

**OFFICIAL REPORT OF PROCEEDINGS****Thursday, 27 March 1986****The Council met at half-past Two o'clock****PRESENT**

HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)  
SIR EDWARD YOUDE, G.C.M.G., M.B.E.

THE HONOURABLE THE CHIEF SECRETARY  
SIR DAVID AKERS-JONES, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY  
SIR JOHN HENRY BREMRIDGE, K.B.E., J.P.

THE HONOURABLE THE ATTORNEY GENERAL  
MR. MICHAEL DAVID THOMAS, C.M.G., Q.C.

THE HONOURABLE LYDIA DUNN, C.B.E., J.P.

THE HONOURABLE CHEN SHOU-LUM, C.B.E., J.P.

THE HONOURABLE PETER C. WONG, O.B.E., J.P.

DR. THE HONOURABLE HO KAM-FAI, O.B.E., J.P.

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

THE HONOURABLE HU FA-KUANG, O.B.E., J.P.

THE HONOURABLE WONG PO-YAN, O.B.E., J.P.

THE HONOURABLE DONALD LIAO POON-HUAI, C.B.E., J.P.  
SECRETARY FOR DISTRICT ADMINISTRATION

THE HONOURABLE CHAN KAM-CHUEN, O.B.E., J.P.

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, O.B.E., J.P.

THE HONOURABLE CHEUNG YAN-LUNG, O.B.E., J.P.

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

THE HONOURABLE MARIA TAM WAI-CHU, O.B.E., J.P.

DR. THE HONOURABLE HENRIETTA IP MAN-HING, J.P.

THE HONOURABLE CHAN YING-LUN, J.P.

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

THE HONOURABLE MRS. PAULINE NG CHOW MAY-LIN, J.P.

THE HONOURABLE PETER POON WING-CHEUNG, M.B.E., J.P.

THE HONOURABLE YEUNG PO-KWAN, C.P.M., J.P.

THE HONOURABLE KIM CHAM YAU-SUM, J.P.

THE HONOURABLE JOHN WALTER CHAMBERS, J.P.  
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE JACKIE CHAN CHAI-KEUNG

THE HONOURABLE CHENG HON-KWAN

THE HONOURABLE HILTON CHEONG-LEEN, C.B.E., J.P.

DR. THE HONOURABLE CHIU HIN-KWONG  
THE HONOURABLE CHUNG PUI-LAM  
THE HONOURABLE THOMAS CLYDESDALE  
THE HONOURABLE HUI YIN-FAT  
THE HONOURABLE RICHARD LAI SUNG-LUNG  
DR. THE HONOURABLE CONRAD LAM KUI-SHING  
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.  
THE HONOURABLE MARTIN LEE CHU-MING, Q.C., J.P.  
THE HONOURABLE LEE YU-TAI  
THE HONOURABLE DAVID LI KWOK-PO, J.P.  
THE HONOURABLE LIU LIT-FOR, J.P.  
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.  
THE HONOURABLE PANG CHUN-HOI, M.B.E.  
THE HONOURABLE POON CHI-FAI  
PROF. THE HONOURABLE POON CHUNG-KWONG  
THE HONOURABLE HELMUT SOHMEN  
THE HONOURABLE SZETO WAH  
THE HONOURABLE TAI CHIN-WAH  
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING  
THE HONOURABLE TAM YIU-CHUNG  
DR. THE HONOURABLE DANIEL TSE CHI-WAI, O.B.E., J.P.  
THE HONOURABLE ANDREW WONG WANG-FAT  
THE HONOURABLE MICHELANGELO PAGLIARI, J.P.  
SECRETARY FOR EDUCATION AND MANPOWER (*Acting*)  
THE HONOURABLE PANG YUK-LING, I.S.O., J.P.  
SECRETARY FOR HOUSING (*Acting*)  
THE HONOURABLE THOMAS HERBERT TOMLINSON, O.B.E., J.P.  
SECRETARY FOR LANDS AND WORKS (*Acting*)

#### **ABSENT**

THE HONOURABLE ERIC PETER HO, C.B.E., J.P.  
SECRETARY FOR TRADE AND INDUSTRY  
THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.  
THE HONOURABLE IAN FRANCIS CLUNY MACPHERSON, O.B.E., J.P.  
SECRETARY FOR TRANSPORT  
THE HONOURABLE HO SAI-CHU, M.B.E., J.P.

#### **IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MR. LAW KAM-SANG

## Second Reading of Bill

### APPROPRIATION BILL 1986

#### Resumption of debate on Second Reading (26 February 1986)

DR. HO: Sir, the Financial Secretary is to be congratulated on his success in bringing about a balanced Budget for 1985-86 after three years' deficit in spite of a less than satisfactory performance of our economy. The equilibrium was achieved through his persistent efforts to contain the growth of public sector expenditure and the size of the Civil Service. He managed to propose a surplus Budget for 1986-87. The proposed rises in certain duties and charges are meant largely to offset the effect of inflation. I can say without exaggeration that Sir John is a shrewd manager of public finances. Since he is leaving the Government for good this summer, I wish Sir John and Lady BREMRIDGE a happy retirement.

In this debate, I wish to speak on three areas of concern, where priority for resource allocation should be re-considered.

I am happy to say that there have been noticeable improvements in the quality of kindergarten education since the publication of the White Paper on Primary Education and Pre-Primary Services in 1981 and the Report of the Panel of Visitors in 1982. However, these improvements fall short of the recommendations of the White Paper and of the expectations of the educators.

As I see it, the cardinal impediment to kindergarten education is a despairing lack of trained teachers. According to the findings of a survey conducted by the Hong Kong Professional Teachers' Union in 1983, some 80 per cent of the kindergarten teachers did not have any form of professional training, and the salaries of 88 per cent of the teachers were below \$2,000 per month, which were less than half of those of certificated teachers in the primary schools. Most of these teachers taught in both morning and the afternoon sessions. It is largely due to these gloomy prospects for kindergarten teaching as a profession that intelligent and dedicated persons are not attracted to this sector of education. Furthermore, even when pre-service or in-service training is available, young people of potential are reluctant to avail themselves of these training opportunities. Various bodies concerned with pre-school education have been vocal in urging the Government to set up a reasonable salary scale commensurate with the responsibilities of kindergarten teachers.

As we are aware, kindergartens in Hong Kong are privately run. Any increase in teachers' salaries will inflate the operational cost and will therefore be passed on to the parents by a corresponding fee increase. Fee increase may result in hardship for the parents in the low income group and may depress enrolment. If the Government accepts the fact that there is as much educational value in kindergarten as in primary schooling and that there is an urgency to remedy the

manpower shortage problem, I would venture to ask the Government to consider a financial assistance scheme to top up the salaries of the qualified teachers in non-profit making kindergartens. The effect is to uplift their salaries to the level enjoyed by those civil servants with comparable academic standards and responsibilities, without increasing the burden of the parents of the kindergarten pupils. As a matter of fact, this financial assistance scheme has been proposed by some associations of kindergarten teachers as the most practicable and immediate means to bring about a qualitative improvement to kindergarten education. Furthermore, this scheme, if implemented, will make a significant step forward in bringing kindergarten education within the aided sector, as recommended by the panel of visitors.

In the last Budget debate, I proposed a bachelor of education degree course in primary education to train senior teachers and principals to take up leadership and management responsibilities in primary schools. The Secretary for Education and Manpower, in his reply, said that 'the Administration is looking into the staffing and grading implications of this proposal with a view to enabling the university to introduce this degree programme. However, additional resources will be required for such a programme and this may affect the timing of its introduction'. The response of the secretary was sensible. May I ask him to review the position of the proposal, aiming for an early implementation in the coming academic year, if possible?

The health and safety of the workforce is always a subject of community concern. Government has apparently recognised the importance of the Factory Inspectorate, and has promised on a number of occasions in this Chamber to expand the establishment of the Inspectorate. However, this policy has not been followed through with vigour. In recent years, as a result of the introduction of more safety legislation and major amendments to existing safety regulations, the workload of the Factory Inspectorate has increased manifold, as indicated by the statistics below:

	<i>1982</i>	<i>1985</i>	<i>Percentage increase</i>
No. of files kept	71 760	84 178	17.2
No. of inspections to industrial factories & construction sites	65 409	79 311	21.2

However, the staffing of the Factory Inspectorate has been on the decline during the same period. The strength of the inspectorate dropped from 196 in 1982 to 187 in 1985. According to a five-year plan approved in 1978, the establishment will be expanded to 250 by 1984. Somehow, the plan was suspended in 1982; resulting in the establishment standing at around 200. With these tight manpower resources, it is next to impossible to expect the Factory Inspectorate to uphold their standard of service and to perform their enforcement duties to a satisfactory level.

Now with our budgetary conditions improving and the Civil Service recruitment relaxed, I urge the Government to place top priority on reinstating the expansion plan of the Factory Inspectorate, and to make every effort to achieve the original target of 250 inspectors in the nearest future. We must bear in mind that expenditure incurred in promoting industrial safety generates immediate social and economic dividends not only for the workers and their families, but also for the employers and the community at large.

With these remarks, Sir, I support the motion.

MRS. FAN: Sir, the Sino-British Joint Declaration has now been in force for exactly 10 months. The Financial Secretary anticipated a surplus of \$98 million for the year 1985-86, whereas the draft Budget for 1986-87 showed a surplus of \$348 million. We have therefore entered the transitional period with a solid and healthy financial basis, on which further economic development can be built. This is no small achievement taking into account the various factors, international as well as local ones, which exerted considerable pressure on Hong Kong both economically and politically in the last few years. Credit must therefore go to the Financial Secretary, whose prudent and firm management of our finances has steered us clear from unnecessary commitments, and to the vote controllers for their conscientious control over public expenditure.

Sir, for the purpose of this debate, I shall confine to two points only.

To ensure that Hong Kong continues to develop both economically and socially, it is important that the majority of our citizens have a sense of belonging to this community, and possess a reasonable level of social awareness and analytical ability. If our citizens are to play a meaningful role in the development of a representative Government suitable for this community, they must be equipped with some basic understanding of our existing system, and be able to appreciate the more subtle implications of political platforms. I appealed in this Council in October 1984 for the Government to adopt a realistic and pragmatic approach to promote civic education actively to enhance the public's knowledge in selecting their councillors. A lot has happened since then, with all kinds of ideas being put forth on what should be included in civic education. Government departments including the City and New Territories Administration, Education Department, RTHK, Information Services Department and others, have organised seminars, broadcast programmes, and arranged various activities to promote civic awareness in the community. Other bodies have done no less. As an initial development, such diversity of ideas and activities is encouraging and healthy. But the time has now arrived for us to take stock of the situation, consolidate the ideas, and come up with a well-planned strategy for the future promotion of civic education. It must be appreciated that civic education is not just a topical subject, but rather a long-term commitment which should be properly co-ordinated, reviewed, improved and persistently implemented.

I am pleased to note that in the 1986-87 Draft Estimates, the Financial Secretary has allocated \$600,000 to Information Services Department for civic education publicity campaign, and has further allocated \$154,000 to the City and New Territories Administration for the promotion of civic education. The Director of Education indicated to the Finance Committee on 7 March 1986 that at least \$2 million is devoted towards promotion of civic education in schools, which excluded all hidden costs such as those related to extra-curricular activities. It is also clear from the Memorandum Note on the vote of Radio Television Hong Kong that a substantial proportion of its programmes is aimed at promoting civic responsibility and community identity. I welcome the Administration's commitment towards this important area of our community development. Nevertheless, I hope efficient co-ordination and systematic strategy would be implemented so that we may be able to achieve the required objective and maximum effectiveness without duplication of effort and wastage of resources.

Sir, yesterday the hon. Peter C. WONG and the hon. YEUNG Po-kwan called for charging appropriate charges at the control points at the border. I support their call. Indeed I asked the Government to consider this at the last Budget debate. I make no apologies for emphasising again that it is not unfair to levy a small fee on passengers using control points at the border as a result of various improvements and additional staff required to handle the significant increase in traffic. During the first two and a half months of 1986, 4.67 million passengers used the control points at Hung Hom, Sha Tau Kok, Man Kam To and Lo Wu. Apart from the new Lo Wu Terminal which should be completed in early 1987, the Sha Tau Kok control point and the Man Kam To extension terminal began operation in March 1985 and January 1986 respectively. 207 new posts are being established for immigration control activities contributing to an increase of \$33.7 million in expenditure. Some of these posts must be for manning the above-mentioned control points. The Government's established policy has always been to recover part or all of the administrative cost of providing similar services, such as issuing passports. Passengers using the airport and Macau ferry terminal have to pay \$120 and \$15 respectively. I see no reason why passengers leaving Hong Kong through Man Kam To, Hung Hom and Lo Wu should enjoy special privileges.

The Financial Secretary indicated in his speech that Immigration Department charges will be reviewed during next financial year. I welcome his statement on the understanding that immigration charges at the above-mentioned control points are included in this exercise which should be conducted at the earliest opportune time. I also urge that the charges be put at a realistic level to reflect the administrative and related expenses involved.

Sir, with these remarks, I support the motion.

MRS. NG (in Cantonese): Sir, after three years in the red, the Government has a small surplus for the current financial year 1985-86. The Budget also shows a surplus of \$348 million for the coming financial year 1986-87. I must congratulate the Financial Secretary for achieving a balanced Budget with tax concessions and only minor increases in indirect taxes. The Government is once more living within its means.

While I believe that a balanced Budget is a good thing, I am of the view that this should not prevent us from introducing new programmes and initiatives which are genuinely needed in Hong Kong. I wish to comment this afternoon on two areas concerning Government expenditure, namely education and district administration. My proposals will slightly increase Government expenditure, but I believe that they are worth considering.

Firstly, I wish to talk about kindergarten education. Kindergartens in Hong Kong are private institutions and they are only nominally monitored by the Education Department. At present there are 787 kindergartens in Hong Kong providing pre-primary education for 229 000 children in the three-to-five year age group. These private institutions are supervised by officers of the Education Department.

Kindergarten teachers are not required to have any formal training. Part-time in-service training is provided by the Grantham College of Education and the advisory inspectorate of the Education Department. The annual intake for these two courses is 600 teachers only. In view of the large number of kindergarten teachers, training opportunities are far from adequate.

Three-to-five year olds are at a very impressionable age and they do learn a lot in their pre-school years. It is important that we have dedicated and properly trained teachers in kindergartens. I propose that training for kindergarten teachers should be further developed. More funds should be provided for training pre-primary teachers.

In my view, a separate college of education for the training of kindergarten teachers is required in Hong Kong. A one-year full-time course should be established to provide pre-service training for intending kindergarten teachers. More part-time courses should also be organised for serving teachers.

I would also like to say a few words on the promotion of the district administration scheme. With the development of a more representative government, particularly at the district level, district board members are playing an increasingly important role in acting as a bridge between the Government and the people and in securing redress for members of the public against decisions taken by Government departments. District board members need an office to receive complaints from members of the public and to gather public views. Some district board members have set up offices in their districts at their own expense. Because of the high rents of commercial premises in some areas, some

district board members have not been able to keep an office although they wish to maintain close contact with the public.

As a district board member myself, I believe that a liaison office in the field can greatly improve the work of a district board member. I suggest that the Government should consider giving an office allowance to district board members to encourage and assist them to set up offices in their own districts.

In the 1986-87 Draft Estimates, a provision of \$35,270,000 has been made under Head 53 Subhead 215 for environmental improvement and community involvement projects. The funds are allocated to the 19 district boards for minor environmental improvement projects aimed at providing a prompt remedy to urgent local problems and for community involvement projects.

The limit on maximum expenditure on each project is \$300,000, but funds cannot be used to cover recurrent expenses of projects, no matter how small these are. As a result of this rule, district boards could not undertake some worthwhile projects, such as squatter area path lighting projects and study room projects, because these projects would entail some recurrent expenditure.

I hope that the rules governing the use of district board funds could be made more flexible. District boards have matured quite a lot in the past few years, and I believe that they should be allowed to incur limited recurrent expenditure.

With these remarks, Sir, I support the motion.

MR. SZETO (in Cantonese): Sir, in terms of quantity, Hong Kong's education had made rapid progress in the 1970s—the introduction of six-year free and compulsory education was immediately followed by nine-year free and compulsory education. Now that we have reached the mid-1980s, how to improve the quality of universal education is becoming a problem of utmost concern and urgency. Moreover, the expansion in numbers has already attained a certain target and investment in education aiming at improving quality could also be gradually increased. Over the past few years, the Administration seemed to have noticed this problem, e.g. more teachers were recruited, the promotion of refresher courses for teachers, the provision of instructional counselling and advice and the setting up of class libraries in primary schools and so on. However, an extremely important element in improving the quality of education has been overlooked—curriculum development. Judging from the present Budget and those in the past, we could see that little importance has been attached to the appropriation of funds for curriculum development.

The quality of teachers and the curriculum are the two most crucial elements in improving the quality of education. There is a Chinese saying: 'A skilful wife could hardly cook without rice'. The relationship between teachers and the curriculum is similar to that between a cook and his cooking materials. If there is no rice, or there is but rotten rice, then no matter how good his cookery is, a cook would not be able to produce a good meal. If, in particular, we want to

improve the quality of our nine-year free and compulsory education, we must continually develop a curriculum which is comprehensive, capable of shaking off the hereditary effects of the old 'elitist' education policy, totally student-oriented, capable of suiting students of different learning ability and aptitude, able to keep in line with Hong Kong's social development and flexible.

At present, curriculum development work is being undertaken and co-ordinated by the Curriculum Development Committee of the Education Department. This committee is responsible for planning and developing the curricula for kindergarten, primary school, secondary school and matriculation, with some 50 subject committees under it. The major work force consists of staff from the advisory inspectorate of the Education Department, who are already overburdened with other onerous tasks, and voluntary serving school principals and teachers. Although, the authorities already implemented the programme of seconding serving teachers to specifically undertake the task of preparing the curricula four years ago, the results were not satisfactory. There is still a shortage of manpower, and recruitment efforts have not been successful. In order to implement full-scale and effective reforms in curriculum, so as to fit in with other measures to improve the quality of education, it is obvious that the present Curriculum Development Committee under the Education Department can no longer serve its function.

Many years ago, the Hong Kong Professional Teachers' Union proposed to set up an independent and well-organised curriculum development body, temporarily called the curriculum council. But this proposal has never received any positive response. In order to reform the curriculum to keep it in line with the improvement of the quality of education, so as to solve more and more imminent problems, I would like to put forward this proposal again and hope that the Administration will consider it seriously.

The major terms of reference of the curriculum council should include:

- (1) design the curricula of various academic and arts subjects from kindergarten to matriculation level,
- (2) examine and approve textbooks for various subjects in accordance with the specified curriculum,
- (3) evaluate the public examinations to ensure that examination questions are set in accordance with the specified curriculum,
- (4) study ways to improve the curriculum and monitor the trial and implementation of new curriculum,
- (5) advise various types of schools on the implementation of curriculum and assist in evaluating the results of implementation,
- (6) co-ordinate the provision of various supplementary resources for the implementation of curriculum, e.g. textbooks, teaching aids, audiovisual aids and so on, and research into the use of new resources,

- (7) actively provide effective methods for civic education, moral education, and extra-curricular activities and
- (8) provide curriculum (especially new curriculum) training for teachers so that they can have a better grasp of the contents and method of teaching.

The structure of the curriculum council should be as follows:

- (1) the council should have a three-tier structure of policy making, administration and subsidiary organisations,
- (2) the council should be independent in administration and finance, but should be responsible to the Board of Education in policy matters,
- (3) the council should employ experts in curriculum design to head the planning and study of curriculum development,
- (4) the compilation of syllabuses and its follow-up work must be performed by full-time staff who should be education experts or experienced teachers seconded from schools. The period of secondment should not be less than two years,
- (5) a consultative system with various subject teachers' associations should be established. These associations should elect representatives to sit on the subject committees as advisers and
- (6) the central decision making body of the council should include members elected by various academic bodies and teachers' associations.

The curriculum council should have at least three subsidiary organisations:

- (1) research centre: The centre should mainly be made up of curriculum experts and act as the academic advisory body of the council. It should be responsible for researching into theories of curriculum development and for communicating with relevant academic bodies, both local and overseas, so as to bring in new ideas and experience.
- (2) experimental schools: This should be made up of several schools. Apart from full-time teachers, members of subject units of the curriculum council should also give lessons on a part-time basis, so as to keep in touch with schools and to gain an in-depth understanding of developments. These members could also try out newly designed syllabuses.
- (3) teachers' centre: There should be a library, a resource centre, a conference room and classrooms, which could be used by teachers for obtaining resource material, exchange of experience, attending to lectures and holding seminars.

In addition, the council should establish links with the existing arts and crafts centre, audio-visual aid centre and the educational television. The council should also keep in touch with various schools to help implementing the trial and evaluation of curriculum.

I believe that if such a curriculum council is established, it will be of great help in improving the quality of education in Hong Kong.

In the speech that I handed in, this should be the end of my speech. However, having heard yesterday's debate, I have decided that I want to say something else, and I hope these comments can be written down in the Hansard.

Yesterday a lot of Members who spoke had expressed concern about the Ka Wah Bank and the fact that the Exchange Fund had been used. I feel the same. After the adjournment of the Legislative Council sitting yesterday, a Finance Committee meeting was held and the Financial Secretary, Sir John, did give us an explanation. He said: 'According to the Public Finance Ordinance, there is an exemption clause enabling the Financial Secretary to make use of the Exchange Fund to stabilise the currency of Hong Kong.' I am not satisfied with the explanation he gave. I hope that there would be further clarification from the Financial Secretary. What has the Ka Wah Bank incident got to do with stabilising the currency of Hong Kong? I believe I recall when we had the Hang Lung Bank incident and the OTB incident, the Legislative Council and the Executive Council had discussed those incidents. Why isn't this particular incident discussed?

I believe at those discussions there were a large number of Members who said there must not be repetitions of the similar incidents. Is it because Members had said they will not tolerate repetitions that this time the authorities have chosen to avoid the two Councils? If there is no clarification in this issue, I am worried that in future there would be further repetitions of making use of this exemption clause and the excuse that we are trying to stabilise the currency of Hong Kong. In order to ensure that this exemption clause and this authority will not be abused, the people of Hong Kong have the right to seek further clarification.

Sir, I intended originally to support the motion but now I have some reservations. I will wait until I have heard the Financial Secretary's reply and until I have heard his further clarification; until then I will reserve my stand.

DR. TSE (in Cantonese): Sir, this is the first time I try to learn vetting the Government's Budget in the Legislative Council. In the course of learning, I personally experienced the magnitude of the Government's operation which gave me a new assessment of the efficiency of various departments. But what made me slightly confused was that when I tried to understand Government's allocation of resources on education, I had to look through various pages of the draft estimates before getting a rough idea of the complete picture of the education in Hong Kong. This gave me a mixed feeling of delight and anxiety. The reason of my delight is that Hong Kong's education has taken care of the needs of different levels and different areas, ranging from kindergarten education to university education, and from special education to adult education. On the other hand, what makes me anxious is that I find it difficult to identify a clear administration structure to convince me that the Government's

policy and objectives have been implemented through a systematic and efficient manner. However, I have reasons to believe that the Government has not overlooked this aspect, and I also believe that in the past few years, the Government has made considerable efforts to attain its goal, e.g. the appointment of the Secretary for Education and Manpower and the establishment of the Education Commission. All these are good indications that the Government has made every effort in improving and co-ordinating the development of education. However, judging from other observations, such arrangements do not seem to have achieved the intended objectives. Take technical education as an example, we are still facing a rather complicated situation. At present, technical education is provided by various organisations. Apart from prevocational schools offering three-year courses and technical secondary schools offering five-year courses, technical education is mainly provided by technical institutes running full time or part time post-secondary diploma and certificate courses. In addition, the two polytechnics also provide certain post-secondary diploma and certificate courses. The different types of technical education are administered by different Government departments: pre-vocational schools and technical secondary schools are the responsibilities of the Education Department while technical institutes are operated and maintained by the Vocational Training Council. As regards the diploma and certificate courses of the polytechnics, although the nature and standards of the courses are similar to those of technical institutes, the operation of the two polytechnics are supervised by the University and Polytechnic Grants Committee. Both the University and Polytechnic Grants Committee and the Vocational Training Council are non-Government departments. The former is an advisory body on higher education responsible to the Governor while the latter is a statutory body incorporated through legislative process. With the different responsible parties, including Government departments and non-Government organisations, statutory bodies and non-statutory bodies, lack of co-ordination could be found in the allocation of manpower, standard of supplies, formulation of curricula and the dovetailing of different development stages of technical education and industrial training. I am pleased to know that since 1981 the Hong Kong Polytechnic has gradually transferred the majority of its diploma and certificate courses to the technical institutes through a liaison committee jointly organised by the technical institutes and the polytechnic. Such planned transfer should be applauded. The transfer has, however, led to another problem. As we are all aware, the qualifications and salaries of the polytechnic lecturers are higher than those of their counterparts in the technical institutes. Should it be possible to transfer courses from the polytechnics to technical institutes without corresponding changes in the qualifications of the lecturers concerned, questions might be asked: 'Were the qualifications of the lecturers in the past too high?' or 'Will the future qualifications of the lecturers be too low?' This problem should be carefully considered by the Government.

The qualifications of teachers is the most important factor affecting the quality of education in Hong Kong as a whole and an area on which we should

pay special attention to make every possible improvements. At present, teachers for nine-year free education are provided by colleges of education administered by the Education Department. This has possibly been an acceptable arrangement in the past. In fact, Britain had also adopted such arrangement up to the end of 1950s. However, since the early 1960s, owing to the growing needs and progress in the field of education, Britain has abandoned the policy of training teachers direct by the Government and has integrated progressively the colleges of education into polytechnics, universities and other tertiary institutions so that teachers training becomes part of the independent system of public tertiary education. This arrangement will not only enable the teachers in future to obtain professional teaching techniques and to better understand the needs of the society through exposure in a wider perspective, it is also a timely change given the situation in Hong Kong in the mid-1980s. I therefore hope the Government will not stick to the habits in 1950s, but keep pace with time and play an active role in planning for the colleges of education, which provide training courses for teachers, to become independent organisations carrying a high academic status. This view might however be regarded as too drastic. As a compromise, I understand that the Education Department is preparing for the construction of a new college of education for training technical school teachers. I suggest, as an experiment, that the proposed new college of education be integrated into the City Polytechnic, to see if we could develop some new talents more suitable to the prevailing diversified and independent education environment. I wish to add here that my proposal has obtained the personal approval of the Director of the City Polytechnic on an educational point of view. Should the integration bring about some savings on resources, this would be an additional gain.

Sir, with these remarks, I support the motion.

MISS TAM: Sir, the medical services group comprises five Members. There are three doctors who are the professionals and experts in the medical field, Mr. TAI Chin-wah, who is a director on the Board of Pok Oi Hospital, and I declare my interest as a member of the Board of Directors of the United Christian Hospital. We share the view that the Financial Secretary's Budget is well balanced in the proposed revenue measures, and in regard to the \$4.3 billion expenditure on medical services we accept that an increase from 7.3 per cent last year to 8.9 per cent this year is a fair one, considering the overall needs of the community.

We are, however, concerned that looking ahead, this slice of medical budgetary cake, at 8.9 per cent, is unlikely to be sufficient to sustain the present scale of expansion in our medical services unless firm decisions are made within the very near future to revamp the policies whereby we finance our medical and, in particular, hospital services.

Leafing through the pages of Hansard, I read again and again of your determined efforts to upgrade and expand the hospital services in Hong Kong. You spoke in 1983 of the completion of the Maclehoose Medical Rehabilitation

Centre costing \$73 million (at 1984 prices), the \$300 million project (at 1985 prices) extension to the Yan Chai Hospital, and the \$830 million project (at 1985 prices) phase II and phase III projects to upgrade the Queen Mary Hospital. In 1984 you announced the commencement of the construction work on the Tuen Mun Hospital; the planning for three new hospitals in Chai Wan, East Kowloon and Tai Po, each providing between 1 200 and 1 500 beds and each costing over \$1 billion at current prices. In 1984 you told us that Government would support a \$730 million (at 1983 prices) expansion of the United Christian Hospital (to be called the East Kowloon Hospital), and the Pok Oi Hospital expansion was already underway. Between this financial year and 1993-1994 there will be an increase of 13 520 hospital beds (i.e. a 51 per cent increase) at an estimated capital cost of around \$5.6 billion at last year's prices.

The annual recurrent costs of hospital services on such a scale has probably not been assessed, but one can expect it to be not only substantial, but also impossible to be sustained on a policy of recovering on 'meal costs basis' which at present stands at HK\$16 per day.

The medical services group supports the basic philosophy that those who can afford it should pay more for medical services and those who cannot should be given relief. However, many of us believe that this fundamental principle has not always been adhered to and Members individually will urge upon the Government specific areas in which they want improvement. I trust I can summarise our general areas of concern as follows:

(1) Government should make the most of our existing resources

By upgrading the services in the subvented hospitals, and increasing the bed occupancy rate e.g. the Pok Oi Hospital. Its occupancy rate was increased from under 75 per cent to an estimated 83 per cent in three years. This is achieved by interdisciplinary redistribution of beds, increasing admission through establishing specialty units and streamlining the referral systems to the hospital. (Annex I)

A similar approach has been adopted to increase the bed occupancy rate of the Kwong Wah Hospital (the detail of which is in Annex I). We should explore further possibilities in other subvented hospitals. In the long run there will be savings if we can ease off the present and further need of expansion. Dr. IP will speak on the merits of standard costing, the introduction of the LAFIS II system and avoiding duplication in our existing services, such as school medical services and Mr. TAI Chin-wah will suggest that the under-utilised hospitals be put to better use.

(2) There should be joint efforts made by different Government departments to deal with identified problems

All three of my doctor colleagues will speak on the issue of overcrowding in hospitals and the need to make better use of the convalescent beds in subvented hospitals. Elderly patients (averaging about 2 500 in the last

few years) should be looked after in care and attention homes whenever possible, the cost of which is lower than hospitals.

(3) Adopting an 'early release' approach

In the USA, Britain and West European countries hospital patients are encouraged to leave the hospitals and convalescent homes once they are fit to do so, i.e. the concept of ambulatory care.

This is made possible by employing community nurses to visit convalescent patients at home. Indeed, Government has plans to increase our community nurse centres from 39 to 60 in the next five years.

However, I understand that in the Government centres, the cost of each nurse is about \$200 per day and she visits, on average, three patients. I am in position to say that the United Christian Hospital operates such services and each nurse is able to visit about seven and a half patients per day. We must therefore fine-tune the logistics and supervision of community nursing to ensure that they are efficient. The sooner Hong Kong can adopt the ambulatory care policy the better we can maximise the use of hospital care.

(4) Implementation of the recommendations in the Report on the Delivery of Medical Services in Hospitals

Many of the proposals in this report confirms the views of both Dr. Harry FANG, Members of my group and the Boyle Report. We feel that in many ways we have not adhered to the fundamental principle that those who can afford it should pay more. Although we insist that those who cannot afford it, round about 3 to 5 per cent, should be given relief. The recommendations made in this report fall into three categories:

- (a) those that can be implemented without an independent authority; I have a list set out in Annex II because it is very long, Sir.
- (b) those need not necessarily have the support of an independent authority; and
- (c) those that cannot be implemented without an independent authority.

There are only three items under this.

Dr. Conrad LAM supports many of the cost recovery measures proposed in the report and Dr. CHIU Hin-kwong will put forward in detail his views. I merely wish to add that a rough estimation of the costs of setting up the independent authority is \$950 million. I believe that each of the recommendations in this report, in particular group (A) of Annex II, should be assessed on its own merits. The question of whether we can afford an independent authority should not be a stumbling block to better hospital administration or more equitable cost recovery. There is one healer we know of who satisfied the hunger of thousands of His followers with five cakes and two fish. We can, and must do

what is humanly possible. At the United Christian Hospital, a large percentage of the patients are factory workers or members of their family are factory workers. I have often seen male patients coming in for treatment in shorts and vest and rubber Japanese slippers, with their wives or mothers clutching their valuable belongings in a thin red plastic bag. At the United Christian Hospital we have for a few years charged a fee of between \$10 to \$20 at the accident and emergency services, which means that within reason, the community can afford and this practice is accepted in the Kwun Tong community.

I have no doubt that we want our expanded hospital services to be made available to more people who are less well off. But we can only do so if our charges are put on a broader base and our slice of the budgetary cake is shared wisely among those who are in need.

Sir, I have the pleasure of paying tribute to the Financial Secretary on Budget day in particular to what he has done in improving our prudential control. I have the pleasure to associate myself with the comments, the well wishing comments, that my colleagues have spoken of both today and no doubt yesterday wish the Financial Secretary a very happy retirement.

#### ANNEX I

*Pok Oi Hospital (POH):* The following methods were used:

- (a) Increasing admissions through establishment of specialty units. With the setting up of a surgical and a medical unit in POH the number of acute surgical and medical cases admitted into the hospital increased.
- (b) Increasing convalescent/infirmatory support to regional hospital. An additional 27 convalescent beds were allocated to Princess Margaret Hospital.
- (c) Interdisciplinary redistribution of beds. The conversion of 10 gynaecology and four paediatric beds, both specialties with low occupancy, into 12 medical beds was undertaken.

*Kwong Wah Hospital (KWH)*

- (a) Redistribution of beds. The under-utilised paediatric, obstetric and gynaecology beds were reallocated to other units with heavier demands.
- (b) Increase clinical admissions. To improve the occupancy of the obstetric and gynaecological beds, the maternal and child health centres in the vicinity were requested to refer more cases to KWH.

## ANNEX II

## (A) Recommendations which can be implemented without an independent authority:

1. The number of beds managed by one consultant should be reduced to between 60 and 80 in most normal medical and surgical wards.
2. Improvement on nursing structure.
3. Measures to reduce hospital overcrowding.
4. Improving working environment and staffing policies.
5. Broadening the basis of standard bed day charges and introducing other charges for hospital services.
6. A pilot scheme to introduce a new class of hospital beds of higher standard than a third class bed but less costly than the present second and first class beds.
7. If the pilot scheme is successful, private insurance schemes should be encouraged, within the guidelines established by Government, to cover this new type of hospital beds.
8. There should be extended arrangements for identifying the areas of major cost and for demonstrating that value has been received for money spent.

## (B) Recommendations which do not necessarily require an independent authority for its implementation:

1. Staffing structures in a major hospital should include a chief executive. Under him there should be a chief medical officer, a chief nursing officer and a chief hospital administrator to report to the chief executive.
2. The chief hospital administrator should be given an enhanced role in hospital administration.
3. All staff, except senior executives, should be appointed by the hospital.
4. Opportunities for contract employment and/or sessional arrangements should be provided to selected senior clinician as well as limited rights of private practice for specialist doctors in the new authority.

## (C) Where there must be an independent authority:

1. To set up an independent authority to be responsible for all hospital services.

2. Eventually all authority staff should work under common terms and conditions of service outside the Civil Service.
3. Seven regions (eventually eight) should be established for medical services and each region should have a local board of management.

DR. IP: Sir, I must begin by joining the queue to congratulate the Financial Secretary for his success in attaining a good Budget this year ... both in the public's acceptance of the reasonable means in raising public revenue, as well as in the fair distribution of our expenditure to the various heads.

The focus of my discussion today would be on the adequacies of the expenditure on social services in broad terms, concentrating on the medical service. Before putting forward my observations in detail, I would like to share with my hon. colleagues my personal view on the frame of reference in the provision of social services in Hong Kong as a whole.

Hong Kong adopts a free market system with *laissez faire* and low tax; and all able-bodied persons are encouraged to look after their own needs. It is the disabled, aged, the young, and the very poor that our social services should cater for free. In this respect, Sir, the Social Welfare Department and the Medical and Health Department have on the whole more than fulfilled their roles. It is now time that we should review our existing services and expenditure, cutting those which once served an acute need but no longer do because of changing circumstances, and diverting our scarce resources to meet newly emerged needs. Social services in Hong Kong should not expand without limit to administer free services to the demanding and ever growing needs of the general public, including those who can afford to contribute. There is a lot to be said about streamlining our services with the view to improving their quality, but there is no reason why, when doing so, our Government should feel hesitant to gently introduce some charges.

Going now into details, I find the distribution of funds by the Social Welfare Department commendable, as it has rightly placed emphasis on the handicapped and on the aged. It is our moral obligation to set a higher priority for the handicapped over other sectors because, as the name implies, they are handicapped in looking after themselves! Last year, badly needed services for the handicapped suffered as a result of tight budgeting. It is encouraging to know that this year's provision for the handicapped increased far more as compared with that of last year and the long awaited increase of sheltered workshops and work activity centre places would now come into existence. I also look forward to the realisation of the taxi voucher scheme for the wheelchair-users. This year we will be spending some \$52 million in public assistance for the handicapped. The majority of them can work when they reached adulthood. If we encourage employers to offer jobs for the handicapped even by offering tax incentives we will be able to save part of this \$52 million and even if at the end of the day there is neither a financial advantage or

disadvantage for the Government to do so, we would have enriched the lives of many handicapped adults. Our population is aging. The estimated elderly population at 60 and over has steadily grown 25 per cent from 500 000 in 1980 to 670 000 in 1985. Our services must be adjusted to such evolution and emphasis should rightly be made on our citizens who labour for our community. It is therefore delighted to learn that, in conjunction with the Medical and Health Department, Social Welfare Department would carry out a survey to reappraise the present situation on the convalescence of the elderly. It would be appreciated if this Council could be provided with updated information regarding the progress and result of the survey and allow us to be informed of the co-ordinated action, if any, of the two departments in meeting the needs of the elderly.

As for the Medical and Health Department, while I understand that it has tried very hard, their requests to improved services appeared to be fallen on deaf ears, there is therefore much room for improvement. I have frankly misgivings on:

- (A) the ineffective management within the department
- (B) the distribution of funds within the department
- (C) the cost-effectiveness of the expenditure
- (D) its rationale of free medical service for all—it is difficult or outright impossible and very costly too, to improve the quality of service under existing practice, and lastly,
- (E) I would like to offer my comments on the Australian consultancy report on the delivery of medical services in hospitals.

All my comments, Sir, have financial implications and I therefore consider it appropriate for me to discuss them in this Budget debate.

In citing examples of ineffective management, I would like to dwell on the topic of hospital overcrowding and the apparent need for more high-cost hospital beds. I use the word 'apparent' for distinct reasons, because with better utilisation of existing hospital beds, the need for more hospital beds may become more apparent than real. To prove the need for more hospital beds, we must first ask ourselves the following questions:

- (1) Firstly, 'Do patients whom we admit to hospitals require admission in the first place?'
  - some patients are now admitted to hospitals unnecessarily because of the lack of confidence and expertise of the doctors who see the patients at the accident and emergency department,
  - except for some hospitals, doctors in the different specialties do not routinely screen patients for admission to cut down unnecessary admissions,

- This isn't because they do not want to. It is because they are so overworked and so inadequate in the number of staff that they are unable to do so and this becomes a vicious circle, Sir, because only if we have this extra staff and if they are available, a lot of admissions can be avoided. Confidentially, I am aware that at least some five to 10 per cent of patients in Queen Elizabeth Hospital and we are talking over 300 admissions per day may not need admission if such screening work to exist and by just adding a few extra doctors at the right places will be able to solve the problem of overcrowding, even in a hospital such as Queen Elizabeth Hospital,
  - some patients who require early and quick laboratory investigations are admitted unnecessarily because the result of investigations in the out-patient clinic usually take too long,
  - there is generally no provision for day ward for admitting patients whose operations do not require overnight stay in hospital,
  - because of inadequate co-ordination between hospitals and clinics, borderline cases are hospitalised for convenience.
- (2) Secondly, we should ask ourselves, 'Are we admitting the patients to the right wards?'
- why do we admit children between the ages of 12 to 16 to overcrowded adult wards when children's wards have vacancies?
  - why are some hospital wards under-utilised and why can they not be converted into convalescent wards for the aged, which are so badly needed?
- (3) Thirdly we must ask ourselves, 'Do patients who are now in hospital warrant continued hospitalisation?'
- are they there because the transfer of hospital in-patients' records to the follow-up clinics is so unreliable and time-consuming that patients are kept in hospital longer than what is necessary for the convenience of the overworked doctors?
  - are they there because their home environment is inadequate?
  - are they there because no relatives are willing to look after them?
  - are they there because they have nowhere to go?

The department must look into these problems positively and objectively not for fear of criticism, as a positive step towards better management.

In the light of this, Sir, I must stress that as noted by my colleague Miss Maria TAM that some 2 000 to 2 500 elderly patients with no further medical problems which require hospitalisation are now occupying acute hospital beds. The

improved provision of community nursing service, care and attention homes, and medical infirmaries for the aged, developed either by the Social Welfare Department or the Medical and Health Department, would release these 2 500 acute beds. This would amount to building a new acute general hospital of that size.

We should follow the more advanced countries in introducing ambulatory care ... which simply means medical care outside the hospital compound. Rather than building more hospitals, aftermaths of mistakes which the European countries are now experiencing, we should tighten our criteria for hospital admission/stay and aim towards early hospital discharge. This trend is not only financially advantageous for our Government, but healthier physically, as it reduces the chance of hospital cross-infection, and also healthier psychologically, when the ill, particularly the chronically ill, or the dying recover amongst his loved ones at home in a personal environment.

In reviewing the distribution of funds by the Medical and Health Department, some existing services may be redundant or have only a marginal value whereas other deficient areas are not being met at all.

The school medical service scheme is an example of projects with a diminishing need. When it was introduced over 22 years ago, the number of general out-patient clinics was only 38 and the percentage of the population under the age of 12 was 34.5 per cent or one third of our population. In 1986, we have some 64 general out-patient clinics with at least one in each district. Our children's health is ever improving, thanks to the excellent preventive health service of the maternity and child health centres. Furthermore, the percentage of children under the age of 12 has fallen now to 18.5 per cent. I see now less justification for this scheme to continue. This scheme is only subscribed by 40 per cent of children eligible to join because there are other avenues whereby they can seek proper medical care. The department admits that there is no monitoring over the participants of the scheme attending the various Government clinics and confirms that double subvention exists. Sir, I have no doubt whatsoever that all such schemes benefit those who participate in them, but the question is whether we can better utilise the money spent on the scheme in more deficient areas where there is no alternative service.

To make better use of our taxpayers' money, Sir, I think we should spend it, say, on dental service for the aged. Some 29 per cent of our aged population over 65 are without any teeth, not even one, and 60 per cent require false teeth. There is no fall back position for them. They are old, so time is not on their side. They are not fit to earn enough to pay for such private services. No Government dental clinics would offer such services to them unless they are civil servants. Their dental problems create health problems. And frankly, I see such provision of service a preventive one under the medical head.

I urge the Government to look towards this direction and if this service was ever to come about, under no circumstances should this be seen as the beginning of free dental service for all, but just for the aged!

We are all aware that the Medical and Health Department and its subvented agencies operate as a major cost centre. It is therefore of paramount importance to ensure that the expenditures are justified and cost effective. Ideally, to justify the allocation of funds, each hospital and clinic should prove that their existing resources are used optimally. I direct this comment particularly at some under-utilised subvented hospitals.

In so far as money is concerned, the mathematics ought to be very clear and easy to understand.

For example, hospitals should demonstrate that the cost per bed of various types of wards in a particular hospital does not exceed the average cost of similar wards in different hospitals.

We must ensure that the patient attendance at different day/evening clinics at different time of the day are high enough to justify their existence and their hours of operation.

We must see whether the cost of providing community nursing service to each patient in different hospitals/centres does not deviate too much from the norm.

The cost per visit of \$54 to Government general out-patient clinic compared to the charge in the private sector (the price of which reflects both the commercial rent and a profit element) ought to be lower, but it isn't, so, why not? This point has been asked by my colleague Dr. Conrad LAM.

To demonstrate the inadequacies of the department's costing methods, I will quote from some statements made by the department during the Budget estimates exercise:

'...painstakingly, build up an estimate by each individual item'

'subvented organisation will not be in a position to supply data for many years'

'the cost per bed/day for hospitals in the subvented sector is not available'

'costs are arrived at and involve a very considerable amount of manual work'

'no costing has been conducted on the dental service as a whole'

The crux of the matter, Sir, is that although the department agrees to the effectiveness and importance of a standardised cost system, the supporting data cannot be produced until LAFIS Phase II is available, and there is no time table in the department for the further extension of LAFIS.

It is obvious that the present non-systematic approach of cost comparison would lead to uneven distribution of funds and concealment of cost ineffec-

tiveness of various operations. To safeguard the interests of taxpayers, the department should accord top priority to work out a standardised cost system and to conduct value-for-money studies on various programmes and operations.

Sir, I think it is only fair that the larger the cost centre, the higher the priority on the advancement of LAFIS. It becomes a vicious circle whereby the less able you are to estimate how best you have spent your money, the more you would continue to waste on the cost ineffective items. It is therefore in the interest of the public that LAFIS Phase II be advanced in the Medical and Health Department at the earliest possible opportunity.

To recap my earlier statement on the frame of reference in our provision of social services, that we should only administer free service to the disabled, the aged, children and the very poor, but not to the public at large, medical services likewise should not be completely free for those who can afford. The department has already initiated action on increasing the charge of first and second class beds to recover part of the operating cost. Though I have reservation on the computation of the 'average cost', I fully support the move. It should, in fact, further extend to apply to third class beds. It is not unreasonable to recover around 10 per cent of the operating cost from bed charges. Those who cannot afford the charge can always seek exemption from the medical social worker. Needless to say, those who are on public assistance should be exempted automatically.

Special services can be offered to the public at cost, i.e. hepatitis B immunisation for children and adults in the prevention of hepatocellular carcinoma. This suggestion aims to provide a more dynamic medical service to better serve the needs of the general public without incurring extra costs to the Government.

Aside from levying charges, savings can be made by better utilisation of existing services i.e. by deploying clinic doctors to man evening clinics through rescheduling their working hours, rather than paying other doctors for working overtime.

Medical insurance, another area which I advocate, will reduce overcrowding in Government and Government-subsidised hospitals by encouraging the use of private hospitals. Government should provide some incentives, such as tax deduction benefits, to encourage the purchase of medical insurance. It would not be in variance with the existing policy by singling out medical insurance from other benefits for tax deduction since the provision of adequate medical service has always been and should always be a major concern to Government. Tax deduction on medical insurance will encourage the sandwiched class to widen their scope of selection of medical services. It is inequitable that some employees can benefit from medical insurance tax deduction while the self-employed cannot. It is only fair that such treatment be universally applied, even to the self-employed, or those whose companies are not prepared to purchase medical insurance on their behalf.

Sir, in the medical profession, we strive to offer patients under our care the best that advanced medicine can offer. We take pride in our ability to relieve pain and suffering. It is frustrating when we are restricted by funds and by time to offer what we have been taught to be the best. I know that I am speaking for my colleagues in Government and Government-subvented hospitals. What is worse, Sir, is that the same frustration is now being experienced by doctors in the private sector because the escalating cost of private hospitals and medication are encouraging patients to economise on the treatment they seek, but only to their detriment!

When the average man on the street have to choose between a completely free medical service of a lower standard, and a partially paid one of higher standard, they would opt for better quality. We must acknowledge that the preference for a completely free medical service of the highest standard does not exist in a low tax community such as ours.

Sir, resources for further improvement in the quality of our medical and health services must come partly from those who can afford to pay, either directly or indirectly through medical insurance. This is the only way through which the medical profession can, within an improved medical framework and infrastructure, offer the best to all those who are ill, irrespective of whether they are rich or poor!

After sharing my observations of the Medical and Health Department's Budget, Sir, I would like to conclude by drawing your attention to the proposals of the consultancy report. Since the press conference the day before yesterday have made known the proposals of the report and that it no longer dwells in an air of secrecy, these are my comments.

Without going into depth, I see the proposals broadly in three large categories:

Category A are those in respect of improving the present management system to bring about better value for money...proposals which usually require minimum expenditure, ...changes which doctors and patients alike have been crying out for in the last 10 years..., changes which bear no relationship with the existence or not of an independent hospital authority..., and lastly the fruit of such changes can be realised quickly.

Category B are those pertaining directly or indirectly to the setting up of an independent hospital authority, which may be costly, whose benefits can only be realised in the long run..., a proposal which is new..., require digestion and a long period of public comments..., one which would be a painstaking task to launch and complete...and which will take time.

Category C are those proposals which may fall in between these two extremes.

For those conscientious members of committees who have had the opportunity to read this report in depth, no doubt it may have become clear that all the proposals I have made earlier on on the ineffective internal management, on the distribution of funds, on the cost effective measures, and on the rationale of free medical services for all, ought to sound very familiar, not only because I have repeated myself again and again in different settings but also because all of them have been mentioned in this report and which fall in category A above. Not only have these changes been requested by the public, and by the doctors who work within the system Dr. Harry TANG, 'The Observers', 'The Concerned Medics', 'The Medical Forum', 'The Medical Association', 'The Medical Development Advisory Committee', 'The Boyle Report' and last but not least the Australian consultancy report have all requested these changes in one way or another. For the educators among us, this saga might well remind you of similar reports on education which finally brought about the existence of the Education Commission.

I want to take this opportunity, Sir, to urge Government to study the recommendations of this report, differentiate them in the light of these three categories and give top priority to the implementation of those in category A mentioned above as soon as possible. These are changes which should have been proposed and implemented yesterday. In the meantime, the Administration should look positively into the proposals relating to the independent hospital authority, its implications, advantages and disadvantages, with the view to implementing them.

Sir, with these words, I support the motion before this Council.

DR. CHIU: Sir, I wish to pay tribute to Sir John the Financial Secretary for his achievement in his term of office and to congratulate him for presenting a balanced Budget with a small surplus this year. The efforts to maintain a balanced Budget without increasing the overall burden of taxation and to keep the growth of public sector expenditure below that of GDP are to be applauded. I wish him a very happy retirement.

For 1986-87, a sum of \$4.3 billion representing 8.9 per cent of total Government annual expenditure has been allocated to medical service. The amount, in comparison with what we got last year, signifies a slight increase of \$0.3 billion. Such increase, I am afraid, leaves little room for improvement in the quality of care, expansion of service or upgrading of medical facilities. As I understand very well, the expenditure cake should be divided fairly among the various public services. I do not intend to ask for a bigger slice of cake for medical and health services at this moment when we are in the process of reviewing our present medical system. But I must point out that there are many problems in our medical services waiting for us to solve.

The unfavourable public comments on the inadequency of service, over-crowding, long waiting lists in Government hospitals and under-utilisation of

beds in subvented hospitals are not unfamiliar to us. The turn-over rate of government doctors now stands at 10 per cent and it is on the rise. Doctors leave Government service because they are frustrated with the heavy workload, undesirable working environment, inadequate training opportunities and poor career prospects. Such criticism and dissatisfaction are attributable to the upsurging costs of hospital services, the limited budget, the rising community expectation, double standard in running Government and subvented hospitals and the complex problems arising from a sizeable professional medical personnel competing for senior posts in the public sector. All these reflect that our medical system fails to keep pace with the needs of our society. For years, we have been looking to the Government to give the current medical system a facelift.

Thanks to the strenuous efforts of the Government, the report on the delivery of medical services in hospitals has been completed by an Australian consultancy firm commissioned by the Government and is now available for public comment.

The report, which presents a new organisation and management structure for the delivery of medical services, is expected to have enormous impact on the future development of medical services in Hong Kong. Apparently, the back-bone of the report is the independent statutory hospital authority. It seems that a great majority, if not all, of the recommendations will never stand if detached from the independent body. This proposed new structure is to ensure effective hospital management, efficient delivery of service and better accountability for the use of public resources.

The recommendation of regional boards of management has the merit of better hospital management at regional level. Local representatives will also be invited to sit on the boards. Such recommendation is consistent with the current policy of representative Government. But the report's failure in identifying the role of the existing boards of directors in subvented hospitals and their relationship with the recommended regional boards will invite future disputes.

It is a pleasure to note that the Australian experts have not forgotten to take care of the demands of the sandwiched class. A pilot scheme to introduce B class beds to cater for the needs of the middle-income people is also suggested. Any attempt to impose B class beds into the existing public hospitals may create administrative difficulties, reduce the provision of C class beds and exacerbate overcrowding in public hospitals. I consider it more workable if the pilot scheme is built into the development plans of new hospitals or new extensions.

One of the major suggestions put forth by the experts is the integration of Government and subvented hospitals. Under this new system, common terms of working conditions, flexible staffing and employment policies will be adopted to promote staff morale and to encourage the best use of skilled and qualified staff as well as hospital beds.

However, the Australian consultants, instead of working out a much needed guideline for the integration exercise, propose to set up an independent staff advisory commission to take care of this matter. Therefore, details in this aspect should be worked out together by all those responsible for providing medical services in government and subvented hospitals with the participation of relevant staff associations.

In addition to modifying the basis of the standard bed day charge to 3 per cent of hospital cost, various methods to develop resources are being formulated by the consultants. A fee of \$12 charged for each attendance at the accident and emergency unit is considered to be a useful measure to avoid abuse of the service. But I wonder if the income generated will justify the administration costs involved.

A fundamental principle in relation to fee charging which should be upheld is that those who cannot afford to pay must be taken care of by the Government.

As for the financial implications, the consultants point out that the overall costs for the establishment of the independent authority is \$950 million which will be fully recovered after five years. It is regrettable that we are not informed of the detailed costs.

I notice that an amount of \$400 million under the heading of reduced cost is described as the revenue from 'reduced buildings'; does it imply that the construction works for new hospitals or extensions will come to a halt?

The spirit with which the report was prepared is worth our applause; however, it cannot be described as comprehensive. A very important area has been left out. The consultants, governed by their terms of reference, are unable to shed light on the future development of primary medical care. As primary care is the basic medical service, the significant roles it plays should never be overlooked, particularly when the Government is in full swing to expand hospital services.

I like to stress that the recommendations of the report are acceptable only under the condition that the Government will still be ultimately responsible for the provision of extra funds caused by new changes and remain committed to annual medical expenditure at a level not less than the present one.

The recommendations set out in the report, if accepted, may take some time to implement. I hereby wish to make a few suggestions on matters which should be dealt with by the Government as soon as possible:

- to make better use of the vacant beds in subvented hospitals for convalescents referred by the Government
- to allocate more beds to the oversubscribed orthopaedic, medical, surgical and psychiatric wards in Government hospitals
- to expedite the establishment of infirmary beds so as to relieve the burden of general wards

—to further expand the community nursing service, especially the community psychiatric nursing service, to meet the demand of after-care service for the mentally ill.

The aforesaid quick solutions for the immediate problems embedded in the medical field are deemed indispensable.

Sir, I would like to make some brief comments on the funding for the British Military Hospital.

Over these years, our medical services have been delivered within a very tight Budget; many public hospitals have to cut corners wherever possible to make ends meet. We cannot at this time afford any costly and splendid medical care.

Ever since the time when the supplementary allocation for the British Military Hospital was brought up at one of the previous Finance Committee meetings, the BMH has become a topical issue. People keep coming to me and talk about the BMH. The impression I got from them is that the BMH is a white elephant in the Hong Kong medical scene. I am sure that a vast majority of Hong Kong citizens get the same feeling.

When I was preparing for the special meetings of the Finance Committee to examine the Draft Estimates of Expenditure 1986-87, I discovered that the total expenditures of various Government departments and organisations funded by Government are clearly listed in the Draft Estimates with the exception of the British Military Hospital. I had been trying very hard to locate it, but without success. When I pursued further, I was given the understanding that the information I wanted is not there. Operating under the terms of the Defence Costs Agreement, the British Military Hospital's total expenditure is subsumed within the overall costs of the garrison and is therefore not separately identifiable, so I was told.

As we are aware, the defence costs for the coming year will reach a handsome amount of \$1.5 billion. How much allocation will be set aside for the British Military Hospital is an important element to assess its cost effectiveness.

We are, Sir, as Members of the Legislative Council and the Finance Committee, responsible for the scrutiny of public expenditure. If such needed information is not made available to us, may we be advised as to how we are going to make sound decisions in vetting Budget proposals when the time comes?

With these remarks, Sir, I support the motion.

DR. LAM (in Cantonese): Sir, a good Government has the responsibility of looking after its citizens' health and allocating fairly its limited resources to the various sectors (such as social services, construction projects, education, law and order and so on). Efficiency is a prerequisite for a smooth running

Government machinery. Only an efficient Government can make people feel that good value is obtained for the money they have paid in taxes.

The Government is going to spend a total of \$4.3 billion in medical and health services in the coming fiscal year, which is some \$790 for every person in Hong Kong. By the end of the 1986-87 fiscal year, Government, subvented, and private hospitals will altogether have a total of 24 500 beds. By 1994, the number of beds will rise to 38 020. As Hong Kong people's demand for medical and health services both in terms of quality and quantity are ever on an increase, Government expenditure in this area will likewise be ever on the rise each year. Should there be any mishandling, the problem of uneven distribution of resources may arise.

The health of the Hong Kong people has benefited a lot under current medical and health policies. Nevertheless, in order to cope with society's overall development and to make more efficient use of limited resources, some changes to the current policies are necessary. Under the present system, there are rooms for improvement both in broadening the sources of income and in curtailing expenditure. Before we discuss the problem of broadening the sources of income, however, I wish to emphasise that the Government must continue to provide subsidised medical services for the needy.

In broadening the sources of income I think that the Government may consider the following points: (1) A fee should be charged for services provided by the accident and emergency department. At present, all casualty ward services in public hospitals are free. They are meant to serve cases of emergency or those who sustain injuries in accidents. Patients who go to casualty wards are those requiring emergency medical treatment. They do not go there for free service because of financial difficulties. Thus there is no need for the Government to be generous at the taxpayers' expense. (2) Hospital fees: the cost of a bed in a Government hospital ranges from a few hundred to over a thousand dollars per day, but patients have only to pay \$15 per day. Therefore an upward adjustment of fees to an appropriate level is acceptable. (3) In community nursing service, the cost per visit is \$190 but the patient is charged only \$15. I have been asked several times by patients why it is so cheap.

The following methods in curtailing expenditure may also be considered: (1) the cost per consultation at the general out-patient clinic is \$54. According to the findings of a survey by the Estate Doctors Association last September, doctors in housing estates on the average charged \$40 to \$47. The Government should therefore review the cost-effectiveness of the service provided by general out-patient clinics and the policies regarding its future development. At the same time the Government should consider whether it will be more cost effective to privatise general out-patient service. (2) If community nursing service is privatised, I believe the cost per visit would be greatly reduced. (3) Encourage the implementation of a medical insurance scheme which is suitable for Hong Kong in order to reduce people's reliance on medical services provided by

Government. (4) To study the defects in the organisation, management and operation in the existing hospitals and clinics with a view to rectifying them in order to improve work efficiency.

Two days ago the Government published a report by a consultancy firm recommending ways to improve Hong Kong's medical services. Most of the proposals put forward offer nothing new to those who are familiar with Hong Kong's medical scene. Different people may have different views as to whether there is much value in the report which costs over \$5 million. What is important is that, within the consultation period, the Government should be responsible for explaining clearly and in detail to the Hong Kong people about the need for and advantages of the recommendations, so that they would not misunderstand the Government's intention. Furthermore, after the consultation period, the Government should show determination and be efficient in implementing the improvements promptly.

Concerning the Government's agreement with the China International Trust and Investment Corporation to use the Exchange Fund for guaranteeing the Ka Wah Bank, I believe the Government must have its reasons in making this decision. Under current policies, Unofficial Members of the Legislative Council are in no position to query how the Exchange Fund is used. However, bearing in mind that in the process of developing a representative Government, the executive body should ultimately be responsible to the legislature, therefore it is necessary to change the existing policy regarding the handling of the Exchange Fund.

Sir, except for the reservations on the policy regarding the handling of the Exchange Fund, I support the motion.

MR. TAI: Sir, I wish to take this opportunity to congratulate the Financial Secretary on the well-balanced and prudent Appropriation Bill which he has presented to this Council.

I very much welcome the medium-range forecast introduced on this occasion by the Financial Secretary, which will enable the community to consider more effective and longer-term planning in the years ahead. It also enables the Administration to make more precise budgetting in the implementation of their policies and their future needs.

Considering the Appropriation Bill as a whole, it is difficult to identify any serious shortcomings in the allocation of funds to various heads of expenditure. Needless to say, the public would always welcome an appreciable increase of funds in the public sector expenditure. This can only be achieved by dwindling our reserved funds, raising loans, increasing taxation or charges. None of these options or combination of these would be practicable in the light of the problems Hong Kong will face in the coming years. Sir, I would, however, like to suggest for consideration by this Council some change of emphasis in the

budgetary policy with regard to north-west New Territories, which is relatively isolated from the rest of the territory. Tuen Mun, being one of the fastest growing new towns, has been experiencing tremendous development, and Yuen Long anticipates substantial population growth in the '90s with the development of Tin Shui Wai. This large shift of population requires careful and farsighted town planning, supported by proper medical, social and educational services to this part of the territory.

The Government expenditure from the mid-'70s onward relied heavily on capital income from land sales and with the collapse of the real estate market in the early '80s, a substantial number of social projects intended to serve the population of the new towns have been delayed or been forced to be cut back. This is evident by the social discontent in Tuen Mun and this should serve as a warning to us in the development of other new towns in the years to come.

Before, Sir, I venture into the medical services provision may I first of all declare my directorship in Pok Oi Hospital in respect of the medical services, there is an increased provision of approximately 7.5 per cent over the previous year. Such an increase could result in an appreciable improvement to the standard of medical services in Hong Kong generally. However, throughout the years the standard of subvented hospitals has been lagging behind Government hospitals, even taking into consideration the structuring and the types of facilities being offered. It transpires that the unit cost per bed in different hospitals works out as follows:

Queen Mary Hospital	HK\$1,000.00
Princess Margaret Hospital	HK\$ 820.00
Queen Elizabeth Hospital	HK\$ 800.00
Yan Chai Hospital	HK\$ 350.00
Pok Oi Hospital	HK\$ 200.00

The cost for community nurse is approximately \$175.00 per patient visit.

The main problems arising out of insufficient provision for subvented hospitals are that:

- (a) it fails to live up to the expectation and aspiration of our local residents in which a particular hospital is situated; and
- (b) the frustration caused to the staff working in subvented hospitals by providing medical services with insufficient provision.

The situation is particularly serious in New Territories (West) where we are faced with an increasing need for medical facilities. If the scope and standard of medical services in the subvented sector is improved, these hospitals can relieve the pressure now being faced by Government hospitals.

I also note that a number of hospital beds in subvented hospitals are being occupied by elderly people who should really be accommodated in infirmaries or convalescent homes. The accommodation of these elderly people in hospitals

who do not require intensive medical care would be better served by staff and facilities provided by infirmaries or convalescent homes. I would therefore suggest that those hospitals with a low occupancy rate, or frequently used by elderly people who require minimum medical care, be converted into infirmaries or convalescent homes to ensure that better value for money is being spent on our medical services.

The next topic, Sir, I would venture on is education.

The shortfall of secondary school places in the north-west New Territories must have been brought to the hon. Members' attention through petitions, complaints and reports from newspapers of demonstrations expressing dissatisfaction of residents in relation to insufficient secondary school places in that part of the territory. The average shortfall between now and 1992 is over 3 500 school places per year. I note that 17 new schools will be provided for north-west New Territories between now and 1992. Even taking into account the new provision, there still exists serious shortfall. This is the backlash resulting from inadequate consideration in town planning, an over-cautious budgetary control at the initial planning stage. The Education Department has proposed half-hearted measures to alleviate the seriousness of this situation. Nonetheless this still creates administrative difficulties and lowering of the standard of education now being offered by the schools in the north-west New Territories. It is unsatisfactory and illogical for hundreds of our pupils to spend several hours everyday in travelling for the purpose of pursuing their education in other parts of Hong Kong. I would therefore call for additional provision to be made available to expand those schools situated in north-west New Territories which have the capability of expansion and in particular, more school places be bought from private schools in north-west New Territories, instead of cutting down the number of places in private schools in that area.

#### *Rural area development*

Over 40 per cent of arable land is not being used in the New Territories. This is mainly due to the unwillingness of land owners to make land available for rental, preferring to keep land vacant in anticipation of future capital gains. I would suggest that the Government formulates a long-term policy in respect of better use of available land so as to expand the industrial and agricultural potential in our territory. With the rising living standard in China coupled with an ever increasing need for their own domestic products, our agricultural products will always have a demand in Hong Kong. Livestock breeders in the New Territories supply approximately one quarter of our domestic need for pigs, 60 per cent of our poultry requirements. Directly and indirectly the livestock industry provides employment for more than 20 000 people.

The Government has, in recent years, taken a serious look at the problems of pollution now facing Hong Kong. These are social problems and the Government should take the lead in combatting pollution by providing the necessary

infrastructure and services to mitigate pollution, other than by legislative controls. The amount of funds made available to the Agriculture and Fisheries Department to carry out their essential activities has either decreased or marginally increased. There is, therefore, a genuine need for more funds so as to initiate a more dramatic rural land policy. Provisions will then be made to carry out a thorough examination of rural agriculture with a view to improving the use of all available land. This should ensure a beneficial return for Hong Kong in the years to come.

*Ka Wah Bank*

In regard to the question concerning the Ka Wah Bank, I am in agreement with the point raised by my hon. colleagues though it bears no relevance to the Appropriation Bill presented by the Financial Secretary. For the sake of public accountability of public funds, the Government should give some indication of the extent of its commitment or potential liability in respect of the recent agreement between the parties concerned.

Sir, with these observations, I support the motion.

MR. HU: Sir, the Financial Secretary should be congratulated for his success in managing, in the last few years, to limit the public sector expenditure without cutting back on essential and important Government capital programmes and services. The Financial Secretary rightly pointed out that even with the recent recovery in property prices, we have had to learn to accept a much lower proportion of our capital programmes being financed from capital revenue. Fees and charges should be updated periodically to recover wherever possible the full cost of the services provided by the Government.

I always maintain that, generally speaking, subsidy should be given to those in need, and should not be taken as an entitlement. Hong Kong has no natural resources and its existence as a prosperous and stable society is mainly due to the hard work of its people. We should invest heavily in areas which facilitate the creation of wealth now and in the future for our hardworking people, and in the meantime only look after those who cannot care for themselves.

Housing related problems, for years, remain the first on the list in the survey of public opinion in respect of perceived problems in Hong Kong. The share of total Government spending on housing has fallen slightly to 12.3 per cent in 1986-87, yet it remains as the second largest expenditure after education in the last few years. I am pleased to note that the Housing Authority has steadily increased its contribution toward the capital expenditure of our ambitious public housing production. The contribution in 1986-87 may reach 43 per cent of the total capital expenditure for rental housing estates, and the trend indicates that it could contribute even more in future. The Housing Authority should aim to be completely self-supporting in, say, five years' time, without slowing down its long-term production programmes including its redevelopment

programmes. The public funds hitherto spent on housing can then be used to finance other urgently needed additional programmes and services. As convenor of the Social Welfare Group, I wish to mention that this will be shared by group members. There are many different ways to achieve this goal, and I would like to suggest a few as follows for consideration:

- (1) *Home Ownership Scheme (HOS)*: Government should consider transferring the home ownership scheme to the Housing Authority. As home ownership scheme involves less subsidy than rental housing, the Housing Authority will benefit financially through this transfer. The recent trend indicates that home ownership scheme is becoming increasingly popular, and there is always over-subscription from both green and white form applicants. The Housing Authority can, furthermore, be provided with the flexibility of converting some rental housing development to home ownership scheme. Home ownership scheme must be promoted as it creates a sense of belonging to the community for the purchaser and is conducive to the stability of Hong Kong.
- (2) *Joint venture with private developers*: Arrangements can be made with private developers to develop sites at their expense. The developers can retain the commercial premises and some residential blocks for their disposal while an agreed number of residential blocks built should be handed back to the Housing Authority to be used either as rental housing or HOS blocks. Not only a more balanced community can be achieved in such development, capital expenditure can be saved by the Housing Authority in this way. This so-called 'modified private sector participation scheme' can take advantage of speed and efficiency of the private developers to expedite our public housing programme.
- (3) *Rent increase*: There is no difficulty in charging commercial premises market rents, but rent increase for domestic units must be carried out gradually, reasonably and within the affordability of the tenants. Additional contributions, however small, from the tenants for the benefit of the whole society are certainly worth consideration.
- (4) *Reduced subsidy for those who can afford to pay*: A Committee on Housing Subsidy to Tenants of Public Housing has been set up to study this problem. If the recommendations are implemented, the Housing Authority and the whole community will no doubt benefit financially.
- (5) *Tenants buying their own units*: there can be many problems relating to this proposal. To sell units to existing tenants in many present dilapidated buildings is not a workable solution. Consideration can be given to selling those blocks which have been developed or perhaps redeveloped with acceptable environmental and living conditions provided that management problems can be resolved.

There are many other alternatives worth consideration, and a combination of various options which I have just mentioned, can achieve the goal.

Looking ahead, the natural population growth in Hong Kong is about 51 000 per annum, and the increase due to immigration is about 21 000 per annum. If we assume that 50 per cent would live in public housing and the rest in private housing, the annual requirement of public housing due to population increase is 9 000 units on the basis of four persons in a family. At present, there are 500 000 persons in the squatter areas and 170 000 families on the waiting list. Based on past experience, about 50 per cent of each of the above category will find their way to public housing. The demand from these two categories will be 147 000 units. There could be additional requirements for another 20 000 units because of family splitting. Taking into consideration all these requirements, I estimate that in about six years' time or in early 1990s, we can clear all the housing backlogs. The annual housing production thereafter can be reduced to 9 000 plus any additional units arising from redevelopment programmes. Indeed, I fully endorse the Financial Secretary's remarks that he knows of no comparable housing programme anywhere else in the world.

Social welfare services cater mainly for the most vulnerable groups of individuals and families and are therefore intended to meet their basic needs. According to the 1985 review of the five-year plan for social welfare development, the shortfalls in provision are rather pronounced in a number of welfare and rehabilitation services, particularly services for the elderly and for the physically and mentally handicapped. Most of these facilities are being planned for in the voluntary welfare sector which has to rely heavily on Government subvention. Although social welfare subventions have been budgeted for an increase of 13.6 per cent from \$421 million to \$478 million, it seems that the amount still falls short of what will be required to meet the planned provisions in the five-year plan. It is suggested that Government should adopt a more positive subvention policy and initiate action whenever necessary to implement the planned provision of facilities for the various services.

In the subvented welfare sector, services are being classified into category I and category II for the purpose of subventions. Some agencies in category II are providing equally important and necessary services but may only be receiving lump sum grants which appear to be determined arbitrarily or totally at Government's discretion. This situation is causing serious financial and personnel problems to those voluntary agencies providing category II services. It is suggested that the Director of Social Welfare in consultation with the Social Welfare Advisory Committee should thoroughly review the present system of subvention to see if it is adequately meeting the financial need of the agencies, particularly those providing category II services.

The Social Welfare Department has since 1984 been recruiting into the rank of Assistant Social Work Officer, university graduates without formal training in social work. They are then required at Government expenses to attend

post-graduate part time social work courses run either by the Hong Kong University or the Chinese University. The original purpose of adopting this measure was, I understand, to reduce the shortfall of trained social workers. But the situation has since improved and instead there is a shortage of social work posts to accommodate social work graduates from universities locally and overseas. Under the circumstances, I hope that the Government will immediately discontinue the undesirable practice of recruiting non-social-work-trained graduates into the rank of Assistant Social Work Officer. There are two advantages in doing so. First, Government will save money on subsequent training of the recruits. Secondly, trained social workers by virtue of their training and field work practice will be able to provide professional service as soon as they are engaged, so that they are immediately available to render timely assistance and service to the community.

Sir, with these remarks, I support the motion.

4.35 pm

HIS EXCELLENCY THE PRESIDENT: At this point, Council might like a short break.

4.55 pm

HIS EXCELLENCY THE PRESIDENT: Council resumes.

MR. S. L. CHEN: Sir, the Financial Secretary is to be congratulated for his 1986-87 Budget. For the first time in four years he is able to produce a Budget with a respectable surplus without having to resort to increasing taxation. Even more significantly is the fact that he has not only been successful in bringing Hong Kong's finance back to an even keel after the cumulative deficit has topped the \$7 billion mark but also to a small but useful surplus for the current financial year. Comparing where we are today with the uneasy days in the early 1980s, we have every reason to be thankful for his perception of Hong Kong's economy and steadfast policies that have saved Hong Kong from the brinks of financial disaster.

However, the fact that Hong Kong's financial position today is definitely much healthier than that of a few years ago should be no cause for over optimism or complacency. The Financial Secretary reminds us that we need to make every effort to increase corporate wealth and only when wealth is created can it be divided. In other words, our viability depends on our being able to pay for what we want without resorting to debt. In short, we must earn before we spend, and spend wisely. It is with this sentiment in mind that I shall now come to the point which I would like to discuss today.

For the past two or three decades, we have had a very impressive record of achievement in public housing development. The total production of housing units in the next four years is estimated at 188 000 with an average completion

rate of 47 000 a year. Indeed, as the Financial Secretary said, 'I know of no comparable programmes anywhere else in the world'. Sir, in the policy debate last year, I said that during the past decade Hong Kong's taxpayers have carried the financial burden to the tune of \$31 billion for the provision of public housing. For the financial year 1986-87 there is a budgeted expenditure of \$3.4 billion for this purpose. While these are no mean sums of money they however do not represent the whole cost because the value of land has never been included in the calculations. I can never quite understand the logic behind this. One answer given to me was that land does not cost Government anything which, to me, does not make any commercial sense. But this is not my main concern. My main concern is that unless the true cost of our housing programme, which must cover the three principle elements, i.e. the capital expenditure on the construction of the buildings, the value of land and the overheads of its administration, it would be quite impossible to assess the size of the subsidies which Hong Kong taxpayers have been financing over the years, or whether the projects have been or are being carried out cost-effectively and competitively so as to ensure best value for money.

Turning now to another aspect of the problems in public housing, the question of distribution of benefits. The problem of well-off tenants occupying heavily subsidised housing accommodation has been the subject of much discussion, both inside and outside this Chamber. So far, the Government does not seem to be able or willing to grasp the nettle and come up with a positive solution to this controversy. Unless and until this problem has been satisfactorily resolved, questions would continue to be asked as to whether the housing scheme is in fact fulfilling its original objective of helping those who are in genuine need. On a broader front, people might even doubt the need to maintain a public housing development programme on a scale which may have been justifiable in the past, but not necessarily applicable nowadays, especially in the light of the continuously improving per capita income which Hong Kong has been able to achieve over the years. The question which Government should address is whether it should undertake a major review of our existing public housing policies. My view is that unless this is done, we will not have any means of ascertaining that the division of our financial cake is correctly and fairly done to satisfy our many pressing needs.

Sir, with these remarks, I support the motion.

MRS. CHOW: Sir, as far as social services are concerned, the view that the Hong Kong Government is a *laissez-faire*, non-interventionist Government may have been true in the 1950s, or even the '60s. But today we need to reconsider our understanding of this position, so that we may assess our financial planning in the proper light.

Nowhere is this shift towards governmentisation more obvious than in the spectrum of social services. Need we look further than our housing,

education and social welfare to be convinced that we really do not have a *laissez-faire* government? If anything, we may be in danger of having too much government in these areas.

Forty thousand residential units are built by Government each year. We see a growth in Government schools offering free places up to Form III. Voluntary social welfare bodies are subvented fully on essential services, not to mention Government's direct assumption of tasks other than central administration and co-ordination of services and funds. All these developments have come about in the 1970s, and we must now take stock and ponder as to how we should continue.

We must ask ourselves now whether we should continue to build 35 000 units of rental housing and only 5 000 units for home ownership scheme, (given the public support of the scheme and the demand demonstrated by the eligible population as a whole and the existing public housing tenants in particular) or whether that ratio has to be adjusted. Shouldn't we further recruit the co-operation of the private sector in private sector participation schemes, the concept of which has now been successfully tested and proven?

Perhaps the time has also come to examine afresh, whether public housing generally should continue to be social welfare, or whether, in the Hong Kong of today, this is a page of history best left in the past.

Shouldn't we ask ourselves why we are spending 40 per cent more for a place in Government schools than in the aided sector? Is it not true that some of our aided schools are of the highest quality, producing some of our brightest students? Why should the Education Department operate schools that could be operated by sponsoring bodies? How much effort is being put into recruiting sponsorship bodies?

And what about social welfare? Is the Government adhering to the policy of helping those least able to help themselves or is there a tendency to stray from it? Are the services undertaken by the Government those that can be assumed by subvented agencies? Why, for instance, do we have to employ civil servants to conduct family life education when it can be taken up by agencies such as the Family Planning Association equally effectively, and probably at less cost? Why is it that services initiated by the voluntary sector are not left to expand in the voluntary sector through additional subvention, but often taken over by Government and thereby enlarging the establishment.

Sir, I am the first to conceive that I have no claim to experience or expertise in these three areas of social services. However experience and expertise are often the breeding ground for defensive and negative thinking, and all I am asking is a fresh look with no bureaucratic bias, just common sense.

In cautioning against over governmentisation, I must make it clear that I am a great believer of the synergistic effect of Government-private sector

co-operation. Last year's organisation and co-ordination of International Youth Year activities territory-wide has taught me, and I am sure all those who were involved, the extra value that can be derived from the pooling of private and public resources. After exhausting all sources of funds and manpower from commercial as well as non-profit organisations and volunteers, we managed to achieve a great deal more than we had dared hoped for. The entire co-ordination expenses from Government amounted to HK\$250,000.

Sir, when we refer to open Government in future, I hope it will be more than just a reference to the PR aspect of our Administration. I hope that it will also signify the development of a more open attitude towards co-operation with the private sector. Such an attitude may now exist in a small number of departments, but is by no means widespread. It will be to Hong Kong's economic and social advantage that it is actively developed and promoted by senior Government officials.

At this point, I would like to associate myself with Mr. Kim CHAM's views on privatisation. After a number of successful trials, the time is ripe for an across-the-board exercise to identify possible inclusions.

At the same time I caution against my colleague, the hon. POON Chi-fai's proposal to governmentise major capital projects. Such a move sacrifices the flexibility and other advantages, and savings, accorded to clients of professionals. For another there seems to be a higher tendency of slippage with jobs undertaken by Government engineers, which leads me to conclude that there is a blatant disrespect for deadlines.

Apart from the privatisation of services, I believe the Government should re-think its present policy regarding the organisation and contribution of ideas from the private sector.

As it is, when an innovative idea is proposed to Government and is found to be feasible, there is no guarantee that the originator of the idea, as such, is protected. The normal procedure is that the idea is put up for public tender. This move aims no doubt to obviate the accusation of favouritism. But in protecting itself the Government is not only doing an injustice to the inventor of the idea, but also deters others from putting their ideas forward, thereby depriving the community of the benefits of brilliant ideas.

I must not close without saying a word of thanks to my most considerate colleague the hon. Thomas CLYDESDALE. Declaring interest as a light consumer of cosmetics and a heavy consumer of non-alcoholic drinks I must point out that it would be wrong to assume that nowadays cosmetics is an exclusive female property. Nor is there a reverse age restriction on non-alcoholic beverages. Be that as it may, I support whole-heartedly the lifting of duties on these two commodities once we can afford to do so. We will all be surprised how many votes such a move is worth.

The star of this debate, Sir John BREMRIDGE, could certainly have used some of the advice that he so freely gave to the oil companies, for his claim to fame is certainly not due to his acumen for public relations. However, he has certainly made up for this deliberate characteristic in more ways than one and without doubt Hong Kong owes him a debt for all his contributions, some more well known than others, through his many years of public service. He will surely retire with great satisfaction and peace of mind brought about by the knowledge that he will be greatly missed by the many friends and reporters that he leaves behind.

Sir, I support the motion.

MR. CHAN YING-LUN: Sir, I am going to cover only one topic and that is social welfare.

There are shortfalls in all kinds of personal social services run by the subvented welfare voluntary agencies, but I am particularly concerned about the shortfall in the services for offenders, the elderly, the young people and the disabled. I shall begin by focusing on the personal social services for young people about which I have more personal experience. It would help to illustrate the urgent need for Government to act positively on shortfalls in other services.

Personal social services for young people include outreaching social work, school social work and family life education.

In 1985, a total of 2 404 young people had been prosecuted by the police for shoplifting, unlawful society, and burglary. This figure represents an increase of 31.5 per cent over 1984.

The number of prosecutions indicates that the problem relating to young people is growing. But the above figures do not show how large and how worrying the problem is. The study into delinquent and unruly behaviour among school children and into gangs reflect the growing concern of the Government in this problem.

The problem of gangs began to worry me in recent months. At every meeting of the Shau Kei Wan hillside area committee, one of the hottest issues is the increasing presence of gangs and young drug addicts in the neighbourhood. The members keep on pressing the police representative to step up patrols in the area in order to drive the gangs out.

But members of the area committee are aware that the problem of gangs and young drug addicts is a complex social and human issue. Police action is only a last resort for it may jeopardise their future and is therefore not a constructive remedy for the problem. But we do not have an outreaching social work team for the Shau Kei Wan hillside area, nor could we talk to the representative from Social Welfare Department any more because she had been withdrawn from the area committee since April last year. What could we do except by pressing the police?

My colleagues, Mrs. Rosanna TAM and Mr. HUI Yin-fat, in the policy debate last November, referred to social welfare as an 'investment'. Government has responded to this and social welfare expenditure in the 1986-87 Budget has shown the steepest increase in growth of all major programmes since 1981-82, bringing the share of total consolidated account expenditure up from 4.2 per cent to 5.8 per cent. But I am still disappointed to see no real growth in personal social services for young people. The number of outreaching social work teams stands still at 18, and the ratio of students to school social workers remains at 4 000:1. If the planned provision as set out in the 'Five-year Review of Social Service' means anything at all, the current provision means a shortfall of 50 per cent. To me as a layman, I would interpret it to mean that the Government is only dealing with half of the problem while leaving the other half aside.

This and other shortfalls are very unsatisfactory. There is a shortfall of about 83 social centres and 14 multi-service centres for the elderly. We were told in Finance Committee yesterday that we would require 15 267 places in sheltered workshops, but we would only be providing 2 880 places so far.

This leads me to the question of what priority Government attaches to social welfare in relation to other social services including medical and health, education and housing?

To me, medical and health, education and housing are all high priority areas, so is social welfare. Our social welfare policy is directed to help those who are least able to help themselves. On the grounds of human investment and compassion, there is a strong case for giving the same degree of priority to social welfare as other social service programmes.

There are shortfalls not only in the social welfare sector, but also in hospital beds and public housing. Government is right on course to tackle these shortfalls in medical services and public housing, but I cannot see any commitment on the part of the Government to tackle the shortfall in social welfare.

This is unfair to social welfare services. I have heard Government telling us that there are abuses in the use of accident and emergency service of our hospitals. I have heard of certain subvented hospitals not willing to change their free medical services. In public housing, I have dealt with some individual tenants who do not return their flats to Government even after their family have moved out. And I have heard many people saying that tenants who can afford to buy their homes should be encouraged to do so to make their flats available for others in greater need.

But I have not heard of any criticism about abuses in our social welfare programme. Who would want a handout from the Government, who would need homes for the elderly, who would need sheltered workshops, when they could help themselves? Was there not a loud public outcry when Government

lowered its subvention for voluntary centres for the elderly from 100 per cent to 70 per cent in the 1982-83 financial year?

This is where I do not see the logic. Whereas social welfare cannot even take care of all those who are least able to help themselves, medical services and public housing are on the other hand not only helping people who have the need but also helping those who would not really need Government's help. Are we trying to make medical services or public housing a kind of welfare at the expense of social welfare?

I know Government alone cannot answer these questions. We must ask ourselves, which we are being fair?

Sir, before I close, I take this opportunity to express my appreciation for the limited but very stimulating and highly personal exchanges between the Financial Secretary and myself over the past two years, i.e. typical of his style, as witnessed by our past colleague, the late Father McGOVERN. I wish the Financial Secretary and Lady BREMRIDGE a happy retirement.

With these remarks, Sir, I support the motion.

MR. HUI: Sir, the Financial Secretary's Budget estimates this year, while hailed by many to be a satisfactory, balanced Budget, featured the lack of Government commitment and the absence of long-term planning. As far as social welfare is concerned, there has always been ambiguity regarding public policy and funding priorities, as well as caution in setting out Government's financial commitment to its welfare plans. Social welfare services, which have been relying on Government as their major source of funding for the past 10 years, were always the first budgetary item to be axed in times of economic recession.

It is true that social welfare scored an increase from 4.2 per cent of Government's total expenditure in 1981-82 to 5.8 per cent in 1986-87; however, the bulk (being 59.4 per cent) of the allocation is to be absorbed by the public assistance and special needs allowances schemes, while only 17.1 per cent is awarded to social welfare subventions for voluntary agencies. Although percentage increase of social services subventions slowed down in 1983 and 1984, education subvention recorded a 13.7 per cent (HK\$505 million) increase in the 1985-86 approved estimates over the 1984-85 figure; medical subvention had a 11.9 per cent (HK\$120 million) increase; while social welfare subvention received only a 5.07 per cent (HK\$20.3 million) increase. These figures speak for themselves.

It is significant to note that in the on-going five-year plan for social welfare development, there is no Government commitment—the same kind of commitment made to the provision of primary and secondary school places, and the building of public housing units. Despite the time and efforts spent by voluntary agencies and Social Welfare Department on the five-year plan annual review exercise, almost all categories of social welfare services are showing

shortfalls. Just to quote one example, as at 30 September 1985, 12 community centres operated by voluntary agencies reported 150 Government approved vacant posts, the filling of which had been delayed for three years due to shortage of funds. Rather than a steady improvement and development of social welfare as promised in our social welfare policy, we are witnessing a roll-back and deterioration of service standards. Inadequate resources together with the lack of provisions in this year's Budget estimates for improving the quality of services have given rise to growing frustrations among voluntary agencies.

Sir, I tend to agree with the Financial Secretary's perspicacious statement that money is not the solution to all problems—neither is money the only cause. Indeed, many of the problems confronting voluntary agencies derive from the existing social welfare subvention system. In 1983, the standard cost subvention system was introduced to give voluntary agencies predictable income to finance agency services and programmes as well as flexibility in the deployment of resources. Although the standard cost system was an improvement over the lump sum discretionary grants, it is still overridden with operational problems.

The criteria by which services are categorized into category I (100 per cent subvented) and category II (partially subvented) services, and the basis on which and methods by which standard costs are calculated have caused much dissatisfaction among voluntary agencies. Other problems have stemmed from stringent control exercised by the Social Welfare Department on agencies' accounts. Since 1983, voluntary agencies providing both category I and II services have been crippled by insufficient central administration costs. Furthermore, the 'no topping up' policy under the new subvention system means that Government only acknowledges surpluses, leaving the voluntary agencies to handle their deficits. Any savings accrued must be kept in a separate reserve account, but in most cases, voluntary agencies have not been given the approval to make full use of available funds for carrying out service programmes. (However, the Director of Social Welfare can exercise discretion over the use of surplus in implementing new projects.) The claw-back of interest from unused subvention not only strips off the cushioning benefit, creates possible cash-flow problem for voluntary agencies, but also violates the principle of the new subvention system for voluntary agencies to exercise flexibility and to use their income more productively. Lastly, since personal emoluments for category II services are not fully subvented, agencies providing such services are subject to periodical harassment of having to desperately cope with salary adjustments for their staff.

Given that voluntary agencies have been recognised to be providing a cost effective alternative to direct Government services, the question remains—how can such services be delivered without the fear of inadequate and uncertain financial support? Sir, I believe that Government commitment is fundamental to social development in Hong Kong. I believe that Government should take a

firm move to spell out in detail its five-year forecasts for social welfare programmes supported by development strategies. It is also high time for Government's equivocal stand on social welfare policies to be replaced by definite endorsement of much needed service projects awaiting public funding.

Sir, while I personally agree with the Financial Secretary's call for control of public funds, let us not forget that the kind of obdurate control outlined above could only produce long-term repercussions in the voluntary sector. What we need is objective assessment in return for good management with clear and non-restrictive accountability. The Hong Kong Council of Social Service has drawn up a long list of recommendations for reviewing the new subvention system—an exercise scheduled for 1982. In essence, voluntary agencies urge Social Welfare Department to work out basic costs for various types of social welfare services with consultation between Government and voluntary agencies and participation of the latter in priority setting, policy formulation and mobilisation of resources. In particular, the intelligent use of identified surplus totalling some HK\$31.4 million in voluntary agencies' reserve accounts ought to be actively pursued so that the serious shortage of funds for central administration and salary adjustment could be eased.

Sir, we understand that there are different programmes competing for limited public funds. However, it is understood that the Lotteries Fund which was specifically set up to fund social welfare projects has steadily dropped from 5.75 per cent of the total proceeds in 1983 to 1.5 per cent in 1985. The plausible reason for the decrease must be the insufficient number of applications; yet to my mind the truth was the rigid control exercised by the controlling officer in processing applications in accordance with funds available, resulting in the delay of applications during the past few years. Here, I have to urge the Government to reinstate the Lotteries Fund back to the original 5.75 per cent. Since major foundations and corporations in Hong Kong tend to sponsor only capital projects, is it not possible that 50 per cent of the Lotteries Fund allocation for social welfare be used for improving service quality of Government approved projects for which no provisions have been made in social welfare subventions in the past few years? At the same time, the time required for processing Lotteries Fund applications, which now ranges from six months to as long as three years, should be reduced. Application procedures should also be streamlined and more manpower deployed to handle applications so that subvention would be made available immediately following the completion of renovation.

Sir, it has been claimed that horse-betting—an officially approved activity, is in the interest of the Hong Kong community because income from horse racing goes towards topping up general revenue as well as supporting social welfare. Last year, the Royal Hong Kong Jockey Club, the biggest non-government funding source, put 52 per cent of its surplus after tax into its charities companies which showed a steady increase in the past three years. However, the

club's charitable and community donations recorded an annual decrease from HK\$350 million in 1983 to HK\$266 million in 1984 and HK\$201 million in 1985. On the other hand, a plethora of some HK\$576 million has over the past three years been accumulated in the club's charities reserve. More significantly, of the HK\$201 million donations made last year, over 50 per cent was allocated for recreation and sports activities, and only 17 per cent was for social welfare programmes.

At the moment, the Jockey Club Charities Co. has not got any donation guidelines, but it only considers requests for donations in respect of projects that have to be cleared with the Government. Here, a gap exists where most subvented voluntary agencies projects fail to get either Government funding or Jockey Club support. It would seem timely for a dialogue to be established between Government and the Jockey Club on non-subvented projects that urgently require community funding. It is also necessary for voluntary agencies to make known community and services need to Jockey Club in the hope that a change may be effected in our social welfare funding pattern.

Hong Kong has progressed to the stage where social welfare can no longer be regarded as emergency relief work or basic remedial services. Rather, it must be looked upon as social investment for the entire community. This has necessitated an attitude change from one of increasing control on the voluntary agencies to one of enlightened partnership between Government and voluntary agencies. Only when the two parties join hands to explore new sources of funding and to improve the allocation mechanism would we be sanguine of a future for social welfare development in Hong Kong.

MR. LIU (in Cantonese): Sir, the Financial Secretary is highly successful in his term of office. Not only is he capable of producing a balanced Budget this year but there is also a handsome surplus which delights the people of Hong Kong. We should be grateful to the Financial Secretary, who has worked conscientiously and prudently in the past few years.

Having achieved a healthy and balanced Budget, Hong Kong should take a big step forward as well as implement more far-sighted measures and long-term plans during the transition period for the benefit of Hong Kong people. Therefore, I would like to give some general comments on the overall Budget and make several suggestions on education and social welfare in the hope that they will be beneficial to the quality of society and the welfare of the whole community.

What I am most concerned is that the Budget only allows for the continuation of existing services and an increase in appropriation to cope with the rising demand for existing services. But as far as I know, there is insufficient allocation for the development of new services and the improvement of the quality of existing services. I understand that such an arrangement is due to the question of priorities. But since we have a surplus Budget this year, further consideration

should be given to the appropriation of funds to improve the quality of existing services and to provide new services. Although I welcome the Budget proposal of an allocation of 18 per cent on education and 5.8 per cent on social welfare, these proportions appear to be incapable of furthering the provision of new services. New services and existing services are of equal importance in our developing society. I hope that before the next Budget is tabled, Government should give careful consideration to it. When preparing the five-year medium range forecast and the draft estimates, Government should, apart from following priorities, consider the function and effectiveness of individual plans before making allocations to ensure that equal attention is paid to both aspects.

Coming to specific aspects of the Budget, I warmly welcome the fairly substantial sum allocated to education items. I am particularly pleased to note that the Financial Secretary indicates in the medium range forecast that the financial implications of the Education Commission's suggestions which have been accepted, will be taken care of. The suggestions of the Education Commission in its No.1 report issued early last year have far-reaching and important impacts on Hong Kong. These suggestions have all been accepted by Government and will be implemented in the following years. I now urge that Government would pay due attention to the further suggestions and requirements of the Education Commission and give proper consideration to the allocation of more resources.

There is a long pending question which has drawn much attention. It is the suggestion in the No.1 report of the Education Commission for Bachelor of Education degree courses to be offered to headmasters of primary schools. It has been more than a year but there seems to be no further development. Everyone knows that the significance of the quality of primary education is no less than that of secondary education. Therefore, it is most urgent to train administrative personnel in primary schools and capable leaders to lead primary school teachers. I hope that this long-awaited and small-scale suggestion will be approved and implemented this year to answer the needy demand.

Next, under the social work item, the approved vote on services for young people in 1986-87 has increased by 4.1 per cent over last year, which covers a provision for an additional school social work unit. This would surely be welcomed by the education sector. The service of school social workers is well-received by the education sector since its introduction and its result is quite good. But according to the result of surveys and researches conducted by several bodies, the existing service of school social workers is insufficient to meet the demand, and schools have returned similar comments. At present, the service of school social workers is provided by subvented voluntary agencies. Each school social worker has to serve three to four secondary schools, the ratio being one social worker to 4 000 students. This indicates how heavy their workload is and how their achievement will be greatly affected. I note that the number of school

social workers has increased gradually from 120 in 1982 to 130 this year. In fact, the 10 newly created school social worker posts are provided for newly constructed secondary schools. As such they cannot serve to relieve the already heavy workload. I earnestly hope that this meaningful service will be reviewed and strengthened at the opportune time so that the quality of local education will be further improved.

Regarding social welfare, I doubt if the so-called standard cost can be applied to all services because by classifying services into category I and category II, the authority has to make an objective judgement. I understand that the so-called Category I services are those which belong to the basic needs type. Others are grouped under category II. Despite this, the scope of individual services may be vastly different according to the nature of the service. Certain services may have their own merits but since their usefulness has not yet been confirmed, they may be given a comparatively low priority in respect of funding. Let me give an example. As far as I know, social centres for the elderly, pool bus services as well as service centres for the elderly are grouped under category II in the present system. This has given rise to a fairly controversial question i.e. whether social centres for the elderly and care and attention homes are equally important to elderly persons? The latter provides care and attention in respect of the health of elderly persons while the former looks after their spiritual and social needs. Furthermore, there is a related problem. I am aware that under the item of appropriation for voluntary agencies, there is an accumulation of surpluses which cannot be used right away. This phenomenon is more common under category I. Therefore, I would like to urge Government to review this system so as to establish a better operational structure and utilise the surpluses to develop new services as well as enhance category II services.

As to the provision of more elderly hostels/homes for the aged, I wish to express my warm welcome of the idea despite the fact that the increased number of places in these hostels/homes for the coming year is only 750. I regret to note, however, that the number of places in care and attention homes for the coming year remains at 1 367. At the same time, the number of places in home ownership scheme flats for elderly persons has stayed at 589 since 1984-85. I would like to ask Government if priority can be given to providing such services when there is a surplus which can be spent to meet the needs. I hope the Director of Social Welfare will, in the current review of the accommodation policy relating to social welfare and covering accommodation of the elderly, consider the above points and make relevant recommendations as soon as possible.

I am delighted to learn that the Social Welfare Department has plans to set up seven social centres for the elderly in the coming financial year. It can be seen from this that there is a demand for such centres. In the appropriation of subventions, therefore, such a service should not be dealt with under category II. It is hoped that the authorities concerned will further review the demand for social centres for the elderly. It is also hoped that consideration will be given to

whether the Social Welfare Department should set up more social centres or make better arrangements for these centres to be run by subvented institutions.

To sum up, I hope priority will be given to education and social welfare services in our Budget Estimates as these two services are important to community welfare as a whole. In addition, I would like to urge Government to delegate full flexibility and decision making power to the executive authorities provided that this is in line with current policies, so that more and better services can be provided to meet social needs. Administration-related units should be further entrusted with the right to use funds so that they may provide quick and efficient services. While I admit that there is a need to control finance, I consider an excessive control definitely inappropriate. Hence, the relationship between the Finance Branch and other Government departments should be reviewed with a view to probing into the possibility of further developing the control of finance to fully utilise manpower, time and resources for the best results.

Finally, I welcome heartily the medium range forecast which appears for the first time in this year's Budget and I hope the same forecast will be made in future Budgets.

Sir, with these remarks, I support the motion.

MRS. TAM (in Cantonese): Sir, the 1986-87 Budget under debate is the last one tabled by the Financial Secretary, hon. Sir John BREMRIDGE, K.B.E., J.P. before retiring from the Civil Service. Sir John has, as in the past years, adopted a steady, practical, prudent and optimistic attitude in drawing up a surplus Budget, which is the first of its kind in four years, without extending the tax net nor imposing heavy increase in taxes, to the delightful surprise of the public.

The five revenue measures and four tax concessions contained in the Budget highlighted the philosophy on which Government handled its finance. It relied more heavily on indirect taxes as sources for increasing revenue and adopted a mild and progressive approach in achieving tax increases. The release of the unprecedented five-year medium forecast this year availed the public of a chance to acquire a basic understanding into the areas in which Government had given deliberation during the preparation of the Budget. However, the medium forecast announced still fell short of comprehensiveness. It did not provide sufficient information on Government's specific financial commitments within the next five years.

Government's annual social welfare services expenditures have undoubtedly been aiming at meeting the basic needs of the community, minimising the price the community has to pay for economic development and providing each and every citizen, be he rich or poor, a more fair chance for personal advancement. I strongly believe that appropriate social welfare facilities have positive contribution to the Hong Kong community in ensuring the basic livelihood of the public, in maintaining social stability and in providing a basis on which the economy

can further develop. It is hoped that Government could adopt a serious and positive attitude in treating the subject of social welfare services in Hong Kong.

There are two aspects pertaining to the funding of social welfare services which merit our attention, viz, (i) how the provision of funds should be decided and how they should be allocated, and (ii) the subvention to the voluntary sector. Firstly, let us take a look at the former. Ever since the publication by Government in 1979 of the 'White Paper on social welfare into the 1980s', there has never been any overall and indepth review in the last seven years on social welfare policies apart from some fragmented pieces of review. Whilst I am appreciative of the perspicacionness of the Government on this occasion in identifying the ageing trend of our population structure and thus increasing spending on services for the elderly from \$53 million in 1985-86 to \$73 million in 1986-87, however, in view of the necessity to conduct periodical reviews on social welfare policies and to consider allocation of resources in order to meet the different needs of the society at varying times, I cannot commend the present superficial and short-sighted way of doing things.

The fact before us today is that there is no guideline governing the priority related to the allocation of funds to welfare services, as a result existing resources have not been fully utilized. For instance, Government's annual provision for welfare services was mainly spent on the construction of new projects and expansion of existing services. Little importance was attached to the improvement of existing services. Therefore the results obtained often ran counter to the aims of providing such services. Take youth centre and school social work for example, Government had in the past invested huge sums of money to build youth centres but had paid little attention to the improvement of the quality of services offered by them. Although Government has agreed in principle to provide one supervisor for every eight youth centres, this had never been implemented and there is still an acute shortage of supervisors in youth centres. The lack of improvements to the quality of school social work is all the more obvious. As with the former case, Government has accepted in principle to cut down the ratio of school social worker to students from 1:4 000 to 1:2 000. Again, no action has been forthcoming. It is therefore my submission that Government should as soon as possible start an overall review on the various policy objectives set out in the 1979 White Paper with a view to bringing them into line with the present needs of the community. More important, a set of criteria governing the priority for the allocation of funding for welfare services must be set up to ensure that the quality of services rendered are maintained at a certain level.

Every year in the allocation of social welfare provisions, most of the funding is taken up by social security payments and only a small proportion is left for the voluntary sector. Take this year's Budget for example, among the \$2.8 billion to be spent on social welfare, about \$1.7 billion is for services related to social security, only \$478 million is allocated to the subvented sector which is

responsible for carrying out a wide range of services. In order to make good use of the limited resources, allocation of provisions for welfare services must be decided after detailed and careful consideration. The Government had already set up the Social Welfare Advisory Committee which comprised members who have knowledge of the social welfare field. It is the highest advisory body on Government's welfare policy. Every year the committee advised the Government on the one-line vote for welfare subvention to be provided for voluntary agencies. But for some unknown reasons, the committee no longer has this duty starting from the 1986-87 Budget. Such baffling and unreasonable change not only indicates the Government's disrespect for and intention to reduce the powers of the committee, more important, it leads to the undesirable effect of adversely affecting the development of welfare services in the territory as the amount of subvention cannot meet the real needs of the community due to lack of adequate consultation. I therefore urge the Government to let the committee resume its former role and to make it responsible for formulating a set of criteria for determining the priorities in allocating funds for welfare services. At least it should decide on the priorities in the following areas: construction of new projects, expansion of existing services, improvement of service quality and maintenance of existing services.

Next, let us look at the other aspect which concerns the present social welfare subvention system. Though at present, part of the income of the voluntary agencies comes from service charges, subvention is still their financial lifeline. Since 1982-83, after reviews and amendments, the Government abandoned the former discretionary subvention system and adopts the existing standard cost subvention system. The main feature of the new system lies in the classification of services for funding purpose and the establishment of a standard cost for each service wherever possible. Voluntary agencies will provide the required services according to laid down standard. In the past four years, many problems stemmed out from the new subvention system. The most serious one is that the actual expenditure of voluntary agencies falls below Government's original estimation. Quoting cases in 1983-84 and 1984-85 as recent examples, the unspent portions of social welfare subventions are about 7 per cent and 5 per cent respectively, after allowing for salary adjustments payments. This situation has arisen because the Social Welfare Department has been too optimistic in forecasting the progress of new construction projects. Only when construction has started does it realize that the project falls far behind schedule. Owing to delays, surpluses in expenditure resulted. On the other hand, Social Welfare Department and voluntary agencies lack staff to plan for new projects. This is another important factor for slow progress in construction and surpluses in expenditures. Take for example, in 1985-86, 77 new projects were planned with the assistance of the Social Welfare Department involving 29 staff members. In the coming year, the number of projects soars to 120 but the number of responsible staff is still 29. It is not surprising that huge surpluses have accrued in social welfare subvention.

Another problem arising from the application of the new subvention system is that large amount of surpluses also accrued in voluntary agencies' accounts. From 1982-83 to the present time, the surpluses accumulated totalled \$31 million. One of the reasons for this surplus is that the Government uses the mid-point salary value to estimate personal emoluments. Since many standard cost services have been introduced for only a short time, not many graduate Assistant Social Work Officers receive salaries reaching the mid-point of their salary scale. Under the new subvention system, voluntary agencies cannot use the surpluses which must be kept in a separate account and can only be used for a specific purpose approved by the Director of Social Welfare. Large amount of surpluses has thus accumulated.

I therefore urge the Government to face squarely the above-mentioned problems and deal with them. Firstly, the Government should supervise closely the construction of new projects, including those jointly built by the Social Welfare Department and the Housing Department so that construction work will be completed according to schedule. Secondly, the Government should promptly devise a proper method to claw back the accumulated surpluses in voluntary agencies' account. Thirdly, the Government should also think of feasible measures to systematically claw back surpluses that will likely be accrued in voluntary agencies' accounts and use them to carry out the much needed social welfare services.

I believe if the Government adopts proper measures to solve the aforesaid technical problems, the existing standard cost subvention system should continue to be employed. In the meantime, the Government should apply the standard cost calculation method to more social welfare services because the existing system not only gives voluntary agencies a certain degree of flexibility and freedom in deploying their resources, at the same time it also ensures that the voluntary agencies provide social services in accordance with the approved standard and objectives. This fundamental spirit should be affirmed.

Sir, with these remarks, I support the motion.

6.00 pm

THE CHIEF SECRETARY: Sir, in accordance with Standing Order 68, I move the suspension of Standing Order 8(2), so that today's business may be concluded.

*Question put and agreed to.*

MR. CHEUNG (in Cantonese): Sir, under the guiding principles of prosperity and stability, my hon. Friend, the Financial Secretary, has proposed a low-tax, surplus-prone and steady growth Budget for 1986-87. For the immediate future, he sees a few years of continued economic growth. To be on the save side, he proposes for the future the same stringent measures to limit the size of the civil service and to keep public expenditure at the same rate of growth as the general economy of Hong Kong. In short, he has mapped for us economic

stability. To some this may not be sufficiently ambitious to bring further growth, if indeed stability and prosperity are our principles and the base of our survival.

When he first addressed this Council as Financial Secretary in 1982, he thanked his predecessor for leaving him a clean slate to draw. Indeed he has drawn well despite that his tenure coincided with the most trying years in the history of Hong Kong. He became Financial Secretary when Hong Kong's economic well-being was gloomed by the world's most severe economic recession since the 1930s. Then followed the negotiations on our political future, the confidence crisis, the property market slump, the foreign exchange and banking crises. Coupled with retardation in trade, rising price indices and Government deficits, the roots of our economic foundation were shaken. He brought us through. He brought us back to firmer ground by adhering as far as possible to the time-honoured non-intervention policy, by thrifty curb on civil service growth and tight constraint on public expenditure. He succeeded without resorting to exorbitant taxes, neither did he cut back on our major programmes. We are now without debts but to him we owe a big one. I hereby wish Sir John longevity and happiness after retirement.

With a reasonably bright future, we should look at the stake we have in hand. At this point in time, we hold a balance of \$15.6 billion in our general revenue account. In addition we carry about \$10 billion in our Capital Works Reserve, Development Loan, Home Ownership, Lotteries, Mass Transit and Student Loan Funds. The balance in the general revenue account provides coverage for our contingent liabilities the main items of which are the Mass Transit Railway Corporation, Kowloon-Canton Railway Corporation, Export Credit Insurance and Land Exchange Entitlements. What is really at risk seems to be only \$7.5 billion. We seem to fare better in the funds where the total balance of \$10 billion alone will be sufficient to finance one whole year's expenditure. We must not forget that some of the funds are or beginning to be self-revolving. The self-financing Home Ownership Fund pays dividend towards the roads and facilities that we provide for the home ownership courts, a windfall that we do not quite expect to receive. The Housing Authority is becoming more financially autonomous. The civil servants housing scheme, the industrial estates and the Hong Kong Building and Loan Agency are taxing us less. In all I am confident that we require to inject less to the Funds in the future to maintain the existing levels of activity. At the same time, our general revenue account balance will grow. This balance may be bigger if we do not forget that most Governments over estimate expenditure and under estimate revenue, Hong Kong being no exception.

With a brighter future and a healthier state of cash flow, I think we are ready to commit ourselves towards more spending particularly towards the building of a stronger infrastructure. As convener of the Legislative Council internal working group on general services to examine the Draft Estimates

of Expenditure, I will confine myself to items under general services. Among the long list of items in the capital works programmes for improving communication, transport, public safety, law and order, engineering, environment, recreation and so on, perhaps the building of Government offices deserves higher priority and more attention. I understand that the Government has since 1981 been pursuing a policy to provide its own office accommodation. However, I was informed by the Secretary for Administrative Services and Information that in September last year, the Government still leased over half of the office space required. In 1985-86, we budgetted \$498 million for leasing 400 000m<sup>2</sup> of office space, an average of \$1,245 per m<sup>2</sup> which is very close to the current commercial rental. The completion of Harbour Building and Queensway Government Offices eased the situation a little but an estimate of \$400 million is still required in 1986-87. By 1991 Government will still be renting 30 per cent of its offices. Here I can see a more vigorous pursuit of the policy bearing in mind that capital outlay will be recovered in a relatively short period of time. The sites at Southorn Playground, and Wan chai and Mong Kok Station, earmarked for Government offices, are more or less ready for building work to start right away. I would like to see the bringing forward by one or two years the target to provide 70 per cent of our office space. Perhaps we should be even more ambitious, as in the case of Government quarters, to purchase some offices we are now renting as a further means to cut down recurrent expenditure.

Capital works projects in some areas certainly need a fresh look. Being an indigenous resident of the New Territories who has witnessed the energy and expenses that the Government has put into developing the new towns, and in building a sound infrastructure. I feel uneasy about the lack of development and provision of some basic facilities in the older parts of Hong Kong. I speak with particular reference to the Western District.

If my memory serves me well, Western has not benefited from any major improvement since the urban renewal project of a decade ago. In this district we have the most concentrated nuisances, the vegetable wholesale market, the fruit laan, the poultry laan, the cattle depot, an abattoir and an incinerator, all of which serve the whole Hong Kong Island. We have some plans to improve the area as a whole but the progress is far from satisfactory. Talks on resiting the vegetable wholesale market, the poultry laan and so on have been in the air for years, yet they are still relatively low in the capital works priority or are only to be temporarily resited to within the same district. The major trunk road to link Central, Western and the southern part of Hong Kong is not even in the capital works programme. Certainly we need to look at the plans for this district once again and in particular to resite the vegetable wholesale market, the poultry and fruit laans as soon as possible by utilising balances in the Capital Works Reserve Fund.

Similarly, with the influx of refugees under control and less proliferation of squatting on the hillside, we may be able to embark on a more ambitious housing programme. Our housing policy has been quantity oriented. The

Housing Authority is beginning to improve the quality of life in rental housing through environmental improvement and by redeveloping the oldest housing estates. But we must not be complacent with what we have achieved. I believe we must speed up the redevelopment project in order to bring earliest relief to over-crowding in our estates.

Sir, we have gone through three difficult years. We now have better confidence on our future and brighter economic prospects. We have opened up our Government to a certain extent and we have new leaders of different aspirations. Let us not be contented with maintaining stability. Let us take one more brave but sure step which will bring further prosperity.

With these remarks, Sir, I support the motion.

MR. CHAN KAM-CHUEN: Sir, as usual the Budget is one of the important annual events of this legislature and close scrutiny and a full debate is warranted.

Although there is a small surplus for the current fiscal year, I am particularly glad that we have returned to the black. If one wishes to stop a supertanker, a distance of several kilometres is required before it stands still. At last, our financial helmsmen has turned the deficit around. Some helmsmen in the private sector were not so fortunate and the cries of 'man overboard' echoed throughout the recent political—economic turmoil.

For the five-year forecast, the first year is more attainable but it gets more hazy in subsequent years. If the five-year plan can all materialise, all nations on our troubled globe should now be wealthy and poverty would disappear from the surface of earth like smallpox. There are just too many variables even for the prophets. There is a lot of wisdom in the Chinese saying: (能知三日事，富貴萬千年) i.e. to be able to know something three days beforehand, one would be wealthy and powerful long ago. Perhaps we only require one modernisation in this telecommunication age, i.e., by substituting the time required for one telephone connection instead of three days.

### *Confidence*

In the last policy debate, I stated that superficial calm has been restored, witnessed by the disparity of air departures over air arrivals figures of the Chinese column (H.K. Monthly Digest of Statistics).

<i>Year</i>	<i>Disparity</i>
1979	22 445
1980	31 235
1981	30 011
1982	36 368
1983	64 364
1984	48 749
1985	16 814

The decrease in 1985 shows that either the drain has levelled off or those who have obtained their foreign passports have returned to continue their business.

However, the unfortunate choice of words by public figures at the end of 1985 may send shock waves down the spine of local people and the downward trend may not continue in 1986.

The desire to save is stronger than the desire to purchase consumer goods. Local re-investment in plant and machinery is disappointing bearing in mind that some \$300 million are for knitting machinery which have to be purchased to meet the US requirement of Certificates of Origin of our exports.

### *The Hong Kong Dollar*

Furthermore, about 50 per cent of our savings and deposits are in foreign currencies.

It was reported that during the 97 crisis and I do not mean 1997 but the HK\$9.70 to the US dollar crisis, our top financial man had sleepless nights. By Chinese standards one way of judging a good administrator is whether he worries before the people do. One pensioner who intended to deposit his retirement lump sum in US dollar at about 5:1 was talked into putting it into 'swap' deposit to avoid exchange fluctuations and when the US dollar hit \$9.70 he not only had sleepless nights but up to now he still cannot figure out who 'swiped' the HK\$4.70 for each of his US dollar.

A bank not well-known to the ordinary people of Hong Kong was ticked off by a US Government department for not reporting huge remittance from Hong Kong. This situation can best be described by slightly altering a Chinese poem 'Through the Yang-Tsze Gorges' (下江陵) by the Tang Dynasty poet LI Po (701—762 AD):

(兩岸猿聲啼不住，輕舟已過萬重山)

'Whilst monkeys are still chattering on both banks behind me,  
To my boat these ten thousand mountains away.'  
to (千億已渡太平洋) 'Billions have crossed the Pacific Ocean.'

Some people have misinterpreted this poem as the 5.5 million monkeys chattering in Hong Kong. The truth is that the monkeys referred to in this poem were in China, above the Yang Tsze Gorges more than 12 centuries ago. Otherwise, the sleepless will be counting monkeys instead of sheep.

Despite the disappointing results in almost all sectors, such as export, re-export, banking, land, shipping, round-the-year sales in retailing and so on, I still support the present linking of the Hong Kong dollar to the US dollar, I not only for our export competitiveness but also not to drive our GDP in US dollar terms higher than the ceiling set by the USA and other countries. Fortunately, New Zealand is not a main buyer of our exports, their recent announcement that our GDP is 75 per cent of theirs and the discontinuance of preferential treatment should sober us up. Moreover, what is of paramount

importance is that we should not subject our monetary stability to another severe rocking by international speculators. We have seen the worst; let us now hope for the best.

With these observations, Sir, I support the Appropriation Bill 1986, as it is pragmatic and well-balanced.

MR. LEE: Sir, I would like to begin by offering my congratulations to the Financial Secretary for his achievement of a surplus of \$98 million against a budgeted deficit of \$961 million for the financial year 1985-86. It is a remarkable accomplishment to boost public confidence, which has been on the decline according to a recent survey.

Hong Kong has now balanced income and expenditure after a period of uncertainty and deficit financing. We should now take this opportunity to examine the present situation and make recommendations for new policies. Taxation is an important topic which deserves priority attention.

Tax policy used to be the subject of a review exercise every 10 years. The third review took place in 1975. A fourth review would be appropriate at this point in time, which is half way between the previous one and 1997. The review should formulate a long-term policy covering the entire transition period up to 1997, with indication of directions beyond that date. I support the Financial Secretary's statement that enterprise and hard work are stimulated by low direct taxation and by confidence that it will remain low.

Direct tax is assessed on earnings while indirect tax is charged on spending. The adjustment of the proportion between direct and indirect taxation from 69:31 in 1982-83 to 59:41 in 1985-86 has made progress in the right direction. Earnings should not be excessively taxed to retain an incentive for enterprise and hard work, which have, until now, made Hong Kong successful. It has been criticized that indirect tax is charged indiscriminately on the wealthy and the less well off, without performing the function of redistribution of wealth. I am not worried about this. If it is legitimate wealth earned through sound business decisions and diligence, the earner should not be penalised by heavy taxation. This is the basic philosophy of a free enterprise society, in which form Hong Kong shall remain after 1997. In cases of easy money being gained by a lucky few, the earners will very likely indulge in care-free spending, and end up contributing great amounts to the Government revenue through indirect tax.

While the progress made towards balancing the proportion of direct and indirect taxes deserves support, the choice of items subject to indirect taxation seems to be determined by revenue considerations only, to the extent that some sectors may feel victimised. Notable examples are soft drinks, motor cars and tobacco products. About half of the cost of petrol which the consumer pays is tax. If the intention is to use the tax as a disincentive, I see no reason why consumption of soft drinks should be taxed. On the other hand, the sale of

tobacco products does not seem to have been deterred by the current level of tax. It is therefore recommended that the policy of indirect tax be reviewed so as to achieve a fair distribution across industries and product items.

As China is now Hong Kong's second largest domestic export market, local businessmen should be given encouragement in the development of China trade. The existing anomaly of double taxation, whereby a business transaction is taxed both in China and in Hong Kong, should be rectified at the earliest opportunity. The amount of tax payable to China should, at least, be regarded as an expense item, which will be deducted from gross profit for the purpose of tax assessment in Hong Kong.

On a previous occasion, the Financial Secretary referred to separate tax assessment of married couples, the subject of which had given him a few sleepless nights. He has now put forward his final Budget, but the salaries of married couples are still subject to combined assessment. This practice was established in the early days, when very few wives had employment and the husband's income represented the family income. Today, with open opportunity for both sexes, in education and in job placement, the employment figure of women has reached 900 000, about one half the corresponding figure for men. In many cases, women earn as much as, or even more than, their husband. Britain is under the rule of the Queen, with a Government headed by a lady Prime Minister. Unofficial Members of this Council are placed in the leadership of a lady Senior Member. We have arrived at a time when the independent status of women must be recognised. They should have full control of their own income and pay their own tax. I hope the incoming Financial Secretary will resolve this important issue so that his predecessor may have a sound sleep following retirement.

Many people have had the experience of being required to pay tax at short notice and waiting more than a year for a refund. As a surcharge is imposed on overdue tax, the Government should pay interest on refunds which are not made within a reasonable period. The Commissioner of Inland Revenue should be empowered to pay such interest, through amendment of legislation if necessary.

The services of the Inland Revenue Department should keep pace with growing sophistication of the local business community. For instance, an advance clearance scheme should be provided, whereby business enterprises may put forward proposals of large scale transactions to seek clarification on tax calculations and the general anti-avoidance section. The advice so received would lead to well informed business decision, making Hong Kong competitive with other countries which provide this service (e.g. Australia, USA). The staff of the Inland Revenue Department should be strengthened, and adequate training should be offered.

I now turn to the subject of representative Government. As a growth of more than 2 per cent is proposed for the Civil Service, some new posts should be used to improve secretarial service to the district boards, which form the foundation of the representative structure. A review exercise is scheduled for 1987, but collection of public opinion and preparation work need to be carried out in 1986, which also require manpower and other resources. District board members have a distinctive role to play and direct contact with the people is necessary. They should be given assistance in the operation of offices for meeting the public and I hope a decision will soon be made on this subject.

Turning to education, the allocation of \$8.7 billion represents the largest single item, taking up 18 per cent of total expenditure. This amount is reasonably generous, and it is not easy to ask for more. I would however express concern over the distribution of resources and the need for quality improvement. For instance, the unit cost of a university place is around \$70,000 per year, but a full-time place at a subvented post-secondary college receives only slightly more than \$10,000. More than \$4 billion is spent on education subventions in the primary and secondary sectors and yet the quality of compulsory education leaves much to be desired. There are other problems, such as examination pressure and the lack of second chance opportunities, which also deserve attention.

Before closing, I would like to sound a warning. The average growth rate of the last five years was only 0.6 per cent, which fell far below the corresponding figure of 11 per cent for the previous 10 years. Hong Kong has entered a period of low economic growth. The new challenge is how to find additional sources of public revenue, whilst maintaining low and simple taxation.

I also wish to refer to the Financial Secretary's statement on the Banking Bill and the observations of some of our hon. colleagues yesterday and today about the banking system, and emphasise that serious attention should be directed to this subject.

Sir, with the above remarks, I support the motion.

MR. ANDREW WONG: Sir, in my last speech, the maiden of my bachelor speech, during the policy debate last November, I spoke of Greek mythology and of the Goddess Themis who still stands above our heads. Today, in this debate on the Second Reading of the Appropriation Bill 1986, which happens also to be the last Budget debate of my hon. Friend Sir John BREMRIDGE, the Financial Secretary, I do not propose to do the same, not that I know too little, but that he knows too much. While I know, what little I know, second-hand through the medium of English, he even knows the language so well that he passed me a note after my speech in Greek, of course, which, to my embarrassment, I could only decipher the Alphas and Omegas and possibly also the Huxleyan Gammas and Epsilons. But do we really want Aldous Huxley's Brave New World?

No, Sir, I cannot believe either Sir John or any of my hon. colleagues in this Council would like to be governed by Mustapha. We might, however, fall prey to the temptation of imagining that we are the Mustaphas or at least the Alpha Pluses. Let the good lord forbid it. Let us have the courage, and the wisdom, and the sense of justice to resist it. After all, what are we, but mortal and fallible and equally mortal and fallible human beings.

No, Sir. I do not propose to speak of Greek mythology or, for that matter, British futurology. Instead, Sir, let me begin with a discussion of the hen and egg problem. Sir John, in concluding his speech moving the second reading, remarked that 'wealth ... must be created before it can be divided' and was taken to task yesterday by my hon. Friend Mr. TAM Yiu-chung who likened wealth creation and wealth division to the problem of the hen or the egg—which came first or last historically and which comes first or last logically—and concluded that as it is unsolvable, they must be simultaneous and the same process. He obviously was not really referring to the hen and egg problem, but to wealth creation and wealth division.

But I am happy to inform him that the problem has been solved and on both counts. Both historical and logical, logically, whichever you place first, the hen or the egg, its predecessor must be an earlier version of the other. Hence, if you fancy the hen, perhaps simply because it shows signs of life when it lays an egg and the egg does not, this hen's predecessor must be an earlier egg, laid by an earlier hen. Sir, you will see, it does not matter what your fancies are. The earlier egg must have been laid by an earlier hen, which, again, must have been hatched from an earlier earlier egg, and so on, backwards of course. I have stolen from the philosopher Karl Popper who adds that this logical solution accords well with Charles Darwin's theory of evolution which explains historically the origins of the species. The solution does not tell us whether the hen (or its predecessor) or the egg (or its predecessor) really came first. But why should we be interested here?

I must, however, insist that insofar as the wealth problem is concerned, which comes first: creation or division, the analogy is completely misappropriated. What is there to be divided when it has not yet been created and where it does not even exist. If the analogy is to be used at all, it must be used with my solution in mind, the earlier egg or the earlier hen, whichever it may be, comes first, and it must be used with the recognition that it is the life force which is being passed on down the generations. What is the use of a hen without the cock, her eggs would have been sterile, and what is the use of an egg produced in the egg farm which is fit for your breakfast table but not for hatching?

I submit, Sir, that the creation of wealth is the earlier hen or the earlier egg, that the creation of wealth is the hen with the cock or the egg for hatching, that the creation of wealth is the life force, that this truism holds true for any human community and particularly true for our unique Hong Kong in these unique times.

Sir, I further submit that wealth is not created by the Government but by the millions of individuals and individual firms which constitute the community, that it is the obligation of the Government not to create wealth but to see to it that individuals and individual firms do and do so in accordance with the principles of procedural justice which are the only principles suited to any free economy, Hong Kong being one, that taxes are collected by the Government only for this purpose and for this purpose only, that although in the process of promoting and maintaining peace and justice and other conditions conducive to wealth creation, the Government appears to be dividing wealth, it does not and should not do so. In this and in most other respects, I am in complete agreement with Sir John and his predecessor Sir Philip HADDON-CAVE who coined that horrible term positive non-interventionism but who passed on the life force of small but just Government, down to Sir John and, I hope, further down to the Financial Secretary designate Mr. Piers JACOBS.

Now, Sir, I have originally intended to speak of privatisation today. But after a most adequate argument of and pleas for privatisation by my hon. Friends Mr. Kim CHAM yesterday and Mrs. Selina CHOW today. I decided to instead simply register my complete agreement with their sentiment. 'All Governments make mistakes, let us make fewer than most.' well said, Sir John. The Hong Kong Government does make mistakes, being manned by mortal and fallible human beings. I personally, like all my hon. unofficial colleagues in this Council, have a few to offer. For example, the take-over of the Hang Lung and Overseas Trust Banks and the recent rescue of the Ka Wah Bank. Is the Government beginning to intervene and intervening too much? Has it not long abandoned small Government and free economy in its massive public housing development? But I will reserve them for other occasions as time is getting late. But I hasten to add that in suggesting, proposing, demanding changes to existing policies and to existing funding levels, are we Unofficial Members just responding to our constituents and constituent forces? Are we really rectifying or are we compounding them? After all, are we, Unofficial Members, not equally human, hence equally mortal and fallible? Paraphrase my hon. Friend Mr. Helmut SOHMEN who paraphased Sir John all men made mistakes. Let us all in this Council make fewer than others. And coming to think of it, in this my full-blooded defence of positive non-interventionism or rather of small Government and free enterprise, am I not equally fallible? Although I doubt it, but I do have such thoughts.

Therefore, Sir, let us not be dogmatic and ideological about it. Instead of calling for a modification if not total abandonment of positive non-interventionism, let us take the suggestions one by one as and when they come and as and when they, as problems, become urgent. But always remembering that the institution of small Government cum free enterprise, if not *the* life force which has made and will continue to make Hong Kong tick, has at least been our life force, is our traditional manner of behaviour, our traditional way of doing things, and cannot and should not be discarded outright overnight.

Sir, human institutions, be they economic or political, are continually being created and recreated but never from scratch, never by any individual and, never by any individual blue prints, lest they bring forth that sterile egg which leads eventually to death. Wealth which sustains life, on the hand, can be created from scratch as long as there is life, and is always and invariably created and recreated by single individuals. Let us hope that in our transition towards 1997 and beyond, the creation and recreation of our economic and political institutions will not jeopardise the creation and recreation of our wealth.

Sir, with this digression in pragmatic philosophy in tribute to the service so ably rendered by my hon. Friend Sir John BREMRIDGE, I beg to support the motion.

*Motion made. That the debate on the Second Reading of the Bill be further adjourned.*

*Question put and agreed to.*

### **Adjournment and next sitting**

HIS EXCELLENCY THE PRESIDENT:—In according with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 9 April 1986.

*Adjourned accordingly at nineteen minutes to Seven o'clock.*

*Note:* The short title of the bill listed in the Hansard Report has been translated into Chinese for information and guidance only; it does not have authoritative effect in Chinese.