as set out under my name in the Order Paper.

Question on Dr HUANG Chen-ya's amendment proposed.

PRESIDENT: Mr LEE, do you wish to speak? You have a total of five minutes to reply to all proposed amendments.

MR LEE WING-TAT (in Cantonese): Mr President, first of all I would like to talk about the application for fare increase. After the debate, I still feel that truth and public opinion are on my side. Just now Mrs Miriam LAU asked Rev FUNG Chi-wood whether the information he referred to on the Liberal Party was true. Actually, I feel that it is not surprising that different political parties have different political dispositions. However, there is one principle which is very important, and that is all political parties should be genuinely dedicated to serving the public, and should be consistent in both words and deeds.

The spokeswoman of the Liberal Party, Mrs Miriam LAU, proposes to amend my motion of setting the fare increases by the two bus companies at a level below the inflation rate, and substitute it with what I think an amendment motion with ambiguous direction. Let us take a look at the acts of the spokesman of the Liberal Party for transport policy over the past period of time to see if the Liberal Party is consistent both in words and deeds. It was reported in the *Express* dated 23 October 1993 that "Legislative Council Members of the Liberal Party opine that KMB fare increase should not be higher than the inflation rate, otherwise there should be sufficient reasons to convince the public." It was reported in the *Oriental Daily News* on 26 October 1993 that "The Liberal Party organized a signature campaign on 25 October The Liberal Party proposes that KMB fare increase should be set below the inflation rate. (I repeat, the Liberal Party proposes that "KMB fare increase should be set below the inflation rate.") A total of 5 000 signatures were collected from the public in this campaign, and were then handed over to the Transport Department by Mr CHOI Kwok-hung, their spokesman, and a Mrs LAU." Since last week, the Liberal Party has been displaying in the Central and Western District banners bearing the name of their Central and Western District Board members' office and names of members of this Council and district boards such

as Dr LAM Kui-chun, Mr CHAN Tak-chor and Mr LEUNG Ying-yeung. On the banners are slogans that read, "Objection to CMB fare increase being set above the inflation rate." I have two photos here showing the slogan "Objection to CMB fare increase being set above the inflation rate." I shall circulate the photos to Members. Now where are these banners? Listen, they are being hung at the entrance of Cheong Yip Centre at Sai Ying Pun, No. 99 Caine Road as well as along Smithfield Road and Queen's Road West. You (the reporters) had better go and take pictures of them because they may be removed soon. Speaking and acting openly on the one hand against the setting of fare increases by the two bus companies at a level above the inflation rate, the Liberal Party opposes my motion in the Legislative Council on the other. I can but draw only two conclusions:

Firstly, the Liberal Party thinks one way and acts another way. It does so in political issues as well as in issues concerning the people's livelihood.

Secondly, the Liberal Party is cheating the public.

Mr President, I wish neither to continue to cite new examples nor to talk anymore, because it is only natural that different Members hold different views towards policies concerning the people's livelihood. However, political parties which serve the people should be consistent in both words and deeds. Thank you, Mr President.

Question on Dr HUANG Chen-ya's amendment put and agreed to.

PRESIDENT: In view of the fact that the amendments proposed by Dr HUANG and Mr TAM are substantially the same, Standing Order 31(3) would debar further debate on Mr TAM's amendment now that the Council has taken a decision on Dr HUANG's amendment. I shall not, therefore, be calling on Mr TAM to move his amendment.

PRESIDENT: Mrs Miriam LAU, as Dr HUANG Chen-ya'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?

MRS MIRIAM LAU (in Cantonese): Mr President, with your leave, may I change the terms of my amendment to read:

"To delete the words "to set the increase at a level below the inflation rate of 1993; and to promptly conduct a review" and substitute the following: "to fully appreciate and give due weight to the acceptability of this level of increase to the public as well as its effect on inflation whereby the approval to the two companies' applications for fare increase may be determined on that basis; and to conduct a timely review"."

PRESIDENT: You have my leave, Mrs LAU. Would you move your amendment?

MRS MIRIAM LAU moved the following amendment to Mr LEE Wing-tat's motion as amended by Dr HUANG Chen-ya's amendment:

"To delete the words "to set the increase at a level below the inflation rate of 1993; and to promptly conduct a review" and substitute the following:

"to fully appreciate and give due weight to the acceptability of this level of increase to the public as well as its effect on inflation whereby the approval to the two companies' applications for fare increase may be determined on that basis; and to conduct a timely review"."

MRS MIRIAM LAU (in Cantonese): Mr President, I move that Mr LEE Wing-tat's motion as amended by Dr HUANG Chen-ya's amendment be further amended by my revised amendment.

Question on Mrs Miriam LAU's amendment to Mr LEE Wing-tat's motion as amended by Dr HUANG Chen-ya's amendment proposed.

PRESIDENT: Mr LEE, do you wish to speak further? You have still 1 minute 19 seconds out of your five minutes.

MR LEE WING-TAT (in Cantonese): Mr President, when I entered the Council Building today, Mr CHOI Kwok-hung, the Liberal Party's spokesman on transport policy, handed me a letter, in which the Liberal Party pointed out that it had decided to amend my motion because I did not understand the Kowloon Motor Bus's (KMB) operation. Frankly speaking, I have spent a lot of time studying KMB's operation. I believe my speech just now spoke for itself. I always wonder whether the Liberal Party has made an effort to study in detail KMB's operation and the company's profit margin over the past few years. As the United Democrats of Hong Kong's (UDHK) spokesman on transport policy, I now challenge the Liberal Party to have an open debate with the UDHK at any time and any place convenient to them so that the public and the press can judge whether the fare increases now proposed by the two bus companies are justifiable. Mrs Miriam LAU's early reply would be very much appreciated. I hope she will not keep me waiting for ages.

The Liberal Party's second reason for amending my motion is that they think I do not have a profound understanding of the public views. At last Christmas the Liberal Party organized a signature campaign. They only collected 5 000 signatures. The response was poor in comparison with my signature campaign through which I collected 110 000 signatures

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PRESIDENT: Mr LEE, you have to stop now, I am afraid.

Question on Mrs Miriam LAU's amendment to Mr LEE Wing-tat's motion as amended by Dr HUANG Chen-ya's amendment put.

Voice vote taken.

PRESIDENT: Council will proceed to a division.

PRESIDENT: Would Members now please proceed to vote?

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

The Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mr Andrew WONG, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Peter WONG, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr Timothy HA, Dr LAM Kui-chun, Mr Eric LI, Mr Steven POON, Mr Henry TANG, Dr Philip WONG, Mr Howard YOUNG, Miss Christine LOH, Mr Roger LUK and Mr James TIEN voted for the amendment.

Mr HUI Yin-fat, Mr Martin LEE, Mr SZETO Wah, Mr TAM Yiu-chung, Dr LEONG Che-hung, Mrs Elsie TU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr MAN Sai-cheong, Mr TIK Chi-yuen, Mr James TO, Dr YEUNG Sum, Mr WONG Wai-yin, Dr TANG Siu-tong, Ms Anna WU and Mr Alfred TSO voted against the amendment.

Mr PANG Chun-hoi, Mr Jimmy McGREGOR and Mr CHIM Pui-chung abstained.

PRESIDENT: The result is 25 for the Ayes and 25 for the Noes. Members will recall a precedent similar to this in January 1992 where there was an equality of votes and as Presiding Officer I had to cast my vote to resolve the deadlock. I did so then and I will do so now in reliance on the convention that, in giving his casting vote, the Speaker casts it with a view to indicating his impartiality and that very often means voting in favour of the *status quo*. In this case, Mrs Miriam LAU's amendment has failed to receive a majority and the implementing of the *status quo* means that I will cast my vote against the amendment the result of which is that there are 25 votes for the Ayes, 26 for the Noes and the Noes have it.

THE PRESIDENT therefore declared that Mrs Miriam LAU's amendment was negatived.

PRESIDENT: Mr LEE Wing-tat, do you wish to reply generally? You have 2 minutes 39 seconds.

MR LEE WING-TAT (in Cantonese): Mr President, first of all I should like to thank honourable colleagues who support my original motion. Although each debate on each fare increase gives rise to heated discussions within this Council, I believe, however, Honourable Members today are sending a very strong message to the Transport Branch and the Government: The latest fare increase that the two bus companies have applied for is exorbitant. We hope the Government will act with caution and not to look only at figures submitted by the companies. Under the existing constitutional arrangements, the Legislative Council does not have access to information concerning bus fare increase applications. But I hope the Secretary for Transport will appreciate that in an open society, the people are no longer ignorant and submissive to exploitation. I wish that the Secretary could, with approval by the Executive Council, seriously consider making information presented to the Transport Advisory Committee available to the Legislative Council for reference. I personally can accept it even if it is made possible by way of a closed-door meeting. Without the information, it is very difficult for colleagues to make fair comments on the rationality of fare increase applications by the two bus companies and on the level to which the proposed fare increase be reduced.

Moreover, although Kowloon Motor Bus's (KMB) Scheme of Control expires by mid-1997, discussions in respect to this agreement should start a year or two before the expiry. I hope the Secretary for Transport will spend some time discussing this question with the public and this Council. I also hope that the Secretary, having listened to the discontent expressed by honourable colleagues just now about the two bus companies, will keep a close look at the companies and urge them to improve their services as quickly as possible and establish some effective channels for the public to express their opinions. Thank you, Mr President.

Question on Mr LEE Wing-tat's motion as amended by Dr HUANG Chen-ya's amendment put.

Voice vote taken.

PRESIDENT: Council will proceed to a division.

PRESIDENT: Order in the public gallery, please.

PRESIDENT: Would Members now please proceed to vote?

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

Mr HUI Yin-fat, Mr Martin LEE, Mr PANG Chun-hoi, Mr SZETO Wah, Mr TAM Yiu-chung, Mrs Peggy LAM, Dr LEONG Che-hung, Mr Jimmy McGREGOR, Mrs Elsie TU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr MAN Sai-cheong, Mr TIK Chi-yuen, Mr James TO, Dr YEUNG Sum, Mr WONG Wai-yin, Dr TANG Siu-tong, Ms Anna WU, Mr Alfred TSO voted for the amended motion.

The Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mr Andrew WONG, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Peter WONG, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHIM Pui-chung, Mr Timothy HA, Dr LAM Kui-chun, Mr Eric LI, Mr Steven POON, Mr Henry TANG, Dr Philip WONG, Mr Howard YOUNG, Mr Roger LUK and Mr James TIEN voted against the amended motion.

Miss Christine LOH abstained.

THE PRESIDENT announced that there were 28 votes in favour of the amended motion and 24 votes against it. He therefore declared that Mr LEE Wing-tat's motion as amended by Dr HUANG Chen-ya's amendment was carried.

RETIREMENT PROTECTION SCHEME

MR PANG CHUN-HOI moved following motion:

"That in view of the fact that the Government's recent announcement in this Council of its policy intention concerning the retirement protection system has already aroused feelings of doubt among people of all social strata, this Council urges the Government to draw up shortly, in respect of the old-age pension scheme, specific implementation details which are fair, reasonable and acceptable to the people of Hong Kong; and to put in place as soon as possible a feasible, credible and reliable system for a community-wide mandatory scheme of employees' retirement protection, so as to ensure that elderly people are provided with adequate and reasonable retirement protection now and in the future."

MR PANG CHUN-HOI (in Cantonese): Mr President, the labour sector's proposal that a central provident fund be set up to provide for retirement protection has been warmly debated in this Council year in and year out. Last year, this Council agreed with near unanimity that a central provident fund should be set up. However, the Government once again said a firm no. In October 1992, the Government published a consultation document, introducing to the public a mandatory retirement protection scheme in place of a central provident fund. However, taking into account the overall situation and the fact that the Government might probably be playing for time to wriggle out of its responsibility, the labour sector requested only that the Government should effectively monitor the mandatory retirement protection scheme and make commitment towards risks sharing. The Government then proceeded to study and assess what its limited risks commitment should be. However, the Government took a U-turn towards the end of last year and presented this Council with an entirely different old age pension scheme. Given that the proposal has not gone through a detailed feasibility study and lacks any specific details, not to mention an extensive public consultation or the same with the Chinese side, how can one not be suspicious of the Government's sincerity in implementing the old age pension scheme?

Different sectors of the community have reacted strongly and differently to the old age pension scheme. Although the spirit of the scheme is commendable in its immediate provision, once implemented, for the basic needs of living of people over 65 who can then have their old age life secured, the scheme comes across as a disguised form of tax increase in that it will put the full burden of contributions on the working population and their employers. The scheme's idea is to use the contributions from one generation to pay the pensions of another generation. Members of the public will of course find this idea controversial and they will continue to until they are educated, and then generally accept that it is virtuous to respect the elderly and until the details are made known and the contribution seen to be fair. For example, one rarely sees a young man yield his seat to a senior citizen on public transport, let alone asking him to contribute part of his salary to support elderly people whom he

does not even know. (An even better illustration is the fact that the Kowloon Motor Bus (KMB), having offered concessionary fare to senior citizens, cites this cost now as one of the justifications for its application to increase fares sharply.) Since the old age pension scheme is social welfare scheme, the Government should not put the full burden on the shoulders of the public and stay aloof from it all.

The Government says that it will spend \$3 million to engage a consultancy to conduct a feasibility study of the old age pension scheme. I strongly urge the Government to draw up shortly specific implementation details which are fair, reasonable and acceptable to the people of Hong Kong and to stop finding excuses for more delays. The Government must present the public with a clear timetable.

I am personally very unhappy with the Government's attempt to abandon, so far without any explanation, the mandatory retirement protection scheme approved by the Executive Council in 1991. According to one newspaper report, the Government has abandoned it on the basis of a consultancy report which concluded that it was infeasible. I urge the Government to publish the contents and data of the report, and not to reject the scheme unilaterally on the ground of "a lower than inflation rate of return". Such hastiness makes one wonder on what grounds the Executive Council endorsed the scheme more than two years ago. Normally, the Government formulates a policy only after careful study and consideration. How can a proposal which has been already presented to this Council be withdrawn simply on basis of a consultancy report?

To resolve the retirement protection problem entirely, the implementation of a mandatory retirement protection scheme is a must. Under this scheme, contributors will be saving towards their eventual retirement. The scheme's principle that benefits will be proportional to contributions is a fair one. The scheme is fundamentally different from the old age pension scheme in terms of nature and cannot be replaced by it. Since they are totally different schemes, the Government absolutely must not scrap the mandatory retirement protection scheme and replace it with the old age pension scheme about which no consultation has been held. This Council and the labour sector cannot accept this.

Given that the Government is firmly against the implementation of a central provident fund scheme, and that time is now running out, I urge the Government to proceed expeditiously with the implementation of a mandatory retirement protection scheme and put in place a feasible, credible and reliable system which will give due protection to the contributions by members of the public. In addition to the implementation of a fair and reasonable old age pension scheme, the retirement life of all people in Hong Kong will then be given sufficient and reasonable protection.

I should stress once again and also reiterate that the old age pension scheme, as proposed by the Government, is a welfare scheme. The Government

must not put the full burden of contributions on the public. It should expeditiously announce the specific details of implementation which should be acceptable to the public. It must simultaneously implement a mandatory retirement protection scheme of which the risks will be significantly reduced with suitable supervision by the Government. Moreover, commitment towards risks sharing is the Government's inescapable responsibility.

With these remarks, Mr President, I urge Members to support my motion.

Question on the motion proposed.

MR HUI YIN-FAT (in Cantonese): Mr President, since the Administration announced in mid-December last year its policy intention of implementing a retirement protection system in Hong Kong, the Committee on Social Security under the Hong Kong Council of Social Services has conducted an in-depth study on this proposal and announced its findings. I have also swiftly consulted my fellow social workers by way of a questionnaire survey. Although we are still in the process of collecting these questionnaires, preliminary results and analysis show that the findings of the two studies mentioned above are very similar. As a result, I believe that the great majority of social workers consider that the social security programme and the retirement protection system should be dealt with separately. The reason is that the community-wide old age pension scheme proposed by the Administration is essentially a disguised form of welfare system implemented on the basis of a widened tax base, which definitely cannot replace a contributory retirement protection scheme for employees. Therefore, the social workers are in support of this Council's continued effort in striving for the setting up of a central provident fund or a compulsory private pension scheme.

Regarding the implementation of a retirement protection system in Hong Kong, in fact the Hong Kong Council of Social Services has all along maintained that while a central provident fund or a compulsory private retirement protection scheme that has risk sharing by the Administration should be set up for all the employees in Hong Kong on the one hand, the Administration should raise the existing level of assistance under the Comprehensive Social Security Programme so that the retirement life of non-employees can be protected to a certain extent on the other. Therefore, I can regard the old age pension scheme only as an improved social security scheme. Furthermore, it must satisfy the following four conditions before it is acceptable: (1) the Administration must contribute to the pension fund, (2) the monthly pension for the elderly should equal that proposed by the International Labour Organization, that is, 40% to 45% of the median salary which is equal to \$2,800 to \$3,100, and (4) the qualifying age for receiving pension should be lowered from 65 to 60.

To be fair, the old age pension scheme which essentially requires a generation to support its previous generation has many merits, one of which being the immediate provision of basic protection for the livelihood of those who have already retired or those who will retire soon. From the viewpoint of the social workers, although the new scheme will also increase their burden, they will not oppose its implementation out of self interests as the scheme has the function of wealth redistribution.

However, it is regrettable that the Administration has failed to inspire sufficient public confidence in hastily proposing this old age pension scheme. One of the reasons is that the specific details of the scheme have not been determined, creating therefore a lot of uncertainties in the future. Moreover, such a proposal has successfully divided society, especially in creating more opportunities of conflict of interest between the middle and lower income classes. As the Administration can repudiate in such a short time the compulsory private retirement protection scheme which it has recommended so vigorously to the public, so no one can guarantee that the Administration will not in less than a year's time shelve the old age pension scheme on the pretext of divided views among the public. In fact, the Administration's emphasis that the new scheme must finally have the consent of the Chinese side and the public is already a hint foreshadowing an eventual withdrawal of the scheme.

The Administration has rejected the proposal of establishing a central provident fund and a compulsory private retirement protection scheme on the grounds that the investment return is low and "distant water cannot put out a fire close at hand". Such reasons are anything but convincing. Firstly, in Singapore's experience, the investments of a retirement fund are not as conservative as conceived by the Administration. Besides putting part of the fund in banks to earn interest and buying government bonds, the retirement fund can also be invested in the property and stock markets. According to Hong Kong's experience over the last 20 years or so, the appreciation of property and the percentage of increase of the Hang Seng Index have far exceeded the accumulated inflation rate of these years. Secondly, I have stressed time and again that although a central provident fund has to take 10 to 20 years before its effectiveness is seen and it cannot resolve the existing problem of retirement life of the lower income group, the most critical stage of the problem of Hong Kong's aging population, as we all know, is not now but the first few decades of the next century. So if we implement a central provident fund scheme now, our elderly will by then be able to enjoy a secured retirement life. As regards the problem of the retirement life of the elderly now, increasing the current public assistance and old age allowance disbursements is a feasible solution.

Mr President, the Governor has repeatedly stressed that political and economic issues have to be dealt with separately. But in considering the retirement protection system, the Administration has been attaching more and more importance to political factors, and has even used political tricks to manipulate the public views at its will. Such actions are really deplorable. I

have always considered that plans concerning social construction and protection of people's livelihood should not take 1997 as a dividing line or threshold. In withdrawing from Hong Kong, the British Government should not pay attention only to arrangements of the political system and disregard arrangements concerning protection of people's livelihood. This is definitely not what a government that intends to withdraw honourably by "building the future" should do.

With these remarks, I support the motion.

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

MR NGAU SHIU-KIT (in Cantonese): Madam deputy, views expressed by the Government on retirement protection over the recent months look as if it is going to adopt a wholesale social welfare system to resolve the local retirement protection issue. Unfortunately, the Government fails to offer sound justifications and arguments to support the proposed old age pension scheme. If it is implemented, the harm it brings will certainly outweigh the gain. The Government should therefore conduct a comprehensive study and work out a feasible retirement protection scheme which serves the overall public interests and formulate a long-term policy as well.

Indeed, the provision of basic social security to the needy elderly is an unshirkable social responsibility that a responsible government should take. However, "social security" is defined in the International Labour Convention as protection provided by appropriate organizations in the community to people who may go through certain unexpected changes which cannot be effectively prevented by the lowly-paid people on their own and even with the assistance of their families and friends. Judging from this angle, the Government's proposed old age pension scheme evidently goes beyond the scope of social security because retirement benefits are given to all eligible elderly regardless of their means and needs. Such an approach is mixing social welfare with retirement protection. I am afraid the scheme would turn Hong Kong into a welfare state.

It was pointed out in the consultation paper *A Community-wide Retirement Protection System* published in October 1992 that less than 10% of our elderly were receiving public assistance. According to government statistics, the local elderly population, that is, those 65 years or above, in 1991 amounted to about 482 000 whereas public expenditure on old age allowance and public assistance was around \$2.4 billion. The elderly population by 2001 will increase to around 705 000 and public expenditure on social security for the elderly will increase to \$3.5 billion accordingly. In real terms, public expenditure on social security for the elderly will be increasing by \$0.1 billion annually. In view of Hong Kong's economic position and health, the territory has more than enough resources to meet the expenses on old age allowance and public assistance. However, the old age pension scheme proposed by the

Government extends the safety net of social security for the elderly to all eligible elderly regardless of whether they need it or not. This would lead to a sharp jump in expenditure from \$2.4 billion to over \$10 billion. Worse still, the Government has shifted all the responsibility of providing welfare for the elderly on to the employers and employees. The Government should indeed formulate a set of elderly welfare plan to be implemented by itself and devise a retirement protection system which invites the participation of both employers and employees. After all, it is the Government's responsibility to formulate a complete and comprehensive retirement protection scheme for the people of Hong Kong. Madam deputy, I consider it the most pressing issue before us which warrants the Government's prompt action to carry out a study and work out the details.

Madam deputy, a retirement protection scheme, no matter what form it takes, will certainly bring about some socio-economic effects to the community as a whole. Once set into motion, it is difficult to rescind or abolish the scheme. For this reason, when examining the issue in question, we should take into account relevant social and economic factors, and the overall interests of the people to strive for a balanced scheme acceptable to every sector in the community. One should put aside one's political interests or party interests. Our time-honoured economic policy which promotes enterprising spirit and help the people to get rich should be adhered to as the cornerstone of our prosperity and stability.

Madam deputy, I am speaking in the interests of the general public and I support the motion.

MR TAM YIU-CHUNG (in Cantonese): Madam deputy, since I joined the Legislative Council in 1985, I have noted that the question of setting up a retirement scheme for the local people has been debated on many occasions in this Chamber. The number of times and frequency this question has been brought up for debate is indeed without equal among other general social issues. The importance we attach to it and the controversy surrounding it are also unprecedented and unsurpassable. The Government's attitude towards the question of retirement protection has all along been obscure and reactive, while the policy intention it manifested disappointing. However, the sudden show of proactiveness in its attitude, evident in the new retirement scheme proposal, has come somewhat as an eye opener at first glance. Indeed, the latest proposed Old Age Pension Scheme is the ideal we have been trying to achieve. I believe that I, the Democratic Alliance for the Betterment of Hong Kong and the Hong Kong Federation of Trade Unions will appreciate this step that the Government has taken in this direction. Operational technicalities aside, I think the policy points in the right way forward. However, I must emphasize that an ideal must be tested against the realistic situation before it can be realized.

The Government introduces this old age retirement system now at a time when society is least prepared psychologically. The concept of social insurance is new to the general public of Hong Kong. Since the Government declares its intention to introduce the old age retirement system, the public's response has tended to be emotional, impulsive or superficial. This illustrates that the concept of social insurance, despite being advanced in our view, is basically unfamiliar to the local public.

We need a retirement scheme which finds its roots in Hong Kong. This scheme must, on the one hand, fully draw on the lessons and experience of other advanced countries while closely tying in with the social culture and values of Hong Kong on the other. Otherwise, the retirement scheme might be just another castle in the air. And even if the Government takes a hard sell approach and put it into effect, the scheme could be a target of continuous attack and met with resistance. In the end, it might have to be discarded. This is the last thing we wish to see. We do not wish to trek backwards on the question of retirement protection just because of this reason.

Madam deputy, the Hong Kong Association for Democracy and People's Livelihood, the Hong Kong Democratic Foundation and the Democratic Alliance for the Betterment of Hong Kong jointly signed and issued a position paper for a comprehensive retirement protection scheme this afternoon. In our position paper, we welcome in principle the Old Age Pension Scheme proposed by the Government in December last year. However, given the lack of specific information, we cannot fully support the scheme as it presently stands. But in general, we think that a comprehensive retirement protection system should be put in place as soon as possible to protect the old people of Hong Kong.

We have derived from various relevant recommendations and proposals three basic principles as follows:

- (1) the Government must make sufficient financial and administrative commitments no matter what kind of a retirement protection scheme is to be adopted in the end;
- (2) the Government must provide sufficient support for the scheme, ensuring its repayment capability and that it is efficiently managed; and
- (3) the scheme must cater for all old people of 65 years or over.

We believe that if all parties concerned agree with these three principles, then they should strive for the speedy setting up of a comprehensive and non-means tested retirement protection system that will benefit all people. As to the other technicalities, we can sort them out in due course.

We have also put forth eight specific recommendations in our position paper for consideration by the Government. Mr Jimmy McGREGOR of the Hong Kong Democratic Foundation and Mr Frederick FUNG of the Hong Kong

Association for Democracy and People's Livelihood will later on expound the eight recommendations.

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

MR MARTIN BARROW: Madam deputy, I agree with what Mr TAM Yiu-chung has just said. I think we have had so many debates on this subject that I am sure we have all forgotten how many there have been over the last few years. This one seems to me to be rather premature, given that the Government has only just announced its proposed way forward. I only wish to make a few quick points.

Firstly, I applaud the Government for rejecting the suggestion of a central provident fund for all the reasons outlined in the Government's announcement. I have no doubt that a central provident fund would not be in the long-term interests of the people of Hong Kong.

Turning to the old age pension proposal, the Government has only given us an outline. The scheme appears to be a hybrid which may be confusing the need to upgrade the existing safety net concept of providing an old age allowance for the needy with an attempt to provide universal community-wide retirement provisions for the entire population.

My concern at this stage is that the proposal introduces a *de facto* payroll tax which will not only be inflationary but will also put in place a new system for increasing taxes on both individuals and employers. There is also a danger that an old age pension scheme may discourage employers from introducing voluntary schemes, which typically provide far better benefits than this proposal.

Finally, the Government must carefully look at the implications of operating a complicated, expensive and bureaucratic system.

Having made these points, Madam deputy, I believe we should proceed with an open mind and should wait for the Government to come up with a more detailed plan later in the year.

With these words, I support the motion.

MRS PEGGY LAM (in Cantonese): Madam deputy, among the 10 best books identified by a recent survey for secondary school students, one is entitled *Fast Thinking*. I presume the Government likes this book, too, or it would not have put forth with haste this old age pension scheme which is unheard-of among Hong Kong people. Evidently, it likes "fast thinking."

It is good to have a quick mind. The old age pension scheme, as proposed by the Government, will collect contributions from every employee and employer and then pay everybody aged 65 or above a pension equal to about 30% of median income irrespective of their financial position. Indeed, it will immediately give protection for the basic living of the elderly people. But is it suited to Hong Kong's social climate? Will it have the broad support of all sectors of the community? Will it not be socially divisive?

Since announcing this particular policy intention, the Government has been sending three messages to members of the public: (1) the Government has basically rejected the central provident fund scheme; (2) the old age pension scheme will be studied in detail and it is hoped that public consultation will begin within six to 12 months and (3) if the community rejects the scheme, the *status quo* will be maintained. In other words, the people of Hong Kong have only two options: Take it or leave it.

Of course, we cannot accept ending up with nothing.

I am in favour of raising the disbursement paid under the existing Comprehensive Social Security Assistance Scheme which will enable all recipients, most of whom are elderly people, to enjoy a reasonable living standard. For this reason, I welcome the Government's proposal to provide the elderly with old age pensions equal to between 30% and 40% of median income.

But the Government's proposal that disbursements be made to all recipients irrespective of their financial situation is misdistribution of resources, as many people can look forward to a comfortable life in old age on the basis of their good retirement protection schemes. They do not need the protection by a social security scheme. Nor do they need to compete with the needy.

In addition, the proposed scheme violates the "to each according to his labour" principle on which the Hong Kong community has depended for its success. The Government at first suggested that employers and employees should make contributions. Then, under public opinion pressure, it said that it would consider also making contributions. The collected fund will be disbursed to all people aged 65 or above. However, it will be hard to convince members of the public to agree to receiving the same amount of pension, when they will be contributing different amounts. Besides, the community will get the wrong impression that some people can partake the fruits of labour of the others.

Moreover, the Government continues to promote voluntary provident fund schemes. How will employees and employers who have already participated in voluntary provident fund schemes be willing to contribute an additional several percentage points of their disposable capital and income in exchange for disproportionate benefits in the future? Conversely, if the Government makes the contributions compulsory, what should be done about the existing provident fund schemes so that those affected may be mollified?

Actually, the biggest employer who finds itself in the most difficult position is the Government!

Frankly speaking, many residents of Wan Chai District are elderly people. I could have, like them, voiced immediate support for the proposed scheme and get instant benefits without ever making any contributions. But I must be responsible as a Legislative Council Member. I must point out that the development of Hong Kong does not stop with this generation. We have to take account of the development for generations to come. So I urge the Government to come up with a well thought out scheme that will provide not only for the needy elderly now, but also for the growing number of future retirees in the future.

Moreover, I have to raise a criticism against the Government for it has just been handing sops to the public and to the Legislative Council. The public debate on a retirement protection scheme for Hong Kong did not begin this year or last. The community, after years of discussion, finally came close to producing a majority view on a proposal supported by a plurality. And yet, the Government categorically rejected it, as it did a month or so ago. Then it introduced the old age pension scheme without support by full figures and warned that there would be no alternative scheme if the public reject it. How absolutely irresponsible is such an approach.

Until now, the public's impression of the Government's position has been that it would never adopt a universal welfare policy such as an old age pension scheme. As a result, most people are caught without sufficient time to think about it. I urge the Government to proceed expeditiously to present arguments in relation to the scheme so that we may discuss the proposal rationally and quickly find a retirement protection scheme best suited to Hong Kong, without remaining forever at the discussion stage.

Lastly, I must stress that, regardless of the outcome of the discussions, the Government must immediately review the amount of the Comprehensive Social Security Assistance payment and raise it to a level that will enable the destitute to maintain the most basic living and to live with dignity. They absolutely cannot stand any more foot dragging by the Government.

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

DR LEONG CHE-HUNG (in Cantonese): Madam deputy, last month the Government suddenly shifted its position and overturned the decision on the compulsory retirement protection scheme made in principle by the Executive Council in November 1991. The Government replaced it with an old age pension scheme (OPS) which is totally different from the Government's mode of financial management over the years and looks very much like a redistribution of wealth. Such a drastic change is indeed beyond my comprehension.

Yesterday the Acting Secretary for Education and Manpower advised the Legislative Council's Panel on Manpower not to make speculation but put forward more substantial comments. I very much agree with him. However, there is only one way to alleviate public anxieties, that is, the Government should explain clearly to this Council and the public why there is a sudden shift of position. If we are kept in the dark, I am afraid that the rashly introduced OPS would likely run into trouble again and be withdrawn abruptly by the Government.

The Government claimed that it had spent one year to collect different views before producing the consultation paper on the compulsory private retirement protection scheme in October 1992. Government officials had since then vehemently trumpeted the feasibility and desirability of the scheme. Yet suddenly we learned not from the Government but from the press that the Government had concurrently commissioned some experts to study the feasibility of a retirement protection scheme and subsequently been told that it was unworkable and, for this reason, the scheme had to be scrapped. If the press report is true, it demonstrates how negligent the Government is, does it not. Does the Government regard the well being of 6 million people as a trifling matter?

The compulsory private retirement protection scheme was announced for public consultation after painstaking preparation and now found to be unworkable. One wonders whether the OPS before us, which is identified by the Government as the right programme though without any detailed implementation plan to back it up, would be withdrawn one year or so later after its introduction when the expert consultants come up with some surprising findings against it. This may dash the hope of the helpless elderly.

To implement the scheme, the Government has to promptly find answers to, and solution of, the following vital questions:

- (1) With a growing elderly population, a declining number of contributors and a rising payout rate of old age pension, how can the Government ensure the success of the scheme?
- (2) With a declining number of contributors, how can we relieve the pressure on employers and employees in the context of contribution making without thwarting the overall economic development?
- (3) How can the Government rein in the administrative overhead so that the administrative cost will not be inflated substantially despite the need to recover outstanding contribution or bring people who evade making contribution to justice?
- (4) How can we ensure that only the old people who have contributed to the well being of our community would be benefited and how to define this group of people?

In a nutshell, regardless what immediate effect this old age pension scheme will bring about, it can only solve the present problems faced by the retired, it will not be able to protect the existing 2.8 million strong work force's retirement lives. For this reason, it is neither possible nor reasonable for the Government to give up its efforts to study the provident fund scheme, especially the compulsory Central Provident Fund (CPF).

In order to provide retirement protection to the above-mentioned two groups of people, I think the OPS and the CPF should be implemented concurrently. However, recipients of the old age pension must be subject to means test. By the time the operation of the CPF has gone onto the right track, retired employees should have been entitled to a substantial amount of provident fund and naturally their assets will render them ineligible for old age pension. The OPS will then gradually be replaced by the CPF. Eventually, only a small number of elderly who have had no paid employment or otherwise will not be entitled to provident fund and have to live on old age pension in their twilight years.

In addition, I would like to reiterate that coupled with the implementation of the CPF, the Government must consider introducing a compulsory universal medical insurance. In view of the rapidly aging population and the surging medical cost, a compulsory universal insurance is the only effective way to expand public medical services.

Yesterday the Executive Council endorsed a proposal of increasing semiprivate beds in public hospitals and the Government will also play a part by encouraging the public to take out medical policy in the private sector. Yet this will merely guide those patients who can afford to pay more to go to private hospitals. However, the problem of how to finance additional public medical services will still remain unsolved.

I urge the Government to think twice before taking any action. It should consider and solve the problems of retirement protection and the rising medical cost in one stroke, particularly in consideration of the heavy burden brought about by elderly patients on medical services.

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

MR JIMMY McGREGOR: Madam deputy, I am speaking on a personal basis today and not for the Hong Kong General Chamber of Commerce. I can say, however, that my remarks are strongly endorsed by the Hong Kong Democratic Foundation.

The Honourable PANG Chun-hoi is a man known to me for many years as a dedicated representative of our labour force, a man of deep social conviction and always as an advocate for improvement of the lives and livelihood of the very large number of grass-roots workers and others in

Hong Kong whom life has not always treated well. He has many times urged the Government to expand social security, social welfare and social justice. He is doing so today with his motion.

The feelings exhibited by Mr PANG Chun-hoi towards the grass-roots community and their continuing social needs, are, I am sure, shared by all of us in this Council. It is not a matter of argument that hundreds of thousands of our workers, housewives and handicapped reach the age of 65 with inadequate protection for their old age. I have heard the argument, however, that if workers cannot organize their lives well enough to have sufficient savings and financial protection when they retire, that is their own fault and they should not become a burden on the state. In other words, our 3 million workers should be able to save enough to provide themselves with financial security at the age of 65 and onwards. I regard such statements as either born of complete ignorance of the true situation or cynical in the extreme. Only those who are well paid and protected by pension or substantial provident fund payments together with sizeable savings could make such statements. Shame on them if they know the true situation but do not care or are too selfish to recognize that, as a community, we must accept responsibility for all, not just for a favoured few.

We have a situation at present where nearly half a million aged people, who can no longer labour in Hong Kong's work force and who have given their working lives to Hong Kong, have had to claim the \$450 or \$510 old age allowances as a matter of charity and, for one of these, having to submit to a means test. \$450. What will that buy? Can it buy nourishing food for a month? Can it pay a rent for a room or a cubicle or even a cage? Would you be unhappy if any of your own relatives had to apply for this allowance or would Councillors feel a sense of shame that somebody who had given his or her working life to Hong Kong should finish up on the breadline? Half a million people obtaining \$450 a month as charity not as a right. Shame on us as well that, charged with the responsibility of looking after the interests of people of Hong Kong, we have been unable to secure a better deal, a more humane deal, for our aged. We trumpet our economic successes from the rooftops. We hide our social failures behind self congratulatory humbug and deceptive statistics.

I have been aware for many years that the Government will not introduce a Central Provident Fund. I have taken that to be an absolute in terms of government policy. In this situation, the Government has been assisted by the implacable opposition of all the major employer-related organizations, many of which have elected representatives in this Council. I was surprised recently that some of these representatives seemed to be in support of a CPF and must confess I looked upon the apparent conversion with suspicion. There appears however to have been some further realignment in thinking in the business sector. In any event, I remain convinced that a CPF will not be further examined in any detail by the Government.

The scheme of extension of private sector provident fund schemes to all working persons proposed earlier by the Government and now thoroughly debated is also clearly a non-starter. It has huge defects and I need not rehearse them. The Government itself has set them out in the briefing paper given to us. I cannot see how these major flaws can be rectified.

The Government has proposed a contributory non means tested old age pension scheme. This will be universal in character and will be pitched at a level of payment that Hong Kong can afford. Such a scheme should be fully debated but on a reasonably tight timescale. Some of the problems can be foreseen and some solutions also. Given our willingness to examine the government proposals in a constructive light, this scheme can be introduced and begin payments within two years from now. I agree with Mr PANG Chun-hoi that the Government should produce and publish its consultative document by early summer, if possible. The Government should also set up a mechanism which will encourage public debate and answer public enquiries. After all, such a scheme, although common in many developed and developing countries, is a novelty here and will need careful explanation by the Government.

We are going to see many economic papers and business supported reports denigrating the old age pension scheme as being profligate and open to social abuse. In fact we are seeing some of these reports already in the press. There have been critics to every major endeavour by the Hong Kong Government over the last 50 years. They have mostly been confounded by the success of the various schemes introduced. I hope we are also going to see strong support for the old age pension from labour and from those businessmen who accept a social responsibility for the community at large and our aged in particular.

I strongly support Mr PANG Chun-hoi.

MR VINCENT CHENG: Madam deputy, no one would argue against supporting the elderly. We owe them the obligation of providing them a decent, happy retirement life after their life-long contribution to society. Without the firm foundation they have built, we would not have our success today.

The debate today is about means and clearly we have different opinions on how we should move forward on this very important subject.

I am not convinced that the pension scheme as outlined by the Government is the only way forward. I said "outlined" because there was a glaring lack of details in the Government's proposal. The scheme has the merit of being administratively simple and being able to provide immediate benefit. And these I fully accept. But there are also enormous problems associated with it and the Government does not seem to have considered fully the implications of such an important proposal. There is nothing on some of the more important factors which should be the basis of the decision. Indeed, the approach by the

Government this time has been: let us decide first and then get a consultant to tell us whether it could be done. How can such an important decision be made so crudely? Where is the feasibility of the White Paper? Furthermore, the Government seems to be unable to decide whether retirement schemes should be funded or unfunded. Just a few months ago, the Government set up a special fund for civil service pension. The argument being that perhaps there should be a fund from which civil servants' pension should be paid when things do not go well. Yet in a couple of months' time, the Government decides to go for an unfunded pension scheme for the whole society. How come we have two so diametrically different approaches to funding retirement benefits within such a short space of time? Why is there such a glaring inconsistency?

The second question I have is the long-term economic and social impact. We have seen no analysis or views of the Government on what are the long-term economic and social consequences of such scheme which will affect the savings and consumption behaviour of the whole society.

The third question I have is on fairness. The pension scheme is actually a new salaries tax. Employees pay a certain percentage of their salary to the Government. Employers also contribute. It looks fair on the surface. However, at the end of the day, the contribution will still come from employees. Employers tend to look at employee compensation as a total package. If employers have to contribute to such a scheme, they would withhold the same amount from what the employee may get as salary increase and hand it over to the Government. In the end, the burden actually falls on all salary earners. This would represent a massive transfer of income from one section of society to the other. Those who manage to escape from this new tax net will be the major beneficiary. This system is not fair, nor is it open, even though it may be acceptable to some people in Hong Kong.

The fourth question I have is whether Hong Kong can forever afford such scheme without any change in this new salaries tax. I hope the Administration can provide the following information to throw some light on the question of affordability:

- (1) the projection of population mix for the next 10 years;
- (2) the projection of the salary tax base for the next 10 years;
- (3) what are the likely percentage contribution from employees to support the commitment in different economic scenarios;
- (4) if the salary base fails to meet the commitment, how is the Government going to meet the shortfall;
- (5) will the pension be indexed to inflation; and
- (6) politically and socially, can the pension not be indexed to inflation.

The experience of the more advanced economies shows that pension payment will increase until society can no longer afford. And tax will be increased to fund it. If this experience is any guide, we would be going down the slippery slope very fast indeed.

The needs of elderly people are manifold. Cash is only one part of it. We need, too, to provide cheap medical service, very low cost residential care which indeed are more important than cash to many elderly people. We have to look at the impact of an indiscriminate increase in cash payment to all elderly people on the resources for these equally important services. They are all from the same pocket. Can the Administration inform this Council what would be the total resources required to meet all these demands?

The pension scheme is also unfair to those who are already enjoying such benefits. Before the Government asks for support from those who already have retirement protection, it owes them the obligation of telling them how their existing schemes would be affected.

The consequences of the pension scheme could be enormous. And I do not think the Government has thought through the whole issue. If it has, I hope I will have a quick response on all the questions just raised.

I am inclined towards compulsory private retirement schemes plus government support. But I have an open mind on the pension scheme proposed by the Government. If my questions are satisfactorily answered, I will support the proposal. If not I am afraid I would have to withhold my support.

I support the motion.

THE PRESIDENT resumed the Chair.

MR PETER WONG: Mr President, the motion today conjures up in our mind the pathetic vision of the elderly, senior citizens who have worked in lowly paid jobs all their lives, cannot afford timely retirement due to the lack of adequate savings, and cannot count on their meagre income for a sustainable living with dignity. Some 55 000-plus of them, who are unemployed and lacking family support and other means, have to rely on Public Assistance and Old Age Allowance amounting to a paltry \$1,550 a month or 14.4% of the median wage. Such a scenario casts a poor reflection on Hong Kong's affluent society where the GDP per person equals that of the United Kingdom and people profess to hold filial piety and care for the elderly in high regard.

Why? Because Hong Kong has no comprehensive social security system for its people. While working employees are fortunate enough to benefit from provident funds and pensions, these schemes do not cover the part-time workers, housewives, the disabled and the elderly. It is high time to end the

debate on Hong Kong's need for some kind of old age pension or safety net for our senior citizens. I therefore welcome the Government's incisive decision on setting up the proposed old age pension (OAP) scheme which will give Hong Kong people a collective sense of security as well as social responsibility.

I support in principle the OAP featuring compulsory contributions by employers and employees at a fixed percentage of their earnings to a central fund for the elderly. The OAP guarantees the minimum amount of retirement benefits for the aged which will become available immediately. By giving collective support to the elderly, OAP also helps to educate the younger generation on their social responsibility. As a member of the accountancy profession, I give a qualified support for this pay-as-you-go scheme, since it is less complex and easier to administer and also resolves the problem of the fund being eroded by inflation. However, under the proposed scheme, the Government could be imposing an extra financial burden especially on the sandwich class, which will increase as the proportion of workers to elderly declines as it does in developed countries. Further, since non means tested pensions will be given to all people aged 65 and above, the \$2,100 OAP will barely improve the livelihood of the aged now living on Public Assistance.

Indeed, the hurriedly packaged OAP lacks detailed planning and is open to a series of fundamental questions. Should lowly paid workers be exempted from making contributions? In line with the principle of helping people least able to help themselves, should there be a fixed rate of benefits for all elderly regardless of means? Will there be transfer of benefits from existing retirement schemes to the OAP? How to enforce OAP contributions? I echo the motion which calls for specific implementation details of OAP, spelling out the rate of contributions for different income groups, the criteria and amount of benefits, and the method of implementation. The Government will have to perform very extensive sensitivity testing to ensure that we really can afford to adopt this pay-as-you-go scheme so that we are not bankrupted due to either wage inflation or increases in number of aged people to be supported by fewer younger workers. In particular, I would like to see some control mechanism introduced to ensure that the recipients' income sources and residential requirements are fulfilled so that financial aid only goes to those in real need. This has been echoed by almost all accountants I have talked to.

Now let me turn to the second part of the motion. The proposal on the Community-wide Retirement Scheme released in October 1992 has been criticized for the risks involved in decentralized schemes and the absence of a safety net for vulnerable groups in society. However, this should not allow the Government to make a U-turn by abandoning the task of drawing up a reliable employment-related retirement scheme for the working population; nor to shift its responsibility of looking after the aged to the private sector. Instead, it should face the retirement protection issue fairly and squarely and make the necessary financial and administration commitments.

In my view, the solution to the Hong Kong retirement protection problem lies in the combination of a refined community-wide retirement scheme and an improved social security system as captured by today's motion. The ideal scheme comprises a phased introduction of mandatory retirement scheme for all employees in the private sector, supported by government contributions to cover the lowly paid, irregularly employed and contract workers who shall be exempted from contributions. A proper scale of benefits should enable all workers reaching the age of 65 to draw a monthly pension equivalent to a reasonable percentage of the average median salary.

As for the administrative system, at the motion debate held in this Council on 3 February last year, I opted for a centrally administered retirement scheme for the following reasons. A centrally controlled scheme removes perceived risks of retirement funds held fragmentally by a multitude of managers of varying ability and integrity; it enables the Government to purchase investment services from the private sector while retaining overall investment directions; provides the economy of scale and saves marketing costs; and facilitates transferability of accrued benefits.

As I said in the February motion debate, in order not to subject the life-long savings of employees to a gamble, protection against fraud is absolutely necessary. The recently released United Kingdom Pension Law Reform Report by Prof Roy GOODE suggests an insolvency compensation scheme to protect employees against default, misappropriation and fraud, which will be funded by a post-event levy on all retirement schemes. These recommendations fall in line with my previous proposal to set up an insurance scheme for all retirement funds with different premium ratings according to the risks.

Mr President, Hong Kong's political uncertainty has caused some employers and employees to shun retirement schemes. A centrally administered, dependable pension scheme with the Government's commitment and improvements made in the OAP will together offer a safety net for the elderly whose plight has been ignored for too long. Since this retirement protection scheme has received the expressed approval of most of the members of the accountancy functional constituency whom I consulted for advice, I support the motion.

MR MOSES CHENG (in Cantonese): Mr President, Hong Kong owes its economic successes to a fair, free and open social system which provides people with sufficient incentive to attain wealth. While the people of Hong Kong are perhaps envious of the people of Western countries, whose well-being receives every attention from their governments, they are also well aware of the ill-effects of welfarism. Heavy welfare spending forces governments to raise taxes, which destroy people's incentive to attain wealth. At the same time, people who can otherwise help themselves become dependent on government's hand-out. The people of Hong Kong have wisely made a choice which strikes a balance between offering free lunch and providing incentive to attain wealth.

After being entangled in a controversy lasting for between 10 and 20 years, the different sectors of the community in Hong Kong have now finally reached a precious consensus, which is that Hong Kong needs a good retirement protection system to cope with the pressure of an ageing population. Be it a central provident fund scheme or a compulsory private retirement protection scheme, the Liberal Party's basic position is that it should be a scheme under which everybody assumes some responsibility for his own livelihood after retirement, and encourages people to save for the future so that they can enjoy the fruit of their past hard work in retirement.

For those old people who cannot take care of themselves, I think the common view is that this is a caring government's basic responsibility to extend to them adequate and reasonable financial assistance.

How many old people are really in need of social assistance? According to the Census and Statistics Department, in 1992, there were about 520 000 people who were aged 65 or above, and 55 000 or so of them, or 10.6% of the total, still had to work to earn a living in Hong Kong. In the year 1992-93, about 65% of all public assistance cases were old people, or the actual figure is 53 000. The above statistical evidence shows that nearly 20% of Hong Kong's old people, about 110 000 in number, are really in need of public assistance.

Honourable colleagues, retirement protection and old age welfare, I think, should be introduced concurrently to protect the livelihood of all old people.

Regrettably, the Government has all of a sudden made a sharp U-turn. It has overturned its own proposals of yesterday and has, without sufficient justifications, rashly announced a policy intention involving an old age pension scheme. The Government is trying to substitute a universal welfare policy for our long-awaited retirement protection system. It cleverly shifts the burden of old age welfare on to all employees and employers in Hong Kong. I wonder what the Government's real intention is.

Undeniably, the old age pension scheme has its merit, which is that all the old people in Hong Kong will instantly get the benefit. But this is only a short-term advantage. A government which is really responsible to the people must look at the long-term needs of the community and should not look only at the immediate interests.

What worries me the most is that the funding of the old age pension scheme as it is now proposed will leave a heavy burden for our future generations. Defending the policy in a press article, the Chief Secretary said that the old age pension scheme proposed by the Government will be affordable to the public; contributions will be at a level lower than that in the case of a central provident fund. She added that its benefits will be adjusted only in tandem with overall welfare benefits and it certainly will not become a heavy burden for the working population in future. Will this really be the case? I ask the Chief Secretary to produce hard evidence to substantiate her words.

My worry is not groundless. I am really disturbed by some statistical evidence. Let us look at Hong Kong's elderly dependency ratio. This ratio indicates how many old people are dependent on the support of per 1 000 working people aged between 15 and 64. In 1992, the ratio was 127:1 000; in 1982, it was 99:1 000. It increased by nearly 30% over 10 years. The ratio will have gone up to a projected 161:1 000 by year 2001. What this means is that for every six working people, they will have to support one old person. It is anticipated that the elderly population will continue to grow whereas the relative size of the working population will decline. If the Government wishes to keep old age pension at a level equivalent to 30% of median income, contributions will definitely have to go up. What else can the Government do?

The Government unveils the old age pension scheme hastily when there are still so many undecided factors. It has given rise to another heated public debate. The Government is solely responsible for the situation that we see today. Therefore, I agree that the Government should formulate and announce shortly specific details in terms of the implementation of the scheme, which should be fair, reasonable and acceptable to the people of Hong Kong, so that members of the public may discuss the scheme's pros and cons and its feasibility in an objective and rational manner and decide on a retirement protection system which meets Hong Kong's needs. What we are discussing is a major event for the whole of Hong Kong for generations to come. We must not waver in the pursuing of our set objective.

Lastly, I wish to reiterate this advice: Welfarism in West Europe is the cause of vicious economic circles. Hong Kong should draw lessons from it. We must nip welfarism in the bud or else it would grow into a tree or even a forest.

Mr President, with these remarks, I support Mr PANG Chun-hoi's motion.

MR MARVIN CHEUNG: Mr President, the motion covers two separate issues which, I believe, we should not confuse. The first is about old age pensions and the second concerns retirement schemes.

I am entirely in support of the first part of the motion calling on the Government to come clean and announce full details of its proposal on an old age pension scheme. The community owes it to its old people to take care of them as much as possible in old age. The current level of old age allowance is inadequate and needs to be reviewed urgently.

I was disappointed in the statement made by the Secretary for Education and Manpower in this Council on 15 December, last year, about retirement protection. The matter was first put forward some 30 years ago. The Governor, in his policy address in October last year, promised, "proposals on the way forward before the end of the year". This was watered down in the Secretary's speech to, "a clear lead" rather than proposals. Indeed I fail to see

any evidence that the Government has done sufficient homework to come up with a final policy decision on this matter. In my humble opinion, the Secretary's speech clearly did not even give a clear lead.

The public is not given any back-up information or proof that the Government has evaluated fully the implications of the suggestions in the Secretary's speech. How can he possibly say, in answer to a question raised by the Honourable Selina CHOW, that his statement represents a statement of government policy on this matter?

The Secretary says that a compulsory retirement protection scheme is not recommended nor is a central provident fund. The Government now appears to be coming down on the side of an old age pension scheme, subject to the satisfaction of certain issues such as "general public acceptance of a compulsory old age pension scheme". There is no definitive commitment, no final proposal. We do not know on what homework the Government has based its preference and how much homework it has yet to do before reaching its final conclusion.

If no feasibility of this proposal has been conducted, is it not irresponsible to announce it at this stage? I would remind Members that the Government's preference, stated in the consultation paper for a type of compulsory retirement scheme, was based on financial assumptions which were seriously flawed. Will we see yet another U-turn when the Government catches up with its homework and discovers the full implications of its latest proposals?

Regarding a compulsory old age pension scheme we need to know a lot more information, which the Government does not appear able to provide. For example, how has the cost of such a scheme, said to be about 13 billion per annum, been arrived at? What sum is deemed sufficient to "protect the bulk of the population"? Will all persons over a certain age be included or will there be qualifying criteria, such as proof of need or residence? How, in practice, could a scheme guarantee a "minimum financial provision which could be pegged to inflation or to the average wage"? What rates of contribution are envisaged? How are they to be divided between employer and employee? Why is the funding, described as "contributions" and not a payroll tax, which is what it really is?

Despite its pretensions, the Secretary for Education and Manpower's statement was more an indication of the Government's thinking; a commentary on the consultation paper rather than a policy statement.

Turning now to the second part of the resolution. Whilst I support the view that the elderly should be provided with adequate and reasonable retirement protection, I have stated before in this Council and I repeat now, that a compulsory employee's retirement protection scheme is not the answer. The reasons for this are contained in the Secretary's speech on 15 December and I agree with them.

Mr President, although I join Mr PANG in calling upon the Government to delay no further in telling the public its specific proposals for an old age pension, with full supporting facts and justifications, I think it is patently obvious that the way to ensure retirement protection for all our elderly is not through a compulsory retirement scheme.

For this reason, I do not support the motion.

MR CHIM PUI-CHUNG (in Cantonese): Mr President, I have questions about the Government's putting forth such a retirement protection scheme. At a time when political parties and the community have indicated that they are in favour of asking the Government to set up a central provident fund, the Government finds that the matter cannot be put off any longer, so it plays this card. If we approve the scheme, the community as a whole will be charged with a very heavy burden. If we say no, the Government will be able to say, "I have made you a very good offer, but you do not accept." I wonder if a government which is responsible to the public should do so

Even the name of the scheme raises many questions. Firstly, it has to do with the "retirement" age. Many people probably do not want to retire even at the age of 80. Some may wish to retire at 50. By the name of retirement protection scheme, does it mean that everyone who retires would be entitled to a pension? Secondly, what is "protection"? I think "protection" means that the pension one receives is enough to pay for the necessities of everyday life. Should this be the case, how can \$2,100 a month meet the ever rising living standard? If the answer is no, then we should not use the word "protection".

The Government has all along followed a "positive non-intervention policy." The Government has also pursued a low tax policy and stressed the importance of maintaining a tax system which is fair, reasonable and efficient. One wonders if the scheme in question is in line with the Government's long-standing policies. Provident fund scheme is, on the contrary, commensurate with such policies, which encourages one to save for one's retirement days. The retirement protection scheme will undoubtedly change the things that we have all been doing for years and change the rules of the game that we have all been observing.

The Government blows its own trumpet and remarks that if the retirement protection scheme is put into effect, every old person will instantly get \$2,100 a month. But let us not forget that the Government is already paying benefits in the form of old age allowance and Public Assistance, and this costs the Government about \$3 billion annually. The proposed scheme, if put into effect, will cost the Government \$13 billion a year. Assuming that the elderly population continues to expand at the present rate, the Government may have to spend \$23 billion a year a few years later. (The Government may say that I am exaggerating.) Suppose that 2 million people pay contributions to the scheme; then each of them, employee or employer, will have to contribute about \$1,000

a month. The level of contribution, I believe, will have to be raised in a few years. We must realize that people with means nowadays do not wish to apply for public assistance or relief. There is no need for the Government to give them financial assistance. But the pension under the retirement protection scheme will be a citizen right, to which everybody will be entitled upon reaching the age of 65. Who, then, will give up his right? This explain why, say, many old people, though rich, are not hesitant to receive their old age allowance. They want it because it is a right and not a welfare hand-out from the community. If it were a hand-out, I am sure, not many who are relatively well off would want it.

This scheme put forth by the Government is opposed even by its own employees — the civil servants. The Government, as a responsible and open-minded employer, should heed the opposition of its own employees. Why does it not do so? Why is it bent on taking the particular course of action? I suspect that the Government is using the scheme to shirk its responsibility.

I have just mentioned the Government's low tax policy which is directly or indirectly contributory to our prosperity today. Meanwhile, what is the average wage of a worker? If employee and employer each have to contribute \$1,000 a month, what is the ratio of this to the employee's income? The scheme will literally turn every employed person, irrespective of his level of income, into a taxpayer. The contribution is tax in disguise. The Government may argue in whatever way it wants that this is not its intention; yet nobody will buy it.

Hong Kong is a place where many Chinese and non-Chinese call home. Many in Hong Kong respect and honour the elderly. Many would support their old parents. The Government, too, should give more assistance to the needy elderly. On top of old age allowance and public assistance as well as other benefits, other assistance should be given to them so that they will be properly cared for and be able to spend their twilight years in comfort should they go to live in China or elsewhere. Another thing is that we should encourage our young people to save for old age. It is improper for one to suppose that when one grows old, one will have an absolute right to be supported by the community. The young should aspire to being useful to society. The Government should encourage them to save and also to support their parents dutifully as much as they can, not shifting their responsibility on to the community at large, for this will be unfair to the community.

Mr President, these are my remarks.

MR FREDERICK FUNG (in Cantonese): Mr President, the Association for Democracy and People's Livelihood (ADPL), including myself, supports and welcomes, in principle, the Government's plan to introduce social insurance in the form of a universal retirement protection scheme in which the working population will contribute to the support of the retired. If carried out, the

scheme will break away from Hong Kong's traditional patchy approach to social welfare. It will be of great help to the promotion of mutual care among members of the public. Furthermore, it will enable every old person to enjoy at least a basic living standard. In view of such merits, the Government should expeditiously announce the details of the scheme, hold public consultation and launch it as soon as possible.

Social insurance means that the whole community would collectively deal with the risk that the livelihood of some members of the public would be jeopardized for one reason or another. It exemplifies the spirit of mutual assistance in a community. In this connection, a social insurance system is totally different from a public assistance system. The latter is a form of relief to the poor, whose dignity is seriously undermined by the fact that they are relief recipients. Under the former system, anyone is entitled to a pension upon retirement, irrespective of whether he is rich or poor. The amount of pension ensures everybody a basic living standard. This amount can be, say, at a level equivalent to between 30% and 40% of median income. The social insurance system is a protection system in which those with working ability jointly pay for the basic needs of the retired, on a community-wide basis. It cannot be denied that the aim of the old age pension scheme is to assure every old person of a basic living standard. However, I think that, to ensure the retired elderly a comfortable life, a provident fund scheme will also be needed. This scheme and the old age pension scheme should be run side by side.

ADPL, the Hong Kong Council for Democracy and the Democratic Alliance for the Betterment of Hong Kong have recently arrived at a common position on the old age pension scheme. A moment ago, Mr TAM Yiu-chung described our three basic principles and Mr Jimmy McGREGOR explained why the other proposed schemes were not feasible. I will now put forward eight points for honourable colleagues' consideration.

Firstly, we believe that a sound and stable universal retirement protection system should probably consist of two elements: a retirement protection scheme and an old age pension scheme. The two can be run concurrently. We think that, where the timing of implementation is concerned, the old age pension scheme should take precedence over the provident fund scheme.

Secondly, contributions for the old age pension scheme should be paid by the Government, employers and employees; the ratio should be three:two:one. Some organizations think that the ratio should be two:two. I think that where the ratio is concerned, there is room for further discussion.

Thirdly, in terms of the rate of contribution on the part of a contributing employee, there should be a lower limit and an upper limit. Where an employee's salary falls below the lower income limit, the Government should help him pay his contribution.

Fourthly, every citizen, upon reaching the age of 65, should be eligible for an allowance under the old age pension scheme.

Fifthly, the existing public assistance scheme should be retained until the old age pension scheme comes into full effect and, even then, should probably continue on a smaller scale so that, for instance, those old people who are chronically ill and those who are disabled and need special help could be taken care of.

Sixthly, the contributions paid by employers and employees should be tax deductible.

Seventhly, employees aged 60 or above should be allowed a one percentage point reduction with regard to their contributions. The Government and employers should make up for the difference. The specifics may be worked out later.

Eighthly, the Government should set up a commission made up of representatives of employers, employees, experts and government officials to make a detailed study of the scheme in respect of its structure and operation. The commission should finish its work on or before a set date. The Government should also set up a statutory body to help to enforce the old age pension scheme.

Honourable colleagues just now, and indeed members of the public, have cast doubt on the feasibility and fairness of the old age pension scheme. Here, let me spend a few minutes answering those questions.

Firstly, is it true that our three political groups try to confront the other three political parties by putting our heads together? The answer, let me tell you, is no. In fact, we found that our three groups held the same views a year ago, or on 3 February 1993 to be precise, when Mr TIK Chi-yuen moved a pertinent motion debate. In our discussion with some various trade unions and social organizations, we voiced the same opinions. At any rate, we feel that this time we must speak with the same voice, because the debate now is about which pension system to adopt. I feel that, since our three groups have the same view, we may as well unite and let the public have one more alternative. This is good for the climate of debate. The last thing we want to see is that the public can only hear the Government's voice while all other voices have been subdued. So we think that our three parties' joining hands will be good for the debate on the particular scheme.

Secondly, we must emphasize that the old age pension scheme that we advocate is not mutually exclusive with the proposed central provident fund system or some social assistance system in the form of providing public assistance. All three systems can be run concurrently. There is no question of mutual exclusiveness or conflict.

Thirdly, some ask: Who will bear the burden in the days to come as the ranks of the elderly continue to grow and the size of the working population declines? This is precisely the question for this Council to find an answer. Actually, the same question will arise if we go for a provident fund scheme. Other questions are: What about the housewives, who number several hundred thousand? What about the disabled? A moment ago, Mr Moses CHENG mentioned the elderly dependency ratio. In 1982, the ratio was 99:1 000. It will have gone up to 161:1 000 by year 2001. Will the same questions go away if we adopt a central provident fund? I feel that the old age pension scheme will be feasible though it needs to be supplemented by other retirement protection systems.

Fourthly, some say that the old age pension scheme is, in essence, unfair, because everybody will receive the same pension despite the fact that higher income earners pay higher contributions, lower income earners pay lower contributions and some pay no contributions at all. I think that it is not a matter of fairness but of yes or no. We have a responsibility to support the elderly, do we not? We have to honour the elderly, do we not? We do not want the elderly to receive public assistance at the expense of dignity, do we? We feel that this is not a matter of fairness. The fact is that we should do something.

Fifthly, should the wealthy retired be entitled to pension under the scheme? Why not? The wealthy, too, paid contributions. The pension benefits that they get are probably less than their contributions. Some people say that it is unfair to pay pension to housewives because they never paid contributions. Yet I think otherwise. I feel that housewives make very valuable contributions. I believe that husbands probably cannot single-mindedly make money without the help of their wives. Take myself for an example. If I had not had a wife, I could not have even worked as a full-time legislator. Really, for every \$10,000 a man made, \$5,000 out of it is earned with the assistance of his wife.

Sixthly, what should we do with the contributions of those who have emigrated or passed away? I think that a percentage of the contributions should be refunded to the emigrants and to the surviving spouses of the deceased.

The buzzer sounded a continuous beep.

PRESIDENT: Mr FUNG, please discontinue.

MR FREDERICK FUNG (in Cantonese): I so submit.

8.00 pm

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

ATTORNEY GENERAL: 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.

MR MICHAEL HO (in Cantonese): Mr President, retirement protection as a topic has become a routine motion for debate in this Council every year. I am sure that Members are well aware of the reasons for this and the Government's half-hearted attitude over the years have also been widely known. Mr LAM Woon-kwong, the Acting Secretary for Education and Manpower, remarked at yesterday's Manpower panel meeting that Members should "not make speculation" but "do more work" in a bid to rebut our accusation against the Government's insincerity. But in view of its past record, how can we trust the Government? Over the past twenty-odd years, the Government was steadfastly refusing to establish a central provident fund. And all of a sudden it tried to sell the idea of private provident fund to the public in 1991. It was clearly stated in the *Consultation Paper: A Community-wide Retirement Protection System* that "the Working Group on Retirement Protection (WGRP) does not support a universal pension system". However, the Government, without any warning, changed its mind again in December 1993 and unveiled a compulsory old age pension scheme. It supported a universal pension scheme and dismissed the idea of promoting private provident fund schemes. Such a capricious and self-contradictory approach shows no regard for the views of the Legislative Council and the public. How can the public and Members of this Council be convinced that the Government has *bona fide* intention to provide real retirement protection for the public?

With regard to the proposal on compulsory old age pension, the Government has merely put forward some guidelines and all the concrete details are yet to be finalized, pending the study of a consultancy firm. On the proposed principles of the scheme, the United Democrats find that some of them are worth our support. For one thing, its coverage is relatively large to include those elderly who did not have any paid employment in the past and retirees. Furthermore, it is proposed that immediate payment will be made to recipients. This is better than a provident fund scheme in terms of provision of protection to the lower-paid group.

People's reaction to the announcement of the proposal is basically mixed. Their major concerns are the following:

(1) Commitment of the middle-income group

It is proposed that all employees are required to make contribution. But the Government has yet to determine the exact contribution rate. One must bear in mind that many middle-class people are already contributors to one provident fund scheme or another at the moment. With property price standing at a record high, they have to spend almost half of their income to pay off mortgage loans. In addition, they have to pay heavy taxes as well. Against this background, we feel that when instructing the consultancy to conduct the feasibility study, the Government should consider the financial situation of the middle-income group in particular, especially in determining the contribution rate.

(2) Long-term public commitment

We have an aging population. Over the past 10 years, the number of dependent elderly increased from 95 per 1 000 people to 124 per 1 000 people. With the increase of our elderly population and the higher dependent population ratio, we shall have to adjust the contribution rate upwards in order to meet the financial commitment to the old age pension. The Government may probably assure us now that the contribution rate will not undergo a sharp jump within 10 years. Yet it is envisaged that we will indeed be confronted with such problems 15 years after the implementation of the scheme. Examples in this regard abound in Western and Asian countries which adopt such a scheme like the United Kingdom, Sweden and Japan. This year, the Ministry of Health and Welfare of Japan decided to conduct a review on its pension scheme to revise the amount of payment and contribution rate in order to keep its head above water. Should the Government wish to set the public's mind at ease, an actuarial evaluation report must be made available as soon as possible. We hope that in this report a short-term, mid-term and long-term financial study be included for people's reference.

(3) The role of the Government

The public are worried whether the Government will shift the responsibility of providing welfare services to the elderly on to employees and employers. Mr LAM Woon-kwong, the Acting Secretary for Education and Manpower, has repeatedly pointed out that the Government will contribute more than \$2 billion for the benefit of the civil servants and also re-allocate the \$3 billion earmarked for the existing old age allowance and public assistance schemes to the new scheme. There will be another \$0.9 billion coming from employer's contribution and withholding tax. In other words, of the \$16 billion, the Government is going to contribute more than \$5 billion. This gives us an idea to what extent the Government is committed to the scheme. I must point out one thing here. An one-off allocation by the Government is entirely different from a proportional contribution. Although the Government agrees to pay more than \$5 billion, there is no guarantee that the Government will not reduce its commitment once the scheme is set in motion. In future, the

outlay of the scheme will go up with the ageing of our population. Now the Government is prepared to make an one-off allocation at the beginning as a foundation fund. It is expected that any annual inflation-linked increase in contribution rate due to the ageing of our population will be entirely shifted on to the employers and employees.

The above-mentioned worries are not at all speculation stemmed from some conspiracy theories. They are down-to-earth analysis instead. We hope that the Government will provide more detailed and specific information and data before the consultancy completes its study so that the scope of deliberation can be narrowed down to give the consultancy some clearer and more definite guidelines in carrying out the study.

In the absence of any concrete proposals by the Government, the United Democrats cannot say whether we support the new scheme or not. Before the announcement of more details of the scheme by the Government, we shall still uphold our past position, that is, to strive for a central provident fund, extend the scope of public assistance and raise the level of public assistance.

The buzzer sounded a continuous beep.

PRESIDENT: You have to stop, I am afraid, Mr HO.

MR LAU CHIN-SHEK (in Cantonese): Mr President, I believe that many Hong Kong people have read Mr JIN Yong's novels. In one of Mr JIN Yong's novels, *The Chronicle of Heaven Sword and Dragon Sabre*, there is a legendary martial art called Qian Kun Da Nuo Yi. One who masters this martial art is able to fight back or avert an onslaught by making use of his attacker's blows. It can even cause two allied attackers to fight against each other. Zhang Wuji, the leading character in the novel, having mastered this martial art, won in the Battle of Guang Ming Ding against the six major martial art factions and became the head of Ming faction.

Today, the martial art of Qian Kun Da Nuo Yi makes an appearance in Hong Kong and is demonstrated by the Governor and the Secretary for Education and Manpower jointly against the offensive of the majority of legislators and many local community groups in respect of the establishment of a Central Provident Fund (CPF). The Government is well aware of the violent offensive jointly launched by this Council and local community groups for the fight for a CPF and the likely public discontent if it adopts strong-arm tactics to reject the establishment of a CPF without first successfully splitting up the united camp. That is why it exercises the "martial art" by announcing the old age pension scheme to distract people's attention and drive wedges between people who support the establishment of a CPF. It even wants to split up the united camp.

In view of the Government's Qian Kun Da Nuo Yi tactics, I think that this Council, community "martial art" groups and individual "swordsmen" should see the need to reinforce our collective efforts to urge the Government to launch a comprehensive retirement protection scheme. Failing that we may be crushed one by one and our strife for retirement protection may come to nothing at the end of the day.

As a matter of fact, the request made by the majority of Members of this Council and local community groups is basically the same, that is, the Government should provide immediately social security for the elderly of today and tomorrow on the one hand and a secure and sufficient retirement protection scheme for the working population on the other. In other words, the establishment of a protection scheme incorporating a CPF and an old age pension scheme is our consensus. What we are going to do today is to make it clear to the Government that our alliance shows no sign of disintegration and we are going to join hands to press the Government to establish the old age pension scheme and the CPF as soon as possible.

The introduction of the old age pension scheme by the Government evinces that the Government finally admits that the life of the elderly is not well taken care of. In view of this, we should strike the iron while it is hot rather than waiting for two years or more before deciding on whether the old age pension scheme is workable. The old age pension scheme should be launched in the 1994-95 fiscal year and be carried out by stages. The Government should shoulder the relevant expenses as an initial step and make public the details as soon as possible for the deliberation of Members of this Council and the general public. I hold that if the Government is willing to make more commitment to the elderly right now, it will demonstrate that the Government has the sincerity to meet the material needs of the elderly. This will dispel the public's suspicion of the Government's sincerity. I believe that so long as everyone is willing to commit oneself to the cause, the elderly will certainly secure real effective assistance.

Today, if Members of this Council fail to act in concert in pressing our firm request to the Government, I am afraid our elderly will not be able to receive better social security this year. Worse still, it is doubtful whether the Government will fulfil its promise and carry out the old age pension scheme in 1996-97. Needless to say, the CPF will never see the light.

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

MR HENRY TANG (in Cantonese): Mr President, this Council at one time passed by a wide margin a motion calling for the establishment of a central provident fund scheme which was widely supported by the community. It also vetoed a community-wide social security scheme by great majority. But very surprisingly, the Administration seems to be intentionally bent on being contrariant to the Legislative Council. It does not do what this Council wants

done, and chooses to do precisely what this Council disagrees. What is the rationale for such a contrariant attitude on the part of the Administration? I am greatly perplexed.

In the middle of last month, the Administration announced the policy intention of implementing an old age pension scheme. Since the Administration failed to provide this Council at the same time with detailed figures and data about this relatively unheard-of scheme, we simply have no way to study or analyze it. Therefore, I have reservations about this old age pension scheme and hope that the Administration will hurry up and present a report for discussion by this Council within the year. I pray that the Administration will procrastinate no more.

Mr President, retirement protection and old age welfare are fundamentally two entirely different concepts. The provident fund scheme that we have been striving for is a scheme for the working population. Both employees and employers will pay contributions to the scheme so that employees can enjoy a comfortable old age life upon their eventual retirement. We encourage employees to make long-term plans for their future and work towards these plans rather than relying on social welfare provision. I know that the general public has long held such a consensus. I absolutely agree that the community should care for retirees, near-retirees and people with financial difficulties, ensuring for them at least the minimum living standard. But this is a matter of welfare, a government responsibility which the Administration must not shirk. According to the proposal by our three parties, beginning in the year 1994-95, the Administration should immediately pay everybody who has already retired a pension equal to 30% of median wage, that is, \$2,100 a month. But the Administration is now mixing up the spirit of these two concepts. I am afraid it is doing so deliberately.

On many past occasions, officials of the Education and Manpower Branch criticized the idea of a community-wide social security system as a stark redistribution of wealth not suitable for Hong Kong. On the same occasions, they praised and touted the mandatory private retirement protection scheme that the Executive Council approved towards the end of 1991. But now the Administration has made a U-turn and put forth the very scheme that the officials criticized vigorously. They also said off-handedly that the Executive Council had never approved the mandatory private retirement protection scheme, except that the Executive Council merely agreed that public consultation be conducted on the proposal.

Mr President, one can go back on one's words if they are just lip service. But the Administration cannot go back on its words against the evidence of meeting minutes. If Mr LAM Woon-kwong does not resign to this, I ask him to look up the minutes of the Executive Council briefing to the Legislative Council on 1 November 1991. The minutes said clearly in black and white, "The Executive Council has agreed in principle to implement a mandatory retirement protection scheme for employees."

Mr President, my own position on the issue of retirement protection has been steadfast and clear-cut. I strive for a mandatory provident fund system. A central provident fund scheme, under central management, is one option of a mandatory system. A non-central provident fund scheme, that is a mandatory private retirement protection scheme, is another option. Acceptance of either of the schemes depends on the degree of the commitment that the Administration is willing to make. For the past months, several of our Honourable Colleagues have carried on a continuing dialogue with various departments of the Administration about the feasibility of these options. For instance, there has been discussion on how to minimize the risk exposure of a private retirement protection scheme, while keeping the rate of return at a level that is not too low, so that members of the public may pay contributions without having to worry about them. As far as I know, government departments, too, have made many studies in this regard. But now the Administration has abruptly abandoned the set policy that has been approved by the Executive Council. The private retirement protection scheme system, about which I have been optimistic, has suddenly become a burst bubble. Frankly, with the Administration's swaying approach of reversing on its own policy, it may, for the sake of a particular scheme, throw out economic, tax and welfare policies which are matters of principle. The way with which the old age pension scheme proposal has been handled is consummate evidence of the Administration's capriciousness in policy implementation. I believe that the Administration owes it to the public to tell the truth about its U-turn.

Mr President, I believe firmly that a provident fund scheme system, be it a centrally managed provident fund or a mandatory private scheme with government commitment, is the best scheme for employees. In the long run, it will, I believe, also achieve relative savings in welfare expenditure by the Administration. Retirees, near-retirees and low-income people will still have the Administration's welfare safety net to fall into if their incomes pass the means test. What is wrong with such a proposal that will satisfy both sides? I hope that the Administration will study the matter in detail and quickly accept the counter-proposal by our three parties.

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

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

DR YEUNG SUM (in Cantonese): Madam deputy, in December 1993 the Government announced its policy intention of setting up a mandatory old age pension scheme. It came as a great surprise to me for three reasons:

Firstly, this old age pension scheme, as proposed by the Government, will be implemented on the basis of an uniform rate of contribution and benefit. Under the proposed scheme, an employee irrespective of his income level will contribute 3% of his salary while his employer will contribute another 3% of

his salary. A retiree irrespective of his past contribution will receive a monthly pension equal to 30% of median income. The scheme will clearly have a wealth redistribution effect — a policy which the Government has never been quite in favour of.

Secondly, the scheme will, by way of legislation, make use of the collective contributions by the community to provide for the minimum living standard for everybody in Hong Kong aged 65 or above. It is unquestionably a community-wide welfare programme which the Government has never been quite in favour of.

Thirdly, I have demanded many times in this Council that the amount of public assistance payment should be raised to catch up with inflation plus the rate of economic growth in real terms. But the Government has rejected my demand time and again, arguing that the existing rate of \$1,550 a month for aged recipients is reasonable, and that a higher amount will affect people's incentive to work. To my surprise, the Government is saying now the old age pension can be pegged at 30% of median income. Madam deputy, I have to point out that, in view of its population ageing trend, Hong Kong now meets the United Nations' definition of an "elderly community." This point is clear, beyond the least bit of doubt. The position of the United Democrats of Hong Kong is that old people's rights and interests should be safeguarded. So it will call for policies and services consistent with such a position. While assuring for old people a living standard not below the poverty line is an unavoidable responsibility of the Government and the people of Hong Kong, setting up a reasonable retirement protection system for Hong Kong's working population is also a matter of great concern among the people of Hong Kong. Were this not so, we would not have spent more than 10 years fighting for the setting up of a central provident fund.

Madam deputy, when the Government announced the mandatory old age pension scheme, it was clearly using the moral pressure of protecting old people's livelihood to distract people's attention, and to shift the focus of discussion from a mandatory provident fund system, that is, a mandatory retirement protection system, to a community-wide welfare system which would safeguard old people's livelihood. The Government's present decision is a formal decision against the establishment of a mandatory retirement protection scheme for Hong Kong's working population of close to 3 million people. Until now, our argument with the Government has been over whether the mandatory retirement protection system for Hong Kong's work force should be in the form of a mandatory central provident fund or a mandatory private provident fund. But the Government has now thrown out both forms and abruptly made a U-turn and introduced the old age pension scheme, or rather the principles of such a scheme, without any specific details.

Madam deputy, it is an indisputable fact that the new scheme proposed by the Government is a community-wide old age welfare scheme rather than a mandatory retirement protection scheme. Is \$2,100 a reasonable level of

retirement protection for an employee of middle-income or one belonging to the sandwich class or above? However, it must be pointed out that the proposed scheme is undoubtedly an old age welfare scheme to those who have already retired, particularly those among the low-income group who are unable or unwilling to apply for public assistance. Their livelihood will be protected to the extent that they will not have to live below the poverty line.

Madam deputy, I think that a satisfactory and honest approach is for the Government to acknowledge openly that it is determined to set up a mandatory provident fund system for Hong Kong's 3 million-strong working population, so that the retirement life of all employees in Hong Kong will be protected. Meanwhile, the Government should improve the existing Comprehensive Social Security Assistance Scheme, so that the livelihood of retirees and low-income elderly people may be protected to the extent that they will not have to live on the brink of poverty. What can be put into effect quickly is to relax the qualifications for application for Comprehensive Social Security Assistance. Under the relaxed qualification, a retired elderly person, having declared his income and assets, should be eligible to receive \$2,100 a month as living allowance. I hope that the Financial Secretary will give consideration to this idea if the Government is really determined to do something to improve old people's well-being.

Turning back now to the Government's new proposal, firstly, I will comment on the values perceived by the policy. Basically, the proposed scheme stresses the idea of "generation-to-generation transfer" of wealth. The present working generation makes contributions now, while their contributions are immediately paid out to old people to help with their living. When the present working generation itself grows old, it will in turn be supported by the next generation of young employees. The values involved here may be very different from the traditional Chinese concept whereby the family will look after the old people. By tradition, Chinese people are centred around the family. Although we say, "Honour the elderly in your own family; also honour the elderly in other families", in the real world, however, we do not often find many people willing to take care of old people not part of their family. I believe that the Government should put more efforts into civic education.

Secondly, in the area of implementation, some technical questions require attention. For example, the requisite period of residence in Hong Kong should be considered, so that an old person who comes to live in Hong Kong from China should not be instantly eligible for the \$2,100 benefit. Should the rate of contribution and the rate of pension payment be uniform? But if it is so, the people of Hong Kong will feel somewhat like "messaging together". Should the low-income employees be made to make contributions too? These are technical questions which the Government must deal with.

Lastly, concerning funding, the Government must provide clearly a 50-year actuarial plan. I stress 50 years, so that people will then know what the future rates of contribution will be. Generally speaking, people oppose the

proposed scheme mainly because of the worry that the future contribution rate will go up sharply as the population continues to age. But if the Government can provide a 50-year actuarial plan, setting out that the future contribution rate will go up only marginally, I believe people will react to the scheme very differently.

Madam deputy, since there are only principles, not specific details, in the Government's proposed scheme, it is very difficult for us to say whether we support it or otherwise. I believe that it will perhaps be more appropriate for us to take a formal position after the scheme has been debated more actively and openly, after the Government's consultant has finished its report in summer perhaps, and after the specific technical questions have been solved. In any case, from the social policy's angle, policy principles and the technicalities are equally important. If the technicalities are not dealt with properly, even good principles will cause problems in the course of implementation. If this should happen, we would then be "starting off with a good intention, but ending up with bad results". All in all, a true retirement protection scheme and an old age pension scheme are two entirely different things. While the Government should implement the old age pension scheme, it should not refuse to set up a mandatory retirement protection system for Hong Kong's 3 million-strong working population. The two schemes need not be mutually exclusive.

With these remarks, I support the motion.

DR TANG SIU-TONG (in Cantonese): Madam deputy, since the mid-1960s, labour groups and various sectors of the community have been urging the Government to set up a central provident fund scheme. After a quarter century of arguing back and forth, the prospect of such a provident fund scheme remained remote. Members of the public were quite disappointed. Then, last year, the Government suddenly announced a territory-wide retirement protection scheme. When questioned about it by legislators, government officials very often did not have the answers. They totally failed to remove our doubts. In this month, the Government has steadily released some information about the proposed scheme through the media: It will inject into the pension scheme the money that it is now spending on old age welfare; it will require pension recipients to pass means tests; and so forth. What is clear is that the Government had not carefully studied the scheme before announcing it. No wonder members of the public are speculating wildly on the Government's motive.

I think that the Government is now using delaying tactics because it does not want to make a commitment to a retirement protection scheme. First of all, the proposed scheme has successfully deflated the political pressure brought to bear on the Government by a majority in this Council and by all sectors of the community in jointly calling for a central provident fund scheme. The central provident fund is now dead. Secondly, the scheme is a major initiative and will straddle 1997. The Government must consult the Chinese side about it through

the Joint Liaison Group. In other words, it is trying to drag the Chinese side into it. It may be close to 1996 when consultation, discussion and bill drafting are completed. By the time that the scheme is put into effect, if everything goes well, it will probably already be 1997. The present administration will then be on the eve of pulling out of Hong Kong. It will no longer care if the pension scheme is proceeding well or not. If the scheme goes wrong, the Special Administrative Region (SAR) Government will be left to clear up the mess.

According to the Government, the proposed scheme will have four major advantages: Firstly, it will cover most of the population. Secondly, people will be immediately benefited and not required to wait for 30 years. Thirdly, minimum benefits are guaranteed to be linked to inflation and median income. Fourthly, the contribution rate will be lower than that in the case of the central provident fund scheme. These advantages sound good. But they are short-term advantages. Over the long term, there will be a lot of trouble. The scheme is like sugar-coated poison. You eat it and you will have endless trouble. The scheme, I think, will have the following negative consequences:

- (1) Judging from the overall social development, the elderly population of Hong Kong will increasingly become proportionally larger while the relative size of the working population will shrink. Contributions to the scheme will be a growing burden on future generations.
- (2) There are about 1 million people now who have to pay salary tax or income tax. Yet the scheme will require all working people, about 2.8 million in number, to pay contributions. This will pose financial difficulties to the low-income families. The contributions, in fact, will be an old age welfare tax in disguise. This is a violation of the principle of maintaining simple and low tax rates.
- (3) The Government proposes that there should be a uniform contribution rate and a uniform amount of pension payment. This will be regarded as unfair from two perspectives. Low-income people may complain because high-income people do not have to pay contributions at progressively higher rates. On the contrary, high-income people may complain because they will receive the same amount of pension even though they pay more contributions.
- (4) The minimum pension under the proposed scheme will be \$2,100 a month. It is not much different from the total amount that an old person who is a recipient of public assistance and other benefits can now receive. The amount does not give much help to an old retiree if he is in financial difficulties. It is anticipated that retirees will, sooner or later, call for the amount of pension to be raised to a level higher than 30% of median income. If the Government is unable to collect more contributions from employers and employees, it will have to raise other taxes to make good the difference. This will

certainly create a pressure to raise taxes and pose a threat to the Government's financial position.

- (5) Though the scheme is not yet final, the community is already being divided by it. It has driven a wedge between retirees and contributors, between high and middle income groups and low income groups, and among groups of different political persuasions and different interests. The quarrels and their negative consequences are enough reason why the proposed scheme is not worth pursuing. Besides, in this transition period, solidarity among the people is very important. Hong Kong cannot afford to let its population fragmented by quarrels over retirement benefits.
- (6) Suppose that the Government is bent on putting the scheme into practice, the chances are high that it may be found after some time that the scheme is in financial trouble and the SAR Government, unable to handle the problem, will be forced to discontinue the scheme. If and when this happens, those who have paid contributions will surely take to the streets to protest and social disorder will ensue.

The Government should take note of the aforementioned potential troubles. The Government objects to the central provident fund scheme mainly because of its reluctance to assume liability for the risk exposure of a snow-balling pool of contributions and to set up a huge administrative structure to collect contributions, pay benefits and manage the scheme. But the self-same problems may just as well arise for the territory-wide retirement protection scheme put forth by the Government, may they not? It is strange that the Government has confidence that the scheme it proposes is going to be workable while it thinks the central provident fund is not a feasible idea. It smacks of self-contradiction. If the Government really wants to set up a sound retirement protection system, it must not close the door on the central provident fund. The ageing of the population is picking up speed. There is an urgent need to hurry up and provide retirees with reliable protection and achieve the objective of taking care of the old. I hope that the Government will not procrastinate any more but show sincerity and quickly lay down a retirement protection system suitable for Hong Kong.

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

MR TIK CHI-YUEN (in Cantonese): Madam deputy, since 1991 when elected elements were first introduced into this Council, the majority of the directly elected Members, as well as their political parties, have been strongly urging the Government to move quickly to set up an effective old age retirement protection scheme with a view to addressing problems arising from our increasingly serious ageing population. As some Members have put it aptly, "old age retirement protection" is a much debated hot topic of this Council. Since I

joined it two to three years ago, this Council has already held three motion debates on it. Today's debate is the fourth. It is envisaged that at least one more debate on this subject will be held before the end of this legislative year. Evidently, Members of this Council have been putting pressure on the Government to expeditiously do something for old people. Regrettably, despite the many debates that we have held, we are still at the stage of discussion and study. The old age pension scheme remains on the drawing board. Members of this Council and members of the public are very frustrated. The Government's lack of sincerity explains why no old age pension scheme is in place despite all the discussions over the years. I really want to ask the Government, "Do you really intend to set up a reasonable pension scheme before 1997?" Mr LAM Woon-kwong advised us, the legislators, not to speculate too much on the Government's sincerity. I know that Mr LAM is an earnest government official. The problem is not with him but with his superiors, officials who make policies. Does he know what are in his superiors' mind? If he does, will he perhaps enlighten us?

When we say that we doubt the Government's sincerity, we are not making unsubstantiated allegations. Our confidence in the Government has waned because of its performance in two respects:

1. The Government fails to respect and meet the requests of legislators and most members of the public for the setting up of a central provident fund. The Governor has said time and again that where the development of Hong Kong's future political system is concerned, the views of the Legislative Council Members will be respected and decisions will be left to be made by the Legislative Council. Why, then, does the Government show no respect at all for the views of the majority of the Members of this Council in its handling of the old age retirement protection issue? Does the Government have double standards? When the Government wants to promote its political reform, it enlists this Council's support to reinforce its position. When the Government does not intend to set up a retirement protection scheme, it ignores the mainstream voices of this Council.
2. The old age pension scheme put forth by the Government is nothing more than a set of ideas devoid of substance. We see no supporting statistical evidence in the proposal. Nor does the proposal specify the Government's commitments or provide a specific time table for implementation. This is completely at odds with the Government's promise that it would make the final decision in 1993. The Government indicates that it will yet have to make a new study. It will then hold consultation before submitting the findings to the Executive Council for its blessing. This process will last at least two years. In addition, the Government has erected three barriers to its own proposal before it will be put into practice: Firstly, the scheme must be found technically feasible; secondly, it must be

acceptable to members of the public; thirdly, the Chinese side must be consulted.

These pre-conditions will give the Government a lot of room for manoeuvre if it wants to back out of the scheme or to put off its implementation.

We think that the Government must do more if it wishes to boost the confidence of the public and of Members of this Council. Meeting Point is of the view that, while the technical problems may be left to further studies, the Government must at this time make some clear commitments on matters of principle. Only this will make the public and Members of this Council feel more confident about the Government's sincerity. Meeting Point urges the Government to make five major commitments to the retirement protection scheme and announce them to the public:

1. The Government will pay contributions and the amount will at least account for one third of the total contributions to the scheme. The Government has said that some of the money that it now spends on paying old age allowances and public assistance will go to the scheme as contributions, and it will also be paying contributions as the employer of civil servants. However, in our opinion, they are not new commitments but basic commitments. I hope that the Government will demonstrate sincerity with regard to the implementation of the scheme.
2. The Government will lay down a timetable for implementation and table the necessary bill during the 1994-95 legislative year. If the Government completes the study and consultation process and arrives at a decision before the end of the 1994 calendar year, I believe it can have the bill ready for tabling at, and passage by, this Council at the beginning of the 1995 calendar year. The scheme can then be put into effect before the end of the 1995 calendar year.
3. The Government will set up a working group consisting of government officials, Members of this Council, representatives of employees and employers and representatives of the grass roots. The working group will study and lay down a scheme which meets the needs of the people of Hong Kong. This will exemplify the partnership between the Executive Council and the Legislative Council and help to win this Council's support for the Government's proposed scheme. The working group may also be vested with the power to monitor effectively the progress in the Government's work.
4. The Government will give an undertaking that, when the new old age pension scheme is put into effect, the total benefit package to elderly persons will not be less favourable than what they are now receiving.

5. The Government will publish all necessary and detailed data before it begins its study on how to implement the scheme. Members of the public can then understand the Government's thinking, participate in the formulation of the scheme and give their views.

Madam deputy, Meeting Point thinks that the Government must move fast on the retirement protection issue. It should stop performing tricks. Until a better scheme is available, Meeting Point will continue to support the central provident fund. Meeting Point thinks that the Government should provide old people with reasonable protection, beginning in 1994. Concerning the specifics of our proposals, Mr WONG Wai-yin, our colleague from Meeting Point, will in a debate scheduled to be held some time in the future urge the Government to improve the public assistance scheme in 1994.

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

MR ERIC LI (in Cantonese): Madam deputy, I will begin by declaring that, though I am the President of the Hong Kong Society of Accountants and the Chairman of the Social Welfare Advisory Committee, the views that I express in this speech, if they should touch on these two professional fields, are just my personal views.

Very obviously, it is the wish of all Members in this Council that "the elderly will be supported." However, in this never quite perfect society of ours, any process to put private resources to public use by whatever means for a public ideal will arouse controversy because the different degrees of responsibilities and financial implications involved, the views on the principle of fairness, and the different assessments of the long-term development of the schemes will be open to different interpretations.

In fact, the various retirement protection schemes considered and made known by the Government, whether it be a voluntary scheme or a compulsory scheme, or even a centrally administered central provident fund scheme or the compulsory old age pension scheme now vigorously advocated by the Government, all have their own merits and attractive ideas for the good of the public. However, during the course of discussion of the schemes, the Government has closely withheld all detailed information on the actual costs of the relevant schemes, their financial implications on the different parties as well as the assessment of the income and expenditure of long-term schemes. This, coupled with the Government's sudden change of stand, make people feel that while debating with the Government on this issue, one can only talk widely under broad principles and "fight with the Government while on the run". In the absence of some important data, people who want to make a real comparison or a real choice among the various quite attractive retirement protection schemes will find themselves at their wits' end.

I firmly believe that the various retirement protection schemes are still a controversial topic among members of the public who look forward to a real choice. The Government which always boasts to be responsible should immediately disclose its internal reports as well as the consultancy reports on all the schemes so as to share the relevant data at its command with members of the public and give this Council a fair chance to arrive at a sensible decision.

The compulsory old age pension scheme proposed by the Government has been widely criticized as:

1. Full of the features of wealthy western countries' social welfare concept

One of Hong Kong's characteristics is that its people pride themselves on being self-sufficient and self-reliant. On top of this, in most cases, families and friends are ready to give financial aids to one another. Hong Kong's economy is doing well and there is full employment. All these factors contribute to the fact that most Hong Kong people, with a few exceptions, have a very good ability to save, unlike the people of some western countries who mostly live in debt until the day they die.

Hong Kong's social welfare system aims at providing a safety net to those genuinely in need. It attaches great importance to provision of direct services and necessary financial aids rather than pursuing the "money shower policy" with public money. Nor does it seek to solve social problems by counting heads and handing out money.

The same idea underlies Hong Kong's taxation policy. Hong Kong adopts low tax rates which encourage private saving and keep intervention of private resources put to public use to the minimum. The Government has argued with sophistry that contributions to the old age pension scheme will not be a new form of tax "to generate additional revenue for the Government." While it is true that such contributions will not generate additional revenue for the Government, they can hardly escape the fate of being looked upon as a form of tax in disguise. I hope that the Government will clarify under what national or international taxation rules contribution to retirement protection scheme can be regarded as not a tax simply because it will not generate additional revenue for the government.

2. Lack of detailed planning

Last Wednesday, I raised a written question in this Council on the details of the compulsory old age pension scheme, including the consultation items and the exact schedule of implementation. The Government has no answer to these specific issues at all. This fully proves that the Government put forward the proposed scheme rashly without thorough consideration.

With the aging of Hong Kong's population, contributors will soon outnumber beneficiaries. Many people comment that Hong Kong can hardly

escape the same fate confronted by other wealthy countries in Western Europe, and will be forced to increase public subsidy to this scheme, resulting in a heavy burden to the Administration. The Government has made no mention of a reasonable assessment of the long-term development of the scheme for the time being.

3. Full of technical problems

The social environment of Hong Kong is very special in that many people in the work force are self-employed or employed on a part-time basis (most of them are engaged in the building industry, catering service, transport service, entertainment business and retailing service). Such people can easily evade tax through legal ways without having to contribute to the compulsory old age pension scheme, and yet remain eligible to the pension and benefit under the scheme upon reaching the prescribed age.

On the other hand, Hong Kong has a particularly great mobile population. After 1997, a new kind of relationship will develop between Hong Kong and China, and will easily result in greater population mobility. People who have not been resident in Hong Kong can then stay in Hong Kong permanently and enjoy their welfare free lunch whereas Hong Kong residents who retire to China after contributing to the scheme for years will not be able to enjoy the retirement protection. Moreover, if a contributor dies before 65, both his widow and orphans will not be benefited. I believe that it will be a very difficult decision to make as to whom should be given the retirement protection.

Undoubtedly, such technical problems can be resolved with complex taxation regulations. But this will indirectly shift the monitoring responsibility and the cost of taxation on the Inland Revenue Department and the business community.

The compulsory old age pension scheme was submitted on the same day when the 1994 and 1995 electoral bill was put forward to the Council. At this most sensitive moment of escalation of the Sino-British political row, the Government suddenly "raised the ante" by putting forward a scheme which is highly controversial but without specific detail to counter the Council's political pressure in support of a central provident fund. No wonder members of the public are analyzing the Government's motives in the context of conspiracy theory. I consider that the criticism thus aroused is induced by the Government itself. I used to think that both the Government and the Legislative Council had the intention to do something for the elderly. The schemes are essentially good. However, as a result of lack of mutual trust, unrealistic attitude and over-reliance on myopic political means to solve livelihood problems, members of the public will be the ultimate victims.

Madam deputy, I support the motion. However, I feel that, though this Council has already held four debates, we still have a long way to go.

MR JAMES TIEN: Madam deputy, securing future retirement for our community and finding relief for those elderly living in abject poverty today is not an issue for political posturing. Politics should be a vehicle for delivering services, aid, hope rather than an end in itself.

When I was a child Hong Kong was desperately poor. Manufacturers as well as workers had to struggle to survive. Not until the 1970s did our economy surge and our collective lives improve to the extent that we dared to think of other pursuits beyond the immediate. The business my family built up has followed the Hong Kong cycle and experienced its growing pains.

Throughout those years few of us could save for our retirement. Workers barely earned enough to get by. Most manufacturers had to re-invest nearly all of their profits in their factories. From a precarious beginning the entire community moved ahead, accrued a little more, and finally achieved a better standard of living with finer education for the children and amenities for everyone.

Not until the 1980s did our economy mature to the point where workers and bosses alike thought seriously about voluntary retirement benefits. Between the late 1980s and today those schemes have expanded as coverage doubled to 800 000. The trend has slowed recently because most of the large firms with the means to establish these funds have already done so. Those which have not adopted the voluntary schemes tend to be small companies that, in lieu of superior fringe benefits, offer generally higher wages.

In a Hong Kong with full employment — indeed an acute labour shortage — workers can now choose between the security of the larger firms and the immediate better returns of the smaller ones. The choice defines a free market economy. I regret the day when our workers do not have that option because of legislation. Choice is what democracy is essentially all about.

Madam deputy, I accept that Hong Kong has evolved. We cannot escape the reality that many of the workers without retirement funds today will be left vulnerable in their sunset years.

My Liberal Party colleagues agree with me that the Central Provident Fund is the best and most pragmatic option. However, we have to be reasonable and should try to reach a compromise with the Administration on a mandatory retirement scheme with insurance if it cannot accommodate the Central Provident Fund.

Hong Kong, with three years left to the present Administration, cannot afford the luxury of time to dally and debate indefinitely. Unless we have a scheme in place we will risk having the Government impose a universal tax for its pension scheme. This will be ruinous for Hong Kong just as it has been for the west.

Retirement benefits should not be confused with social welfare or charity. The mandatory retirement scheme is designed for us to live off the proceeds of our own labour and is one we can enjoy with absolute pride upon retirement. The role of the Government is to monitor and to insure that the money stowed away is safe.

Such a scheme, though urgent, is intended for the retirement of the current workforce. Madam deputy, for now, we also have to take care of our elderly who have done much to build our economic foundation and who are now facing dire want. Our collective conscience dictates that we, if need be, tap into our surplus to aid and comfort our elderly today. We are fortunate to have sufficient resources to achieve this without having to raise taxes or create new taxes.

I support a prudently assessed means tested old age allowance of a maximum \$2,100 in today's terms — or a third of the median Hong Kong wage. I also request that the Government scrap its unreasonable restriction on those who opt to retire to China. A change of residence to stretch a modest sum is a person's choice that no sensible government can begrudge. I also protest against the double standard in which retired civil servants can collect their dues in Canada, Australia, England and so on while the common folk elderly are denied their freedom of mobility.

I hope that the mandatory scheme, though the second best choice, will make fewer and fewer people having to depend on public charity to get by in the future. The Governor said in his policy address about enabling the elderly to live in dignity. This dignity, I think, can be fostered by not compelling people to exist on the kindness of strangers and the benevolence of bureaucrats as proposed in the currently or recently announced Old Age Pension Scheme. A universal handout is not only grossly expensive but a mockery of the concept of fair entitlement and free enterprise.

We have to tailor our expectations to our ability while cutting a special cloth for those stripped to economic nakedness. Just as the Housing Authority has a set of criteria, so should the Social Welfare Department — as indeed it does today for certain benefits. I am against the elderly rich collecting the same amount from the public coffers as a less fortunate peer in poverty.

Some Members in this Council mindlessly admire everything about the west and conversely detest just about everything dear to our culture. They are free to say what they like, but I prefer the Asian sense of family responsibility in which we are to leave to our children, grandchildren and descendants a rich inheritance instead of a heavy liability.

In America today every child is born to a debt of US\$60,000 each. What I find truly obscene is the sight, so often quoted in America, of a Beverly Hills resident driving his or her Rolls Royce to a social welfare office to collect a retirement cheque. I am for a Central Provident Fund but I will not grandstand

just to score political points when there is an alternative that the Government may adopt and the Hong Kong public can accept.

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

SECRETARY FOR EDUCATION AND MANPOWER: Madam deputy, I should like to begin by thanking all those Members who have spoken in the debate this afternoon. I am pleased to see that only after a few weeks of the proposal to have an Old Age Pension Scheme (OPS) it has already aroused a lively debate both within this Council and in the community at large. Such an active expression of opinions is most welcome, as it is the only way through which the Government will be able to determine the depth of community support for the OPS, and thus come to a decision on whether or not it should be implemented.

I am glad to note that very few Members questioned the principle of the OPS. I particularly welcome Mr Martin BARROW's remarks that we should have an open mind on this subject. I also agree with Mr Frederick FUNG's suggestion that we should debate this subject with a healthy voice. This is how the Government is treating this subject, and this is what we hope Members of this Council will adopt.

In their speeches in this Council this afternoon, some Members have raised specific points of detail about the proposed OPS. Similar questions have been raised within the community over the last few weeks, and I know that many commentators are anxious for the Government to provide more details about the OPS, so that they may make informed comments about the suitability of the scheme.

As I said when I spoke in this Council on 15 December 1993, the Government intends to pursue a mandatory, contributory OPS as it is the only option that can deal with the problem of financial security for old age within a reasonably short time. But we have to get it right. While I shall not try to provide substantive answers to all of the points and questions raised by Members, as they are all interlinked and they all have an effect on the contribution rates, which have got to be studied and analysed with great care by professionals, I should like to inform this Council of what we are doing at this stage. In the next few weeks we shall be appointing consultants who will be able to advise us on the complex issues that many Members of this Council have raised. I envisage they will deal with the following major aspects which are of key concern:

- (a) how the scheme could be established in practice;
- (b) the contribution levels under different scenarios;

- (c) how contributions may be collected from the working population, in particular the self-employed and those currently outside the tax net;
- (d) whether there should be a maximum and minimum salary level for contribution purposes; and
- (e) how the scheme funds should be managed in the most cost-effective manner possible.

A variety of questions have also been raised about the operational aspects of the scheme. These include:

- (a) whether the scheme should cover imported workers and foreign domestic helpers;
- (b) whether pension benefits can be paid to Hong Kong residents who emigrate, and what happens to the contributions of those persons who die before receiving their pension;
- (c) whether there should be an income declaration or a means test for eligibility to benefits under the scheme, particularly in the case of non-contributors; and
- (d) whether there should be a minimum residence period before an elderly person becomes eligible for benefits under the scheme.

These questions have helped us to confine our consultancy study to a more manageable limit. I should like to assure Members that all these issues will be covered in our deliberations. Views expressed in respect of financial and operational aspects of the scheme will be considered very carefully and those that receive broad public endorsement will be adopted where practicable and affordable.

I shall now comment on a few points of common concern expressed both by Members of this Council and also in the community. First, I should like to reiterate the Government's pledge on financial contribution to benefits paid under the scheme. Many people have emphasized the need for government participation in the OPS, a point that has actually been echoed by some Members of this Council this afternoon. I fully understand these sentiments. I should like to state once again that all possible government savings on old age allowances and basic social security payments for the elderly, which amounts to between \$3 billion and \$4 billion in 1993-94, will be ploughed back into the OPS if it is to be implemented. In addition, there will be the Government's contribution as an employer, which amounts to at least \$700 million for every percentage of contribution. If we also take into account the hundreds of millions of dollars in tax foregone if employers' contributions are to be made tax-deductible, it is very clear that the Government has already pledged to take on a very substantial share of the financial commitment should the scheme be implemented.

Any call for further government contribution must be assessed in the context of what ought to be the fair share of the burden among taxpayers, employers and employees. We have to be extremely careful not to let taxpayers shoulder a disproportionately large share of the contributions as the more the scheme relies on contribution from tax revenue, the higher the risk of weakening the iron link that we seek to establish between pension payouts and contributions from employment earnings.

Second, on the timetable, we plan to complete the consultancy study as soon as practicable. We shall publish a consultation document to seek further public views, hopefully by the summer. We shall then take into account public views, including the outcome of our consultation with China, and make a decision on whether to proceed with the scheme before the end of this year.

Third, some Members have warned of the adverse effect that such a scheme might bring in the long term, that we must not repeat the mistakes of the welfare states in the west. We share these sentiments. But we feel that the proposal should be judged in its proper context. What we have proposed is merely a very basic scheme to provide a basic level of financial security for the aged, so that they may live the final stage of their life with dignity and with less worry about their basic income for subsistence.

Some Members have also expressed surprise at what they regard as a "sudden turn" by the Government. The fact of the matter, as I explained in this Council on 15 December 1993, is that we have taken this policy direction only after very detailed and careful weighing of the pros and cons of all the policy options. As a responsible government, we must not pursue an option which is not capable of solving the problem of the financial security for the aged, no matter how politically expedient it may seem for the Government to do so. Madam deputy, the Government does not believe that a mandatory, employment-related saving scheme will be able to provide the elderly people of Hong Kong with adequate retirement protection now or in the future. I went into considerable detail as to the rationale behind our thinking on this matter when I spoke in this Council on 15 December 1993. So I hope it will now suffice if I reiterate only the gist of our reasons.

Employment-related, mandatory saving schemes are not attractive because:

first, they do not cover nor even provide meaningful benefits to the bulk of the population: half of the population who are outside the workforce would remain unprotected; even for those in employment, those who are in the latter part of their working lives would not have sufficient time to accumulate meaningful benefits as saving schemes typically take at least three to four decades to mature; and for those employees who are in the low income category, even decades of compulsory saving would not provide meaningful retirement benefits due to their low saving capacity;

- second, a privately-run mandatory saving scheme, as suggested by some Members of this Council today, would be extremely complex to operate and would impose a substantial administrative burden on the community without the guarantee of commensurate benefits; and
- third, a centrally-run saving scheme, or a central provident fund, would be even more ineffective given the fact that they are typically low-yielding in the long term.

Some Members have suggested that the OPS should be combined with a mandatory saving scheme. I should like to remind Members that such a proposal would imply a much higher rate of compulsory contribution, which would unlikely be acceptable to the working public.

Given these considerations, it is clear that neither of the two mandatory saving schemes would be an effective solution to the problem of financial security for old age. The Administration does not therefore support the second part of Mr PANG's motion. *Ex officio* Members will therefore vote against the motion.

Thank you, Madam deputy.

PRESIDENT'S DEPUTY: Mr PANG, you have 4 minutes 4 seconds if you wish to reply.

MR PANG CHUN-HOI (in Cantonese): Madam deputy, first of all I wish to thank Members of this Council, in particular those who have spoken today. A great majority of them indeed (I suppose all of them) support my motion. My motion is very clear and divided into two parts, the first being related to the Old Age Pension Scheme specifically introduced by the Government. We all feel that the Government has not thought this through, and suspect if the Government is trying to use this scheme to counter the central provident fund scheme which we have lobbied so hard for years; as a matter of fact, in a motion on that scheme we passed in this Chamber, we urged the Government to implement it. It is very obvious that the Government has failed to state, in its reply, what other benefits there are in the scheme if it should be carried out smoothly, other than providing immediate benefits to old people aged 65 or over. Moreover, given that the Government has yet to have comprehensive planning for the scheme which still needs further research and study by a consultant firm, not to mention any public consultation which is very important and consultation with the Chinese, I am afraid it is only a means of stonewalling by the Government which does not have a set of well-thought-out proposals ready.

Does the Government not consider the 65-year-old people have contributed to our community? The Government knows too well that these

people have been contributing towards Hong Kong. They may not claim credit for the current success of Hong Kong. But surely they have put their shoulders to the wheel for the better part of their prime lives. However, they have been hardly able to make a decent living because of the relief-type assistance offered by the Government and the various restrictions imposed.

The Government has always disfavoured a central provident fund. Just now Members said the labour sector has been fighting for the setting up of a central provident fund for more than two decades. Now, the Government has treated the labour sector as an "idiot", dismissing all the merits of a central provident fund. Had such a scheme been implemented 20 years ago, could its merits and benefits have been materialized today? The Government claimed that it would take at least three to four decades before such a scheme could bear fruit. But the old people of Hong Kong simply cannot wait that long, for they will soon be at death's door.

The old people will of course welcome the Government's proposal that each elderly person may be given a monthly payment of \$2,100. And I will agree to it definitely. But where does this money come from? The Government will certainly say that it will of course make the financial commitment. Where then does the public money come from? Taxpayers' money definitely. Where do the Government secure its financial resources? It relies on tax revenue. Where does tax revenue come? Hard work by the labour force. Given that old people were engaged in active employment in the past, is it appropriate that they should be provided with public assistance now, is it not? Does anyone raise objection to the Government helping old people with money from the coffers? Does this Council oppose this? No. Why then should the Government use this scheme to deceive us? I feel that in future this Council need not spend any more time on this issue again

The digital timer showed 0404

PRESIDENT'S DEPUTY: Mr PANG, you have gone past the time. I am afraid I have to stop you.

MR PANG CHUN-HOI (in Cantonese): Time is up? I have spoken for less than 15 minutes.

PRESIDENT'S DEPUTY: I cannot let you go on, I am afraid.

MR PANG CHUN-HOI (in Cantonese): I have just used a little more than 4 minutes. How much time have I got?

PRESIDENT'S DEPUTY: 4 minutes 4 seconds but you have actually had 4 minutes 30 seconds.

MR PANG CHUN-HOI (in Cantonese): May I know why?

PRESIDENT'S DEPUTY: Unfortunately, the bell did not ring. I was waiting for the bell but it did not ring. I am sorry, Mr PANG, but I do have to stop you.

MR PANG CHUN-HOI (in Cantonese): That is alright.

PRESIDENT'S DEPUTY: I am sorry. But we have to obey the regulations.

Question on the motion put.

Voice vote taken.

The President's deputy said she thought the "Ayes" had it.

MR PANG CHUN-HOI (in Cantonese): Madam deputy, I claim a division.

PRESIDENT'S DEPUTY: We will proceed to a division.

PRESIDENT'S DEPUTY: Members, would you now please record your vote?

PRESIDENT'S DEPUTY: The result is now being displayed.

Mr HUI Yin-fat, Mr Martin LEE, Mr PANG Chun-hoi, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Andrew WONG, Mrs Peggy LAM, Mr Peter WONG, Mr Moses CHENG, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Mr LEE Wing-tat, Mr Eric LI, Mr TIK Chi-yuen, Mr James TO, Dr YEUNG Sum, Mr Howard YOUNG, Mr WONG Wai-yin, Dr TANG Siu-tong, Mr Roger LUK, Ms Anna WU and Mr James TIEN voted for the motion.

The Attorney General, the Financial Secretary voted against the motion.

Mr CHIM Pui-chung abstained.

THE PRESIDENT'S DEPUTY announced that there were 27 votes in favour of the motion and two votes against it. She therefore declared that the motion was carried.

Private Bill

First Reading of Bill

HONG KONG CHRISTIAN COUNCIL INCORPORATION (AMENDMENT) BILL 1993

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

Second Reading of Bill

HONG KONG CHRISTIAN COUNCIL INCORPORATION (AMENDMENT) BILL 1993

MR MOSES CHENG moved the Second Reading of: "A Bill to amend the Hong Kong Christian Council Incorporation Ordinance."

He said: Madam deputy, I move that the Hong Kong Christian Council Incorporation (Amendment) Bill 1993 be read a Second time.

The Hong Kong Christian Council was incorporated under the Hong Kong Christian Council Incorporation Ordinance (Cap 1083 of the Laws of Hong Kong) on 16 September 1955. Soon after that the Chinese name of "香港基督教協進會" was adopted by the Council and has been in use since then. The amendment Ordinance seeks to amend the principal Ordinance by adding the Chinese name as the complete name of the Council.

Madam deputy, I beg to move.

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

Adjournment and next sitting

PRESIDENT'S DEPUTY: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 26 January 1994.

Adjourned accordingly at seven minutes past Nine o'clock.

Note: The short titles of the Bills/motions listed in the Hansard, with the exception of the Post-Release Supervision of Prisoners Bill, Civil Aviation Bill and Protection of Wages on Insolvency (Amendment) (No. 2) Bill 1993, have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.

WRITTEN ANSWERS**Annex I****Written answer by the Secretary for Planning, Environment and Lands to Mrs Elsie TU's supplementary question to Question 4**

While it would be possible for conditions to be included in the leases of future developments to require developers to sell or rent a certain proportion of car parks with a view to ensuring that developers could not monopolize the provision of rented spaces, it might not solve the problem. No increases in overall supply would be achieved by this means. Indeed, the prices of parking spaces sold would be likely to rise. Nor is it clear that the rental charges for the remaining proportion of spaces retained by the developer would necessarily be lower than if all the spaces were rented.

Annex II**Written answer by the Secretary for Planning, Environment and Lands to Rev FUNG Chi-wood's supplementary question to Question 4**

It would only be possible to require developers to enter into tenancy agreements with unit owners in respect of car-parking spaces through sale conditions for future developments. It is currently for the developers to decide whether he sells or rents car-parking spaces and if attempts were made to impose stringent conditions on leasing, he could decide to simply sell the spaces. Also, the mere fact that a tenancy agreement existed would not guarantee that rental levels would not be increased.

Annex III**Written answer by the Secretary for Transport to Mr Jimmy McGREGOR's supplementary question to Question 4**

The management of the 14 government multi-storey car parks has been let by contract. Wharf Holdings Co Ltd and Wilson Parking (HK) Company Limited, are now responsible for seven car parks each. Under the terms of these management contracts, Government receives about 90% of the gross monthly receipts of each contractor. The contracts have been awarded through competitive tender and the car-parking charges inevitably follow the market rate, to the benefit of the taxpayer. There is no case for charging less than the market rate in government car parks.

WRITTEN ANSWERS — *Continued***Annex IV****Written answer by the Secretary for Security to Dr Conrad LAM's supplementary question to Question 5**

Data collected by the Immigration Department can be made available to help find Hong Kong residents missing in a foreign country. Usually a report is made to the police by relatives of the missing person. If police enquiries determine that the person has left Hong Kong for another country, then further enquiries can be made, through Interpol, to seek the assistance of the law enforcement authority in that country.

Annex V**Written answer by the Secretary for Security to Mr Henry TANG's supplementary question to Question 5**

The number of requests for movement records made through Interpol and consulates in 1993 were 330 and 237 respectively; only two of these requests were not granted because they were found to be unrelated to criminal investigations.