

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 29 March 1995

The Council met at half-past Two o'clock

PRESENT

THE PRESIDENT

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

THE CHIEF SECRETARY

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

THE FINANCIAL SECRETARY

THE HONOURABLE 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.

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

THE HONOURABLE 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

DR THE HONOURABLE LAM KUI-CHUN

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

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 LEE CHEUK-YAN

ABSENT

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

THE HONOURABLE ALFRED TSO SHIU-WAI

IN ATTENDANCE

MR MICHAEL LEUNG MAN-KIN, C.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER

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

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

MR JAMES SO YIU-CHO, O.B.E., J.P.
SECRETARY FOR RECREATION AND CULTURE

THE HONOURABLE MICHAEL SZE CHO-CHEUNG, I.S.O., J.P.
SECRETARY FOR THE CIVIL SERVICE

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

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

MR GORDON SIU KWING-CHUE, J.P.
SECRETARY FOR ECONOMIC SERVICES

MR MICHAEL DAVID CARTLAND, J.P.
SECRETARY FOR FINANCIAL SERVICES

MR DOMINIC WONG SHING-WAH, O.B.E., J.P.
SECRETARY FOR HOUSING

MRS KATHERINE FOK LO SHIU-CHING, O.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

MR PETER LAI HING-LING, J.P.
SECRETARY FOR SECURITY

MRS REGINA IP LAU SUK-YEE, J.P.
SECRETARY FOR TRADE AND INDUSTRY

MR MICHAEL JOHN TRELOAR ROWSE
SECRETARY FOR THE TREASURY

THE DEPUTY SECRETARY GENERAL
MR LAW KAM-SANG

PAPERS

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

Subject

Subsidiary Legislation	<i>L.N. No.</i>
Shipping and Port Control (Amendment) Regulation 1995	104/95
Air Transport (Licensing of Air Services) (Amendment) Regulation 1995	105/95
Road Traffic (Expressway) (Amendment) Regulation 1995	106/95
Official Languages (Alteration of Text) (Offences Against The Person Ordinance) Order 1995	107/95
Public Health and Municipal Services Ordinance (Public Pleasure Grounds) (Amendment of Fourth Schedule) (No. 2) Order 1995	108/95
Supplementary Medical Professions Ordinance (Application to Radiographers) Order 1995	109/95
Slaughterhouses (Regional Council) (Amendment) Bylaw 1995	110/95
Specification of Colour Scheme (Repeal) Notice 1995.....	111/95
Tate's Cairn Tunnel Ordinance (Amendment of Schedule) Notice 1995	112/95
Air Pollution Control (Vehicle Design Standards) (Emission) (Amendment) Regulation 1995 (L.N. 37 of 1995) (Commencement) Notice 1995.....	113/95
Radiographers (Registration and Disciplinary Procedure) Regulation (L.N. 75 of 1995) (Commencement) Notice 1995.....	114/95
Sewage Services Ordinance (105 of 1994) (Commencement) Notice 1995.....	115/95

Official Languages (Authentic Chinese Text) (New Territories Ordinance) Order	(C)21/95
Official Languages (Authentic Chinese Text) (New Territories Leases (Extension) Ordinance) Order	(C)22/95
Official Languages (Authentic Chinese Text) (New Territories (Renewable Crown Leases) Ordinance) Order	(C)23/95
Official Languages (Authentic Chinese Text) (Offences Against The Person Ordinance) Order	(C)24/95
Official Languages (Authentic Chinese Text) (Probation of Offenders Ordinance) Order	(C)25/95

Sessional Papers 1994-95

- No. 74 — Estimates for the year ending 31 March 1996 General Revenue Account Summaries Revenue by Heads and Subheads
- No. 75 — Securities and Futures Commission Approved Estimates of Income and Expenditure for Financial Year 1995-96
- No. 76 — Consumer Council Annual Report 1993-1994

ADDRESS

Consumer Council Annual Report 1993-1994

MS ANNA WU: Mr President, it gives me great pleasure to present the Annual Report of the Consumer Council for the year 1993-1994.

The year 1994 was one of historic significance marking the 20th anniversary of the founding of the Consumer Council. From a modest beginning, born almost overnight as a crisis body to deal with spiralling inflation in the wake of a worldwide Arab oil embargo in 1974, the Consumer Council has evolved into a truly full-fledged consumer organization providing, under one roof, a comprehensive range of services that embrace, amongst other things, consumer complaints and advice, comparative product testing, research and surveys, consumer education and publication, consumer policy and legislative development.

The issues and concerns which the Consumer Council has to address in a modern-day Hong Kong are wide and varied as its work touches on virtually all facets of our daily lives. It seeks not only value for money but also justice in the marketplace and a better quality of life.

1994 was also a year of solid achievements. It began a process of liberalization in interest rates paid by banks to depositors, inaugurated a \$10 million Consumer Legal Action Fund to help seek judicial redress for aggrieved consumers, and saw the passage of a package of legislation that is essential for safeguarding consumer rights in the purchase of goods and services and in the safety of consumer products.

In addition, the Consumer Council was able to set up two new divisions, namely, the Trade Practices Division and the Legal Affairs Division. The Trade Practices Division will examine competition policy and unfair trade practices with a view to promoting ethical codes of business conduct and trading standards, while the Legal Affairs Division will administer the Consumer Legal Action Fund and provide much needed in-house legal advice.

The expansion is crucial as the Consumer Council moves ahead into the area of competition and fair trading in the marketplace and litigation for the provision of consumer redress.

Apart from these new initiatives, the service of the Consumer Council has grown substantially, over the years, in both quality and quantity in keeping with rising consumer awareness and expectations, and with the changing needs of the marketplace. So far, the Consumer Council has managed to meet the growing demands without a corresponding increase in its staff. However, to enable the Consumer Council to meet the challenges of the next decade, the Consumer Council is currently reviewing its staff structure in consultation with the Trade and Industry Branch in the hope that its strength will be increased.

The Consumer Council is thankful to this Chamber for its support in furthering the objective of promoting and protecting the rights and interests of consumers and it looks forward to the continued support of the Honourable Members. Thank you, Mr President.

WRITTEN ANSWERS TO QUESTIONS

Commuting Times by Public Transport

1. MISS CHRISTINE LOH asked: *The recent Report of the Working Party on Measures to Reduce Traffic Congestion stated that the Government's transport policy "is founded on improving transport infrastructure, expanding the provision and improving the quality of public transport and managing road use." To this end, will the Administration inform this Council:*

- (a) *of the respective commuting times by public transport from 17 major population centres throughout the territory (namely Chai Wan, North Point, Causeway Bay, Wan Chai, Kennedy Town, Aberdeen, Kwun Tong, Sha Tin, Tai Po, Sham Shui Po, Kowloon City, Wong Tai Sin, Kwai Chung, Tsuen Wan, Tuen Mun, Yuen Long and Mui Wo) to the main business districts of Tsim Sha Tsui and Central;*
- (b) *of the respective increase/decrease in these commuting times in the last two years; and*
- (c) *whether the Transport Branch will set performance targets to lower these commuting times?*

SECRETARY FOR TRANSPORT: Mr President, bus commuting times from major population centres to Tsim Sha Tsui and Central are provided in the Annex. These figures are based on data provided by the franchised bus operators and statistics from surveys conducted by the Transport Department.

Although each bus route has a specified frequency, no comprehensive or systematic records have been kept of the actual journey times. Regrettably, therefore, no useful comparative figures can be provided for the last two years. This will be rectified and the Transport Department will henceforth collate the necessary data.

In principle, I support the Honourable Christine LOH's suggestion to set performance targets. Such targets must be realistic if they are to have any meaning. It is difficult to do so against a background of deteriorating traffic conditions but I shall consider how this can best be achieved in the coming months.

Annex

<i>From</i>	<i>To</i>	<i>Route number</i>	<i>Average journey times in minutes (in 1994)</i>
Chai Wan	Central	CMB Route 80 (via King's Road)	81
		CMB Route 781 (via Island Eastern Corridor)	41
North Point	Central	CMB Route 10A	31

<i>From</i>	<i>To</i>	<i>Route number</i>	<i>Average journey times in minutes (in 1994)</i>
Causeway Bay	Central	CMB Route 11	48
Wan Chai	Central	Several bus routes	22
Kennedy Town	Central	Citybus Route 5M	30
Aberdeen	Central	Citybus Route 70 (via Aberdeen Tunnel)	39
		CMB Route 7 (via Pok Fu Lam Road)	38
Sham Shui Po	Central	KMB Route 105	40
Sham Shui Po	Tsim Sha Tsui	KMB Route 6	36
Kowloon City	Central	KMB Route 101	47
Kowloon City	Tsim Sha Tsui	KMB Route 5A	25
Wong Tai Sin	Central	KMB Route 103	57
Wong Tai Sin	Tsim Sha Tsui	KMB Route 7	43
Kwun Tong	Central	KMB Route 101	57
Kwun Tong	Tsim Sha Tsui	KMB Route 1A	57
Yuen Long	Central	KMB Route 368	129
Yuen Long	Tsim Sha Tsui	KMB Route 69X	112
Tuen Mun	Tsim Sha Tsui	KMB Route 259B	79
Tsuen Wan	Central	KMB Route 334	64
Tsuen Wan	Tsim Sha Tsui	KMB Route 238X	47
Kwai Tsing	Central	KMB Route 337	72
Kwai Tsing	Tsim Sha Tsui	KMB Route 244X	57
Sai Kung	Central	KMB Route 690	65

<i>From</i>	<i>To</i>	<i>Route number</i>	<i>Average journey times in minutes (in 1994)</i>
Sai Kung	Tsim Sha Tsui	KMB Route 98D	51
Sha Tin	Central	KMB Route 182	67
Sha Tin	Tsim Sha Tsui	KMB Route 81C	73
North	Central	KMB Route 373	115
Tai Po	Central	KMB Route 307	84
Tai Po	Tsim Sha Tsui	KMB Route 271	77

Note: Information on bus journey times is based on average figures obtained from records of franchised bus companies and surveys conducted by the Transport Department. The figures are for reference only.

Closing of Internet Service Providers

2. MR SIMON IP asked: *Will the Government inform this Council of the reasons for the recent raiding and shutting down of six Internet access providers in the territory and why it was considered that those reasons were significant enough to justify such a potentially costly disruption of the exchange of academic and commercial information through on-line services?*

SECRETARY FOR ECONOMIC SERVICES: Mr President, during the past few months, the Royal Hong Kong Police Force's Commercial Crime Bureau (CCB) has been investigating a number of cases involving computer hacking (unauthorized access to a computer system via a telecommunication device). In co-operation with overseas law enforcers, the CCB established that the hacker or hackers have been entering the Internet system via service providers in Hong Kong and from there to overseas computer systems.

Through contact with the Office of the Telecommunication Authority (OFTA), the CCB established that of the nine Internet service providers in Hong Kong seven were operating without the required licence, in contravention of section 8 of the Telecommunication Ordinance. While OFTA was aware of this situation and was in discussion with the service providers to regularize it, the view of the CCB, supported by legal advice, was that they were duty bound to take action. The reasons were to stop the continuing offences of operating without a licence and to prevent the unlicensed service providers from providing a platform for the computer hackers to commit further offences. If

the service providers had been licensed, the CCB would have approached them for co-operation in investigating the computer hacking offences. However, as the service providers were unlicensed and thus of unknown probity, the CCB considered it entirely inappropriate to seek such co-operation and there was no alternative but to close the operations, in order to prevent further offences from taking place.

Automatic Toll Collection System

3. DR CONRAD LAM asked (in Chinese): *Regarding the provision of a toll lane for the exclusive use of motorists using the automatic toll collection system in the Cross Harbour Tunnel at Hung Hom, will the Government inform this Council:*

- (a) *whether the operation of such a system has helped to relieve traffic congestion in the Tunnel; if so, what the effects are; if not, why this system is still being used; and*
- (b) *whether it is aware that the reduction in toll lanes as a result of the introduction of this system has led to congestion in the normal toll lanes, thus causing inconvenience to motorists not using the automatic toll collection system; if so, whether it will request the tunnel company concerned to take remedial measures?*

SECRETARY FOR TRANSPORT: Mr President,

- (a) The automatic toll collection system installed at the Cross Harbour Tunnel was never intended to relieve traffic congestion. The congestion problem in this location is primarily due to the fact that the tunnel itself is operating far beyond its design capacity. The tunnel company introduced autotoll so as to enhance the efficiency and cost-effectiveness of toll collection, and to provide greater convenience for users of the facility.
- (b) The Transport Department has received no complaints from the public in recent months about the autotoll system. The Department monitors the operation of the tunnel and has advised that the introduction of autotoll has not led to increased congestion in the normal toll lanes. Before the company is allowed to open any additional autotoll lanes in response to increasing demand, a careful assessment is made to ensure that there will be no adverse effect on the overall traffic flow and in particular on those who continue to use the normal toll lanes.

Medical Services in Peng Chau

4. DR LEONG CHE-HUNG asked: *Will the Administration inform this Council what types of medical services are provided in Peng Chau and whether consideration has been given to expanding such services to meet the increase in the island's population as a result of the completion this year of the new Peng Lai Court which will accommodate 7 000 residents?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the Department of Health operates a clinic in Peng Chau providing general out-patient consultations, maternal and child health services as well as a maternity home. Outside normal working hours, first-aid services are provided at the clinic by two nurses. For patients requiring accident and emergency treatment, transport by helicopter or police launch will be arranged. In addition, there are two general clinics operated by private medical practitioners in Peng Chau.

The medical services currently available in Peng Chau will be able to meet the increase in demand arising from completion of the Peng Lai Court and Kam Peng Estate, since a large proportion of the 1 300 people to be accommodated in these two developments are existing residents of the island. Nevertheless, we will closely monitor attendances at the Peng Chau clinic to review the situation.

Monitoring of Financial State of Banks

5. MR ALLEN LEE asked (in Chinese): *The incident concerning the British Barings Group has caused global repercussions, indicating that the mere monitoring of the local business activities of banks is not an effective guarantee of the sound financial state of such institutions. In the connection, will the Government inform this Council:*

- (a) *what Government policies are currently in place to ensure that both the local and overseas business activities of the banks in the territory are in a sound financial states, and whether the Hong Kong Monetary Authority will step up efforts to monitor such business activities in the light of the Barings incident; and*
- (b) *whether, in regard to banking groups setting up subsidiary companies to engage in various kinds of investment activities, there are close links between the Securities and Futures Commission and the Hong Kong Monetary Authority to monitor the investment activities of such subsidiary companies, so as to prevent collapse of banks as a result of losses incurred in such investment activities?*

SECRETARY FOR FINANCIAL SERVICES: Mr President,

- (a) The Hong Kong Monetary Authority (HKMA) adopts a "continuous supervision" approach in respect of banking supervision. This involves the on-going monitoring of institutions through a variety of techniques, aimed at detecting problems at an early stage. Such techniques include on-site examination, off-site reviews, reports by external auditors and other major powers under the Banking Ordinance.

In respect of supervision of banks with international operations, the HKMA follows international practice as embodied in the principles of the revised Concordat and the 1992 Minimum Standards issued by the Basle Committee on Banking Supervision.

In the case of banks incorporated in Hong Kong and for which the HKMA is the lead regulator, this involves the exercise by the HKMA of consolidated supervision of such banks, including their operations outside Hong Kong. In this connection, Hong Kong is one of 12 jurisdictions which have so far met the United States Federal Reserve Bank's requirement that home supervisors should conduct "comprehensive and consolidated supervision".

The HKMA is engaged in a continuous process of enhancing the banking supervisory framework in Hong Kong. The Barings collapse has given added impetus to this, particularly in relation to the supervision of banks' derivative activities. Specifically, as an immediate step, the HKMA has written to all authorized institutions to require them to conduct an urgent review of the controls over trading in derivatives and to report on the results of this to the HKMA by 3 April 1995. Institutions which do not currently trade in derivatives are required to consult with the HKMA before beginning such activities.

The HKMA has issued a guideline on the risk management of derivative activities back in December 1994. It intends to issue a further detailed guideline later this year. To facilitate preparation of this guideline, the HKMA is currently conducting a series of visits to the treasury operations of major participants in derivative activities in Hong Kong.

As an international financial centre, Hong Kong benefits enormously from the presence of a wide range of foreign banks in the territory. Occasionally, problems may arise in such banks which affect their operations in Hong Kong. In such cases, the HKMA tries to reduce any adverse impact on depositors through its direct supervision of the operations in Hong Kong and through the

use of its powers under the Banking Ordinance, for example, to assume control of an institution in trouble.

A key factor in the success of such measures is the ability to obtain timely warnings and assistance from the home supervisor of the foreign bank in question. In the case of Barings, for example, the Bank of England kept closely in touch with the HKMA and sent one of its representatives to Hong Kong. Such co-operation is consistent with the improved arrangements for the supervision of international banks introduced in recent years. It is the intention of the HKMA to develop such co-operative links with other supervisors, both through bilateral discussion and through international organizations such as the Bank for International Settlements.

- (b) We agree that the involvement of banking groups in a variety of banking and investment activities requires close liaison between banking supervisors and securities regulators. For this reason, there are established links between the HKMA and the Securities and Futures Commission (SFC). Apart from routine exchange of information, the HKMA and SFC consult each other closely on issues of common interest; monthly meetings are held to discuss operational issues regarding the activities of institutions subject to contemporaneous regulation by both regulators. In addition, a Working Party on Supervisory Co-operating has been established recently to consider, among other things, how liaison might be further strengthened. The Working Party has recently completed its report. It is intended that this should be used to develop a Memorandum of Understanding between the HKMA and SFC to cover the broad framework of co-ordinated supervision of banking groups.

Teaching and Learning Materials Involving Intellectual Property Rights

6. MR TIMOTHY HA asked (in Chinese): *Teaching and learning activities at schools often involve the use of materials that have intellectual property rights implications, such as photocopies of books and publications, cassette and video tapes, music scores and scripts, and computer software etc. In view of the concern expressed by the international community and various sectors of the local community over the issue of intellectual property rights, will the Government inform this Council whether:*

- (a) *any survey has been conducted in the last three years on the use of teaching and learning materials involving intellectual property rights in schools; if so, what the findings of the survey are; if not, why not;*

- (b) *there is any plan to seek full or partial exemption for schools from the provisions of the laws on intellectual property rights, modelling on the United Kingdom's 1988 Copyright, Designs and Patents Act;*
- (c) *consideration has been given to obtaining permits for schools collectively to enable them to use teaching and learning materials involving intellectual property rights; if so, what the details are; if not, why not;*
- (d) *additional funding will be provided to enable schools to have sufficient teaching and learning materials to use on the one hand and comply with the intellectual property right laws on the other; if so, what the details are; if not, why not; and*
- (e) *guidelines have been provided to schools on the issue of intellectual property rights; if so, what the contents are; if not, why not?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President,

- (a) No survey has been conducted on the use of teaching and learning materials involving intellectual property rights in schools. Nevertheless, we have issued a circular to draw the attention of schools and teachers to the need to observe the relevant legislation relating to copyright, see part (e) below.
- (b) The Secretary for Trade and Industry is preparing a comprehensive Copyright Bill for introduction to the Legislative Council as soon as possible. This bill will include certain provisions similar to those in the 1988 United Kingdom Copyright, Designs and Patents Act, which would permit the use of certain copyright materials under certain conditions for certain educational purposes without infringing their copyright.
- (c) At present, there is no single organization in Hong Kong which administers collectively the intellectual property rights of all teaching and learning materials. It is therefore not feasible for the Education Department to obtain permits for schools collectively because of the wide spectrum of such materials in use in our schools.
- (d) Funds are provided for schools in the public sector to meet expenses for teaching and learning materials including copyright. We shall keep such funding under constant review.

- (e) The Education Department issued a circular on copyright on 17 January 1990 to all schools to draw the attention of school heads and teachers to the main requirements of the law relating to copyright.

Container Terminal No. 9 Project

7. MR STEVEN POON asked (in Chinese): *In his 1995-96 Budget, the Financial Secretary stated that the Government's original plan was to entrust the construction of the duplicate Tsing Yi south bridge to the consortium chosen to develop Container Terminal 9 but that the Government had recently decided to make preparations for the bridge to be built separately. In this connection, will the Government inform this Council whether:*

- (a) *the Government's decision is an indication that the Government has decided to shelve the Container Terminal 9 project;*
- (b) *its decision to make preparations for the bridge to be built separately will affect the agreement previously reached with the consortium concerned; if so, whether the agreement will in consequence be invalidated; if not, whether the Government's present decision requires the consent of the consortium;*
- (c) *it is necessary for the Government to inform the Chinese side of its decision, bearing in mind that it has discussed the development rights of Container Terminal 9 with the Chinese side; if so, when the Chinese side will be informed; and*
- (d) *the opportunity will be taken to re-tender the Container Terminal 9 project in view of the exclusion of the duplicate Tsing Yi south bridge from the scope of the project?*

SECRETARY FOR ECONOMIC SERVICES: Mr President, my replies to the question are, *seriatim*:

- (a) the Administration has absolutely no intention of shelving Container Terminal No. 9 (CT9);
- (b) the Administration had originally intended to entrust the construction of the Duplicate Tsing Yi South Bridge to the CT9 developers to ensure its timely completion. Given the delay to the CT9 development, and having regard to the urgent need to alleviate traffic congestion and to cater for expected growth in traffic in Tsing Yi, the Administration considers it desirable to proceed with the bridge as a separate public works project. The entrustment arrangement does not directly relate to the land grant. The principal

conditions of the draft land grant remain unchanged. The consortium is aware of the Administration's decision;

- (c) the Chinese side has been informed of our intention to proceed with the bridge as a public works project; and
- (d) the exclusion of the bridge from the scope of the project makes no difference to our proposals for the development of CT9, which envisage a private treaty grant.

Importation of Chinese Architects

8. MR EDWARD HO asked (in Chinese): *With regard to the applications for the importation of Chinese architects following the introduction of the scheme for importing 1 000 graduate professionals and managers from China, will the Government inform this Council of:*

- (a) *the number of companies which have made such applications and the total number of architects they have applied for, as well as the number of companies which have been successful in their applications together with the total number of architects approved;*
- (b) *the number of companies which have successfully applied for more than one architect, together with the respective number of architects approved for each company;*
- (c) *the number of companies whose applications have been rejected and the reasons thereof; and*
- (d) *the criteria used in approving applications for the importation of architects from China?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President,

- (a) We have received a total of 49 applications for the importation of architects from 35 companies under the Pilot Scheme for entry of People's Republic of China (PRC) professionals. A total of 11 companies have been successful in all the four ballot exercises, each with one successful application. So far, seven applications for the post of architect have been approved and two applications have been withdrawn.
- (b) No company has been successful in their application for more than one architect post.

- (c) None of the successful applications for the importation of architects in the first three ballot exercises have been rejected during the subsequent vetting stage. The detailed vetting of the two successful applications in the fourth ballot exercise held on 23 March 1995 have not yet started. The results are therefore not available.
- (d) There are no separate criteria for the assessment of applications for importation of architects from China under the Pilot Scheme. All applications for quota under the Pilot Scheme for entry of PRC professionals are processed in accordance with the following criteria:
 - (i) The entrant must be a graduate from one of the 36 key institutions in the PRC;
 - (ii) The employer submitting applications must be from any companies in Hong Kong other than PRC state enterprises;
 - (iii) The entrant possesses a special skill, knowledge or experience of value to, but not readily available in Hong Kong;
 - (iv) The qualifications and experience of the entrant are compatible with the post applied for; and
 - (v) The entrant must satisfy normal immigration requirements.

External Bus Services for North District and Tai Po

9. MR TIK CHI-YUEN asked (in Chinese): *In view of the continuing population growth in the New Territories North and Tai Po districts which has led to an increasing demand for external transport services, will the Government inform this Council whether there are plans to expand the number of external bus routes serving these two districts?*

SECRETARY FOR TRANSPORT: Mr President, at present, there are 31 Kowloon Motor Bus (KMB) routes serving the North District and Tai Po. 20 of these routes operate within the New Territories whilst 11 routes provide services to Hong Kong Island and urban Kowloon. In total 160 buses are deployed on the 11 external routes. In addition, nine residential coach services also run to the urban areas. Overall, the bus services now provided can cope with existing passenger demand.

There are plans to increase the frequency and carrying capacity of public bus services over the next two years to cope with the anticipated growth in demand. KMB's route development programme envisages that 18 new buses

will be added and higher capacity buses will also be deployed to serve the two districts. The Transport Department will monitor the situation closely.

Provident Fund Schemes of Various Universities

10. MISS EMILY LAU asked (in Chinese): *Under the Occupational Retirement Schemes Ordinance, all retirement schemes are required to be registered with the Government by October this year; and for schemes existing prior to the commencement of the Ordinance, they must become solvent by October 1998. It is learnt that the provident fund schemes of the University of Hong Kong, the Chinese University of Hong Kong and the Hong Kong Polytechnic University are all in a deficit situation. In this connection, will the Government inform this Council whether:*

- (a) *it will maintain its policy of not using the taxpayers' money to make up for the deficits of these provident fund scheme;*
- (b) *it is aware of how the authorities of the universities concerned will resolve such a serious problem; and*
- (c) *it will consider exempting the provident fund schemes of the various universities from the Occupational Retirement Schemes Ordinance as suggested by some lecturers?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President,

- (a) The Administration will not alter its existing policy of limiting its contribution to the superannuation schemes of the tertiary institutions to 15% of the average staff salaries assumed for the purposes of assessment of recurrent grants. The management and operation of the superannuation schemes, including the responsibility for monitoring and ensuring their financial viability, rest with the institutions concerned.
- (b) The Administration is aware that the three institutions concerned, namely the University of Hong Kong (HKU), the Chinese University of Hong Kong (CUHK) and the Hong Kong Polytechnic University (PolyU) are actively pursuing measures to improve the long-term financial position of their superannuation schemes and to ensure that the schemes comply with the requirements for registration under the Occupational Retirement Schemes Ordinance (ORSO). Having completed its staff consultation, CUHK has given approval to amend the Regulations of its existing scheme to ensure its solvency and will also introduce a new scheme to which members may opt by which benefits will vary according to the investment return of the pension fund. HKU is considering amending its existing scheme to a

"variable defined benefits" scheme which would provide for negative adjustments when times are unfavourable. Lastly, PolyU is considering modifying the "defined benefits" nature of its scheme into "variable benefits" to make the scheme registrable under ORSO. The Administration understands that the institutions concerned are already consulting their staff regarding these measures.

- (c) There is no statutory power under the ORSO by which to exempt the superannuation schemes of the tertiary institutions. An exemption would require legislative amendment. However, the ORSO does not require a specified level of contributions to or benefits from occupational retirement schemes. This is a matter for the scheme operators to decide. What ORSO requires is that every scheme be 100% solvent, that is, contributions must be sufficient to finance benefits in the long term. To achieve this level of solvency, operators may either reduce benefits or increase contributions. The operators of the schemes in question have not yet sought to register them under the ORSO. Nor have they presented the Registrar with a case for exemption. However, excluding the schemes from the Ordinance would not solve their problem. It would merely defer it to a future date.

Circulation of \$10 Coins

11. MR ALLEN LEE asked (in Chinese): *With regard to the circulation of ten-dollar coins in the territory, will the Government inform this Council:*

- (a) *of the respective amounts of ten-dollar coins and ten-dollar bank notes in circulation;*
- (b) *whether the Government has set a timetable to demonetize the ten-dollar bank notes; and how the Government will cope with the situation in which the public hoard up ten-dollar bank notes for use in "lai-see" packets during the Chinese New Year, which will cause delay in the recovery of such bank notes;*
- (c) *whether the Government will consider amending the relevant provisions in the Coinage Ordinance stipulating the limit on the amount of coins which may be used as legal tender in view of the issue of ten-dollar coins; and*
- (d) *whether the Government is aware of the public's general dislike of ten-dollar coins; and whether consideration will be given to the concurrent issue of ten-dollar coins and bank notes so as to conform with the public's preference?*

SECRETARY FOR FINANCIAL SERVICES: Mr President,

- (a) There is a total of approximately \$5,630 million in \$10 notes and coins in circulation, comprising \$730 million \$10 coins and \$4,900 million \$10 notes.
- (b) The Government has not set a timetable to demonetize \$10 notes. Our plan is to leave the withdrawal of \$10 notes through normal wear and tear to the respective note-issuing banks. As \$10 notes remain legal tender, there is no urgency for the Government to replace them all with coins and no concern therefore about their use in "lai-see" packets.
- (c) In the drafting of the Coinage Ordinance in 1994, careful thought was given to the limit on the amount of coins which may be accepted as legal tender for payment as stipulated in section 2 of the Ordinance. We do not see a need for changing the limit of \$100 for \$10 coins at this moment.
- (d) When new coins are introduced, it always takes some time for the public to get used to them. This is a natural phenomenon which we also encountered when the \$5 coins were first introduced. We expect the public's acceptance of the \$10 coins to increase in due course. We do not intend to issue new \$10 notes and coins concurrently.

Electors of New Functional Constituencies

12. MR FREDERICK FUNG asked (in Chinese): *The Government has indicated that all working persons engaged in economic activities are eligible for registration as electors of the new functional constituencies in the forthcoming Legislative Council election, provided they are registered electors of geographical constituencies. In connection with this, will the Government inform this Council:*

- (a) *whether it will write to the employees of organizations registered under the Societies Ordinance inviting them to register as electors of the new functional constituencies; if not, why not;*
- (b) *how it will ensure that full-time employees of organizations which are neither registered businesses nor registered societies will register as electors of the new functional constituencies; and*
- (c) *whether the failure of the organizations mentioned in (b) above to take the initiative to provide information on its employees to the Registration and Electoral Office is in contravention of section 23 of the Boundary and Election Commission (Registration of*

Electors) (Functional Constituencies and Election Committee Constituency) Regulation?

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President,

- (a) The Registration and Electoral Office (REO) has plans to request organizations registered under the Societies Ordinance to provide information of their employees. On receipt of such information, the REO will write to the employees concerned inviting them to register as electors in the nine new functional constituencies.
- (b) The Government is conducting an extensive publicity campaign to ensure that full-time employees of organizations which are neither registered businesses nor registered societies are aware that they can, if eligible, become electors in one of the new functional constituencies. There are open appeals through television, radio and newspaper advertisements to encourage eligible persons to get themselves registered. They can pick up a voter registration form at any one of 1 500 outlets which include District Offices, Post Offices, housing estate offices and major bank offices. The publicity campaign will intensify and continue until registration closes on 1 June.
- (c) Section 23 of the Boundary and Election Commission (Registration of Electors) (Functional Constituencies and Election Committee Constituency) Regulation provides sanction against organizations which fail to provide information upon request to the Registration Officer for the purpose of voter registration. If an organization does not take the initiative to provide information on its employees to the Registration Officer, there is no contravention of section 23 of the above Regulation.

'Chips Allotment' System of Labour Department

13. MR WONG WAI-YIN asked (in Chinese): *It is learnt that some of the Labour Department's district offices have introduced a "chips allotment" system to regulate the number of cases handled each day. In this regard, will the Government inform this Council:*

- (a) *which district offices in the Labour Department have adopted the "chips allotment" system in providing services; and*
- (b) *whether the adoption of the "chips allotment" system is due to staff shortage of those district offices; if so, how and when the situation can be improved; if not, what are the reasons for adopting such a system?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President,

- (a) At present, the Labour Department is providing services through a "chips allotment" system at all the nine offices of the Local Employment Services, all the four Occupational Medicine Units, and four of the 10 offices of the Labour Relations Service.
- (b) The "chips allotment" system was not introduced because of staff shortage. This common customer service practice in the private sector was adopted by the Labour Department primarily to improve both the quality and efficiency of the Department's service to the public. This method enables the Department to provide services in an efficient and orderly manner. It is also an appointment system with an obvious advantage that customers waiting to be served can leave to deal with their own business and then return for the services at the scheduled time without unnecessary waiting. This system has so far been working well. The Department will nevertheless keep its effectiveness under constant review and bring about improvements as and when appropriate.

Illegal Activities at Lo Wu/Shenzhen Border Checkpoints

14. MRS SELINA CHOW asked (in Chinese): *In view of recent complaints from local residents about their identity cards being stolen by pickpockets in the restricted areas of the Lowu/Shenzhen border checkpoints, will the Government inform this Council:*

- (a) *of the number of such cases reported in the past year;*
- (b) *whether the Government has taken any action on the reported cases; and*
- (c) *whether the Government has discussed with the relevant Chinese authorities regarding the measures to be taken to combat these illegal activities?*

SECRETARY FOR SECURITY: Mr President,

- (a) In 1994, the police received 14 reports of pickpocketing in the Lo Wu/Shenzhen border checkpoints. Out of these 14 cases, only two involved loss of identity cards. In the same year, a total of 234 "Lost or Stolen" reports were made at the Lo Wu Police Post; however, we do not keep statistics on how many of these cases involved loss of identity cards, nor whether they happened in the border checkpoint area.

- (b) The police in Border District have formed a special task force to combat pickpocketing activities in the Lo Wu/Shenzhen border checkpoints since August 1994. Eight of the 14 pickpocketing cases were detected, with arrests made.
- (c) The police have addressed the Shenzhen authorities, through both Interpol and the Border Liaison Channel, regarding pickpocketing activities at the Lo Wu/Shenzhen border checkpoints. The police maintain close liaison with their Shenzhen counterparts on this matter.

Investment Returns by Retirement Schemes

15. MR MARVIN CHEUNG asked: *Is the Government aware of the investment returns achieved by retirement schemes in the territory; if so, will the Government inform this Council:*

- (a) *of the total number of retirement schemes for which information on investment returns is available ("the known population");*
- (b) *of the period of time which this information covers ("the relevant period");*
- (c) *of the total value of investments of such schemes during the relevant period;*
- (d) *of the total number of retirement schemes in existence in the territory during the relevant period;*
- (e) *of the total value of funds invested in the totality of retirement schemes in the territory during the relevant period;*
- (f) *of the average annual rate of return on investments in the known population of retirement schemes during the relevant period;*
- (g) *if the answers to (a) and (d) are different, whether the information on investment returns of the known population is representative of all retirement schemes in the territory during the relevant period and if so, what is the basis of this deduction; and*
- (h) *if the information on investment returns of the known population is not representative of all retirement schemes in the territory, what information does the Government have in relation to the average investment returns of all retirement schemes in the territory during the past 20 years?*

SECRETARY FOR FINANCIAL SERVICES: Mr President,

- (a) So far, the Registrar of Occupational Retirement Schemes has received only 3 000 applications for registration of schemes under the Occupational Retirement Schemes Ordinance. As there is no requirement for such applications to be accompanied by audited scheme accounts, the Registrar does not have comprehensive statistics on the investments of the schemes.

However, the Registrar has access to some investment statistics from market sources. Wyatt's Annual Reports on Measurement of Investment Performance Survey for Hong Kong Retirement Schemes are one reliable source of such information. The answers to the remaining questions are based on these reports.

- (b) The latest (1994) Wyatt report covers the period from 1983 to 1994, and statistics for each intervening period (for example, 1984-94, 1985-94, 1986-94, and so on) and for the year 1994.
- (c) The survey conducted by Wyatt covers 39 investment managers and 281 funds with a total investment value of \$46.6 billion. It is not known how many schemes are covered.
- (d) The number of existing occupational retirement schemes is estimated at about 20 000-25 000, of which 15 000 have been approved by the Inland Revenue Department (IRD) for tax purposes. The numbers of such tax approved schemes during the relevant period are:

<i>Year</i>	<i>Schemes Approved by IRD</i>
1994	14 911
1993	13 400
1992	11 687
1991	10 266
1990	8 615
1989	7 181
1988	5 802
1987	4 826
1986	4 105
1985	3 658
1984	3 325
1983	2 943

- (e) According to Wyatt, the \$46.6 billion of investment funds surveyed represents about 40% of the total estimated funds under management in the retirement schemes industry. Using information from the Wyatt reports, the aggregate value of retirement schemes should be as follows:

<i>Year</i>	<i>Wyatt's surveyed schemes total value of funds HK\$ billion</i>	<i>Total value of funds (÷ 40%) HK\$ billion</i>	<i>Growth Rate %</i>
1994	46.6	117	-11%
1993	52.6	132	61%
1992	32.7	82	9%
1991	30.0	75	20%
1990	25.0	63	0%
1989	25.0	63	25%
1988	20.0	50	0%
1987	20.0	50	18%
1986	17.0	43	70%
1985	10.0	25	33%
1984	7.5	19	150%
1983	3.0	8	-

- (f) Based on Wyatt's survey on investment returns for the total population of retirement schemes in Hong Kong from 1983-94 (as shown below), the median annual rate of return is 16.3% per annum over the 12-year period. Discounting the average annual inflation factor of 8.8% (Hang Seng CPI) over the same 12-year period, there is a real rate of return of 7.5% per annum (after deduction of a fund management fee of about 1%).

<i>Year</i>	<i>Return in %</i>
1994	-13.3%
1993	53.3%
1992	5.2%
1991	16.1%
1990	-3.4%
1989	17.9%
1988	11.7%
1987	5.4%
1986	41.2%
1985	34.6%
1984	4.4%
1983	36.0%

The real rate of return is reduced by administrative fees of between 3.5% on a monthly contribution of \$2,000 and 6.5% on a monthly contribution of \$400. During the initial years of contribution, the administrative charges may reduce the investment return by a considerable amount. However, as assets accumulate, the administrative charges become insignificant. A summary of the impact of these charges is annexed.

(g) and (h)

The Wyatt surveys, covering about 40% of the market, are used to assess the investment performance of existing schemes.

The Registrar does not have other reliable sources of information to gauge the investment returns achieved by retirement schemes during the past 20 years.

Annex

Impact of Administrative Charges on Investment Return

The following tables assume an investment return, net of investment expenses, at 16.3%:

Scenario I: After one year

<i>Monthly salary</i>	<i>Annual contribution</i>	<i>Asset</i>	<i>Administration fees (as % of cont)</i>	<i>Reduction in return</i>
4,000	4,800	4,800	6.5	4.69%
8,000	9,600	9,600	5.5	3.97%
20,000	24,000	24,000	3.5	2.52%

Scenario II: After five years

<i>Monthly salary</i>	<i>Annual contribution</i>	<i>Asset</i>	<i>Administration fees (as % of cont)</i>	<i>Reduction in return</i>
4,000	4,800	28,800	6.5	1.08%
8,000	9,600	57,600	5.5	0.92%
20,000	24,000	144,000	3.5	0.58%

Scenario III : After 10 years

<i>Monthly salary</i>	<i>Annual contribution</i>	<i>Asset</i>	<i>Administration fees (as % of cont)</i>	<i>Reduction in return</i>
4,000	4,800	72,000	6.5	0.45%
8,000	9,600	144,000	5.5	0.38%
20,000	24,000	360,000	3.5	0.24%

Scenario IV : After 15 years

<i>Monthly salary</i>	<i>Annual contribution</i>	<i>Asset</i>	<i>Administration fees (as % of cont)</i>	<i>Reduction in return</i>
4,000	4,800	144,000	6.5	0.23%
8,000	9,600	288,000	5.5	0.20%
20,000	24,000	720,000	3.5	0.12%

Finance Scheme for OLI Students

16. DR SAMUEL WONG asked: *The Open Learning Institute (OLI) ceased receiving subvention from the Government at the start of the 1993-94 fiscal year and has become self-financing since then. Many students of the OLI are full-time workers who contribute to the well-being of the territory and are also prepared to sacrifice their spare time to study. The high course fees however discourage some of these workers from pursuing courses with the OLI. In this connection, will the Government inform this Council whether it will consider introducing a student finance scheme for students of the OLI similar to that provided to students of local universities, so as to reduce the financial burden of workers pursuing courses with the OLI; if not, why not?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, the Open Learning Institute (OLI) was established to cater for the needs of people for self-enrichment and enhancement on a self-financing basis. As most of the students of the OLI are working adults who have decided to devote their time and money to further their studies on a part-time basis, it is not unreasonable to require them to meet the costs of their continuing education. The principle of self-financing ensures that the OLI will remain sensitive to the changing nature and level of demand for continuing education by working adults in Hong Kong.

The OLI has been self-financing since 1993-94. Despite several fee increases to cover inflation and rising real costs of meeting required academic standards, its attraction to people seeking opportunities for continuing higher education in Hong Kong has not been adversely affected. This is reflected in the continuous increase in the student population of the OLI in recent years as follows:

<i>Semester</i>	<i>Percentage increase in fees</i>	<i>Student population</i>	<i>Percentage increase in students population</i>
April 1993	-	13 902	-
Oct 1993	13.0%	15 058	8.3%
April 1994	-	16 182	7.4%
Oct 1994	21.2%	18 311	13.1%

There is no justification for introducing a student finance scheme for the students of the OLI which is similar to that provided to needy full-time students studying in Hong Kong's University Grants Committee-funded tertiary institutions. The Local Student Finance Scheme provides grants and loans towards meeting the respective fees and living expenses of needy full-time students studying at the publicly-funded tertiary institutions whilst they are dependent upon their families. However, the Government will continue to look closely at the development of the OLI to ensure that the open access to continuing higher education is maintained particularly for those with lower than average salaries. In this regard, the Government has given a one-off grant of \$50 million to the OLI to set up a Student Loan Fund to finance its own Student Loan Scheme due to be launched in October 1995. The Scheme will be able to assist approximately 2 000 students, on a means-tested basis, and will assist, therefore, those with a much lower than average level of income.

Public Organizations' Participation in Campaigning Activities

17. MR FRED LI asked (in Chinese): *In the run-up to the Urban Council election, the Auxiliary Medical Services (AMS) organized free health-check days jointly with certain political groups in various districts in Kwun Tong. As some candidates standing for the election were members of the co-organizers of the functions, they were featured prominently both in the promotional activities preceding the functions as well as on the actual health-check days. In this connection, will the Government inform this Council:*

- (a) *whether the expenses incurred by the political groups concerned in the above-mentioned promotional activities fall within the definition of "election expenses" set out in the Corrupt and Illegal Practices Ordinance;*

- (b) *if the answer to (a) is in the affirmative, whether public organizations such as the AMS can participate or assist in any election-related campaign activities in support of any candidate bearing in mind that the AMS is a public organization under the Security Branch and fully funded by the Government; if not, why the AMS has participated in the above-mentioned promotional activities in Kwun Tong; and*
- (c) *how the Government will deal with those candidates who have participated in the above-mentioned promotional activities organized jointly with the AMS, particularly in regard to whether their candidature will be revoked and whether checks will be carried out to ascertain if the expenses incurred in such activities have been included in the returns of their election expenses?*

SECRETARY FOR CONSTITUTIONAL AFFAIRS: Mr President, under the Corrupt and Illegal Practices Ordinance (Cap. 288), expenses incurred or to be incurred before, during or after an election, by a candidate or by any other person on the candidate's behalf, on account of or in respect of the conduct or management of the election, or for the purpose of promoting or procuring the election of that candidate at that election are election expenses. Expenses incurred by political groups in a community function and in activities promoting that function would not be regarded as election expenses unless that function and related activities are used to promote or procure the election of a candidate or candidates in an election.

It is government policy that the Auxiliary Medical Services (AMS), like any other government departments, should not participate or assist in any election-related campaign activities in support of any candidate.

As part of its public service programme, the AMS provides first-aid and health-check services to the public in response to requests of local community organizations. About 1 500 such functions are carried out each year by the AMS. In the case referred to in Kwun Tong, two health-check days were held by a local resident organization in February this year. The AMS participated in these functions as they fell under the ambits of its public service programme. The Boundary and Election Commission has not received any complaint that these functions and related activities were election-related campaign activities.

Residential Care Homes (Elderly Persons) Ordinance

18. DR LAM KUI-CHUN asked: *The Residential Care Homes (Elderly Persons) Ordinance provides for the control of residential care homes for elderly persons and sets out the space requirements and staffing ratio for operating these homes. In this connection, will the Government inform this Council:*

- (a) *of the implementation date of the Ordinance; and*
- (b) *whether compliance with the legislative requirements by private residential care homes will result in an increase in their operating costs; if so, whether the Government will consider providing financial assistance to the operators of these homes to meet the increased costs or to the residents to meet any consequential increase in charges?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the reply is as follows:

- (a) The Residential Care Homes (Elderly Persons) Ordinance (90 of 1994), except for section 6, will come into operation on 1 April 1995.
- (b) The Ordinance will regulate homes established for the residential care of elderly persons with the purpose of ensuring that these homes provide services of a reasonable standard. As a result of the Ordinance coming into effect, some existing residential care homes for the elderly will have to improve their space requirements, staffing ratios, fire safety measures and building services in order to comply with the licensing standards. Such measures will inevitably cause an increase in operating costs. Assistance to operators and residents of homes to meet such increases will be provided in the following ways:
 - (1) Operators may apply for up to 60% of the cost of the improvement works entailed from a \$50 million financial assistance scheme. This scheme was established on the basis of recommendations made by the Working Group on Care for the Elderly. It is designed to encourage self-financing and private homes to remain in operation while meeting the improved standards.
 - (2) Residents of private homes for the elderly who are recipients of Comprehensive Social Security Assistance (CSSA) payments and who have difficulties in meeting increased fees resulting from the costs associated with necessary improvements will be assisted through special discretionary grants made under the CSSA Scheme.

The additional financial support available for both operators and residents to deal with any increased costs involved in enhancing the conditions in homes for the elderly should be adequate. But in the event that a home may need to be closed because the necessary improvements cannot be made at a reasonable cost, we are confident that we shall be able to find alternative places for any elderly persons who may be affected.

Emergency Psychiatric Treatment

19. DR HUANG CHEN-YA asked (in Chinese): *Major disasters can precipitate many psychiatric illnesses, and emergency psychiatric service can effectively reduce such problems. In this connection, will the government inform this Council whether emergency psychiatric service is at present included in existing contingency plans in the event of a major disaster; if so, what kind of service will be made available; if not, when such service will be provided?*

SECRETARY FOR SECURITY: Mr President, emergency psychiatric treatment is already available as part of the services provided by public hospitals to cater for major disasters or emergencies. In a major disaster, victims and their families exhibiting emotional problems will be conveyed to hospitals, where Medical Social Workers will be mobilized to provide, *inter alia*, emotional support to them. In-patient psychiatric service, consultation and counselling by medical specialists will be arranged where necessary. Case workers from the Social Welfare Department will follow up victims to help them recover from the aftermath of the trauma. Long-term patients will be referred to specialist out-patient clinics and psychiatric day hospitals or mental hospitals for treatment.

Government Funds Managed by Barings

20. MR STEVEN POON asked: *In view of the Barings incident, will the Government inform this Council:*

- (a) *whether any of the Government's funds, including its reserves, are managed by the Barings Banking Group; if so,*
 - (i) *what the total amount is;*
 - (ii) *whether any losses have been incurred and if so, how much;*
 - (iii) *what instructions have been given to the Group regarding the investment strategy to be adopted in investing the Government's funds; and*

- (iv) *whether the Group is allowed to invest the Government's funds in derivatives; if so, whether there are any restrictions on investing in derivatives and what these restrictions are; and*
- (b) *whether, in the light of this incident, the Government has reviewed its policies and instructions in relation to investing the Government funds and reserves through fund managers, and whether the Government has issued guidelines to statutory bodies in relation to their fund investments?*

SECRETARY FOR FINANCIAL SERVICES: Mr President, on (i), Barings International Investment Management Limited (BILL) has been an appointed manager for a portfolio of fixed income assets for the Exchange Fund. For both operational reasons and on grounds of commercial confidence, the Monetary Authority does not disclose the sizes of the portfolios with the Exchange Fund's appointed managers. Nevertheless, the sum total of all such portfolios is only a minor portion of the Exchange Fund in total.

On (ii), no losses have been incurred on the portfolio. Assets held in the Exchange Fund's name with BILL's custodians were protected under the United Kingdom insolvency law throughout the period of Barings Group's administration.

On (iii), the Monetary Authority gives precise instructions to the appointed managers of the Exchange Fund, including investment objectives of the portfolios under their management, lists of authorized instruments and maximum positions and exposures. These exposures include exposures to banking counterparties.

On (iv), appointed managers of the Exchange Fund are allowed to invest in financial futures subject to very stringent restrictions; amongst other things these restrictions ensure that the appointed managers do not run open unhedged positions. Positions are reported daily to the Monetary Authority.

On (b), the Government keeps the guidelines to the appointed managers of the Exchange Fund under constant review. The Exchange Fund Advisory Committee has recently considered a report by the Monetary Authority on the wider implications of the Barings episode for the Exchange Fund's funds under outside management. The enabling legislation for statutory bodies require the prior approval of the Financial Secretary before statutory bodies may invest funds. These recent developments will be borne in mind in considering any future applications.

MOTIONS

CRIMINAL PROCEDURE ORDINANCE

THE CHIEF SECRETARY moved the following motion:

"That the Legal Aid in Criminal Cases (Amendment) Rules 1995, made by the Chief Justice on 8 March 1995, be approved."

She said: Mr President, I move the resolution standing in my name in the Order Paper.

A scale of maximum fees payable to lawyers in private practice who are engaged by the Director of Legal Aid in criminal cases is set out in Rule 21(1) of the Legal Aid in Criminal Cases Rules under the Criminal Procedure Ordinance. Under section 9A of that Ordinance, these Rules are made by the Chief Justice and approved by this Council.

At the Finance Committee meeting on 16 October 1992, Members approved a two-phase increase, to take place on 1 November 1992 and 1 April 1994, in the fees prescribed in Rule 21(1) of the Legal Aid in Criminal Cases Rules. Members also agreed that the fees prescribed in Rule 21(1) should be reviewed biennially in future and that the Secretary for the Treasury should be delegated the authority to approve future revisions of the fees, provided that the increase were no greater than inflation as measured by Hang Seng Consumer Price Index.

Accordingly, the Administration conducted a review of the fees in 1994. We concluded that the fees should be increased by 20.34% to reflect the level of inflation since the present fees were last reviewed in April 1992. The increased fees were approved by the Secretary for the Treasury under the authority delegated to him by the Finance Committee, for implementation on 1 April this year.

The Chief Justice has made the Legal Aid in Criminal Cases (Amendment) Rules 1995, in order to bring the increased fees into operation on 1 April. In accordance with section 9A of the Criminal Procedure Ordinance, the Rules now require the approval of this Council by resolution.

Mr President, I beg to move.

Question on the motion proposed, put and agreed to.

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

THE SECRETARY FOR HOME AFFAIRS moved the following motion:

"That, with effect from 1 April 1995 -

- (a) the functions exercisable by the Secretary for Home Affairs by virtue of section 3(1) of the Miscellaneous Licences Ordinance (Cap. 114) be transferred to the Secretary for Recreation and Culture;
- (b) section 3(1) of the Miscellaneous Licences Ordinance (Cap. 114) be amended by repealing "Secretary for Home Affairs" and substituting "Secretary for Recreation and Culture";
- (c) the functions exercisable by the Secretary for Home Affairs by virtue of the Amusement Game Centres Ordinance (Cap. 435) be transferred to the Secretary for Recreation and Culture;
- (d) the definition of "Secretary" in section 2 of the Amusement Game Centres Ordinance (Cap. 435) be amended by repealing "Secretary for Home Affairs" and substituting "Secretary for Recreation and Culture"."

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

As a consequence of the reorganization of the City and New Territories Administration into the Home Affairs Branch and the Home Affairs Department, which was approved by the Finance Committee of this Council on 18 November 1994, a number of minor amendments to the Miscellaneous Licences Ordinance and Amusement Game Centres Ordinance are necessary to effect the transfer of certain functions from the Secretary for Home Affairs to the Secretary for Recreation and Culture. Subject to a resolution being made by this Council, the transfer will take place on 1 April 1995.

Mr President, I beg to move.

Question on the motion proposed, put and agreed to.

BILLS**First Reading of Bills****COPYRIGHT (AMENDMENT) BILL 1995****INLAND REVENUE (AMENDMENT) BILL 1995**

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

Second Reading of Bills**COPYRIGHT (AMENDMENT) BILL 1995**

THE SECRETARY FOR TRADE AND INDUSTRY moved the Second Reading of: "A Bill to amend the Copyright Ordinance."

He said: Mr President, I move that the Copyright (Amendment) Bill 1995 be read the Second time.

The purpose of this Bill is to increase the existing statutory maximum penalties against copyright infringement so as to increase the deterrent effect on piracy activities. The Bill also seeks to introduce a second tier of higher penalties for repeat offenders.

Copyright protection has recently become the focus of much public attention, both locally and internationally. Although we continue to pull out all the stops in fighting copyright piracy, undeniably the piracy situation in Hong Kong has deteriorated, particularly in regard to the piracy of compact discs, computer software and video games. Our enforcement efforts need to be matched by tougher statutory penalties to produce the maximum deterrent effect.

The Copyright Ordinance provides for two copyright piracy offences, namely the possession of infringing copies of copyrighted works for trade and business purposes and the possession of a plate for making infringing copies of copyrighted works.

Currently, the offence of possessing infringing copies attracts a maximum penalty of a fine of only \$1,000 per infringing copy and imprisonment for 12 months. To increase the deterrent effect on those involved in the sale of pirated compact discs, computer software and video games, we propose to raise the penalties to a fine of \$25,000 per infringing copy and imprisonment for two years. Repeat offenders will be liable to a fine of \$50,000 per copy and imprisonment for four years.

The other offence of possessing a plate for making infringing copies currently attracts a maximum penalty of a fine of \$50,000 and imprisonment for two years. This sanction is targeted at the manufacture of pirated copies of copyrighted works. We propose to raise the fine to \$250,000 and imprisonment to four years on first conviction. Repeat offenders will be liable to a fine of \$500,000 and imprisonment for eight years.

Apart from increasing the maximum statutory penalties, the Bill also seeks to plug an existing loophole in the Ordinance. Clause 4 seeks to ensure that persons managing a body corporate or a partnership found engaged in copyright infringement activities are liable to the same penalties.

Mr President, owing to its more intangible nature, the importance of protecting intellectual property rights is not as readily appreciated as, for example, the importance of protecting real property rights. Nevertheless, protection of intellectual property rights is crucial to the continuous development of our society in that without such protection, scientific invention and artistic creation will be stifled. Trade, investment and technology exchange will be diverted from Hong Kong and Hong Kong's international reputation will suffer. It is therefore vitally important that we make every effort to ensure that we have the necessary legislative tools to fight copyright piracy. The proposed amendments to increase the statutory maximum penalties for possessing or producing infringing copies of copyrighted works are moves in this direction. Mr President, I recommend this Bill to this Council.

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

INLAND REVENUE (AMENDMENT) BILL 1995

THE SECRETARY FOR THE TREASURY moved the Second Reading of: "A Bill to amend the Inland Revenue Ordinance."

He said: Mr President, I move that the Inland Revenue (Amendment) Bill 1995 be read a Second time.

It is a principle of our taxation system that individuals have the right to order their affairs so as to pay the least tax consistent with their legal obligations. At the same time, however, we must act to close tax loopholes as they emerge, because the net result of tax avoidance is to shift the burden of financing public services unfairly onto the rest of the community.

In the 1994 Budget speech, the Financial Secretary highlighted the widespread use of service companies to avoid or significantly reduce tax liability, and announced our intention to remedy the situation by legislation.

The Bill now before Members seeks to tackle one of the main areas of concern, namely the use of a service company to disguise what is, in substance, an employer-employee relationship. Under this type of arrangement, an individual engaged under employment-like conditions has the remuneration for his services paid, not as a salary to himself, but as a consultancy fee to an interposed company he controls. The fee is then chargeable to profits tax in the hands of the service company which is entitled to a wider range of deductions than would otherwise be available to the individual under salaries tax. In addition, remuneration is provided to the individual by the service company in a tax-efficient manner so as to result in little or no liability to salaries tax.

To counter this type of arrangement, we propose that remuneration paid to a company for services rendered by an individual who controls that company, directly or indirectly, will in future be treated as being income derived by that individual from employment and thus chargeable to salaries tax. However, to ensure that genuine contracts for services are not caught, we propose to exclude arrangements which do not bear common characteristics of contracts of employment or which, in the judgement of the Commissioner of Inland Revenue, are not, in substance, contracts of employment.

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

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

APPROPRIATION BILL 1995

Resumption of debate on Second Reading which was moved on 1 March 1995

CHIEF SECRETARY: Mr President, I would like to start by thanking all Honourable Members who have spoken in this Budget debate. My colleagues and I are grateful for their constructive suggestions and words of encouragement.

I am pleased to know that Members generally approve of our policy of managing the public finances in a prudent manner. I am fully aware that some Members are concerned that Hong Kong needs to maintain its economic competitiveness and that the Government should not allow changes that would cause inefficiency and stifle economic growth. I am also aware that other Members expect us to do more to take care of our working population and the less fortunate members of our society, in particular our elderly population. Some people may think that these two objectives cannot be reconciled. I do not agree. I believe we can strike a balance between maintaining our competitive edge and devoting more of our resources to helping those in need. The Financial Secretary's Budget does that admirably.

This afternoon, the Financial Secretary and my other colleagues will be replying to a number of points raised by Members during the debate, but I would now like to respond to Member's comments on the following subjects — deregulation, efficiency of the public sector, the Civil Service, equal opportunities, funding for the arts and the Judiciary.

Deregulation

The question of deregulation was raised by the Honourable Martin BARROW and the Honourable Vincent CHENG. Hong Kong, as a general rule, is not over-regulated. The Government firmly believes in intervening only when this will bring net economic and social benefits for the community. But there are inevitably areas where, over time, regulatory requirements — or the way in which these requirements are applied — may need to be reviewed. I have therefore asked the Efficiency Unit to consider how such a review might be carried out in a pragmatic way, drawing on the useful suggestions made by the Honourable Martin BARROW.

Efficiency of the public sector

I briefed this Council in February on our comprehensive "Serving the Community" programme and described this as the basis on which the Government would develop a culture that was based on performance and on meeting the needs of our customers — by which we mean those whom we serve directly, either as individuals or as businesses. Much of this work, which is being co-ordinated by the Efficiency Unit, focuses on our developing management and service practices that are customer-friendly to enable people to conduct their business with the Government in an expeditious and efficient manner.

The benefits of this approach are already filtering through, particularly in the areas of performance pledges, programme management, performance measurement and trading funds. All departments are being encouraged to pursue these initiatives where they are appropriate in their service area. And within this overall approach, departments are also encouraged to improve their services continuously, and to focus on specific services where this is necessary. This is an on-going programme of work that should go a long way towards allaying any fears that the Honourable Moses CHENG and other Council Members may have about our commitment to improving overall efficiency.

The Honourable David LI raised the related question of privatization. I can assure him that the Hong Kong Government does not, as a general rule, aim to provide services that can better be provided by the private sector. There are, however, areas where for various reasons we have developed certain services in the Government that might, on the face of it, be better carried out by the private sector. The Honourable Member referred in this context to the Kowloon-Canton Railway Corporation, the Mass Transit Railway Corporation and the Post Office.

Of these, the first two enjoy considerable autonomy as public corporations and provide efficient and effective services, and we therefore have no plans to change their status. We do, however, intend to introduce a trading fund into the Post Office later this year so that it can operate on a more commercial basis, and thereby improve its level of service, while remaining a government department. This follows the good results that we have obtained in the Land and Companies Registries since Members passed the Trading Funds Bill in 1993.

The Civil Service

Turning to the Civil Service, I am grateful for the encouraging remarks made by the Honourable CHEUNG Man-kwong, the Honourable Martin BARROW and the Honourable Jimmy McGREGOR. The Civil Service is one of the foundation stones of Hong Kong's stability and prosperity. Much has and will continue to be expected of it as society's aspirations grow and as 1997 comes closer. We must however be conscious of the need to do nothing to destabilize the Service, or cause unease to our civil servants.

The Civil Service's strength rests on the fact that we have a body of highly motivated and loyal men and women who are committed to serving the community. We work as a team and important decisions are taken, in many instances, collectively in the interest of the community. I believe we have a first-class team and I value the contribution that each individual officer makes. In developing our policies and programmes, we do our best to respond positively to the views of this Council and of the wider public. But it is not always possible to satisfy the interest of each and every sector, particularly in some of the more controversial policy areas. In such instances, it is incumbent upon us to explain why. The transition years place a particularly heavy burden on the Civil Service and create uncertainties which perhaps prey more heavily on the minds of civil servants than on other sectors of the community. More than ever, it is crucial to maintain morale and stability within all ranks of the Civil Service if we are to continue to serve Hong Kong well. In this task, I hope we can count on the support and fair-mindedness of this Council and of the wider public, including the media.

The Honourable CHEUNG Man-kwong spoke of the future challenges facing civil servants. I can assure him that we are facing up squarely to the future. Localization continues to be a firm policy of this Administration. We are improving our capacity and ability to work in Chinese at all levels — but it is also important that we maintain and indeed strengthen our ability in English, in keeping with Hong Kong's position as an international city. Training in all areas of Chinese is being considerably stepped up and opportunities taken to make us more user friendly to the public. Where legislation may state that English must be used, we are seeking to change this. The Secretary for the Civil Service has just set up a working group to see what more can be done in this general area. He will be looking into the suggestions made by the Honourable Member.

I can also assure Dr the Honourable TANG Siu-tong that growth in the Civil Service is kept on a very tight rein and is targeted at those areas where the community wants to see more done — for example, more policemen on the beat, better social services and a cleaner environment. To meet the community's expectations, we have had to become more productive and efficient, and we continue to explore ways to achieve this. Through our human resources management initiatives, we have delegated more power to Heads of Departments to enable them both to better manage and to bring the best out of their staff. This includes simplifying disciplinary procedures — for all levels of staff — in clear cut cases. Proper safeguards will of course continue to be in place.

Both the Honourable Emily LAU and Dr TANG Siu-tong questioned whether civil servants were worth their pay. The Government's aim is, and must remain, to be a good employer, to attract and retain individuals of quality, who are committed to serving the community. The fact that it is generally recognized that we have an efficient and effective Civil Service points to the success of this policy. But if we are to maintain this situation, we must provide a remuneration package that both government officials — and the community which pays us — feel is reasonable.

We regularly review this package, and I believe that it is broadly appropriate to the circumstances of today. But we are aware of changing private sector practice and the need to modernize our terms and conditions of service. The new Common Terms of appointment, which we intend to implement as soon as possible following agreement with the Chinese side, recognize that some of our terms are out of date. To give one example, we do not propose to provide overseas education allowances to new appointees when the new Common Terms are implemented. But we need to maintain the morale and the integrity of the Civil Service in the next few crucial years ahead — and beyond that. Reducing benefits just for the sake of it would surely be counter-productive.

Equal opportunities

I fully agree with the Honourable Anna WU that, in principle, each individual should be given an equal opportunity in society. But anti-discrimination legislation is a relatively new area of law in Hong Kong. It will affect practically every individual in almost all areas of activity. The social and economic implications of such legislation are real and significant and should not be overlooked.

We therefore consider it only sensible to adopt a step by step approach. We have identified a clear need for legislation against discrimination on the grounds of sex and disability, and two Bills have been prepared to that effect. We will also set up a statutory Equal Opportunities Commission to take on the enforcement functions provided in this legislation.

As far as other types of discrimination are concerned, we do not think it is wise to proceed down the legislative route without first having had a chance to examine in detail whether action is really needed in these areas, and if so, what the best approach would be. In this regard, I believe that Members are particularly concerned about three types of discrimination — on the grounds of age, family status and sexual preference. The Government is prepared to look into these three areas. As a first step, we propose to carry out research to determine whether a problem exists in these areas, and if so, what the size and nature of the problem is.

Funding for the arts

I would also like to say a few words on funding for the arts. Since the Governor announced in his 1993 policy address our aim to promote further culture and the arts in Hong Kong, we have taken steps to set up the Hong Kong Arts Development Council and have provided it with a grant of \$100 million as seed money. We have also placed at the disposal of the Council a further \$30 million from the Sir David Trench Arts Development Fund. To date, only some \$10.6 million from these two funds has been spent. The Council therefore has ample resources at its disposal for promoting the arts and culture in the next few years. I do not believe that it is necessary to provide additional public funds for arts promotion in the current Budget. I am sure that the Honourable MAN Sai-cheong and those other Members who are interested in promoting the arts in Hong Kong and have been following the activities of the Arts Development Council, are well aware that the Council is currently drawing up a Five-Year Strategic Plan. The justification for any additional funding for the arts will be looked at when this Plan is finalized, which I understand will be towards the end of this year.

The Judiciary

Finally, I would like to turn to the Judiciary. As the Chief Justice has said on many occasions, the Judiciary will continue to press ahead with its "quiet management revolution" to ensure that Hong Kong's system of justice is effective and efficient. This is clearly an important priority. The rule of law, and its administration by a strong, independent and credible Judiciary, underpins Hong Kong's long-term prosperity and stability.

The Honourable Moses CHENG said that technology must be complemented by adequate support staff and training. I entirely agree. One of the Judiciary's immediate priorities is indeed the training of its non-judicial staff so as to enhance their professionalism, job satisfaction and career development.

The Judiciary is also fully aware of Mr CHENG's concern about what he called the "chronic shortage of judges". With the planned increase in judicial manpower in 1995-96, the fine-tuning of listing and the streamlining of court procedures, the Judiciary's manpower situation should be manageable. The

Judiciary will, of course, closely monitor the situation to ensure that there is sufficient judicial manpower to cope with the workload facing the courts.

The Chief Justice is fully committed to stepping up the pace of localization of the Bench. Apart from encouraging suitable practitioners from the private sector to take up a judicial career, the Judiciary is also providing more acting and training opportunities for local judicial officers to gain wider exposure and experience. The Judiciary is encouraged by the growing interest that members of the legal professions in Hong Kong have shown in possible judicial appointments.

Mr President, with these remarks, I commend the Bill to Members.

SECRETARY FOR EDUCATION AND MANPOWER: Mr President, I am grateful for the many relevant comments and helpful suggestions from Members on the education and manpower programmes in the debate last week. I wish to respond to the main concerns expressed by Members this afternoon.

Education

Recurrent spending

One common concern is about the relatively smaller percentage increase in recurrent spending on the school sector and in the tertiary sector in the coming year, and its possible impact on the quality of school education, in particular primary education. As Members are aware, of a total recurrent expenditure of \$30.3 billion included in the 1995-96 Draft Estimates, 62% or \$18.8 billion is for schools, 34% or \$10.3 billion for the tertiary sector and 4% or \$1.2 billion for vocational training. It is obvious that the school sector has continued to enjoy a major share, reflecting fully its fundamental importance in our education system. This has been the pattern for the past years and is expected to continue. The fact that the past five years have seen a more steep increase in spending in the tertiary sector is to achieve the policy objective of providing, by 1994-95, first year first degree places for at least 18% of the relevant age group. But this has certainly not been achieved at the expense of the school sector.

On the contrary, spending for the school sector has continued to grow — by \$2,275 million or a real increase of 3.24% in the coming year. Although smaller than the overall real increase of 4.9% for the education programme as a whole, such increase is nevertheless significant, particularly when viewed against a declining school population — a forecast decrease of 11 000 school children in 1995-96.

School education

Indeed, the continued allocation of additional resources for the school sector has ensured the timely implementation of various improvement measures. Let me list some of these major improvements. First, the upgrading of another 180 primary school teacher posts to graduate level.

Second, the extension of the class-size reduction programme from 40 to 35 to Primary III — or to 30 for those schools adopting the activity approach.

Third, the introduction of the Target Oriented Curriculum for Chinese, English and Mathematics in Primary I classes in over 70 schools.

Fourth, continued special assistance for low achievers by providing 60 more graduate teachers to schools with a higher proportion of low achievers this September, in addition to helping the schools tailor their curriculum to the needs of such students.

Fifth, capital spending of \$1.3 billion to improve the teaching and learning environment in 240 schools — 130 primary and 110 secondary — between now and 1997. Among the many extra facilities, this improvement programme will provide an additional 160 secondary classrooms. Together with the new secondary schools coming on stream in the next few years, this will eliminate most if not all of the floating classes now operating at Secondary I to V.

And last but not least, the Hong Kong Institute of Education introduced in 1994-95 separate Certificate Courses in Education for primary and secondary school teachers in their first major effort to upgrade the quality of our school teachers.

Another major area of concern is on the introduction of some form of direct subsidy to kindergartens. I wish to reassure Members that this is our top priority within the Administration. We are working hard to meet the target implementation date in September. We have already made substantial progress in the formulation of detailed proposals. Together with the Secretary for Health and Welfare and taking the advice of the Working Party on Kindergarten Education, we are currently examining the implications of the kindergartens subsidy scheme on the child care sector and necessary improvements. We expect to complete this study within April and seek policy approval as soon as possible thereafter.

Another area of concern is on the temporary shortage of Secondary I places in part of the New Territories. This is being tackled actively and in a practicable manner. As Members understand already, to ensure cost-effectiveness, secondary school places are provided on a territory-wide basis, with shortfalls in one district being met by surpluses in others, and new schools built only to meet persistent shortfalls in the territory as a whole. To build all

secondary schools on a district basis would have meant a complete wasteful use of resources. But meanwhile, district shortfalls are being tackled urgently by a combination of measures, including the advance opening of new schools, operating extra classes and allocating extra students per class in existing schools. Schools are of course given extra resources and assistance to meet these additional requirements. In the longer term, new schools in the pipeline should provide the more permanent solution.

Tertiary education

Some Members have commented on the quality of tertiary education. The tertiary institutions have experienced a period of rapid expansion and development over the past six or seven years, but in 1994-95 we have achieved our target of 14 500 first year first degree places for 18% of the age group. Thereafter it would be a period of consolidation in the growth of first year places. The challenge has been and will remain to be to ensure that academic standards are maintained at internationally recognized levels. More emphasis will therefore be placed on improving the quality of teaching. To this end, the University Grants Committee (UGC) will conduct academic process audits of each of the institutions over the next few years. These audits will review the institutions' teaching and learning quality assurance and improvement processes, and involve visits to the institutions to review departmental performance as well as faculty and student perceptions of these processes.

Several Members have raised concern about a number of management issues within the institutions concerned. As Members are aware, tertiary institutions are independent statutory bodies with autonomy in respect of their internal management of staff. We hold them fully accountable, for example, for the terms and conditions of employment, the discipline and management of staff and the viability of their superannuation schemes. The governing councils of these institutions take full responsibility under the respective ordinances for these duties. The Government accepts that there should be a high degree of transparency in these processes. UGC in its advisory role on funding and policy development will continue its monitoring role in these respects.

Employment

Policy

Turning now to employment, the Government's basic labour policy is to ensure that there is a stable, well-trained and well-motivated workforce to support economic growth, and that Hong Kong maintains a level of labour standards broadly comparable to those of its neighbouring countries with similar economic development and socio-cultural backgrounds. To this end, we are committed to:

- providing well-trained personnel through the courses offered by our tertiary institutions and the Vocational Training Council;
- promoting the health, welfare and safety of the working population;
- promoting harmonious labour relations; and
- safeguarding the rights and benefits of employees.

To achieve these policy objectives involves taking account of the intricate and dynamic combinations of interests between the vast number of employers and employees, striking a balance in the light of the changing economic situations and circumstances and expectations of our community. This is not an easy task. Over the years, the step by step approach we have taken on labour and employment issues has served Hong Kong well. In the pursuit of our policy objectives, we will continue with this approach in the best interests of the public.

Employment/importation of labour

Members have commented extensively on the employment situation in Hong Kong and questions have been raised on the reliability of our employment statistics. These statistics are collected by the Census and Statistics Department through the General Household Survey. The concepts and definitions used in surveys to measure employment, underemployment and unemployment follow closely the recommendations of the International Labour Organization. The statistics are scientifically obtained and are reliable for comparison and projection purposes. nevertheless, we recognize the need for better coverage and more in-depth detailed analysis of the employment statistics and will discuss the feasibility of further improvements with the Census and Statistics Department.

The findings of the latest General Household Survey confirm that our labour market remains tight, with consistently low unemployment and underemployment rates. Many sectors are suffering from shortage of labour. The labour importation schemes are devised to ease temporary bottlenecks in our labour market in order to sustain economic growth. The need for the schemes was reaffirmed by this Council at a recent debate. During last week's debate, again many Members raised the same views on the schemes. I agree that the schemes must be flexible and targeted to meet the specific needs of industries where there is a shortage of labour. Members' comments on the need to enhance the effectiveness in the allocation of quota under the General Schemes have been carefully noted. We will look into these suggestions in our review on the operation of the scheme and consult the Labour Advisory Board and this Council over the next six months, so that any necessary improvements could be incorporated into the scheme before the next allocation exercise.

Members have also expressed concern about the possible impact of imported labour on the employment opportunities for local workers. Our stringent vetting and monitoring measures under the current schemes are precisely to safeguard the interests of local workers by ensuring that they are given first priority in filling vacancies and that they will not be displaced by imported workers through abuse of the system. Every application for imported workers is meticulously scrutinized to ensure that there is a genuine need to do so.

Furthermore, we are bringing together contractors and local construction workers for the Airport Core Programme (ACP) projects to ensure that our workforce are made fully aware of the job opportunities available. This is why a Special Placement Service has been launched to help local workers find jobs related to the ACP projects. The special placement drive received over 780 enquiries since it started operation on 20 March and we have now been able to arrange job interviews for over 300 workers.

That said, we are not indifferent to the unemployment situation and will continue to do our best to help those workers who encounter difficulties in finding jobs. We have not forgotten for one moment that the unemployment rates, low as they are, represent real people, the majority of whom are displaced workers affected by the structural changes in our economy. These people want to work and we respect that. We believe that the solution lies in job placement assistance and retraining.

The Local Employment Services of the Labour Department provide free services to unemployed persons by matching employers with applicants. We have also set up the Employees Retraining Board to retrain workers with new, marketable skills. To effect a synergy of these services, we will launch this week a Pilot Employment Placement Matching Scheme which is an integration of the Local Employment Services and the Employees Retraining Scheme. Under this new Scheme, unemployed persons over the age of 30 can enlist under a Special Register at five Local Employment Services offices. Through direct job referrals and tailor-made retraining, we seek to maximize the employment opportunities of the registrants. We shall review the effectiveness of this new scheme at the end of this year.

Industrial safety

Another area of concern is industrial safety. Whilst our record has in recent years improved gradually, the accident rate particularly in construction sites is still far from acceptable. A comprehensive review of industrial safety is now being conducted. The Steering Group on Industrial Safety which I chair, supported by two working groups, is making good progress in its deliberations on measures to improve and promote industrial safety. As part of the review, visits to Australia, Japan and Singapore were undertaken to learn from the merits of these systems and policies in preventing industrial accidents and promoting a safety culture. Specialist advice has been provided to the Steering

Group by an expert on industrial safety with in-depth knowledge of Hong Kong. A firm of management consultants has just been appointed to carry out a comprehensive review on the organizational structure, functioning and establishment of the Factory Inspectorate.

We are on track to complete the review by the summer and will publish our proposals for consultation later in the year.

Retirement protection

Finally, a progress on retirement protection. Since this Council passed a motion on 8 March urging the Government to introduce as expeditiously as possible a mandatory, privately managed occupational retirement protection system, we have been making good progress. We have established a multi-disciplinary task force dedicated to follow up on this proposal. A consultant team has been appointed to advise us on the detailed aspects of the Mandatory Provident Fund. We expect to receive preliminary findings in early April, and the final report by 18 April. We shall keep this Council informed of progress through the Manpower Panel.

Thank you, Mr President.

SECRETARY FOR HEALTH AND WELFARE: Mr President, I have good reason to be pleased with this year's Budget and most Members have also welcomed the increasingly significant proportion of government spending which is being channelled to the health and welfare sectors. Since 1991-92, the proportion of total government spending given to these sectors has grown from just under 16% to over 18%. Of the \$37 billion allocated for health and welfare next year, \$22.1 billion is for health and \$14.9 billion is for welfare. Although one Member queried the precise level of increase this represents over last year, I can confirm that these figures represent in real terms, that is, over and above inflation, increases of 7.7% for health and a massive 24.1% for welfare.

Welfare services

These are significant increases reflecting the priority the Administration is placing in particular on upgrading our welfare services and support. But they are increases we can afford. Taxes are not being increased to pay for these improvements; we can afford them while remaining in line with our long standing expenditure guidelines.

I note one Member has urged us to proceed more gradually. I hope what I have just said will reassure him and others that, while we are engaged in a necessary expansion, especially of our welfare services, we are doing so in a responsible and affordable way.

Another Member was concerned that after 1997 we should not continue to rely on the Lotteries Fund for recurrent welfare expenditure. I would like to repeat our assurance, first given in 1992 when we sought the Finance Committee's approval for the \$2.3 billion injection into the Fund, that the General Revenue Account will absorb this expenditure after 1996-97. We do not see any difficulty in this. Indeed, we have already taken this into account in our current five-year forecast (1994-95 to 1998-99).

Not all that we propose to do in this area needs new money. I wish to assure the Honourable Moses CHENG and other Members that we are also actively engaged in seeking new ways of redeploying existing resources to provide new services and to recognize the changing priorities for services. An important part of re-examining the way in which we spend the public's money on welfare services will be the major study we have just started on the way we subvent non-governmental organizations (NGO's) who provide services on our behalf. I can assure the Honourable HUI Yin-fat, amongst others, that this review will be conducted with the fullest possible involvement of the NGO's. It is in the interest of both the Government and the NGO's that we get these arrangements right so that services to those who need them are provided in a cost effective and professional way.

Old age benefits

Many members raised the issue of what we should be doing to ease the problems faced by growing numbers of elderly persons. With the recent debate over the most appropriate form of retirement protection system, it is understandable that attention has been focused in parallel on the most appropriate forms and level of social security assistance available for elderly persons. Members have pointed out that there will be some in lower income groups who may not necessarily receive adequate financial support in their old age from the mandatory privately managed provident fund (MPF) system. Hence, calls for higher levels of payments for elderly persons under the Comprehensive Social Security Assistance (CSSA) Scheme or under the Old Age Allowance Scheme.

The review we are conducting of CSSA arrangements will be thorough and fair. It will examine all aspects of this Scheme, including, for example, the way in which the "absence rules" are applied. We fully intend to complete and implement it in the shortest possible timeframe. But the need for data from the Household Expenditure Survey places real constraints on how fast the review can progress. Although the results of the review will become available only late in the preparations for the 1996-97 Budget, we shall do all we can to ensure funding is made available to start to implement in that financial year most of the changes recommended. That is why the Financial Secretary has agreed that some funds should be reserved for this purpose before the review is completed.

Our aim will be to ensure that all elderly persons genuinely in need of financial support are given that support through the CSSA system. We do not believe that the Old Age Allowance system is the appropriate vehicle for providing financial support to elderly persons in need because it is not means-tested. Some Members have called for substantial increases in this allowance and Mr McGREGOR has also suggested that it should become means-tested. Any substantial increase in the allowance without a means test would create a heavy burden on the taxpayer and use up funds which could be better spent on direct services or CSSA payments channelled to those in need.

A means-tested Old Age Allowance would, in effect, become the same as a CSSA payment which is means-tested and paid to those in need. As the Honourable Christine LOH said, the important point is to recognize that there may be elderly persons ineligible to receive sufficient financial support in due course from the new MPF system but who currently are also ineligible for CSSA support. If we can attempt to bridge or at least greatly narrow that gap in our review of CSSA payments to elderly persons, I believe we shall have addressed most of Members' concerns in this regard.

Services for the elderly

But we must remember that the Government does much more than provide cash payments to elderly persons in need. We provide a range of welfare and health support services for them at no cost or only a token charge. We shall be spending \$1.1 billion on direct services for the elderly in 1995-96 — a 20% increase over last year. I have noted that several Members wish us to do even more. Before we expand further, we must analyze carefully the needs of elderly persons. A study on this subject later this year will provide us with useful information on the specific needs of elderly persons for welfare services. As for Elderly Health Centres, I want to repeat our commitment to providing a total of seven health centres for our elderly citizens by 1997. The first one started operation in 1994. Three more will do so in the coming year.

Services for children

Let me turn now to that other very vulnerable age group in our society — our children. We aim to provide the support needed for children to develop fully and safely especially when parental support, for one reason or another, is inadequate or not available at all. Our services recognize that some parents are often not able to care for their children during the day and we have in hand an ambitious expansion of child care centre places to cope with this. In 1995-96, we shall provide a further 1 400 places in day nurseries, 250 places in day creches and 225 places in occasional day care units for children who may need less than full-day care. I can assure Mr Fred LI that we remain on target to meet the Government's commitment to provide in a phased programme a total of 5 600 additional child care places between 1993 and 1997.

Many Members mentioned the interface between kindergartens and child care centres. The Working Party on Kindergarten Education, which includes representatives from both the kindergarten and the child care centre sectors, has been tasked with reviewing, as its first priority, the qualifications, training and pay of workers in both sectors. Our aim is for the Administration to decide the way forward on those key issues well before the subsidy to kindergartens starts in September and, in this way, avoid any adverse impact the subsidy scheme may have on the child care sector.

In dealing with problems faced by children, our priority is prevention. And in this case, prevention means doing all we can to support the family which should, when functioning well, provide the best support for a child. For this reason in 1995-96, we are providing 92 more family case workers and nine more clinical psychologists to improve counselling services. But I agree with Members, including Mr Eric LI and Mr TAM Yiu-chung, that the caseloads of our case workers remain too high in spite of our on-going efforts to increase staff resources to bring loads down. The problem, of course, is that with increasing public awareness of our services and the nature of the problems involved which, in turn, reflects the success of our own educational programmes, the demand for services is increasing. And this unfortunately neutralizes our best efforts to bring caseloads down by increasing staff numbers. I know the Director of Social Welfare would like to do more in this regard and I shall be examining with him options for diverting even more of our welfare resources towards tackling the caseload problem in future.

On rehabilitation, I am grateful to a number of Members for their concern about employment for people with a disability. We believe that our goal of community acceptance would be undermined if people with a disability were only given jobs because their employers would get tax concessions. But we are firmly committed to increase job opportunities for people with a disability. For example, this month we are providing 330 more supported employment places. And our ongoing public education programmes combined with the Disability Discrimination Bill, which we will introduce into this Council shortly, will be powerful tools in promoting further integration.

I should now like to turn to health care.

Monitoring of the Hospital Authority

In response to the calls for greater transparency, Honourable Members would have noticed that positive efforts have been made to expand the scope of information available in the Draft Estimates regarding the Hospital Authority's expenditure. The Authority was established to transform hospital management, to enhance effectiveness and efficiency in service delivery, to improve the hospital environment and introduce a patient-centred culture to meet patients' needs, to encourage public participation and to ensure accountability in the public hospital system. Its efforts to strengthen its interface with the community are evident from the work of the Hospital Governing Committees and Regional

Advisory Committees, and the many community relations activities organized by hospitals on an on-going basis. Recent examples include the highly successful Open Day at Tuen Mun Hospital and the Nursing Promotion Campaign opened last week.

Much has been achieved by the Hospital Authority in the past few years to revitalize our public hospital system and to introduce a patient-centred culture. Visible improvements can be seen in the facilities, standard of accommodation, staff attitude, quality of service and communication with the general public. However, it is now an appropriate time to review the progress so far and to explore the way forward to make further improvements. I will bear in mind the views expressed by Honourable Members when doing this.

The Government sees an important and continuing role for private hospitals and wishes to maintain a vigorous private sector providing greater choice in health care services. In keeping with the Government's policy that no one should be denied adequate health care through lack of means, the Hospital Authority is there to provide a safety net for those in need who require public hospital services. But it is not intended to be the sole provider of such services.

Remuneration package of Hospital Authority employees

There is a common perception that the remuneration package of Hospital Authority employees may be too generous. Let me take the opportunity to clarify some of the points raised by Members.

The terms and conditions offered to former civil servants joining the Hospital Authority were drawn up according to the broad principle that there will be no additional cost to the employer. The main difference with the salary package offered to civil servants is in the form of payment due to the encashment of fringe benefits. The encashment of benefits was necessary to recognize the independent statutory status of the Authority and to facilitate the integration of staff working in former subvented hospitals.

The choice of whether to opt for the new employment terms is very much a personal decision, as indicated by the fact that over 8 000 (41%) civil servants working in the Hospital Authority have chosen to retain their present status. Given the prevalence of concern among Honourable Members, we will initiate discussion with the Authority on questions relating to staff employment terms. We must, however, proceed with caution in the interest of staff morale and quality of service.

Health Care and Promotion Fund

Turning to primary health care, I have emphasized many times in the past the importance which I attach to the shift in focus towards promotion of health and prevention of disease. I am therefore pleased and encouraged by Honourable Members' support for the Health Care and Promotion Fund, which

will provide a considerable boost to this process. The purpose of the Fund is to finance worthwhile projects relating to health promotion, preventive care and related research as well as for the treatment of rare diseases. It will have a capital injection of \$80 million.

Health education

Dr the Honourable HUANG Chen-ya quite rightly pointed out the importance of health education. Apart from the Health Care and Promotion Fund, the new Student Health Service, the woman health centres, the Elderly Health Centres and the many activities organized by the Department of Health, the Hospital Authority and many community organizations, form an integrated and comprehensive approach to improving the general health of our community.

Primary health care

On disease prevention, we agree with the views expressed by Members that our health care policy should focus increasingly on the prevention of modern "killer" diseases such as cancer, stroke and heart disease. We are therefore aiming to reduce the incidence of such diseases. However, it is necessary to bear in mind that the general health of the community depends not only on our health care services, but also other factors, such as housing, education, environment, nutrition and lifestyle. These do not normally show their effect in the short term. It is, therefore, often difficult to set measurable health targets. However, we remain fully committed to strengthening our activities in this area.

Traditional Chinese medicine

We share Members' view that we should also look at alternative medicine as a cost effective way to provide preventive health care services. We are taking steps to recognize, promote and regulate traditional Chinese medicine so that it can develop in a more healthy, systematic and proactive manner for the benefit of the community. This is part of our philosophy of encouraging the private sector to provide primary health care. The Preparatory Committee on Chinese Medicine has just been formed and I look forward to the Committee's advice on a number of important issues related to this complex subject.

Nursing degree programme

I am pleased to note the Honourable Michael HO's support for our plans to increase the number of first year first degree places for school leavers wishing to start their career in the nursing profession. This could not have been possible without the prompt response and co-operation by the University Grants Committee and individual tertiary institutions. The phased increase from 40 to 180 places is already a significant achievement, and we will review the need for

further expansion of this programme in the light of prevailing demand and manpower requirements.

I should like to conclude by referring to one of the most significant new initiatives for 1995 contained in the Budget. Most Members have welcomed the \$2.5 billion which has been earmarked by the Financial Secretary to purchase premises over the next two years for welfare and rehabilitation services. This is a positive response to a major problem we had been facing in keeping our ambitious expansion programme on track. We will now be able to meet our targets by 1997 for elderly, family and child care services, and for rehabilitation one year later.

I thank Members for their support for the ambitious programme of work which I shall be undertaking in 1995-96 and I look forward to significant progress being made in that year.

Thank you, Mr President.

SECRETARY FOR TRANSPORT: Mr President, may I start by thanking especially the Honourable Miriam LAU and the Honourable Wong Wai-yin for devoting their entire speech to transport-related issues. In so doing, they have reflected the views of their respective parties. This is most helpful. May I also acknowledge the constructive comments made by other Members and the interest they have shown during the special session of the Finance Committee on the transport portfolio.

Many of the points raised by Members in this debate have been raised by them before. No doubt this has been for emphasis and, indeed, most comments have focused on our proposals in the two strategy documents on traffic congestion and railway development.

It was, perhaps, to be expected that, as in past years, some members of the public queued up for hours at our licensing offices in an attempt to beat "anticipated" increases in vehicle licence fees. But what I found a little amusing was the few quizzical looks in this Chamber when several Members realized that there was in fact no mention by the Financial Secretary in his Budget speech of any move in that direction. The simple fact is that the proposed increases in annual licence fees and first registration tax are purely for transport reasons and not a revenue generating exercise *per se*. I have made this point very clear on several occasions, and indeed, during the motion debate on traffic congestion. At this point in time, all I can say is that we are now evaluating feedback from the consultation exercise and we shall certainly take careful note of the points made by Honourable Members. I expect to be able to present firm recommendations on the Administration's package to tackle traffic congestion, or perhaps announce decisions, within the next two to three months. This will, of course, include the implementation of electronic road pricing which has received such strong support. Honourable Members will appreciate and must

recognize that fiscal and legislative measures require the approval of this Council and if we are to tackle traffic congestion, as we must, then unpopular decisions are unavoidable, difficult though they may be in an election year.

Some Members have continued to plead that we should build more roads. I make no apology for stressing, once again, that we can never hope to build our way out of congestion. In reading a recent article, I have learnt that transport theorists have coined a new phrase for the phenomenon experienced in major cities when new roads are built. They call it "triple convergence" because when a new road is opened, what happens is that it immediately draws extra rush hour traffic:

- (a) first from drivers who formerly used alternative routes;
- (b) second from drivers who formerly commuted during off peak periods; and
- (c) third from drivers who formerly relied on mass transport.

We have proof of this theory right here in Hong Kong. Route 6 from Sha Tin to the eastern part of Hong Kong Island, via Tate's Cairn Tunnel and the Eastern Harbour Crossing was completed in 1991 and reached capacity within two years. Ridership on the Kowloon-Canton Railway dropped significantly in the same period. More roads means more cars. Of course this does not mean we should not build roads. In fact, we are committed to the biggest road building programme in the territory's history, with \$30 billion to be spent over the next five years.

In response to a point made by one Member, let me make it clear that our success in attracting private sector investment for the transport infrastructure, for example, the Western Harbour Crossing and the Route 3 (Country Park Section), has not been and will not be used as an excuse for reducing expenditure on roads under the Public Works Programme. Let me set the record straight. The overall reduction in expenditure on transport in the 1995-96 Estimates was due entirely to the fact that spending on many Airport Core Projects (ACP) has peaked. Expenditure on non-ACP projects will actually rise by almost 30% in this year.

I am particularly glad that we have been able to make progress with the Duplicate Tsing Yi South Bridge. We will be approaching the Finance Committee within the next couple of months for funds, so that work can start on the project at the end of this year. The bridge should be completed in 1998.

I have noted Members' concerns about the need for providing more parking facilities. This is being addressed through the Parking Demand Study, which is now expected to be completed by the middle of the year. I fully support the "park and ride" concept and we will see how best this can be implemented. But the difficulties in finding suitable sites in urban areas is a

constraint and should be recognized. Also it would be naive to regard the provision of better parking facilities as the ultimate solution to the congestion problem, although, of course, this may well be beneficial in some respects.

I now turn to our three top priorities for new railway systems which we plan to implement by the year 2001. We have already invited the Kowloon-Canton Railway Corporation (KCRC) and the Mass Transit Railway Corporation (MTRC) to submit proposals for the Western Corridor and the Tseung Kwan O MTR extension respectively and require expert advice on how best to pursue the Ma On Shan to Tai Wai line and the Hung Hom to Tsim Sha Tsui KCR extension. The workload is very heavy. The fact is that we have but a very small establishment of professional staff in the Railway Division in the Highways Department, and in my view, the most cost effective way of proceeding is to engage consultants. Unfortunately our submission for \$45 million was turned down by the Finance Committee. I intend to revert shortly with further justification. At this point, to put this extra expenditure in perspective, the \$45 million being sought is less than a meagre 0.1% of the \$50 billion 1994 price tag for our top three priority railways.

Several Members have repeatedly requested that the Western Corridor spur line should extend to Tuen Mun Central. I am prepared to ask the KCRC to take a fresh look at this option in the context of their own studies which are being undertaken in firming up their proposals. I hope this reassures Members that we are doing all we can to respond to the views on this matter.

Some Members have also expressed concern that other railway proposals, notably on Hong Kong Island, have not been recommended for early implementation as part of the Railway Development Strategy. But the fact is that we must prioritize our efforts, and the Administration is satisfied that the three projects already designated for early implementation, are, in fact, the most urgent projects and those which deserve our immediate attention. The need for other railway projects will be reviewed.

The need to provide more infrastructure for cross-border traffic is high on our agenda. For example, the Western Corridor Railway will greatly improve the flow of passengers and freight across the border. The Route 3 (Country Park Section) will shorten journey times from the border to the container port. And we have on-going plans to improve and upgrade our other border road crossing points. Moreover, the Infrastructure Co-ordinating Committee provides a practical working forum for discussion with our Chinese colleagues. All the signs are that a pragmatic approach will be adopted.

Mr President, may I now turn to some other points raised by Honourable Members. The Administration fully accepts that much more should be done to meet the travel needs of the disabled. Much progress has been achieved in the past two years. For example, all new franchised buses are now equipped with special features to make them more accessible to the elderly and the infirm, taxis are permitted to pick up and discharge disabled passengers in restricted

zones, and the MTRC and KCRC have installed lifts and other equipment to facilitate access. I am pleased to say that the Governor will convene the third annual summit meeting on transport facilities for the disabled in early May to help identify new initiatives and to keep up the momentum.

On concessionary fares for the elderly, we shall continue to encourage public transport operators to improve on what is already in place, but it must be recognized that this is a voluntary scheme. If concessionary fares were to be made a mandatory requirement, then it would be difficult to resist the argument from operators that the costs to them should be recovered through the adjustment of fares for other passengers.

As regards improvements in ferry services as a means of addressing road congestion, this is also high on our agenda. The Hong Kong Ferry (Holdings) Company Limited now deploys three high speed catamarans on the Tuen Mun to Central route, each with a capacity for 400 people. More such vessels will be brought into service. We are now close to completing negotiations with the company to allow property development above their new piers in Central District, which, in turn, will provide for a part of the profits from the developments to be channelled into a fund for ferry service improvements.

Mr President, transport affects everyone in the community. Different schemes impact on commuters in different ways. Whilst some benefit, others may be disadvantaged. Thus, some controversy is inevitable. The Tuen Mun bus-only lane experiment, now in hand, illustrates this very point. The Administration's fundamental approach has always been to adopt policies and pursue objectives that serve the widest public interest. This is precisely what we will continue to strive for.

Thank you, Mr President.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

Harbour reclamations

Quite a lot has been said, both in this debate and elsewhere recently about harbour reclamations. I would like to briefly reiterate the Administration's position on the subject.

The occurrence of several major public works projects, including extensive harbour reclamations, within such a short time span and in such a small area in and around Victoria Harbour, can cause both unsightliness and inconvenience. But we should not allow these temporary problems to overshadow the long-term benefits to Hong Kong. When all the current and committed projects are completed, Hong Kong will be much better off in terms

of land supply and the infrastructure and the environment, including visual impact; and the benefits will accrue well into the next century.

In Hong Kong, reclamations have always been a major way of supplying much needed land for housing and infrastructure development both to improve the quality of life and to sustain economic growth. We approve reclamation projects only when we are fully satisfied with the results of very comprehensive studies to assess feasibility, and in particular, the impact on the environment and marine traffic.

Those who suggest the harbour is shrinking may have forgotten that the harbour has already expanded westwards very considerably. Most of the traditional dockyards and godowns in Kowloon and on Hong Kong Island are gone. Beyond the container port at Kwai Chung, we will be developing a new one in northeast Lantau, initially for terminals 10 and 11, and providing new cargo-handling facilities at Tuen Mun for the fast-growing river trade.

The current reclamation programme is the product of a series of extensive studies which began in the early 1980s with the Study on Harbour Reclamations and Urban Growth and continued through the Territorial Development Strategy, the Port and Airport Development Strategy and Metroplan. In moving our proposals forward, we have consulted widely to make sure that public views are taken into account each step of the way.

Some people seem to be under the impression that the bulk of the reclaimed land will be used for commercial or residential development. This is not true. Of the 1 100 hectares of reclamation under construction or planning, only 27% will be used for commercial or residential development. In the case of schemes currently being implemented, almost 40% of the new land at the West Kowloon Reclamation is set aside for the Airport Railway, the West Kowloon Expressway and other new roads connecting the Western Harbour Crossing. Commercial or residential development will only take up 26% of the land there. The same applies to the Central and Wan Chai Reclamation. It will produce land for the Hong Kong Terminal of the Airport Railway, the extension of the Convention and Exhibition Centre and a major new road to relieve traffic congestion. Only 23% of the new land there will be used for commercial or residential purposes, including hotels which, as a few Members have said, will be needed in the next few years to serve the tourist industry.

Some have said that reclamations in Victoria Harbour could have an adverse effect on its scenic value. I want to point out that the role of the harbour as a visual amenity, especially the central part, is being carefully respected. A basic principle of our planning is to "bring the harbour to the city and the city to the harbour" by means of 33 km of interconnected waterfront promenade and civic spaces. Of the 1 100 hectares of new land, 28% will be for open space or amenities.

Another 30%, about 330 hectares, will be used for major new roads. There is a call to put all major roads on the newly reclaimed land underground for better environmental protection and to allow more land for development. The ultimate design of transport links on reclamations is the outcome of a balanced view being taken on inter-related matters concerning design standards, environmental protection, limitations of space, land development economics, aesthetics, programming and so on. It is such considerations that have led to the proposed Central-Wan Chai bypass being designed as an underground highway project.

As regards harbour reclamations and land supply, I must say it is both misleading and simply unrealistic to suggest we will release the reclaimed land onto the market all at once. Our plans have a 10 to 15-year horizon. New land designated for residential or commercial purposes will be produced gradually over a period of years and form a "land bank" to ensure there is a steady and continuous supply to meet demand. There is therefore no question of flooding the market with land. But the production of land and the related infrastructure requires a long lead time and we need to keep the momentum going.

We are of course aware of concerns expressed in the community about the effect of our plans and programmes. This has led us to recognize the need to step up our efforts to make sure that the public is more fully briefed on what we are planning and doing. We believe that given more information, the community will understand and support the need for the new reclamations.

Similarly, we will continue to try to ensure that our Chinese colleagues are aware of the rationale for all our current and committed projects. We have also informed them that we would be happy to arrange a briefing for them.

Land supply

In drawing up our Land Disposal Programmes, we follow the basic aim to provide adequate land to meet the economic and social needs of Hong Kong, taking into consideration not only current market conditions but also forecast demand in the medium to long term. To this end, we conduct an annual assessment of land requirements and supply for the next 10 years. The assessment is contained in a report which is available to the public and to the Legislative Council Members. The next report will be completed in July this year. Our current system of assessing overall land supply requirements works well and we have no reason to change it. However, after 1997, the Special Administrative Region government will make its own decisions.

Statistics suggest that office rentals have softened since the last quarter of 1994. This is attributed to increased supply and a slight fall in demand. The Government will continue to monitor the market situation and aim to supply sufficient land to meet demand. On hotels, the Government fully appreciates the importance of the tourism industry. The recommendations of the consultants who have studied its needs are currently being considered and decisions will be

made as soon as possible. We need to ensure the future supply of hotel rooms is adequate, while also ensuring that we do not introduce unnecessary rigidities in the land market.

Strategic Sewage Disposal Scheme (SSDS)

Some Members expressed views on the cost effectiveness of and the speed with which we are developing and implementing our sewage strategy. May I take this opportunity to once again remind everyone that the SSDS is the result of a two-year intensive study, completed in 1989, in which over 1 000 possible disposal arrangements were considered. To enable early relief to our serious harbour pollution problems, the Government has embarked upon a High Priority Programme (HPP) of sewage services, which comprises Stage I of the SSDS and several related district Sewage Master Plans (SMPs). Work started in April 1993 and, upon completion in 1997, the HPP will abate 70% of the pollution in the central harbour.

We are now reviewing options for Stage II of the SSDS, the original concept of which involved an oceanic outfall and the discharge of treated effluent to the south of Hong Kong. It is our intention that the public should be consulted on the outcome of the review before a final decision is made. Thereafter, a comprehensive Environmental Impact Assessment of the selected option will be conducted in line with the standard requirements. The SSDS will continue to be discussed in the Joint Liaison Group expert group and the associated technical group to ensure that it is fully understood by our Chinese colleagues and that the selected solution for Stage II is an acceptable one.

Diesel vehicles

A few Members expressed concern about the proposal to require light-duty vehicles to switch to unleaded petrol from diesel. Vehicle emissions, especially those from diesel vehicles, have been identified as one of the major sources of air pollution in the urban areas. The Administration is therefore examining how our reliance on light-duty diesel vehicles can be reduced in favour of the cleaner unleaded petrol alternatives which are readily available on the market. We are well aware of the potential impact of such a switch on the operating costs of the vehicles and on transport fares. We are therefore examining this and other related problems and we intend to consult the transport trade and the public on our proposals soon. We are also monitoring developments, both locally and overseas, in the field of electric vehicle technology.

Waste reduction

We have heard some recycled comments on Hong Kong's recycling efforts. I wish to point out once again that our recycling record is a good one by international standards. In 1994, our recovery rate for waste paper was 56%, for non-ferrous metals 73% and for ferrous metals 80%. However, we

accept that there is no room for complacency. Once our study on waste reduction has been completed, we intend to devise plans to reduce our reliance on valuable landfill disposal space. The public will be consulted on these plans later this year.

Environment and Conservation Fund

A Member expressed concern about the allocation criteria for the Environment and Conservation Fund. To assist potential applicants to formulate proposals which fall within the ambit of the Fund, we have issued guidelines and drawn applicants' attention to them in the application form. Very simply, the main allocation criterion is the extent to which a proposal can bring direct and practical benefit to the local environment. The application of this criterion involves a degree of subjective judgement and each application has to be considered on its merits. Nevertheless, we will seek to ensure that applicants will have a clear idea of how they should present their proposals and budget for expenditure items. Although the Fund is still in its early days, we have already approved grants amounting to over \$8.2 million for 24 projects. Interest in the Fund remains keen.

Infrastructure Co-ordinating Committee (ICC)

In response to Members' comments on the work of the Infrastructure Co-ordinating Committee, I would like to remind them of the brisk progress the Committee has made since its establishment last December. The ICC had its first plenary session in January, at which it decided to set up four panels to cover railways, roads and bridges, air traffic control, and marine channels. A full programme of visits to Zhuhai, Shenzhen and Hong Kong was arranged in early March and a seminar for members, experts and advisers was held in Hong Kong following the visits. During the four-day visits-seminar programme, we exchanged views and information on major proposals such as the Lingdingyang Bridge, which if built would link Zhuhai with Hong Kong, the Western Corridor (road and rail) Project between Shenzhen and Hong Kong, and the Western Corridor Railway in Hong Kong. We received briefings, paid site visits, exchanged copies of reports and studies and listened to presentations on each other's proposals and problems. In short, we all gained a better understanding of the issues to be resolved. A series of four panel meetings will be held in Beijing at the end of March and the beginning of April. The panels will report progress to the main Committee at its second meeting to be held in April and the way forward is also likely to be discussed then.

The ICC has therefore made a very good start, both sides taking the opportunity to establish new contacts and good working relationships with each other. Open channels of communication and firm foundations for co-operation and co-ordination have been established. The work of the ICC has been characterized by goodwill and professionalism on both sides. On this basis, there is a reasonable expectation that good progress can be made. I am sure that

the ICC will continue to be a successful feature of the close relationship between Hong Kong and China.

Thank you, Mr President.

SECRETARY FOR SECURITY: Mr President, I should first like to deal with issues raised by Honourable Members on law and order.

I fully appreciate Honourable Members' concern about the adequacy of police presence on our streets, but they should rest assured that we have sufficient police officers on patrol. Hong Kong is one of the safest cities in the world. By international standards, we are a well-policed community. Apart from the many uniformed police officers who patrol particular beats, there are a considerable number of officers who may be less visible, but are no less involved in "frontline" operational duties. These include officers in Emergency Units, in District Traffic Teams, in Police Tactical Units and various Crime Investigation Units. Altogether, some 79% of our police officers are directly engaged in "frontline" duties.

In response to the community's concern about visible police presence, we propose to deploy 400 additional police officers on the streets and 81 additional police officers to strengthen the Police Tactical Unit in the coming year.

The police will continue to deploy officers in an effective and flexible manner, assisted by advanced communication and computer support systems. We realize the importance of technology in modern policing, and we therefore propose to spend some \$40 million and \$52 million respectively on enhancing police communication and computer systems. With this enhanced support, our Police Force will be able to react to incidents more quickly and more effectively. This is one of the reasons why the more manpower-intensive Neighbourhood Police Units can be replaced with no reduction in effective policing.

I am aware of Honourable Members' interest over the progress and outcome of the Police Management Review. The objective of the review is to determine the appropriate level of manning for the Police Force to carry out its functions efficiently. It also critically examines whether certain tasks should continue to be performed by the police; whether more modern technology can be used; and the maximum extent of civilianization. This is the most comprehensive study of the police establishment ever undertaken and obviously takes time to complete; we must get it right. Initial examination of the 42 reports has just recently been completed, and I am working at presenting the reports to the Security Panel of this Council for examination next month. I am sure that Honourable Members will find that many of the detailed points expressed in this debate will be addressed there.

Turning to specific law and order issues, the problem of youth crime remains a matter of concern to the Government. While the proportion of young offenders arrested dropped last year, the actual number of young offenders arrested has increased. We need to make more effort to encourage our young people to stay away from crime. To establish a strong, scientific basis for our future course of action, the Fight Crime Committee has commissioned a study into the social causes of juvenile crime. That study is now complete, and the Committee will examine its findings and recommendations next month. The study has proposed some new initiatives which can be taken to tackle the problem.

The Honourable Selina CHOW has suggested that greater use be made of the Junior Police Call. We agree. The police are planning to give new momentum to the scheme, in order to foster a closer police-youth partnership in the fight against crime. Indeed, we expect that the number of Junior Police Call members will increase this year.

The Government is dedicated to the fight against triads and organized crime, and to protect witnesses who assist in bringing these criminals to justice. The Organized and Serious Crimes Ordinance, which was enacted in October last year, will be fully implemented shortly. We will allocate 45 additional police posts to enhance the surveillance and investigative capabilities of the Organized Crime and Triad Bureau. We will also provide 32 additional police posts to reinforce the Police Central Witness Protection Unit.

I share the Honourable James TO's concern about the recent increase in drug abuse by young persons, but we are taking steps to tackle it. The Draft Estimates, for example, provide for the creation of 38 additional police posts to improve the enforcement work of the Narcotics Bureau. But enforcement alone does not solve the drugs problem. Treatment and rehabilitation, as well as preventive education and publicity, are equally important. I shall return to this subject later in my speech.

I would now turn to immigration issues. Honourable Members expressed concern about the problem of illegal workers. As we have emphasized on other occasions, the problem of illegal workers is one to which we give a high priority. Last year, we established an Immigration Task Force to take action against immigration offenders, including illegal workers. The Draft Estimates this year provide for the strengthening of the Task Force by an additional 46 posts, so that more vigorous and timely action can be taken against immigration offenders. Last year, 5 404 illegal workers were arrested; 2 906 of them were prosecuted. They were either fined, or given a prison sentence, and were returned to their home country. Employers of illegal immigrants are, of course, also subject to prosecution, fines and imprisonment. We will keep under review the effectiveness of these measures as a deterrent, taking account also of the effect on our prison population.

Members raised the problem of foreign domestic helpers engaging in unauthorized work. This is one area where strengthening our Immigration Task Force can help us to make an impact. Last year, we investigated 345 cases, which led to the prosecution of 162 foreign domestic helpers and 38 employers. Convicted domestic helpers are usually fined; some are also sentenced to jail. In addition, they are returned to their home country. Employers convicted in these cases are also subject to the penalties of fine or imprisonment. I should emphasize that it is most important that members of the public help us bring these offenders to justice, by reporting cases or other relevant information.

Honourable Members also expressed concern about illegal immigrants and two-way permit visitors giving birth while in Hong Kong. The real solution, however, lies in prevention at source. We have raised this with the Chinese side, most recently at the cross-border liaison annual review.

I now turn to the problem of Vietnamese migrants. The Government is mindful of the debt owed to the community by the United Nations High Commissioner for Refugees (UNHCR). Whenever the opportunity arises, we remind the Office of the UNHCR of the outstanding amount. The UNHCR, of course, relies on donations from the international community for its resources. At the Sixth meeting of the Steering Committee of the International Conference on Indochinese Refugees held in Geneva on 16 March, the UNHCR once again appealed to the international community for funds for its programmes under the Comprehensive Plan of Action (CPA). The statement adopted by the conference made a specific reference to the amount owed to Hong Kong, and called upon donor countries to contribute to the Hong Kong programme.

Some Honourable Members also referred to the need to live up to their agreements reached at the Geneva Conference. Mr President, let me take this opportunity to recap very briefly on the outcome of that conference.

At Geneva, the participating countries reaffirmed that all non-refugees must return to Vietnam, and that the process of returning them should be expedited. The end of 1995 was set as the target for closing all the camps but, recognizing that Hong Kong now holds about half of the Vietnamese migrant population in the region, it was also agreed that the target date for closing camps in Hong Kong should be shortly after the end of 1995.

As part of this objective, the Vietnamese Government has also agreed to simplify the procedures for clearing the migrants for return. The Vietnamese Government has agreed to take back 3 600 Vietnamese migrants per month; 1 800 of them via the reception centre in Hanoi; and the remaining 1 800 via Ho Chi Minh City. Since the reception centre in Hanoi is used solely by Hong Kong, this in effect means that the Vietnamese Government has agreed to receive 1 800 Vietnamese migrants per month from Hong Kong.

These are important steps forward in expediting the return of the Vietnamese migrants. The message promulgated by the international community at the Geneva Conference is clear:

- first, the status determination procedures have been completed. There will be no review of the outcome of the status determination process;
- secondly, there is no prospect whatsoever of the Vietnamese migrants being resettled overseas from the camps. It is in their best interests to return to Vietnam voluntarily as soon as possible, in order to benefit from the re-integration programmes and the economic development taking place in Vietnam; and
- thirdly, if the migrants still refuse to return to Vietnam under the voluntary repatriation programme, they will be returned under the Orderly Return Programme (ORP), which is the internationally recognized alternative to voluntary repatriation.

We welcome the decisions reached in the Geneva Conference, which sets the framework for a speedier resolution of the Vietnamese migrants problem. The quicker we can effect their return to Vietnam, the quicker we can reduce the financial burden on Hong Kong. Nevertheless, this is only the beginning of a new chapter in the handling of the Vietnamese migrants problem. There is still a lot of work to be done to translate what has been promised into reality. That will impose a particularly heavy burden on the UNHCR and all the departments involved in the Hong Kong Government, in particular the Correctional Services Department which has risen to the challenge in difficult circumstances. We are determined to push ahead, building on the framework agreed recently in Geneva.

Lastly, I turn to the problem of drug abuse. I assure Honourable Members that we do recognize the seriousness of the problem. The Government is committed to tackling drug abuse, as exemplified by the package of measures set out in the Forward Action Plan, with a total cost of some \$30 million, announced at the Governor's Summit Meeting on Drugs earlier this month. We have also received many other valuable suggestions on how to halt the growing trend of drug abuse by young people. These include the idea of establishing an anti-drug abuse fund to support drug demand reduction work, which was also mentioned by Dr the Honourable LAM Kui-chun. All of these ideas will be given serious consideration by the Action Committee Against Narcotics in the months ahead. We will also study the effectiveness of different treatment approaches, including those adopted by religious agencies, to help determine the future direction of the provision of treatment and rehabilitation services. Honourable Members, let me stress once again: enforcement action alone does not solve the drugs problem. Treatment and rehabilitation, preventive education and publicity are equally important. Effort by the Government alone is not enough. We need the support, indeed active participation, by voluntary agencies,

parents, teachers, social workers, indeed the community as a whole. We in the Government are determined to fight this evil; I urge the community to join us in our common aim to "beat drugs".

Thank you, Mr President.

SECRETARY FOR HOUSING: Mr President, I am grateful to Honourable Members for their views on various housing matters. I shall speak on the four dominant themes in this year's Budget debate: property prices, supply of land for housing development, supply of flats, and housing needs of specific groups.

Residential property market

On residential property prices, some Members have suggested that the Government should relax the anti-speculation measures introduced in June last year, while others have called for the imposition of more punitive measures. As the Financial Secretary said in his Budget speech, the anti-speculation measures introduced last year are achieving the desired result. Speculative activities in the property market have subsided significantly. This is reflected in the drastic reduction of 85% in the number of short-term re-sales in February this year as compared with the peak in April last year. The latest information also shows that, compared with peak prices in April last year, prices of flats have fallen by an average of 19% in February this year, which is five percentage points more than in January. The need to step up controls has therefore not been indicated. We have no intention of introducing further intervention measures to influence the market. On the other hand, we will take positive measures to provide more land for housing and to increase the supply of flats, and let the property market adjust itself according to market economics. We will monitor developments closely, and will take note of views which Members of this Council, individuals and organizations wish to express on this subject.

An allegation was made, Mr President, in the Budget debate regarding hoarding of new flats by private developers. We have no evidence of such activities. A vacancy rate of 4.7% of total private housing stock in 1994 is no cause for concern, and is indeed consistent with the average vacancy rate of around 4% in the past 15 years. I would point out also that hoarding would not be in the interest of developers, whose business is to build and sell flats. Vacant flats would attract payment of rates and other finance charges, and developers' own liquidity would also be affected. For these reasons, on the other hand, developers have been urging the Government to relax the nine-month restriction on the pre-sale of uncompleted flats so that they can be sold early.

Land supply for housing development

I agree with Members that the most effective way of stabilizing residential property prices in the long run is to increase the supply of land and accelerate housing production. Our declared aim has always been to make available

sufficient land to meet the additional requirements arising from regular reviews of public and private housing demand. We have already announced the target of providing 504 000 new flats in the next six years. In order to establish how much land is required for the different categories of housing after that date and at what time the flats should come on stream, we have started a systematic and comprehensive assessment of the scale and composition of housing demand in both the public and private sectors. This assessment is expected to be completed in a few months' time. The findings will provide the basis for a review of the Long Term Housing Strategy. The review will commence at the end of this year and will make recommendations on the Government's housing policy after the year 2001. Before proceeding with the review, I intend to solicit widely for views from Members of this Council, the Housing Authority, interested organizations, concerned groups and the general public. Subject to the Government's final decision on the way ahead, we will then identify and allocate sites to the Housing Authority and the Housing Society to produce more public housing flats to meet confirmed demand. Similarly, sufficient sites will also be made available for private housing, subject to the agreement of the Sino-British Land Commission.

I would add that apart from new land, redevelopment is also a major source of flat supply in the private sector. We have just commissioned a study of the redevelopment potential of the entire territory for housing development, starting with the metropolitan area. This study is expected to be completed around March next year. In addition, five other studies will also be undertaken shortly to explore specifically the housing development potential of another 170 hectares of land in various parts of Hong Kong.

Housing production

Good planning is essential in housing production as it takes a relatively long lead time to produce flats to meet demand. In the next six years, we have also pledged to provide 310 000 new flats in the public sector and to enable the production of 195 000 flats in the private sector. This is equivalent to an average production of 84 000 flats a year. To achieve these targets, a high-powered Housing Project Action Team, chaired by me personally, has been established to strengthen inter-departmental co-operation, and to monitor, facilitate and accelerate the process of housing development. At present, we are fast-tracking and monitoring 38 large housing projects, with a potential production of about 94 000 flats, to ensure that not only is the land available on time for development, but that the required infrastructure will be completed on schedule or even accelerated to match the population intake.

Waiting list for public rental housing

Some Members have expressed concern at the backlog of about 150 000 applications on the Housing Authority's General Waiting List for public rental housing. In reality, not all these applications constitute a real demand because a significant proportion are either ineligible applicants or are sitting

tenants wishing to change flats. Also, the majority of temporary housing area residents and urban squatters who are on the General Waiting List will be rehoused through the clearance allocation quota, rather than the General Waiting List. The Housing Authority estimates that by 1997-98, about 70% of the backlog on the General Waiting List as at August 1993 will be cleared. After that year, when most temporary housing areas and all urban squatters on government land have been cleared and given the increase in public housing production, we should be able to rehouse the remaining backlog in the following two years and to process new Waiting List applicants much faster.

Occupants of rooftop structures, bedspace apartments and squatter areas

Two Members have expressed concern at the poor living conditions of rooftop structures, bedspace apartments and squatter areas. I appeal again to occupants of these structures to come forward to register with the Housing Department and place themselves on the General Waiting List. This is the proper way to ensure that they will be considered for rehousing together with other eligible applicants on the General Waiting List on a fair and equitable basis and then obtain public rental housing in due course. Indeed, this will also give us a better idea of the demand. I wish to reiterate that the fundamental principle in our rehousing policy is that no one will be rendered homeless as a result of any government enforcement action. Those in need can be rehoused in either public rental flats or temporary housing areas, depending on their eligibility.

Home Ownership Schemes

Mr President, I thank Members for their support of our subsidized Home Ownership Schemes because of their contribution to social stability and the fostering of a sense of belonging. We will continue to allocate more land for these schemes and to promote them in future among existing public rental housing tenants who can afford home purchase, and others eligible for them. This will also have the effect of releasing a substantial quantity of rental flats for further allocation to others in need, and thus reducing the waiting time for public rental housing applicants as well. Members will wish to know that the Housing Authority is now examining ways of encouraging those public rental housing tenants whose family income greatly exceeds the General Waiting List Income Limit or who own private property to move out of their flats, thus also freeing up existing rental stock for those in genuine need.

Housing for the elderly

Two Members have asked the Government to accord priority to the elderly's housing need. I wish to point out that we have already introduced various preferential schemes to give elderly applicants priority allocation. For example, an elderly singleton on the Single Person Waiting List can normally be rehoused within two years of registration if he or she is willing to accept hostel accommodation or flats in the extended urban areas or the New Territories.

Elderly couples or singletons who apply in groups of two or three will also be allocated housing within two years. Eligible families with elderly members will be allocated housing three years earlier than normal. In addition to these arrangements, the Government has pledged to:

- (a) rehouse, by 1997, the 4 000 elderly single people who were on the Waiting List in 1993; and
- (b) build, over the next four years, an additional 22 300 flats for the elderly on four new urban sites and in a number of existing public housing estates.

All these arrangements, which we are pursuing vigorously, will go a long way towards meeting the housing needs of the elderly.

Conclusion

In conclusion, Mr President, I would like to reassure this Council that the Government and the public housing agencies are fully committed to improving housing conditions in Hong Kong, and that we are doing a great deal of positive and constructive work to meet the housing needs of the community.

Thank you.

SECRETARY FOR TRADE AND INDUSTRY: I am grateful to a number of Members for drawing attention to the continued need to upgrade the technological infrastructure for our industries and to promote Hong Kong as a world-class service centre for the Asia Pacific Region.

We believe that manufacturing will continue to play a vital role in the economy in the foreseeable future. To reinforce the competitive strength of Hong Kong's manufacturers, we have been consistently targeting our support towards higher value-added activities. Many of these initiatives benefit small and medium-sized enterprises, which make up nearly 98% of companies in the manufacturing sector in Hong Kong. One example is the Technology Centre, which has reserved a large part of its new premises for small and medium-sized enterprises. Another is the Hong Kong Productivity Council, which is investing more in product development assistance to local companies, thanks to a substantial grant from the Industrial Support Fund. A third is the Applied Research and Development Fund, offering financial support to local companies.

These and similar initiatives have contributed to the successful transformation of Hong Kong's industries from labour-intensive operations making low value-added products to technology-intensive industries producing high value-added goods and services. Of course, much of the credit goes to Hong Kong entrepreneurs. But the Government has certainly played its part by providing the appropriate physical and technological infrastructure. As a result

of sustained government investment in productivity improvement, and corresponding action by manufacturers, labour productivity tripled in the 10 years from 1982 to 1992. As a result, Hong Kong's domestic exports are worth more in real terms today than they were in 1983, despite a halving of the industrial workforce. The value added by each member of the industrial workforce has also more than doubled in real terms, from just over \$40,000 in 1982 to well over \$80,000 in 1992.

We plan to continue supporting the evolution of the manufacturing sector towards higher value-added activities. In this Budget, we are seeking Members' approval to increase the Industrial Support Fund by nearly 17%. Within the next few weeks, we shall be seeking Members' support for the establishment of the Applied Research Council. Later this year, we shall be considering the case for a fourth Industrial Estate and a Science Park.

Turning now to the services side of the economy, the same forces which have fostered the evolution of our manufacturing industries have contributed to the burgeoning of the service sector. The growing importance of the service sector to our economy, in terms of contribution to GDP and exports and the numbers employed is now well known. But the forces which have shaped this development are less well documented. We believe this development is attributable first and foremost to technology change, particularly the rapid development in telecommunications and information technology, which has made new ways of doing business and organizing production possible. Technology advance has made cross-border production, whether of manufactured goods or service products, possible on an unprecedented scale. It has also increased significantly the opportunities for the sale of services across borders. Secondly, the continued strong economic growth of countries in the Asia Pacific region, together with the steady increase in intra-region trade and investment, have accentuated the need for a regional services centre of excellence such as Hong Kong, which is strategically located at the vortex of the dynamically growing Asia Pacific region, and which excels in the provision of a wide range of closely-related, specialized services in support of trade and investment expansion.

With these developments in mind, as the Financial Secretary has announced, we have commissioned a consultancy study into the extent to which Hong Kong's services will benefit from additional government promotion. This study is about how Hong Kong can position itself for the global economy of the 21st century: an economy which will become increasingly globalized in nature and where the distinction between a manufactured product and a service product will become increasingly blurred. It is also about how Hong Kong can sharpen its comparative advantage for the future. Not being a low-cost economy, we no longer have any cost advantage in the production of low value-added mass merchandise. We need to examine critically how we can build on our existing strengths as a service provider. As the Asia Pacific region continues to develop, we need to continue to play a vital role in servicing the production and

distribution networks across the region which our entrepreneurs have built up, and in servicing other budding regional economies.

The report of the consultants is being finalized and we should soon be in a position to consult the service sectors, as well as other interested trade bodies, on the recommendations in the final report. We are grateful to Members for the interest in the study, and look forward to working with Members and the representatives of the service sector in implementing the recommendations.

Thank you, Mr President.

SECRETARY FOR WORKS: Mr President, although the record shows that we continue to close the gap between budgeted and actual expenditure on capital works, some Members have voiced their concern at delays in infrastructural developments, in particular those of a larger scale, such as the sewage strategy and major road projects. One or two Members have also mentioned the possibility of delays in important projects during the transitional period.

I speak today to reassure Members on these important issues. Our achievements in implementing large-scale capital projects according to programme are good, and are improving. The Capital Works Reserve Fund Airport Core Programme (ACP) is proceeding very much in line with a tight schedule and strict budget limits. My colleague has spoken on the high priority stage of the Strategic Sewage Disposal Scheme which is under construction and running, according to a timetable that will give significant improvements in the quality of harbour water from 1997. Major highways and other key infrastructure projects are currently firmly on track for implementation within set programme and budget targets, as Members will know from sighting the quarterly Public Works Programme (PWP) progress reports sent out by the Works Branch.

Members are aware however that the next few years will see significant increases in our capacity to implement capital works. Whilst we are currently managing to keep works expenditure in line with targets, we are also enhancing the Works group's capacity to deliver according to schedule. In this connection, I shall shortly be asking the Finance Committee to approve the setting up of dedicated project management teams in the Works departments, to help ensure the continued effective management of an increasingly complex and extensive capital works programme. This is a further action arising from the major report on uplifting our performance in delivering the PWP, which was completed last year.

Members have also noted that delays in land acquisition can lead to underspending on public works projects. A co-ordinating committee chaired by the Works Branch has been established and is now working to match priorities with resources, as well as restructuring land acquisition procedures so as to

improve the predictability of land availability for developments. This is another proposal from the report on uplifting performance.

I am confident therefore that the transition period will not signal a "tailing off" in Hong Kong's drive to tailor its infrastructure to the social and economic needs of the next century. Our planned PWP for the next five years also underlines my confidence.

Once again this year, questions on the problem of flooding in the northwest New Territories have been raised. Within the PWP this year, we have embarked upon over \$3 billion worth of major drainage projects in the northern New Territories, including the huge Shenzhen river training project which we are carrying out jointly with our colleagues across the border. Obviously a programme of works such as this has taken a substantial period of time to design and prepare for implementation. We are now poised to see the implementation of the necessary work, and a rigorous programme has been adopted to ensure completion of these works on schedule. These large-scale drainage schemes will complement existing local level flood protection measures, and will help to reduce greatly the effects of heavy rainfall in the northern New Territories.

Finally, Mr President, I would like to acknowledge some Members' concerns for the safety of the people at the "sharp end" of our capital works programme, namely, construction workers. The Works Branch is introducing many new initiatives which enable the Government, as the employer, to ensure that safety practices on government sites are rigorously applied. As the ACP is already showing, this level of active management by the employer does produce good results, and downward trends in the accident statistics. Regulation and training are the ways to ensure compliance with and awareness of safety practices and techniques. But as Dr Samuel WONG has pointed out, as well as applying pressure, there is also scope for rewarding safe practice. It is therefore our intention this year to implement a scheme whereby we will give high-profile public recognition to contractors who have consistently enabled their staff to work in a secure and clean environment.

With these remarks, Mr President, I conclude my response to Members' comments on the Budget. Thank you.

FINANCIAL SECRETARY: Mr President,

Introduction

I would like to begin by saying how much I appreciate the kind remarks from so many Members about my work over the years and particularly my work as Financial Secretary, and Members' kind wishes for my future after my retirement in August. I am touched by Members' remarks.

I might comment in passing that Dr YEUNG Sum gave me a new perspective on retirement when he commented that we were both entering a new stage in life. It is an intriguing thought that retirement can perhaps be compared to a honeymoon; I shall draw this to my wife's attention. (*Laughter*)

In this debate, Members also rightly pointed out areas where they were still not satisfied, and put down markers of particular improvements they would like to see in the future. I hope my colleagues' speeches have demonstrated that we take those comments and ideas seriously. Let me in particular assure Members that when constructing the next Budget, one of our starting points will, as before, be the contents of this debate. It is particularly helpful when Members come up with interesting new ideas, like one Member's suggestion that we should consider waiving rates for old people who own their own homes, but who find this a serious burden. We shall look at this and all the other ideas put forward. And as Members have stated very clearly their support for the Budget consultation exercises I initiated, let me also assure you that genuine consultation will continue to be a keynote under my excellent successor, Mr Donald TSANG.

Although the Chief Secretary and my other colleagues have responded to many of the points raised, there are a number of issues I would like to cover myself this afternoon. There were fewer imaginative shorthand descriptions of the Budget this year than usual, though I recall in particular "lukewarm water without alcoholic content"; "fruit punch"; and, more mysteriously, the description of the Budget as "a three-piece suit". (*Laughter*) But to compensate for this scarcity of memorable descriptions, perhaps stimulated by my quotation from Xunzi, poetic quotations from learned sages blossomed, some of them thought provoking, some merely obscure. I imagine my colleagues, like I, will have reacted with enthusiasm to the suggestion that "harmony" should be a key aim, especially after they have been through a particularly gruelling Finance Committee or Legislative Council Question Time.

A number of Members also welcomed my attempt to set out a Budget philosophy, and more than in other Budget debates, I think, there was a welcome and serious discussion of theoretical issues, of the way in which we should make our choices on priorities, of how our system should work. In all this I am not sure whether the concept of "consensus capitalism" helped or hindered. Certainly, it stimulated a number of Members to take issue with it, one even calling it "coercion capitalism". Let me say again very clearly that I am not saying we have had, or will have, consensus on all the important issues which face us. Clearly that is not so. What I was trying to argue was that we do have consensus on certain basic principles, even if, when it comes to applying them to particular problems, differences will inevitably emerge. I thought it was also helpful to bring out the fact that in this respect 1997 should see a reassuring continuity, given that some of the key principles are set out in the Basic Law.

But I am not wedded to the term "consensus capitalism", and can agree with a number of Member's elaboration on this theme — for example, I agree with one Member that our overall aim is to take into account, and to improve, the well-being of our whole society. My use of the word "capitalism" is certainly not supposed to imply anything different, as I had tried to make plain. According to my dictionary, capitalism "refers to any economic system where there is a combination of private property, a relatively free and competitive market, and a general assumption that the bulk of the workforce will be engaged in employment by private employers engaged in producing whatever goods they can sell at a profit". The dictionary goes on to say that "this form of economic organization provides the greater likelihood of maximizing economic performance and defending political liberty while securing something approaching equality of opportunity". Whatever one's definition, I agree with one Member who put particular emphasis on improving the quality of life of our citizens, and with others who underlined the importance of preserving our heritage, and of cultivating a spirit of self-reliance. Though I confess finding myself confused when being urged to embark on apparently self-contradictory courses of action, such as to ensure that the Mandatory Provident Fund is not age biased, or to spend some of the reserves on fighting inflation.

Income distribution

Perhaps partly arising out of that debate on the fundamental aims and results of our policies, a number of Members referred to the gap between rich and poor, which some thought was getting wider. This is not an easy issue to resolve, and as I explained at some length in my reply to a Legislative Council question on 2 June 1993, I am not at all sure that concepts like the Gini coefficient and the like are very helpful in throwing light on the subject. As one Member pointed out, the Gini coefficient does not take account of how lower-income groups benefit from our tax system and our spending on public services. For example, it does not reflect the very real contribution of both subsidized public housing and of social security to raising living standards. The key fact is surely that the great majority have seen their real incomes and living standards increase steadily over the years, even if some have inevitably progressed faster than others.

Control of expenditure

Certainly, most Members did agree with one principle, namely, that of controlling our expenditure in line with the trend growth of the economy. But some were still uncertain whether we had actually observed that principle this year. It is important that there be no misunderstanding on this fundamental point, so let me spend a little time on it.

Clarity and understanding depend largely on bearing in mind some key concepts. The first is the difference between government expenditure and public expenditure. It is government expenditure we refer to when talking of controlling the growth of expenditure in relation to the growth of the economy.

It is public expenditure we refer to when measuring the public sector's share of GDP.

Government expenditure is the aggregate of spending from the General Revenue Account and the three Funds; namely, the Capital Works Reserve Fund, the Loan Fund and the Disaster Relief Fund. It includes, therefore, subventions to non-government bodies such as the Hospital Authority, the Vocational Training Council and the voluntary agencies which operate aided schools and welfare services.

Public expenditure, on the other hand, is defined more widely. It also includes expenditure from the Lotteries Fund and a number of other public bodies staffed primarily by civil servants — namely, the Housing Authority, the Urban and Regional Councils and Government Trading Funds.

Trading funds are government departments financed from the revenue generated by their own services rather than funds appropriated in the annual Estimates. Trading funds are therefore not subject to normal departmental expenditure controls. Instead, they keep accounts in accordance with the Trading Funds Ordinance and these accounts are separate from the rest of the Government. While their expenditure is not therefore counted as part of government expenditure, it is included within the definition of public expenditure for the purpose of measuring the public sector's share of the economy.

We do not include in the definition of public expenditure the expenditure of bodies such as the Mass Transit Railway Corporation, the Kowloon-Canton Railway Corporation or the Provisional Airport Authority. Whilst government-owned, these bodies run on commercial principles and are subject to market forces like other commercial enterprises. The nature of their operations sets them clearly apart from the public sector.

The components of government expenditure and public expenditure are set out in Table 5 on page 13 of Appendix A to the printed version of the Budget speech, as well as on page 2 of the Introduction to the Estimates 1995-96. Let me assure Members that we have applied, over the years, as consistent a definition of these two items as possible.

The other key concepts are "trend" and "over time". The full version of the principle as stated in the Medium Range Forecast is that over time expenditure growth should not exceed the assumption as to the trend growth in GDP. In other words, you cannot test our compliance with this principle by simply looking at two years' figures. Let me illustrate that expenditure is in fact under control with some statistics.

- Since the introduction of the Medium Range Forecast in 1986-87, total government expenditure has increased in real terms by 68% compared to cumulative GDP real growth over the same period of 69%.
- Over the three years to 1995-96 (in other words using 1992-93 as the base year) recurrent government expenditure will have grown by 16% compared to the real growth in GDP of 17%. Over the same period, government spending on capital works (at 1994-95 prices) will be \$83.2 billion against a permitted expenditure ceiling of \$93 billion.
- Public expenditure in 1995-96 will be only 17.6% of GDP and is forecast to remain below 18% for the remainder of the forecast period to 1998-99.

During my time as Financial Secretary, we have made particular efforts to present this and other information openly and clearly. We started publishing the booklet "The Introduction to the Estimates" precisely in the hope that we could dispel any misunderstanding or misinterpretation of the figures. We shall consider whether any further improvements can be made in the way that this information is presented.

Members showed considerable interest in the new figures on our projected reserves, and I think it fair to say that most found comfort in having a healthy cushion against uncertainty, although some pressed me to be more precise about what formula might be applied to determine when enough is enough — an indication which Members will not be surprised to find that I resolutely decline to give.

Exchange Fund

But I do have some new information on a related issue which I think Members will take some comfort from; I refer to the year-end figures for the Exchange Fund.

Although the figures are as yet unaudited, I can reveal that at the end of 1994, the Exchange Fund stood at \$408 billion, an increase of 17% over the previous year. 1994 was a very difficult year for fixed income markets, with every major market showing negative returns. Despite this, the Fund's accumulated earnings rose by just over \$1 billion to \$129 billion. The continued strength of the Fund gives added credibility to our long-standing commitment to defend the currency and its link with the US dollar, a commitment which is unshaken by the fact that a couple of Members questioned its usefulness — a fact which should be assessed against the background that the link has wide support both in this Chamber and in the wider community, and, helpfully, that China too has made clear its support for the link.

I am also pleased to announce that we have decided in future to publish the accounts of the Exchange Fund every six months in order to further increase its transparency. This more frequent disclosure of the Fund's position will also bring Hong Kong more into line with international practice.

Unemployment and labour importation

A number of Members raised important issues about the reliability of unemployment statistics, and arguments both for and against the importation of labour. These have been addressed by the Secretary for Education and Manpower, but I should like to add that we fully realize the sensitivity of this issue. I agree with the Member who said we must take care to ensure that we act humanely, and with a number of Members who emphasized the importance of preserving workers' livelihood. That is our firm intention. I believe our actions demonstrate that we have tried to strike a balance on labour importation, through limiting the quota and by seeking to address the labour shortage in other ways, for example, by encouraging productivity, and through an increased retraining programme. But we shall, as requested, look further at our statistics to try and ensure they accurately reflect the scale and the nature of the problem.

Inflation

Many Members understandably expressed concern about our still high inflation. We do all that we sensibly can to contain inflation, bearing in mind the sensitivities over labour importation I mentioned earlier. We exercise firm control over government expenditure. We avoid fuelling inflation through excessive tax cuts. We protect the weak and the vulnerable by adjusting Comprehensive Social Security Assistance (CSSA) payments annually in line with inflation, augmented by real increases from time to time.

And in the longer term, we are increasing the supply of land and seeking to remove bottlenecks by investing in the development of our infrastructure. And in this connection, I am heartened by the recent remarks of Director LU Ping indicating that there should be good news on the financial arrangements for the airport in a few days. But, in relation to inflation, in my four years as Financial Secretary, I have been careful not to raise unrealistic expectations about our ability to tackle this problem. And I believe most Members are similarly realistic, and understand very well that there are no easy answers to inflation. Or as one Member put it more succinctly, there are no "quick fixes". Certainly, as the same Member pointed out, the community would not thank us if we reduced inflation by driving the economy into recession.

CSSA and Old Age Allowances

Whilst there were mixed views on Old Age Allowances, I recognize that there is strong support in this Chamber for further real improvements to CSSA payments, with particular reference to the elderly. I made my position on that clear in my Budget speech, in particular, recognizing that a review of CSSA

payments for all recipients needs to be carried out later this year, when information from the Household Expenditure Survey becomes available. To underline that we take this commitment very seriously, let me repeat personally the undertaking made on my behalf by the Secretary for Health and Welfare in the debates on 8 March. We shall reserve funds when carrying out the forthcoming Resource Allocation Exercise so that we can implement improvements in CSSA in 1996-97.

Taxation

My tax concessions this year seek to achieve a balance between generosity and caution; between leaving money in the pockets of taxpayers, especially those with extra financial responsibilities; and maintaining strong reserves. And as always, I have weighed the likely impact of any option on inflation. I am encouraged that most Members generally believe that I have found a reasonable balance, though obviously not agreeing in every respect, on every detail.

At the same time, Members have made a number of useful suggestions about ways to further improve the tax system, including, for example, the need to provide greater relief for certain groups of taxpayer, and the need to broaden the tax base. We will look at all these suggestions carefully. I believe there is solid support for our overall aim of maintaining a simple and predictable tax system, based on low tax rates. But I entirely accept that this still leaves considerable scope for choices to be made, and improvements introduced.

That said, one key to financial stability is likely to continue to be maintaining the revenue in real terms from a mix of sources, be they fees and charges, duties or taxes. It is largely for this reason that I have proposed increases in duties this year in line with inflation.

Consultation with China on the 1997-98 Budget

I am pleased to note the broad support for our proposal to co-operate fully with the Chinese side over the preparation of the 1997-98 Budget. I am also encouraged by the recent agreement of the Chinese side to hold expert talks. I believe consultation on this transitional Budget is entirely compatible with preserving the autonomy which the Special Administrative Region government has in such matters under the Basic Law, but Members were right to sound a note of warning that we must be very careful not to do anything which might weaken that autonomy. We have that clearly in mind.

The expert group provides a forum in which we can consult on the Budget for 1997-98, with the aim of ensuring that public services will continue through the transfer of sovereignty without interruption. During the preceding year, the team will be given ample opportunity to observe our budgetary and resource allocation processes to help them understand our system. This task can only be achieved successfully through mutual trust and understanding, and we start this exercise in a spirit of sincerity and goodwill. We are entirely relaxed

about the possible involvement of the Chief Executive designate in the process, as suggested by some Members. No doubt this and other matters can be resolved in the experts' discussions.

Conclusion

In conclusion, I would like to thank you all again for your very kind remarks, and for a particularly good-natured, thoughtful and constructive debate. We face the challenges of the transition with cautious optimism. We have reason for confidence. Our past achievements are clear for all to see. Our economy is in good shape. But at the same time, we recognize that it will take hard work, imagination and perseverance to ensure continued success through to 1997 and beyond. It has been a great honour to be the Financial Secretary of Hong Kong, and your Legislative Council colleague. I shall leave behind me a talented new team who will without doubt help Hong Kong reach new heights. Thank you.

Question on the Second Reading of the Bill put.

Voice vote taken.

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

MR LEE CHEUK-YAN: I would like to ask for a division.

PRESIDENT: Council will proceed to a division.

PRESIDENT: Would Members please proceed to vote?

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

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mrs Selina CHOW, Mr HUI Yin-fat, Mr Martin LEE, Dr David LI, Mr NGAI Shiu-kit, Mr PANG Chun-hoi, Mr SZETO Wah, Mr TAM Yiu-chung, Mr Andrew WONG, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mrs Miriam LAU, Mr LAU Wah-sum, Dr LEONG Che-hung, Mr Jimmy MCGREGOR, Mr Peter WONG, Mr Peter WONG, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHEUNG Man-kwong, Mr CHIM Pui-chung, Rev FUNG Chi-wood, Mr Timothy HA, Mr Michael HO, Dr HUANG Chen-ya, Dr LAM Kui-chun, Dr Conrad LAM, Miss Emily LAU, Mr LEE Wing-tat, Mr Eric LI, Mr Fred LI, Mr MAN Sai-cheong, Mr Henry TANG, Mr TIK Chi-yuen, Mr James TO, Dr Samuel WONG, Dr Philip WONG, Dr

YEUNG Sum, Mr Howard YOUNG, Mr WONG Wai-yin, Dr TANG Siu-tong, Miss Christine LOH and Mr Roger LUK voted for the motion.

Mr LEE Cheuk-yan voted against the motion.

Mr Frederick FUNG abstained.

THE PRESIDENT announced that there were 48 votes in favour of the motion and one vote against it. He therefore declared that the motion was carried.

DUMPING AT SEA BILL

Resumption of debate on Second Reading which was moved on 23 November 1994

Question on Second Reading proposed.

MR PETER WONG: Mr President, I welcome the localization of this piece of legislation, but would ask that the Administration give an undertaking on the availability of toxicity results to the public and the early introduction of Environmental Impact Assessment (EIA) legislation for Hong Kong. I am disappointed that there has been an underestimation of the need to consult widely on the EIA legislation, and as a result the introduction has been deferred to the end of this year. Such legislation should not be seen as a hindrance to progress, but as an opportunity to sort out impediments and to minimize adverse effects beforehand, so that things can move smoothly thereafter. Subject to these undertakings, I would urge Members to support the Dumping at Sea Bill.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, I am grateful to the House Committee for their careful consideration of and support for the Dumping at Sea Bill.

The Bill seeks to localize the provisions of the Dumping at Sea Act 1974 (Overseas Territories) Order 1975 so that the existing control on marine dumping activities can continue after 30 June 1997. It also addresses deficiencies in the operation of the existing control scheme and the need to increase penalties. The objectives and provisions of the Bill are supported by the House Committee.

When examining the Bill, Members sought clarification on a number of points, and to which we have provided the necessary information. I would just like to deal with two issues here — those referred to by the Honourable Member.

First, Members are concerned about making public the results of toxicity tests carried out for the issue of a dumping permit. I would like to assure Members that if such tests are carried out, the results will be made available to the public on request.

Second, Members are also concerned about progress on the Environmental Impact Assessment Bill which is expected to apply to the Environmental Impact Assessment of potential marine dumping areas. We have tried our best to introduce the Bill into this Council within this Session. But because of its complexity, the drafting is taking longer than we expected. We now aim to introduce the Bill into this Council before the end of 1995. In the meantime, we will continue our current practice of designating a new dumping ground only after an Environmental Impact Assessment study has confirmed the suitability of the site concerned.

With these remarks, Mr President, I commend the Dumping at Sea Bill to Members for passage.

Thank you.

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

Bill read the Second time.

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

PRISONERS' EDUCATION TRUST FUND BILL

Resumption of debate on Second Reading which was moved on 30 November 1994

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).

INTERNATIONALLY PROTECTED PERSONS AND TAKING OF HOSTAGES BILL**Resumption of debate on Second Reading which was moved on 14 December 1994**

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.

APPROPRIATION BILL 1995

CHAIRMAN: We will consider the Schedule first in accordance with Standing Order 55.

Heads 21 to 194 were agreed to.

Schedule was agreed to.

CHAIRMAN: We shall now consider the remainder of the Bill.

Clauses 1 and 2 were agreed to.

DUMPING AT SEA BILL

Clauses 1 to 7, 9 to 14, 16 to 22, 26, 28, 30, 31, 32 and 34 were agreed to.

Clauses 8, 15, 23, 24, 25, 27, 29 and 33

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Chairman, I move that the clauses specified be amended as set out in the paper circulated to Members.

The Chinese text of clauses 8(1)(a)(iii), 15(4)(b), 24(4)(a), 25(2)(c) and 27(3)(a) are amended to refine some Chinese terms therein.

Clauses 23(2) and 25(3) are amended to make the meaning of the English text more precise. The Chinese text of clause 25(3) is amended accordingly.

Clause 29(2) is deleted because its provisions are already contained in clause 29(7).

The amendment to clause 33(3) is technical in nature.

Thank you, Mr Chairman.

Proposed amendments

Clause 8

That clause 8(1)(a)(iii) be amended, by deleting "在陸上建造或改裝的" and substituting "建造或改裝的陸上".

Clause 15

That clause 15(4)(b) be amended, by adding "從其上" before "傾倒".

Clause 23(2)

That clause 23(2) be amended, by deleting "operation" and substituting "actions".

Clause 24

That clause 24(4)(a) be amended, by deleting "約".

Clause 25

That clause 25(2)(c) be amended, by deleting "蓄意" and substituting "故意".

That clause 25(3) be amended, by deleting "carry out a duty" and substituting "comply with a condition".

Clause 27

That clause 27(3)(a) be amended, by deleting "舒適環境" and substituting "宜人之處".

Clause 29

That clause 29 be amended, by deleting subclause (2).

Clause 33

That clause 33(3) be amended, by deleting "section 10(9)" and substituting "section 32".

Question on the amendments proposed, put and agreed to.

Question on clauses 8, 15, 23, 24, 25, 27, 29 and 33, as amended, proposed, put and agreed to.

PRISONERS' EDUCATION TRUST FUND BILL

Clauses 1 to 6, 8, 9 and 10 were agreed to.

Clause 7

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

The Prisoners' Education Trust Fund Bill, which was introduced into the Council on 30 November 1994, seeks to establish a Trust Fund to help prisoners who wish to pursue academic courses during their sentences in prison.

The amendment put forward is technical in nature. As advised by the Director of Audit, it is the Director of Accounting Services who is responsible for giving advice on account-keeping. Therefore, it is appropriate to replace the "Director of Audit" with the "Director of Accounting Services" in clause 7(1) of the Bill. This does not affect the provisions that the accounts of the Fund will be audited by the Director of Audit before it is tabled in the Legislative Council each year.

Mr Chairman, I beg to move.

*Proposed amendment***Clause 7**

That clause 7(1) be amended, by deleting "Audit" and substituting "Accounting Services".

Question on the amendment proposed, put and agreed to.

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

**INTERNATIONALLY PROTECTED PERSONS AND TAKING OF HOSTAGES
BILL**

Clauses 1, 2, 3, 4, 7 and 8 were agreed to.

Clauses 5 and 6

SECRETARY FOR SECURITY: Mr Chairman, I move that clauses 5 and 6 be amended as set out in the paper circulated to Members.

Three technical amendments are proposed. The first amendment clarifies the precise amendment of clause 5. The second amendment is to correct a typographical error. The third amendment removes the unnecessary distinction between Commonwealth countries and foreign states in clause 6(2).

Mr Chairman, I beg to move.

*Proposed amendments***Clause 5**

That clause 5 be amended, by deleting "an offence similar to".

Clause 6

That clause 6(2) be amended, by deleting "If in" and substituting "In".

That clause 6(2)(a) and (b) be amended, by deleting "country within the Commonwealth or a foreign".

Question on the amendments proposed, put and agreed to.

Question on clauses 5 and 6, as amended, proposed, put and agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

APPROPRIATION BILL 1995

had passed through Committee without amendment and the

DUMPING AT SEA BILL

PRISONERS' EDUCATION TRUST FUND BILL and

INTERNATIONALLY PROTECTED PERSONS AND TAKING OF HOSTAGES BILL

had passed through Committee with amendments. He moved the Third Reading of the Bills.

PRESIDENT: Unless I have a request to separate the Third Reading of the Appropriation Bill 1995, I will take all four Bills together.

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

Bills read the Third time and passed.

PRIVATE MEMBER'S MOTIONS

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR MICHAEL HO moved the following motion:

"That in relation to the Radiographers (Registration and Disciplinary Procedure) Regulation, published as Legal Notice No. 75 of 1995 and laid on the table of the Legislative Council on 8 March 1995, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance for amending subsidiary legislation be extended under section 34(4) of that Ordinance until 19 April 1995."

MR MICHAEL HO (in Cantonese): Mr President, I move the motion standing in my name on the Order Paper.

In relation to the Radiographers (Registration and Disciplinary Procedure) Regulation which was laid on the table of this Council on 8 March 1995, I move that the period for amending the Regulation extended until 19 April 1995. This is because various organizations had raised different opinions last week and amendments might be necessary. Besides, I think it is necessary to set up a sub-committee to study the Regulation. Therefore, I move that the period concerned be extended so as to allow sufficient time for this Council to scrutinize the Regulation and to listen to different opinions.

I beg to move.

Question on the motion proposed, put and agreed to.

PRESIDENT: Rev FUNG Chi-wood and Miss Emily LAU have both given notices to move two separate motions under the Interpretation and General Clauses Ordinance. Members were informed by circular on 21 March 1995 that as the two motions proposed were identical, Miss LAU's motions would not be dealt with until after the Council has taken decisions on Rev FUNG's motions. I now call upon Rev FUNG to move his motions first as the notices of his motions were received first.

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

REV FUNG CHI-WOOD moved the following motion:

"That in relation to the Sewage Services (Sewage Charge) Regulation, published as Legal Notice No. 59 of 1995 and laid on the table of the Legislative Council on 1 March 1995, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance for amending subsidiary legislation be extended under section 34(4) of that Ordinance until 19 April 1995."

REV FUNG CHI-WOOD (in Cantonese): Mr President, I move the first motion standing in my name on the Order Paper.

In relation to the Sewage Services (Sewage Charge) Regulation, I move that the period for amending the Regulation be extended until 19 April 1995 so as to allow more time for Members to scrutinize the Regulation and to propose possible amendments.

Question on the motion proposed, put and agreed to.

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

REV FUNG CHI-WOOD moved the following motion:

"That in relation to the Sewage Services (Trade Effluent Surcharge) Regulation published as Legal Notice No. 60 of 1995 and laid on the table of the Legislative Council on 1 March 1995, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance for amending subsidiary legislation be extended under section 34(4) of that Ordinance until 19 April 1995."

REV FUNG CHI-WOOD (in Cantonese): Mr President, I move the second motion standing in my name on the Order Paper.

The motion proposes to extend the period for amending the Sewage Services (Trade Effluent Surcharge) Regulation until 19 April 1995.

Question on the motion proposed, put and agreed to.

PRESIDENT: Miss LAU, in view of this position, you will not be proceeding with your motions.

PRIVATE MEMBER'S BILLS**First Reading of Bills****EMPLOYMENT (AMENDMENT) (NO. 2) BILL 1995****EMPLOYMENT (AMENDMENT) (NO. 3) BILL 1995**

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

Second Reading of Bills**EMPLOYMENT (AMENDMENT) (NO. 2) BILL 1995**

MR LEE CHEUK-YAN moved the Second Reading of: "A Bill to amend the Employment Ordinance."

MR LEE CHEUK-YAN (in Cantonese): Mr President, I move the Second Reading of the Employment (Amendment) (No. 2) Bill 1995.

This Bill aims to amend the section of the Employment Ordinance relating to long service payments. The contents of and the grounds for the amendments are as follows:

Amendment 1

Existing legislation provides that employees at the age of 65 with no less than 10 years of service are entitled to long service payments on retirement. Apparently, the rationale of the legislation is that, with long service payments to sustain their retirement life, elderly employees can opt for retirement. However, the legislation provides that only those who have reached the age of 65 plus having 10 years of service are eligible for such payments — a rather harsh requirement indeed. May we ask how many employees at the age of 65 have years of service of no less than 10 years? Many elderly employees have complained to the Hong Kong Confederation of Trade Unions (HKCTU) against such a harsh requirement, which makes it difficult for them to benefit from the legislation. As a matter of fact, many elderly employees aged over 65 but with less than 10 years' service are forced either to give up the long service payments or to continue working until they reach the qualifying service period of 10 years. Therefore, the 10 years service requirement is both harsh and unrealistic. On the other hand, many employees begin to think of retirement at the age of 60, particularly those manual workers. If civil servants can retire at the age of 60, then employees in general should also be accorded the right to opt for retirement at the same age. Therefore, the HKCTU suggests that the eligibility for entitlement to long service payments on retirement should be lowered from the age of 65 to 60, and the years of service from 10 to five, so that elderly employees can actually benefit from the legislation.

As far as this amendment is concerned, let me quote the words of the Secretary for Education and Manpower in response to Members' request to lower the age of retirement from 65 to 60 as recorded in the 1991-92 Hansard: "I have taken careful note of them, and will examine them in consultation with the Labour Advisory Board." But the Secretary for Education and Manpower has not kept his word. Over the past four years the matter was never discussed at the Labour Advisory Board, and it is only just now that the matter is put on the Board's agenda. Therefore, to lower the retirement age from 65 to 60 is a "debt" owed by the Government to the working class, and we hope that the Government will support my amendment this time and not "put obstacles in its way".

Amendment 2

Existing legislation provides for deduction of younger employees' long service payments. Employees aged 45 or below with no more than five years' service are entitled to just 50% of the long service payments. This amendment seeks to invalidate this provision so that employees having five years of service of will be entitled to long service payments regardless of their age. This will rationalize the legislation, for there is no reason whatsoever to discriminate

against employees aged 45 or below and to deduct their long service payments. If the Equal Opportunities Bill put forward by Ms Anna WU is passed, the provision discriminating against workers aged 45 or below should, in my opinion, also be repealed.

Amendment 3

The present Bill proposes to introduce a new clause to enable employees with 10 or more years of service to be awarded long service payments on resignation. This proposed arrangement is conceptually similar to that available under privately managed provident funds. Under privately managed provident funds, employees serving an employer for 10 years or more are entitled to full provident fund payments. This is a way to encourage loyal employees on the one hand and to reduce workers' turnover rate on the other. The amendment also addresses complaints lodged with the HKCTU by workers with long years of service, who claim that some employers are trying to force them into resignation by fair means or foul in an attempt to avoid possible severance payments and long service payments. Freezing their wages, finding fault with their work, altering their terms of employment and so on are some of the tricks resorted to. The amendment seeks to give workers with long years of service the choice of resignation with long service payments, thereby enhancing the protection for these loyal employees. The Hong Kong Government's claim that this amendment would aggravate employees' turnover rate is, in my opinion, merely alarmist talk. Employees serving an employer for more than 10 years will have little incentive to find another job, and in fact much difficulties in getting one. Therefore, unless absolutely necessary, these workers will keep working for the same employer instead of resigning just for the sake of getting the long service payments.

With these remarks, I move that the debate be adjourned.

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

EMPLOYMENT (AMENDMENT) (NO. 3) BILL 1995

MR LEE CHEUK-YAN moved the Second Reading of: "A Bill to amend the Employment Ordinance."

MR LEE CHEUK-YAN (in Cantonese): Mr President, I move that the Employment (Amendment) (No. 3) Bill 1995 be read a Second time.

The purpose of this Bill is to amend the Employment Ordinance to grant full wages to female employees who are entitled to maternity leave pay instead of the present two-thirds of the wages. At present, the Employment Ordinance provides that a female employee is entitled to no pay leave if she has been employed by the employer under a continuous contract for a period of not less than 26 weeks immediately before the expected date of her commencement of

maternity leave and two-thirds of her normal wages if she has been employed by the employer under a continuous contract for a period of not less than 40 weeks. Maternity leave is the aggregate of a period of four weeks immediately before the expected date of confinement and a period of six weeks immediately after the actual date of confinement. Maternity leave was established in 1970 and maternity leave pay, which only took effect since 1 June 1981, has been two-thirds of an employee's normal wages. Over the last 14 years, there has been no amendment to maternity leave pay which is two-thirds of an employee's wages. If we take a look at other Asian countries, we would notice that in most of these countries, employees are entitled to full maternity leave pay. There is no exception even in countries like Bangladesh, Pakistan and the Philippines which are considerably less advanced. Female employees in these countries are entitled to full maternity leave pay. It is a shame on Hong Kong people that although our *per capita* GDP is US\$21,800 which is the 15th highest in the world, our maternity leave pay remains to be two-thirds of the wages. Taking into account the current economic development of Hong Kong, increasing the maternity leave pay to full wages is something we can amply afford.

In fact, full maternity leave pay can alleviate the financial burden of female employees who are pregnant. It is estimated that a pregnant employee has to spend an additional sum of \$7,500 before and after confinement for giving birth to a baby. While her wages is reduced by one-third, her expenditure doubles. That would increase the financial burden of the whole family which would, in turn, affect the health of both the mother and the baby. Hong Kong has to provide special care for pregnant women in order to show that we really care for those women who discharge their maternal duties.

According to our calculations, granting full maternity leave pay would not add a great burden to employers. In 1994, about 70 000 babies were born and the percentage of married women in the workforce was 37.6%. In other words, at the utmost, only 27 000 married female employees had become pregnant and given birth in that year. Some of these women would not have satisfied the statutory requirement of continuous employment for not less than 40 weeks while others would have been entitled to full maternity leave pay anyway, for example, civil servants, teachers and employees of many big companies. Excluding these employees, it is estimated that 20 000 women would enjoy better conditions if full maternity leave pay is granted. The expenditure of giving full wages to these 20 000 female employees who are entitled to maternity leave pay would only amount to 0.05% of the total wages of all employees of Hong Kong. The above figures show that the amendment would not seriously affect the employers.

Finally, I would like to respond to the criticism that my Private Member's Bill is in breach of a rule of the game, namely, that the Bill has not obtained the consensus of the Labour Advisory Board (LAB). Firstly, I think the so-called "rule of the game" is a stalling tactic adopted by government officials and businessmen to delay any improvement on the protection of labour. It is tantamount to giving the power of veto entirely to the employers'

representatives on the LAB. That really is unreasonable. Besides, I think the opinions of the LAB should not take precedence over the legislative power of the Legislative Council. That certainly does not mean that I consider the LAB to be unimportant. I entirely agree that the LAB should be consulted. However, I do not agree that a Bill should only be tabled in the Legislative Council for scrutiny if consensus is obtained. I think we should leave it to the Legislative Council to consider the different opinions of the employers and the employees. The two Bills that I have tabled today have been submitted to the LAB for its scrutiny during its last meeting and the LAB has told me that arrangements have been made for the Bills to be discussed at its next meeting. Hence, Members of the Legislative Council will be in a position to understand the opinions of both the employers and the employees.

Let me reiterate that the effect of these two Bills on the economy of Hong Kong will only be negligible. I therefore urge Members to lend their support.

With these remarks, I move that the debate on this Bill be now adjourned.

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

ADJOURNMENT AND NEXT SITTING

PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 19 April 1995.

Adjourned accordingly at twenty-seven minutes to Six o'clock.

Note: The short titles of the Bills/motions listed in the Hansard, with the exception of the Inland Revenue (Amendment) Bill 1995, the Appropriation Bill 1995, the Dumping at Sea Bill, the Prisoners' Education Trust Fund Bill and the Internationally Protected Persons and Taking of Hostages Bill, have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.

