

OFFICIAL REPORT OF PROCEEDINGS**Wednesday, 26 November 1986****The Council met at half-past Two o'clock****PRESENT**

HIS HONOUR THE DEPUTY TO THE GOVERNOR (*PRESIDENT*)
(THE HONOURABLE THE CHIEF SECRETARY)

SIR DAVID AKERS-JONES, K.B.E., C.M.G., J.P.

THE HONOURABLE THE FINANCIAL SECRETARY

MR. PIERS JACOBS, O.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, C.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, O.B.E., 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 HO SAI-CHU, M.B.E., J.P.
THE HONOURABLE HUI YIN-FAT
THE HONOURABLE RICHARD LAI SUNG-LUNG
DR. THE HONOURABLE CONRAD LAM KUI-SHING
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 POON CHI-FAI
PROF. THE HONOURABLE POON CHUNG-KWONG
THE HONOURABLE SZETO WAH
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING
THE HONOURABLE TAM YIU-CHUNG
THE HONOURABLE ANDREW WONG WANG-FAT
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.
THE HONOURABLE HARNAM SINGH GREWAL, E.D., J.P.
SECRETARY FOR TRANSPORT
THE HONOURABLE GRAHAM BARNES, J.P.
SECRETARY FOR LANDS AND WORKS
THE HONOURABLE RONALD GEORGE BLACKER BRIDGE, O.B.E., J.P.
SECRETARY FOR EDUCATION AND MANPOWER
THE HONOURABLE DAVID GREGORY JEAFFRESON, C.B.E., J.P.
SECRETARY FOR SECURITY
THE HONOURABLE STEUART ALFRED WEBB-JOHNSON, J.P.
SECRETARY FOR TRADE AND INDUSTRY (*Acting*)

ABSENT

THE HONOURABLE JOHN JOSEPH SWAINE, O.B.E., Q.C., J.P.
THE HONOURABLE THOMAS CLYDESDALE
THE HONOURABLE PANG CHUN-HOI, M.B.E.
THE HONOURABLE HELMUT SOHMEN
THE HONOURABLE TAI CHIN-WAH
DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.

IN ATTENDANCE

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

Papers

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

<i>Subject</i>	<i>L.N.No.</i>
Subsidiary Legislation:	
Electoral Provisions Ordinance Electoral Provisions (Registration of Electors) (Amendment) Regulations 1986	275
Import and Export Ordinance Import Prohibition (South Africa) (No.2) Regulations 1986.....	276
Public Health and Municipal Services Ordinance Designation of Libraries (Regional Council Area) Order 1986.....	278
Public Health and Municipal Services Ordinance Public Health and Municipal Services (Public Pleasure Grounds) (Amendment of Fourth Schedule) (No.4) Order 1986	279
Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations 1986 Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations 1986 (Commencement of Regulations 4 to 13) Notice 1986	280
Sessional Paper 1986—87:	
No. 21—Chinese Temple Fund—Income and expenditure account with balance sheet and certificate of the Director of Audit for the year ended 31 March 1986.	

Statement**Broadcasting Review Board Report**

ATTORNEY GENERAL: Sir, in the President's opening address of the Legislative Council on 8 October 1986, he stated that the decisions on the major recommendations in the Broadcasting Review Board's report would be taken by the Government before the end of this year. I am now able to inform this Council of those decisions so far taken. The specific topics I wish to mention today are:

Firstly, the proposal to set up a Broadcasting Authority;

Secondly, the future structure of RTHK;

Thirdly, Tobacco advertising on television and radio;

Fourthly, the renewal of television licences;

Fifthly, the corporate structure of broadcasting licensees and future royalty payments, and lastly, cable television.

The Broadcasting Authority

Sir, The BRB's proposal to establish a Broadcasting Authority received warm support from educational and social organisations during the consultation period, as well as from members of this Council during the adjournment debate earlier this year. The Government accepts that there is considerable merit in allowing greater public participation in control over the broadcasting industry. The Government, therefore, supports the creation of a Broadcasting Authority with responsibility for television, radio and cable television. This will have to be established by legislation and a Bill will be brought to this Council so that the authority can be set up in 1987.

The authority's functions will include administering the broadcasting regime as laid down in the Ordinance, securing compliance with the prescribed standards for advertising and programme contents, and ensuring the technical efficiency of broadcasts. The authority will be made up largely from members of the public appointed by the Governor. It will be serviced by the Television and Entertainment Licensing Authority.

The Government supports too the idea of a tribunal to receive complaints from the public and to resolve disputes within the broadcasting industry. But it considers that it would be administratively more appropriate to set this up within the ambit of the Broadcasting Authority rather than as a free-standing forum.

The future of Radio Television Hong Kong

Much speculation and interest has been generated over the future of RTHK. It was one of the most hotly debated issues during the consultation period that followed the publication of the BRB report. There was much support in this Council and from the public for the concept of greater independence for RTHK although views were mixed on how this independence could be achieved. The Government is unable to accept the ideas that have been canvassed to make RTHK financially viable in its own right. There was little support for the board's proposal to give RTHK a monopoly over prime time on the commercial television stations. Nor would it be right to make successful licensees pay for RTHK out of hypothecated royalties.

After much heart searching and debate within the Administration but with due regard for the strength of public opinion, the Government has decided to introduce legislation to provide that RTHK should in future be answerable to an independent statutory Board of Governors to be appointed by the Governor. So that the board will reflect the views of the community as a whole and to

ensure its independence, it is proposed that the governors should be drawn from the community with the addition of a representative from the Administration. The statutory functions of the board will be to implement the broad policy objectives of RTHK that will be laid down in the Ordinance. These will emphasise the duty to inform and educate the public, and widely to disseminate news and current affairs. RTHK must continue to be and be seen to be a balanced and objective public broadcaster. The funding of RTHK will continue to come from the public purse, and its staff will remain within the public service, subject only to the cash limits set by Government year by year, the board will be free to pursue the policy I have described, and they will make a report each year.

RTHK will in due course be given increased access to the television channels, especially prime time. Arrangements that will be incorporated in the new television licences on offer will give RTHK an increase in the total number of hours that must be made available for their programmes within defined access to prime time.

Tobacco advertising on television and radio

Sir, I turn now to the topic of tobacco advertising.

It is well known that the Government is firmly committed to a policy of discouraging tobacco smoking.

The BRB's proposal to ban tobacco advertising on radio and television in aid of that policy has attracted heated public debate. As is the case in other countries where this subject has been discussed, opinions are strongly held on all sides of the question.

After considering all these arguments carefully, the Government has accepted in principle the case for a total ban on tobacco advertising and sponsorship on television and radio. This ban will, however, be introduced by a phased programme so as to lessen its impact on the television and radio stations. There will be three phases. At first, there will be stricter controls on tobacco advertisements being shown on television through revisions to the Advertising Code of Practice. These will be brought into effect as quickly as possible. The second phase will be introduced in December 1988 when new licences are issued to the television stations. There will be a ban on tobacco advertising and sponsorship between the hours of 4.30 pm and 10.30 pm. This will extend by four hours a day the time within which tobacco advertising will be prohibited. Similar restrictions will be introduced for radio services from the beginning of the new licence period in August 1989. The third and final phase will be the imposition of a total ban on tobacco advertising and sponsorship on television and radio in December 1990. In the meantime, the Government will be examining ways of restricting tobacco advertising in other forms.

Reviewal of existing television licences

Sir, the Government has decided that when the existing television licences expire in December 1988, the present licensees will be offered a new licence for a 12 year period to the year 2000 on revised conditions and subject to a mid-term review in 1994. The Government considers that the financial implications of inviting competitive tenders from prospective licensees rule out that alternative which the BRB forward. The fact is that the land, transmission equipment and hardware presently employed on television broadcasting is owned by the existing licensees. It is unrealistic to expect outsiders to be interested in making the massive investment to acquire and equip transmission facilities on the necessary scale given the potential revenue from a relatively small market. The proposed renewal period of 12 years is longer than the period of eight years recommended by the BRB. But it will give the broadcasting industry the confidence to plan ahead and to make the necessary investment to improve the quality of television so that the industry can face up to the drastic and rapid political changes in the years ahead. At the same time a mid-term review will enable the licence conditions to be amended where necessary in the light of experience, and to guard against abuse of a 12-year licence period.

Corporate structure of the broadcasting licensees

Sir, the BRB's proposed that legislative changes should be made to ensure that in future, broadcasting companies should be solely concerned with the business of broadcasting and should not be associated with other companies active in related fields. This received support from educational, social service and other grass root organisations. The business community has, however, spoken against the proposal. It has been pointed out that the legislative changes proposed will not be sufficient to eliminate the scope for unfair practices through abuse of corporate links. The Government is anyhow reluctant to be thought to be penalising commercial success. The Government therefore proposes that the structure, ownership and control of television licensees should continue to be governed by existing policies and the spirit of existing legislation. But in addition, the Government will bring to this Council a proposal to amend the Ordinance to give the Broadcasting Authority a right of access to the books and accounts of the related companies of television licensees. It is believed that this will enable the future Broadcasting Authority to monitor the practices of commercial licensees through a cross checking of the accounts of the licensee and its related companies.

Furthermore, when the new television licences are on offer, the Government proposes that royalties payable by the television stations will be changed from a system based on net profit to one based on gross receipt, as recommended by the BRB. Since television stations use air waves which are community facilities, it is right that they should be required to pay for their use irrespective of whether a profit is made. However, the new system will be so designed that the royalty to be collected by the Government will approximately be at the current level.

Cable television

Sir, the Government has already announced on 10 July its acceptance in principle of the introduction of cable television services in Hong Kong. An invitation calling for expressions of interest to develop a cable service was issued on 25 July and it has resulted in the receipt of eight submissions before the end of September. These submissions range from very detailed and comprehensive proposals to provide a full cable television network for the whole territory, to simple requests to provide a limited service in a particular area. All these are currently being studied by the Government. Work is also in hand to formulate policies for cable television which will need to be spelled out in legislation and in licence conditions. It is our intention to invite formal tenders for cable television licences some time next year.

Sir, there remain a number of other more detailed recommendations in the Broadcasting Review Board report which will be examined shortly by the Executive Council. Some may be better left for the future Broadcasting Authority to consider.

This statement is no more than an outline of the decisions already taken by the Government on the major recommendations of the BRB. Further details will be given at a press conference to be held by the Secretary for Administrative Services and Information today.

Sir, it will be realised by Members from my statement how much valuable advice was obtained from the painstaking work of the Broadcasting Review Board under the chairmanship of Mr. Justice POWER and the future audience of television and radio will owe them a great debt. Many of the major proposals made by the board have been accepted, and in particular, the establishment of a Broadcasting Authority and a Board of Governors for RTHK.

Government Business**Motion****MOTION OF THANKS****Resumption of debate on motion (6 November 1986)**

ATTORNEY GENERAL: Sir, there was a time not long ago, when the speeches by the Members in this debate were thought of as a gentlemanly cross country run. Like a hares and hound course along the MACLEHOSE trail the object was fitness rather than competition and the whole of Hong Kong, the issues and the places, would be examined at a leisurely pace.

Now it is different. The analogy is rather with the New York marathon with many participating and the competition extremely fierce. Despite the earlier admonitions of the race marshal, there was quite a bit of jostling on the bends.

Sir, my colleagues and I are nonetheless grateful for the thoroughness of inspection of government policies, the diversity of views expressed and the vigour and frankness of hon. Members' speeches.

Today my government colleagues and I will respond to those comments and views. I shall speak first on behalf of the Chief Secretary in response to Members' remarks on the present and future Government of Hong Kong and on the public service. I shall then speak on matters relating to the administration of justice in Hong Kong. The Secretary for Security will speak on crime prevention and other issues of public order. He will be followed by the Secretary for District Administration who in addition to his own responsibilities will deal with housing matters. The Secretary for Health and Welfare, the Secretary for Education and Manpower, the Secretary for Lands and Works and the Secretary for Transport will respond to Members' remarks on their respective areas of responsibility. Finally, the Secretary for Trade and Industry and the Financial Secretary will wind up the debate covering economic and financial affairs.

Constitutional reform

There is no doubt which issue most attracted the attention of Members in this debate: the 1987 Review of the development of representative government and in particular the question of direct elections to this Council. The forthright and strongly argued case both for and against direct elections in the debate itself is a reflection of the nature of the Legislative Council since 1985, when, following the White Paper of November 1984, its size and composition were significantly changed. Similarly, too, the nature of the public debate has changed. Members of this Council have now had an opportunity to see how the Council and the system works from the inside. And from the outside, their constituents and members of public at large have had just over a year—and it is only just over a year—to see how a larger and more diverse Council has fulfilled its role of responding to the many complex issues which confront this lively, energetic and questioning community of ours.

Some Members would like to draw you out Sir, on the subject of direct elections. However, as has been pointed out many times, now is not the moment for the Government to comment on the direction of future constitutional and related changes; these are matters for the 1987 Review. And there are good reasons for this attitude. First, there is the speed and distance we have travelled in the past few years, and particularly in the last year; second, there is the importance of the issues to be addressed and the need to find the right solutions to them; and third, public discussion and public opinion have clearly not yet reached a position where acceptable common ground is easily perceived. If there is a common view it is this: be careful, be gradual and for the sake of Hong Kong, get it right! Now is the time for thought, for opinions to be expressed and analysed and thereafter for proposals to be developed. Members' speeches are part of this process and themselves form part of the material and background

for the drafting of the Green Paper to be published in April or May next year. But I cannot stress strongly enough, Sir, the importance at this time, of reasoned, considered analysis, not merely of the single issue of direct elections but of the objectives, the mechanisms, and the implications of any particular course of action.

The broad aims of the proposals set out in both the Green Paper and the White Paper of 1984 are no different from our aims today. I should like to remind Members of those aims.

First, to develop a system of government to represent the views of the people and to be more directly accountable to them; second, to build this system on existing institutions, preserving the best features, including, among other things, the concept of government by consensus, which embodies our well-tried system of consultation, discussion and debate and the search for constructive solutions and the common ground; and third, that the system should not be set in concrete but should allow for organic and creative change.

Sir, as I envisaged last year the physical separation of this Council from the Government Secretariat upon the hill and its location in the centre of our great and growing city, coupled with the expansion and the increased size and composition of this Council, has led to a change in the spirit and style of work of the Council, to more wide-ranging debate, to more questions—and more probing questions—and to more adjournment debates. Last year, 296 questions of topical concern were answered by the Official Members. And 68 Bills passed into law. And when all is said and done, it is legislation and the continuing improvement of the law in response to changing social and economic needs that lies at the very heart of our system of government. This Council is not called the Legislative Council without reason.

Looking to the work ahead of us, something like 100 bills are expected to be introduced during this session. And, as one of the features of the Legislative Council that has developed during the past year, the series of adjournment debates is scheduled to continue through to the end of the session on subjects of vital concern to the community.

In addition to the visible work of the Council in this Chamber, the panels and ad hoc groups of OMELCO as well as Select Committees of the Council suggest solutions, question the Administration, scrutinise legislation, answer questions and petitions and safeguard the public interest. In short, Members of this Council are getting on with the necessary work of government. It is work largely unsung, unsensational and often unnoticed but it is absolutely vital to our increasingly complex society and our intricate and highly vulnerable economy.

Localisation

Sir, I now turn to the Civil Service. Mr. POON and Mr. SOHMEN have cautioned against the acceleration of localisation at the expense of a stable and efficient public service. For a long time to come there will be a place in the Civil Service

for both local and overseas officers. Our policy has been to ensure that the Civil Service is staffed to meet the growing demands placed on it, and to recruit from overseas only when local expertise is not available.

But localisation has become an emotive word and in the past few weeks both local and expatriate civil service associations have expressed their views. Understandably both have the interests of their members at heart. The expatriates argue that the Government is tightening up the criteria on the renewal of contracts and transfers to the permanent establishment, whilst local officers express concern that overseas officers are promoted even though there are local officers ready to fill the appointments. Both urge Government to change its criteria.

Our long established policy is to give preference to local candidates on recruitment when they are available and to recruit overseas officers to fill an interim shortage in fields where local expertise is not available. At the same time, steps have been taken to improve the local supply of trained staff and to provide opportunities through training scholarships to local officers to enable them to acquire qualifications in particular disciplines. For example, since the early 1960s, over 70 local officers have undertaken programmes in town-planning; another 180 have obtained degrees in various surveying disciplines. The expansion of our tertiary education provision in recent years has also greatly improved the prospects of recruiting qualified local candidates to fill civil service vacancies.

It would be unfair to deny these local officers career advancement by renewing contracts of overseas officers. While the Government recognises the contribution of contract officers, they have had the opportunity to apply for transfer to the permanent establishment, if they want a permanent career in the Civil Service. A contract has obvious attractions: in particular, flexibility and gratuity. Those who have chosen to remain on contract and not to apply for permanent terms have presumably done so after careful personal deliberation and for their own good reasons.

The Administration therefore intends to continue with its gradual and careful policy of localisation while safeguarding the quality of the Administration and its ability to provide the public service Hong Kong needs. To put this in perspective only 97 overseas officers out of 1460 (that is only one in 15) who have applied for a fresh contract in the past three years have been unsuccessful.

In addition, there are posts, for example in the legal group of departments, police, and some specialist jobs in the works group of departments, for which overseas recruitment and the retention of overseas officers will be necessary.

We now have about 2 800 overseas officers, and I expect that the size of the overseas establishment will remain at about this level for some years to come.

Mr. POON Chi-fai also touched on the desirability of achieving a better balance of the number of local officers in senior posts. Sir, let me give you some statistics: five years ago, there were some 300 local officers occupying directorate posts, now there are 500. In terms of percentage this is an increase from 40 per cent to 52 per cent. At the senior professional level, the number of local officers increased from 750 to 1150 during the last five years, or from 62 per cent to 69 per cent.

The control of Publications Consolidation Ordinance

Let me now come to some views expressed by Members on law and justice. I was particularly interested by the speech of Miss Maria TAM. Members will recall that she drew attention to the provisions of the law which safeguard freedom of expression, including freedom of the press.

There is no doubt that in Hong Kong great importance is attached to the law in this field. The common law has an essential part to play not only in safeguarding freedom of expression, but also in ensuring that victims of the abuse of freedom of expression are protected and that the interests of the community as a whole are not threatened by stirring up alarm or violence among ordinary members of the community.

There is no doubt that among our Ordinances, on this topic as on some others, one can find provisions which were introduced to meet some transient problem and which no longer have a part to play in the modern prosperous and stable community which Hong Kong has become.

Both Mr. Richard LAI and Miss Maria TAM drew attention to the Control of Publications Consolidation Ordinance which as Miss TAM pointed out, was a 'product of the historical and political realities of the 1950s'. It was enacted in 1951. It was enacted to replace emergency legislation which preceded it, against the background of political upheaval in China. It was a time when there was much concern that the security of the territory might be damaged by seditious or subversive material published locally. The provisions of this Ordinance have only very rarely been used and for nearly 20 years, not at all. Some of them overlap with other provisions of the criminal law anyway.

The Secretary for Administrative Services and Information has in the past indicated that he is reviewing this Ordinance, including the provisions for registration of publications, with these points in mind. Sir, that review is now well advanced and Members can expect to see a bill in this session.

General levels of sentences of imprisonment

Sir, Mr. S. L. CHEN has performed a valuable service in bringing to Members' attention the question whether serious crimes are adequately punished in the courts. I recognise that there is in the community much concern about the incidence of rape, robbery and theft and whether the punishment fits the crime. The statistics which Mr. S. L. CHEN placed before the Council have given us food for thought.

Perhaps the first thing to be borne in mind is that the totals he has put forward for these offences necessarily cover a wide range of circumstances; from the most serious cases of their kind which are tried in the High Court to the most trivial instances of theft and robbery which are dealt with in the magistrates' courts. For example his total of convictions for theft includes shop stealing, or shop lifting as it used to be called, which tends to attract a lenient sentence if only because of the small values involved. Last year 45 per cent of the convictions for theft were for stealing from shops. It must also be borne in mind that the totals include juvenile offenders as well as adult offenders and first offenders as well as recidivists. So it is not surprising that only a small proportion of those convictions resulted in imprisonment.

I would also mention that when Mr. S. L. CHEN refers to the number of custodial sentences in each class of offence he is taking only the sentences of imprisonment and has left out of account other forms of custodial sentence such as confinement to detention centre, training centre or a drug addiction treatment centre.

Mr. S. L. CHEN drew attention to the average sentence of imprisonment for rape, robbery and theft. But circumstances vary so much in each particular case. So, in order to give the Council a better idea of the level of sentences imposed by the courts, the Judiciary have provided me with the individual sentences handed down for these cases in 1985 by the High Court and by the district court.

Take the offence of rape first, a serious offence which led to 27 convictions in 1985 in the High Court. Four offenders were sentenced to life imprisonment, two got 15 years, one got 14 years, four got seven years, four got six years and eight others got four years or more. Four years was the lowest sentence of imprisonment handed down. Young offenders were sent either to a training centre or to a detention centre. These figures, which bear out the average of nine years put forward by Mr. S. L. CHEN, may well indicate to Members that the sentences imposed by the courts were sufficient to deter.

Take next the offence of robbery. Of those convicted in the High Court, four offenders received 20 year sentences, 13 offenders received sentences between 14 and 19 years, and a further 51 offenders received terms between 10 years and 14 years. Half of all the offenders convicted in the High Court received sentences of eight years or more. Sentences passed in the district courts were inevitably less severe because they dealt with offences which lack the aggravating features. Even so approximately one half of all offenders convicted of robbery were sentenced to between three and six years, while some 14 per cent of offenders received sentences of six or seven years imprisonment which is the highest that the district court can impose. I stress that robbery covers many forms of criminal conduct, ranging from a gang of armed villains bursting into a jewellery shop to the case of a simple snatch by an unarmed youth. Given the breadth of the circumstances in each individual case, and the fact that the figures quoted by Mr. S. L. CHEN include juveniles and first offenders, the Government is satisfied that offenders are appropriately punished.

Where theft is concerned, we have a lesser offence which again involves a wide variety of circumstances of offence and offender. In the district court most offenders received between one and four years' imprisonment. Mr. S. L. CHEN'S average of eight months reflects the fact that the bulk of these cases are dealt with in the magistrates' courts.

Members may also be pleased to know that the level of violent crime has continued its downward trend in the first three quarters of 1986. In particular the number of robberies reported decreased by nearly 18 per cent compared with the same period of last year. On the face of it there is no cause for Members to be unduly concerned.

Mandatory minimum sentences

Mr. S. L. CHEN also proposed the introduction of fixed minimum sentences as a means of further reducing the crime rate in respect of the offences of rape, robbery and theft.

The Government views mandatory minimum sentences as a measure of last resort in its fight against crime, to be kept in reserve in case there is a surge of serious criminal activity. Mandatory minimum sentences have not found favour in other common law jurisdictions.

The flexibility that has been carefully built into sentencing policy in Hong Kong allows the courts to strike a balance between the need for condign and deterrent punishment reflecting the gravity of the offence, on the one hand, and the circumstances of the offender and the community's interest in his rehabilitation, on the other. This balance can only be achieved by allowing our courts a discretion to do justice in each case and by making available to them a variety of sentencing options.

Lawyers like myself coming to Hong Kong from other common law jurisdictions are sometimes struck by the fact that the level of sentences imposed for many offences is significantly higher here than in other jurisdictions. This no doubt reflects the strength of community attitudes towards crime and the treatment of offenders. The practice of the Court of Appeal in laying down guidelines for appropriate sentencing does much to ensure that those levels are maintained. In the case of robbery, for example, there are suggested tariffs of between four and seven years for no less than five different kinds of robbery.

Sentencing courts in practice adhere closely to these guidelines. If a particular sentence is thought to be manifestly inadequate in the light of those guidelines or the norms of sentencing, the Attorney General may apply to the Court of Appeal for a review of sentence. For this I need the leave of the Chief Justice. This procedure is used about 20 times each year and it allows the Court of Appeal further opportunities to pronounce upon appropriate levels of sentence.

So, Sir, for all these reasons the Government feels it would be a retrograde step to introduce mandatory minimum sentences for the offences under consideration. Indeed, there appears to be a strong case for removing the one existing mandatory minimum sentence of imprisonment in respect of the possession of offensive weapons. This has been the subject of a great deal of criticism from the Judiciary and from others as unnecessary and contrary to the tradition of the common law. Proposals for rationalising and strengthening this area of the law have recently been approved by the Fight Crime Committee and will soon be considered by the Executive Council.

Sir, I trust that these all too brief remarks may serve to give Members a clear indication of the Government's position on the valuable points raised by Members, and will at the same time provide a basis for further discussion and debate.

His Excellency called for solid progress in the coming year towards improving the life of the people of Hong Kong. I believe strongly that the legal system is one of the pillars of our society that is essential to its prosperity and to its stability. My chambers plays an important part in the administration of justice and in preparing fresh legislation to carry forward the policies of the Administration. We are presently examining the Select Committee's report on Complex Commercial Crime with a view to its early implementation. The Law Reform Commission has 11 sub-committees reviewing areas of the law where there is a case for change. My chambers has also set up a high level committee actively pursuing the objective of increased localisation so that we can meet the needs of Hong Kong in the years ahead.

Sir, we shall play our full part in working towards His Excellency's stated objectives in the coming year.

SECRETARY FOR SECURITY:

Crime

Sir, a number of Members spoke on the crime situation and our efforts to combat it. They put forward a number of useful ideas which the Fight Crime Committee is now looking at in detail.

For example, Dr. HO Kam-fai and Mr. YEUNG Po-kwan were both particularly concerned about triads in schools. The question of triads trying to lead our young people astray was brought up many times during the public consultation on the discussion document 'Options for Changes in the Law and in the Administration of the Law to Counter the Triad Problem'. It is clearly a subject the public feels strongly about. The Fight Crime Committee is working at it. The police earlier this year produced a report on recent studies on triads in schools for the committee's Working Group on Gangs. In order to get closer to the extent of the problem and possible ways to tackle it, the Secretary for Education and Manpower, a senior officer from the police force and myself have recently been interviewing a number of headmasters, school social workers

and student guidance officers. We emphasised to them that what they told us would be unattributed as far as our records and our use of the material was concerned. As a result we got, I think, a frank and realistic picture of what is going on. These exchanges have proved most useful and the Working Group on Gangs and the Standing Committee on Young Offenders are now considering what the next steps should be.

Our preliminary conclusions are that triads are not targetting schools for systematic infiltration. Rather they prey on children of school age and attempt to influence them outside the schools. But we are most concerned about other gang and bullying activities in schools. And it is a fact that the incidence of juveniles—that is seven to 15 year olds—involved in crime has increased more than four fold since 1975. The reasons for this increase are no doubt manifold. Many will be social. But one certainly seems to be related to our system of compulsory education, that some academically poor students who cannot keep up with Hong Kong's high standards, turn to this type of activity as gang and bullying to gain some sort of perverted respect from their colleagues. Precisely what we can do to counter this trend is still being considered by the Fight Crime Committee. Mr. YEUNG Po-kwan suggestions on how to tackle the problem will be very much borne in mind.

Dr. HO mentioned that Kwun Tong might be a suitable area in which to look at the broad social aspects of the problem. Mrs. Rosanna TAM and Mr. TAI Chin-wah also touched on juvenile delinquency. I am thankful for their suggestions. A working group of the Kwun Tong District Board has recently drawn up a report on the behaviour and attitudes of youths in Kwun Tong. This report shows that these youths seem to be particularly susceptible to anti-social behaviour. This report could form a useful basis for the type of study suggested by Dr. HO. The Standing Committee on Young Offenders of the Fight Crime Committee will also be considering the problem of juvenile delinquency in detail.

Mr. Peter C. WONG commented that rehabilitation was also important. The Government places a great deal of emphasis on this aspect. One of the Fight Crime Committee sub-committees is looking generally at the adequacy of the help available to prisoners immediately on their release. Also, we are about to continue our discussions with Members of this Council on a scheme for releasing prisoners under supervision and a scheme for pre-release employment. We feel these schemes will help offenders to reintegrate into society. The Government is also considering a partially suspended sentence scheme which we will be discussing with Members during the current session. In the triad discussion document, we put forward a triad renunciation scheme which the public strongly supported. We are now working out the details.

Sir, Mr. YEUNG spoke on the importance of keeping Police morale high and I should like to thank him for his words on this subject. We rely on the police to maintain law and order. Their morale and dedication are crucial to their

maintaining the confidence of the public. Both are in excellent shape. With regards to his warning on localisation, the force is fully aware of the policy designed to result in there being more local than expatriate officers in the gazetted officer ranks by the year 2000. In practice something very close to this object was going to be achieved anyway and very few officers' careers will be affected by this policy. The efficiency of the force will not be undermined.

Sir, Mr. CHUNG Pui-lam supported the Government's recent announcement on the firm measures it intends to take against triads and organised crime. The report of the Fight Crime Committee for 1986 will be distributed to hon. Members and published very shortly. It will show hon. Members the extent of the Government's commitment to tackle crime over a broad front. It will also show that there has been a welcome decrease in overall crime in the first three quarters of 1986 compared to the same period of 1985. With the dedication of the police force and the support of Members of this Council, I am sure that this trend will be continued into 1987 and well beyond.

Drugs

Commenting that the triad problem is closely related to the drug problem, Mr. YEUNG Po-kwan observed that 518 adolescents were charged with drug offences in the first half of this year. The thrust of the recently improved preventive education and publicity campaign of the Action Committee Against Narcotics is directed at young people. In fact the number of young persons under 21 prosecuted in the first half of 1986 for drug offences was about 12 per cent less than in the same period of 1985. The number of young people newly reported to the Central Registry of Drug Abuse in the first six months of 1986 was also less than in the corresponding period of 1985 by 24 per cent. This downward trend continued into the third quarter of 1986. Encouraging; and the Government, through the Action Committee Against Narcotics will continue to strengthen the anti-narcotics campaign and has given the campaign a high priority status for 1987-88 publicity campaign as in past years. I am grateful for the constructive suggestions made by Mr. YEUNG Po-kwan, all of which have been carefully noted.

Immigration

Mr. YEUNG Po-kwan also pointed out that the Immigration Department has to handle an ever-increasing workload and that to improve its services to the public it should introduce computer systems at its control points as soon as possible. Good progress is being made on the introduction of the so called Travel Record and Immigration Control Enforcement System (TRAICES) which involves the use of computers. Based on present progress it should be possible to introduce the system at control points in accordance with the following timetable:

- | | | |
|-----|---|---------------|
| (a) | Phase I—New Macau Ferry Terminal and Sham Shui Po Pier..... | May 1987 |
| (b) | Phase II—Lo Wu and Hung Hom..... | August 1987 |
| (c) | Phase III—Man Kam To and Sha Tau Kok..... | November 1987 |
| (d) | Phase IV—Airport, Sha Tin, and Kowloon Public Pier 54 | July 1988 |

This system will speed up immigration procedures at the control points and the queues in front of the immigration counters should be significantly shortened.

I agree with Mr. YEUNG that the Immigration Department should have its own training school for a comprehensive staff training programme. This possibility has in fact been under consideration for more than five years. The main difficulty is to find a suitable site. The latest position is that we are considering the possibility of developing the Erskine Camp in Sai Kung into a residential training school. We shall know in the latter part of 1987 whether we can proceed with an immigration training school there. Meanwhile we shall continue to press for these much needed training facilities.

Vietnamese refugees

Sir, I would now like to turn to the problem of Vietnamese refugees which was raised by my honourable colleagues, Mr. Peter C. WONG, Dr. HO Kam-fai, Mr. Jackie CHAN and Mrs. Rita FAN.

I am most grateful for the continuing interest shown by Members of this Council in helping to find solutions to the intractable problem of Vietnamese refugees in Hong Kong. I can assure hon. Members that the Administration is equally concerned about this issue and its effect on Hong Kong. We are only too well aware of the contradiction between our policy on Vietnamese refugees and our very necessary policy (given our acute population pressures) towards illegal immigrants from China. But, as Mr. WONG pointed out, the principles that govern our society are humanitarian, and until such times as we can be satisfied about the treatment of any who are sent back to Vietnam, we must continue to grant them asylum.

But while we as a place of first asylum in accordance with the international convention continue to accept all who come here, the resettlement countries have quite strict limitations on the numbers and the sort of refugees they are prepared to take. As a result we are landed with an increasingly large population whom no one is willing to resettle. 1155 of our refugees have been here for as long as six years; 4 430 of them for four years or more. Against this sort of background we have been greatly assisted by HMG's decision to broaden the family reunion criteria it applies in deciding who to take. As a result 423 refugees have left Hong Kong for the United Kingdom so far this year. In addition, Belgium, Denmark, Finland, Greece, Japan, Luxembourg, the Netherlands, New Zealand, Norway and Sweden have responded nobly by taking refugees from Hong Kong. The major resettlement countries (the United States, Australia and Canada) have either maintained or increased their regular

relatively high monthly off-take from Hong Kong. At the end of October this year a total of 3 300 refugees had been resettled from Hong Kong this year, compared to 3 200 during the same period in 1985. Though this represents only a 3 per cent increase, it must be viewed in the context of a shrinking worldwide interest in resettlement generally. Without the British initiative, resettlement from Hong Kong this year would have been very much lower. And above all its consequences have been significant for Hong Kong. At 8 165 on 21 November our refugee population was at its lowest since 1979, and 1 280 less than it was at the beginning of this year. Sir, we are extremely grateful to HMG and to all the resettlement countries for the very real help they have been giving us.

It is true that there has been an increase in arrivals this year. At the end of October, 1900 refugees had arrived compared to 950 during the same period in 1985. HMG is naturally concerned by the coincidence of this doubling in the number of arrivals following on HMG's initiative in taking more refugees plus the noble response of the other resettlement countries. As far as we can tell from questioning these arrivals, they were not specifically lured into coming to Hong Kong by the increase in resettlement in 1986—and in practice this increase has not been that dramatic anyway. Rather, they came here for a variety of reasons of which by far the main one is the hope of a better economic life in any of the main resettlement countries.

When it announced its decision to relax its family reunion criteria in respect of refugees in Hong Kong, HMG undertook to consider what more it might do to try to resolve the problem in the light of other countries' response to Hong Kong's needs. Sir, we have put it to HMG that other countries have responded generously.

We have also been pressing for an approach to the Vietnamese with a view to opening up discussions on means of returning those found not to be refugees to Vietnam. HMG recognises that resettlement can no longer be the sole solution to the problem and the issue needs to be explored in consultation with other interested parties including UNHCR.

Meanwhile, Sir, we have passed on the concerns expressed here by hon. Members in this debate to the British Government.

Sir, with these remarks, I support the motion.

SECRETARY FOR DISTRICT ADMINISTRATION: Sir, Members have raised a number of interesting points on improving our quality of life in the territory. These points covered building management in connection with our efforts to fight crime; improvement works in the urban fringe areas outside new towns; housing matters and promotion of arts, recreation and sports. I shall briefly respond to these matters in turn.

Mr. CHUNG Pui-lam made some specific suggestions to enhance law and order and improve district management. On matters relating to good building management, Government has been taking action on three inter-related fronts to assist landlords and tenants to improve the management of their buildings. These involve the deeds of mutual covenant, the Multi-Storey Buildings (Owners Incorporation) Ordinance, and assistance to management organisations.

All deeds of mutual covenant arising from new, non-industrial leases granted since February 1986 are required to contain some standard provisions conducive to the proper management of building. The detailed arrangements are being worked out by the Registrar General in consultation with Law Society. A degree of flexibility will be provided in the drafting of the individual deed of mutual covenant to take account of the special characteristics of a particular development.

The existing provisions of the Multi-Storey Buildings (Owners Incorporation) Ordinance lay down the fundamental rights and responsibilities of an owners' corporation. To facilitate improvements, work is in hand to amend the Ordinance to provide a clearer management framework within which owners' corporations could operate more efficiently. The proposed amendments will make the formation of owners' corporations easier, lay down rules and procedures to be observed by the management committee, set out in clearer terms the relationship between individual owners and the management committee and provide opportunities for greater participation by tenants in the management of the building. These proposals will be presented to the district boards for their comments in early 1987.

Meanwhile, as an indication of government support towards the formation of owners' corporations, legislative amendments were enacted in October this year to provide for the waiving of Land Office search fees in cases where the search is required in connection with the formation of an owners' corporation. This provision has been in effect since 1 November 1986.

Assistance and guidance to residents on building management matters has always been given by district office staff. As a result of these efforts, there have been an annual increase on an average of 200 owners' corporations and 60 mutual aid committees in private multi-storey buildings over the last four years. In addition, since 1985, CNTA has begun to set up special teams at district level to deal with building management matters. To-date, a total of four teams, each headed by a housing manager, have been established in Eastern, Yau Ma Tei, Mong Kok and Kwai Chung and Tsing Yi respectively. Their main task is to advise and assist residents and management bodies in dealing with building management problems. The four teams have so far provided assistance to 135 buildings. Through regular liaison, visits and seminars, the teams are helping to promote better building management among both owners and tenants. Subject to available resources, it is intended to extend this scheme in the coming years to other districts.

As regards the Watchmen Ordinance, I agree that it needs improvement. We are now drawing up, with the security industry, proposals for legislation to regulate the whole industry rather than watchmen only. This will be an important step in ensuring that proper standards are achieved and are known to the public.

On the Neighbourhood Watch Scheme, this continues to be most popular. Under the first two phases of the scheme, some 28 500 families have so far formed about 2 800 neighbourhood watch units. The third phase of the scheme will be implemented in the next few months and about another 15 000 families are expected to be involved. The district fight crime committees will continue to assist the police in co-ordinating and implementing the scheme. Close liaison is maintained, and talks, seminars and meetings with residents, mutual aid committees and owners' corporations of multi-storey buildings are held on a regular basis. Residents participating in the scheme are also visited by police officers. The police and district fight crime committees are thus providing a proper framework and environment to encourage crime prevention.

Mr. LAU Wong-fat repeated the statement he made in this year's Budget debate about the need to improve living conditions in parts of the New Territories outside the new town boundaries. I share Mr. LAU's concern and am pleased to say that progress is being made.

In the coming financial year, it is intended to fund a new public works item for 'improvements to urban fringe and rural areas in the New Territories'. This item will continue the provision for local public works to be undertaken in the rural areas, including the construction of simple access roads and footpaths, drainage systems and other basic facilities. It will also include a new element of much needed improvements to urban fringe areas outside the new town boundaries. In addition, we hope to establish a new recurrent subhead for the maintenance of local public works projects, some of which have fallen into a state of disrepair over the years.

These initiatives will assist in the provision of essential facilities in areas outside the new towns and I hope that it will prove possible to expand this programme in future years.

Several Members also spoke on housing matters including finance, the role of the private sector, the increasing demand for home ownership and the need to redevelop more of the older estates. These points are being considered in the housing strategy review now being prepared. The intention is to optimise the resources of the private and public sectors to ensure that existing demand and future needs can be met. I am grateful to Members for their comments and pleased to see that they support the approach which is being taken in the review.

Mr. CHAN Ying-lun and Mr. F. K. HU referred to the two issues of public housing rent policy and subsidy in their speeches. As we already had a useful debate on these very issues in late October, I will not go into details again today.

I must however point out that the projected financial self-sufficiency of the Housing Authority must be viewed in the context of a very sizable outstanding loan from the Development Loan Fund which has yet to be repaid over a long period of time and the on-going provision of free land by the Government for building rental estates. Financial self-sufficiency of the authority must not therefore be taken to mean that the authority is able to meet the entire cost of implementing the public housing programme from its own resources. Government will in fact continue to contribute substantially towards the programme after the authority becomes financially self-sufficient.

Mr. CHENG Hon-kwan referred to the need to introduce new technology to the construction industry. I am pleased to be able to inform this Council that in so far as the Housing Authority is concerned, the introduction of the mechanised contract programme and the large panel formwork contracts over the last few years have caused a significant number of local contractors to modernise and introduce new techniques in their method of construction. This has not only resulted in shorter constructions period for the authority's works, it has also generally raised the standard of workmanship.

Finally, I would like to turn to the subject of arts, recreation and sports. The future development in this area will need the support of the community and the commercial sector. Both Mr. F. K. HU and Mr. Hilton CHEONG-LEEN have seen the need for better co-ordination and closer partnership between the government and non-government sectors. With the advice of the Council for Recreation and Sport and the Council for the Performing Arts, Government will be developing the idea in furtherance of the call for sponsorship. I also share the view that 'matching grant' will have a role to play in the overall strategy.

In promoting sports, recreation and the utilisation of facilities, the Government through the Council for Recreation and Sport, the Urban Council, the Regional Council and the Jubilee Sports Centre, have shared a common aim to co-operate and co-ordinate activities and policies. This effort will continue. All parties, I am sure, will keep an open mind on possible changes for improvement.

Sir, I support the motion.

SECRETARY FOR HEALTH AND WELFARE: Sir, although the main focus of Members' attention in this debate was undoubtedly on matters related to constitutional development and representative government, several Members raised issues connected with health, welfare and environmental protection, which fall to me to answer. Two of the main issues in my area—hospital services and care and services for the elderly—have been extensively debated in this Chamber in recent weeks and I shall not cover the same ground again in detail, but will limit my remarks largely to other points raised by Members in this debate.

Medical and health services

In his speech, Dr. CHIU spoke of the need to develop a local system of postgraduate medical education, training and accreditation. As the Governor announced in this Chamber on 8 October, a 14-member working party, of which Dr. CHIU is a member, has been appointed on to study this issue in detail. The working party has arranged a number of open forums this month to meet and consult members of the medical profession. Although the working party has been given two years to submit its findings, I understand that it is the intention of its chairman, Dr. Keith HALNAN, to produce an interim report within one year.

Dr. CHIU also drew attention to the need to step up enforcement action against illegal medical practices and undesirable medical advertisements. This is certainly Government's intention, and I hope that the Penalties for the Practice of Medicine and Dentistry by Unregistered Persons (Miscellaneous Amendments) Bill 1986, which I introduced into this Council on 12 November will commend itself to Members. I have also recently issued drafting instructions to amend the Undesirable Medical Advertisements Ordinance to facilitate prosecutions for offences under that Ordinance.

Dr. CHIU suggested that a central statutory body should be established to co-ordinate the many boards and councils which exist to regulate the various medical and para-medical professions, and to streamline the enforcement of the different Ordinances against illegal practices. The Boards and Councils Section of the Medical and Health Department already exists to service these bodies which are themselves statutory, and I am not sure what would be gained by setting up a new statutory organisation. However it may be that the present machinery for dealing with complaints and prosecuting offenders needs some strengthening and I will certainly consider this with the Director of Medical and Health Services. The staffing and financial implications would of course need to be examined and the various boards and councils consulted before any recommendations could be made.

Dr. CHIU reiterated the point made in the recent adjournment debate that primary health care should not be separated from the hospital service. I can only repeat that whatever decisions are taken on the recommendations in the consultants' report, we shall give careful thought to the vital links between these two aspects of our medical and health services.

Social Welfare

I turn now to social welfare and the remarks made by Mr. HUI Yin-fat, Mr. LIU Lit-for and Mrs. Rosanna TAM.

Mr. HUI regretted that the quality of social services has been severely constrained by the quantity of resources available from the Government. He painted a sorry picture of low standards, lack of government support for the voluntary agencies, and a deteriorating quality of life. While it is true that

during the last few years, when financial restraints have been necessary in order to achieve a balanced Budget and there have been tight controls on the expansion of the Civil Service, it has not been possible to introduce many improvements to the quality of welfare services, it is also true that since 1981-82 expenditure on social welfare has shown the steepest increase of all the major programmes. With the improvement in the financial situation, I am hopeful that more resources can be allocated in 1987-88 both to improve existing services and to develop new ones. In addition the sum of \$6 million per annum will be available this year and the next two years, from the surpluses accumulated by the agencies, specifically for improvements in the quality of welfare services. As a start, provision for 10 additional social workers has just been approved to reduce the caseload of family case-workers in the subvented agencies.

Sir, I must take issue with Mr. HUI's interpretation of the objects of the standard cost subvention system. It is certainly not the intention, to quote Mr. HUI, 'that standards must be set at such a low level that they would not jeopardise the amount of subvention allocated under the one-line vote for social welfare', rather the object of the system is to ensure that agencies receive an adequate amount of subvention to enable them to provide a service up to a satisfactory standard. Nor is it true that the alleged reluctance of the Social Welfare Department to enforce the Code of Practice for Private Old Age Homes derives from any tacit agreement between the department and the management of these homes with the object of avoiding the additional cost involved in providing more subvented homes if the private institutions are forced to close. On the advice of the Social Welfare Advisory Committee, we have decided to give the private homes an opportunity of showing that they can comply with the code, before we decide whether any further action needs to be taken. The department will continue to monitor the situation and a comprehensive review will be conducted in a year's time.

Mr. HUI also referred to a proposal to set up a social welfare personnel registration scheme aimed at regulating social work practice to ensure protection for clients as well as to raise the quality of service. I understand that his proposal is at present being considered by the voluntary agencies and I look forward to hearing of their conclusions in due course.

I would like to thank Mr. LIU Lit-for for his concern about welfare services for the elderly, in particular housing provisions, the control of private homes and medical services. As I have already dealt with these points at some length during the adjournment debate on 12 November, I do not propose to repeat what I said on that occasion.

Mrs. Rosanna TAM referred to the changing needs of our young people and suggested that perhaps we are spending too much money on cultural and recreational activities and not enough on personal social work and counselling for young people. It is distinctly unusual to hear a Member say that we may be doing too much in a particular area, and there is no doubt that the availability

of healthy activities for young people in the cultural and recreational field is an important factor in preventing juvenile delinquency. As in many other fields, prevention is better than cure. But I take Mrs. TAM's point that we do need to consider the balance between the two kinds of service for young people.

So far as school social work is concerned, I am pleased to report that Government has accepted in principle the recommendations made by the recent working group on this subject. One of the recommendations is that the manning ratio for school social workers should be improved. The working group also recommended that the existing monitoring system should be strengthened and that there should be better co-ordination between counselling and guidance service for students. Subject to the necessary resources being available, I hope that we shall see some improvements in this area in the near future.

Mrs. TAM also referred to the need to strengthen the outreaching social work service. An evaluation of the effectiveness of this service has just been completed and the Social Welfare Department is now considering the findings of the study in consultation with the welfare agencies. We shall shortly be seeking the advice of the Social Welfare Advisory Committee on this particular service. The problem in this area has not so much been the lack of resources but the difficulty experienced by the agencies in recruiting social workers prepared to carry out this demanding and often uncongenial work.

Pollution

I was encouraged by the concern expressed by both Mr. CHEUNG Yan-lung and Mr. TAI Chin-wah over the state of Hong Kong's environment. Mr. CHEUNG's observation that we are a decade behind in environmental protection recognises the fact that years of relative neglect have left a backlog of environmental problems such as the deteriorating water quality of Tolo Harbour and Victoria Harbour, the urgent need for new sewerage projects and action against the improper disposal of animal wastes, illegal drainage connections and air and noise pollution. Nowhere is the maxim 'a stitch in time saves nine' more apt than in anti-pollution work. Now is the time to act, and there are encouraging signs that Hong Kong people in general are becoming much more concerned about their surroundings and are much readier to complain about pollution and other environmental problems.

We have made a good deal of progress recently. The re-organisation of pollution control activities and the establishment of what should prove to be a much more effective Environmental Protection Department; the making of the regulations necessary to implement the provisions of the Water Pollution Control Ordinance; the approval in principle of a package of measures to deal with the question of agricultural wastes; and the initiation of concrete measures to clean up the Shing Mun River and the Tuen Mun Nullah have all occurred in the past year. I hope that we can keep up the momentum, although this will subject the still very small Environmental Protection Department to very

considerable strains. During the next few months the long-awaited Noise Control Bill, which has proved extremely difficult to draft, and an important set of air pollution measures should see the light of day.

Mr. CHEUNG suggested that the Environmental Protection Department should work to the Secretary for Lands and Works, in view of its connection with town planning and major projects. However, it seems to us to be important that the environmental voice is perceived as being independent and the principal objective of environmental protection is, after all, the health and welfare of the population. It is therefore considered more appropriate for my branch to continue to be responsible for policy in this area.

I am glad that Mr. TAI Chin-wah agrees that the problem of livestock waste disposal warrants urgent attention. These wastes are the main source of organic pollution in our watercourses and coastal waters and, aesthetic considerations aside, pose a serious risk to public health. Mr. TAI's suggestion of establishing special livestock farming zones has been carefully examined. However, in addition to the problem of the shortage of suitable land, this suggestion raises the fundamental issue of whether agriculture (or industry for that matter) should be subsidised from public funds in this way. We consider it more appropriate for Government to assist livestock breeders by providing waste collection services in the rural areas and providing advice to farmers on how to comply with the proposed anti-pollution controls. Those who are unable to comply with the new regulations will be eligible for *ex-gratia* payments and, in addition, information and advice on alternative agricultural activities will also be made available. The Government fully accepts the need to take account of the social effects of the new control measures.

Sir, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER: Sir, a number of Members have spoken on matters relating to education, to labour policy and to the proposal for a central provident fund. I should like to deal with the latter topic first.

Central provident fund

Mr. NGAI Shiu-kit has referred to the possible adverse consequences of setting up such a fund in Hong Kong. Other speakers, Mr. TAM Yiu-chung, Mr. HUI Yin-fat and Mr. F. K. HU, have expressed support for the idea. This reflects, I think, the considerable differences of opinion which exist on this subject.

As the Governor said, Sir, in his address, the implications of introducing a scheme of this kind are far-reaching and a decision cannot be taken lightly. We must have regard not simply to the willingness of the individual employee to contribute but also to the potential effects upon the economy as a whole.

I will not attempt this afternoon to go into the arguments for and against the fund. As Members are aware, the Administration's review paper has been circulated for consultation to a limited number of advisory bodies whose

expertise is particularly relevant to different aspects of this issue. In the light of that advice, consideration will be given to the need for further consultation. I should, however, like to take this opportunity to assure Members once again that their views will be sought before a decision is taken on this issue.

Labour policy

Mr. TAM has cited belated consideration of the need for a central provident fund as evidence of a lack of long-term planning in the labour field. I think I must in fairness point out that the Government has looked into this proposal on two previous occasions, in 1966 and in 1977. On both occasions, the balance of the arguments was found to be against going ahead with such a scheme. While, therefore, we are now taking a fresh look at the issue, we are certainly not doing so for the first time.

More generally, the development of labour policy has been guided by the very clear precept laid down by your predecessor, Sir, in his address to this Council in 1976. The objective which we have pursued since then has been to achieve a framework of legislation governing safety, health and conditions of employment at least broadly equivalent to the best in neighbouring countries whose stage of economic development and social and cultural background are similar to our own.

In pursuit of this objective, more than 150 items of labour legislation have been introduced over the past 10 years. Mr. TAM has referred specifically to legislation on industrial safety and the review of the Employment Ordinance. As regards the former, we now have 24 sets of regulations covering various aspects of health and safety. The most recent of these, covering carcinogenic substances, was introduced last month and work is in hand on a new set of regulations concerning the labelling of dangerous chemicals. As regards the Employment Ordinance, its provisions have been substantially improved and extended since 1976 in such areas as sick leave, maternity leave, severance pay and long-service benefits.

I agree entirely with Mr. TAM about the need for a sound employee-employer relationship, and indeed for a similarly sound relationship between both sides of industry and the Government. This is the fundamental objective of the tripartite approach on which the work of the Labour Advisory Board and of its five committees has been based. I very much hope that the existing co-operation and dialogue between employees, employers and the Government will continue and that, in consequence, we shall see a continuing development of the existing framework of labour legislation to meet changing needs and to remedy deficiencies as these become apparent.

Primary and secondary education

If I may turn now to education, Mr. YEUNG Po-kwan has stressed the importance of computer education and expressed the hope that this will be made available in more schools. Some 265 of the 320 public sector secondary

schools are now teaching computer studies in Form IV and V, using equipment which is centrally purchased and maintained by the Government, and more schools will join them next year.

There are also plans in hand to introduce computer literacy courses in Forms I to III, the aim being to ensure that all students have the opportunity to become familiar with computers during their period of compulsory education. Extension of such courses to primary schools is still a little way into the future, but will certainly be looked at, particularly when the problems of making appropriate software available in Chinese can be overcome. Kindergartens are not part of the public sector, but private schools of all kinds are of course free to introduce computer education courses if they so wish.

As to the opening of additional computer education centres on Hong Kong Island and in the New Territories, this is certainly a possibility for the future. The opening of the first such centre in Kowloon next month will enable us to gauge more accurately the long-term demand for in-service computer courses for teachers.

I am grateful for Mrs. Selina CHOW's support for the revised JSEA proposals and I fully agree with her that this was an encouraging example of an idea emerging in a process of consultation and dialogue between the Government and other interested parties with experience and expertise to offer.

But I should like to assure Mrs. CHOW that the question of curriculum development is not being overlooked and that we are indeed making use of the expertise available within the teaching profession. At present, some 75 school heads and 250 teachers are serving on the Curriculum Development Committee and its various subject committees while another 290 teachers are assisting in the closely related task of textbook reviewing. In addition, up to 18 teachers from government and aided schools are seconded to the Education Department each year as full-time members of the curriculum development teams.

I do, nevertheless, agree that we do need to take a fresh look at the machinery for curriculum development in the light of recent and impending changes to the education system. This is a subject which the Education Commission will be considering in the course of next year.

Mrs. Rita FAN and Mr. LIU Lit-for have both spoken of the importance of providing information and guidance for students as they seek to further their studies or choose a career. Advice and information of this kind is available through the Overseas Students Scholarships Section and the Careers and Guidance Section of the Education Department, through the Youth Employment Advisory Service of the Labour Department and through the Association of Careers Masters and Guidance Masters working in the schools.

Mrs. FAN has, however, suggested development of a more sophisticated computer-based system. Clearly, with the very rapid development of information technology, this is the direction in which we must move. We will certainly

try to find out more about the systems which Mrs. FAN has mentioned and see whether these or perhaps similar systems would be suitable for Hong Kong or could be adapted to meet our needs.

Like Mrs. FAN, I very much hope that further development of our career guidance services will help to correct any overemphasis upon academic education and the importance of getting a degree and help to give an equal emphasis to the importance of technical and vocational education.

Mr. K. C. CHAN also strongly supports this view. In his speech, he has stressed the need for the Vocational Training Council to continue to expand its programme of technical education and industrial training to meet the changing needs of the economy. The council has met this challenge with notable success and I can assure him that it will continue to enjoy the Government's support for its work to the fullest extent we can afford. In particular, I would like to say that I welcome the proposal to establish a banking training centre to help ensure the supply of trained manpower for this important and rapidly developing sector.

I share Mr. CHAN's concern about discipline problems and also his view that this is a matter for the family as well as for the schools. So far as schools are concerned, the Education Department advocates a positive approach, involving counselling and guidance. Additional resources are being provided to the schools to support this approach and advisory services offered by the department have been extended and improved. The question of curriculum and behavioural problems will be studied by the Education Commission in its next phase of work.

Mr. TAI Chin-wah has pointed to the shortage of secondary school places in some new towns as a failure of infrastructural planning. In planning the school building programme, we have to look many years ahead and it has proved extremely difficult to estimate the population and age structure accurately so far in advance. Nevertheless, much work has been done on this by the Working Group on Population Distribution and a computer model has now been developed by the Lands and Works Branch which should be a great help to us in planning the location of new schools and of schools reprovisioned from areas of surplus supply.

Research

Members have referred to a number of matters relating to higher education. Both Mr. Allen LEE and Prof. POON Chung-kwong would like to see increased support for research at our institutions of higher education. I agree with Mr. LEE's point that the broad thrust of research at these institutions should be geared to their educational needs. The importance that the Government attaches to research is evidenced by the fact that, for the current triennium, funds totalling some \$45 million were specifically reserved for research in the

five institutions, even though the imposition of overall cash limits had required economies in other areas. The UPGC has recommended a higher level of research funding for the 1988-91 triennium and this proposal is now being examined.

In this same area, Prof. POON Chung-kwong has proposed the establishment of a science and technology research council. In its advice to the Government on research funding, the UPGC has also recommended the setting up, initially of a research sub-committee, and ultimately of a research grants committee, to allocate research funds and monitor research projects. I can assure Prof. POON that the Government fully recognises the need to co-ordinate and promote research and that we are looking at the UPGC's proposals in this spirit.

Hong Kong Council for Academic Awards

Mr. LEE Yu-tai has proposed that the assessment of courses at Lingnan College and Shue Yan College be included in the work of the Hong Kong Council for Academic Awards. I am happy to confirm that this will indeed be included in the council's remit as a longer-term objective. The first and most immediate task of the proposed council must, however, be the validation of degree programme proposals from the two polytechnics and the Baptist College.

The Planning Committee for Academic Awards has meanwhile been established. Its remit is to consider in detail how full local validation of degrees awarded by non-university educational institutions in Hong Kong might best be arranged and managed. The first full meeting of the planning committee is scheduled for the end of December and it is expected to put its recommendations to the Government by the end of June next year.

Third university

Mr. LEE Yu-tai, Dr. Daniel TSE and Prof. POON Chung-kwong have put forward suggestions on the academic profile and various other aspects of the third university. As regards the former, Mr. LEE would like to see the new university place emphasis on second chance programmes, part-time degrees and open education. Dr. TSE and Prof. POON, on the other hand, would like to see it emphasise postgraduate studies and research. These and other views will be taken into account by the Planning Committee for the Third University which is now considering the institution's academic profile. The Government would welcome a balanced programme of studies taking account of the courses available at other tertiary institutions as well as the manpower requirements of the various sectors of our community.

The planning committee is now considering the best location for the new university. Accessibility by public transport will no doubt be a major factor in this consideration. Questions relating to language of instruction, mode of study, recruitment of teaching staff and their conditions of employment will also be examined by the planning committee in due course.

Planning for the new university, important as it is, will not be allowed to distract our attention from the further development of the five existing tertiary institutions. Indeed, the development and expansion planned for these institutions in the next decade is substantial. By the mid-1990s, the total number of places they provide will increase from the present 34 000 to around 50 000. In this context, I note Mr. LIU Lit-for's suggestion that the two polytechnics and the technical institutes should provide more industrial technology courses and Mr. TAI Chin-wah's suggestion for training of bilingual practitioners. The UPGC and the VTC will, I know, take their suggestions into account.

In conclusion, Sir, I would like to thank Members for the many helpful suggestions they have put forward and assure them that we will look at them all very carefully.

With these remarks, Sir, I support the motion.

4.11 pm

HIS HONOUR THE PRESIDENT: Before we turn to questions of the infrastructure, the economy and finance, I think that most would like a short break.

4.33 pm

HIS HONOUR THE PRESIDENT: Council will resume.

SECRETARY FOR LANDS AND WORKS: Sir, Members have raised questions relating to the development of new towns, urban renewal, the local construction industry, parking of container vehicles, the role of the Lands Tribunal, the processing of building plans and the problem of unauthorised building works. I shall endeavour to answer the questions raised in that order.

New Towns

In response to the helpful suggestion made by Miss TAM, Mr. LAU Wong-fat and Mr. TAI Chin-wah regarding the new towns, first I would like to say that these have by and large been extraordinarily successful ventures. External factors such as continued strong economic growth and first rate utilities provision have clearly helped enormously, but I think that the system of multi-discipline teams, balanced development and programmes of work adopted by Government have also proved their worth. Moreover, the advice of the local district boards has helped to guide the Administration to make the minor adjustments in programming and priorities which make so much difference to everyday life. That is not to say there have not been growing pains along the way, but with much improved transportation links now established to all the principal population centres in the New Territories, I cannot see that the existing new towns programmes have any fundamental weaknesses. So I will

bear Mr. TAI's suggestion for improved co-ordination machinery in mind, but I believe that the present balance between central planning and local consultation, planning and programming is about right and I doubt if other co-ordinating machinery would do much better.

However, I certainly agree with Miss TAM that our planning needs to take account of the fact that new towns are unlikely to become self-contained communities from the outset, and that in the long term also there will continue to be a great deal of commuting between different parts of the territory. We need to look realistically at the degree of self-containment which is likely to be achieved in each town both in the early stages and later when patterns of employment and community have been established. Good transport links are vital from the outset, and will be especially so at Junk Bay and Tin Shui Wai. But it would be wrong not to plan for substantial employment opportunities in the new towns, although the amount may differ between different new towns and at different stages of their development. Young people with families often need work close at hand if they are to be employed at all, particularly in the towns further away from the urban areas. I understand that both in Japan and the USA, developers are constructing what are known as work centres in commuting towns. These centres are tied by modern communication systems and computer links to city offices and industries and enable even office work to be done, both part-time and full-time close to people's homes. This is highly economic as rents in outlying districts are much cheaper than in the commercial centres. I would expect this kind of development to occur soon in Hong Kong. So I am more sanguine than Miss TAM and Mr. TAI about employment in the new towns, though I believe the planning of each new town needs more individual treatment in this respect than has been possible in the crash programme of housing in which we have been engaged in the last 14 years. My confidence is reinforced by recent experience in Tuen Mun which in 1985 had about 1.24 million sq m of industrial floorspace in its main light manufacturing areas, as compared with 0.55 million in 1981. Over the same period, the number of firms in these areas has increased from 712 to 1 700, and the number of manufacturing jobs from 17 000 to 30 000.

Urban Renewal

Mr. Jackie CHAN advised that careful consideration be given to the compensation and rehousing arrangements for owners and tenants affected by the Land Development Corporation's work. Compensation arrangements will be covered in the legislation to establish the Land Development Corporation, and the corporation's responsibilities for rehousing will also be made clear. I am sure that these provisions will be the subject of close scrutiny by this Council.

I also agree with Mr. Jackie CHAN that Mong Kok needs urban renewal and the early attention of the LDC.

Local construction industry

Miss Maria TAM, Dr. Henrietta IP, Mr. CHENG Hon-kwan and Mr. HO Sai-chu have all expressed concern about the local construction industry and the amount of public sector work awarded to overseas contractors. I am now examining the position in detail with the Building Contractors Association to see whether there are any genuine inequities in the present system of listing of contractors and acceptance of tenders, and so I will limit myself to a few points relating to those made by Members earlier in this debate:

- (a) At least as judged from the government contractors list there is no indication of a declining local industry. The number of listed local contractors is slightly higher than that in 1983. On the list of contractors for Group C where both local and overseas contractors compete for contracts from \$15 million or over, the number of local contractors has remained about the same since 1983.
- (b) The proportion of work done by overseas contractors is not continuing to increase. Actually the latest figures show an overall decrease.
- (c) Whatever assistance overseas contractors may receive from their own countries, all tenders are compared with Government's estimates. If there are significant differences and the contractor cannot justify his low rates, Government may refuse to accept the tender. So if dumping means offering services below cost, this is in practice unlikely to happen to any significant extent.
- (d) Following earlier discussions with the Building Contractors Association, checks on financial status, managerial, plant and technical resources, and initial probationary status and disciplinary actions for overseas contractors have all been brought into line with those for local contractors.
- (e) Finally, overseas contractors employ local labour and in many cases local professionals and other staff for their projects; they also employ local sub-contractors. The immigration policy applied to overseas contractors is the same as for other overseas businesses in Hong Kong.

I make these remarks preliminarily, for as I have said I am discussing the matter with the Building Contractors Association. I have said publicly and to the association that I am concerned to settle for a system, which is not protectionist, which gives Government the best value for money and which is fair to all. I can promise no more than that.

Kwai Chung Container Terminal parking problem

Turning to the specific question of parking at the Kwai Chung Container Terminal, I agree with Mr. CHENG Hon-kwan's point that, to solve the problem, land should be allocated close to the terminal for queuing and parking of container vehicles. The Container Port Road is now being realigned and will provide for a two-lane dual carriage way with an additional queuing lane for container tracks. The first stage will be completed in 1987 and the road will be completed in 1990. About this time also parking space for 200-250 container

vehicles will become available at Kwai Chung Creek Reclamation which is being formed together with Terminal 6. These additional facilities will help, but there will never be a plenty of spaces at Kwai Chung.

Premium for lease modifications

Unlike the various compensation provisions over which the Lands Tribunal has an appellate jurisdiction, modifications are commercial transactions which are voluntary on both sides. A modification is one of a chain of commercial transactions affecting the redevelopment of property, the terms of none of which are subject to judicial intervention, and the fact that one party represents the tax-payer would seem to be a reason for judicial intervention only if it were felt that that party was disposing of development rights in land for less than they were worth. Modification premia represent the estimated value between the land before and after the conditions have been modified and clearly the after value includes an element of the developer's expected profit. In practice over the years, there has been a steady flow of modifications, and in my recollection a steady flow of developers' appeals against modification fees. Some appeals are successful, some not, but all are considered properly and most have resulted in modifications and redevelopment proceeding at a profit to the lessee. I do not believe that in general the rate of modification fee or indeed the necessity to modify has been a major factor in the rate of urban redevelopment. In the older parts of the town, the main stumbling block seems to have been the difficulties in obtaining clear title to land in a situation of fragmented or absentee ownership. The establishment of the Land Development Corporation is expected to help with these problems.

Buildings Ordinance

Dr. IP also raised two matters concerning the Buildings Ordinance and its subsidiary regulations, namely the time taken to approve building plans, particularly minor alterations, and the control of unauthorised buildings. I will answer to these points in a moment, but would like first to make some general points about this Ordinance. The cornerstone of the Ordinance is the preparation by a qualified professional and approval by the Building Authority of a set of building plans. The preparation of these plans and subsequent construction of the building in accordance with them are guided by statutory provisions relating to such matters as means of escape, safety and building materials and so on, and once approved, these plans become the basis of all subsequent control. The building must be constructed in accordance with them; it should not be altered unless in accordance with an approved amendment again prepared by a qualified person; illegal alterations are alterations not covered by approved amendments and so on. Particularly in Hong Kong where buildings are tall and complex, this is virtually the only way in which basic building construction can be satisfactorily controlled to ensure safety, but at the same time it does not provide an altogether satisfactory way to dealing with or controlling things which happen or ought to happen after a building is

constructed, or, which perhaps is more important in the long run, the encouragement of building maintenance. I think I would be justified in saying that over the years the government machinery has coped well with construction, but has for various reasons been rather less successful in dealing with matters subsequent. This has been partly because of the resources available to deal with both functions concurrently, but it may well be that a more fundamental change is necessary and that separate legislation to deal with minor alterations, maintenance and other matters related to use and occupation of buildings is necessary. I shall be looking into this and I shall be hoping for guidance in the future from the Land and Building Advisory Committee, of which Mr. CHENG Hon-kwan is the chairman. In the meantime we will do our utmost to improve present procedures.

Time for approval of building plans

Regarding the specific matter of the time taken for processing building plans, particularly in respect of relatively minor works. Over the last few years the whole trend of change within the Buildings Ordinance has been towards simplification of the procedures, and in section 43 a very wide range of minor works are actually exempted from Buildings Ordinance procedures. Thus for instance, the alteration of non-structural walls within individual premises need not be reported to the Building Authority for approval although in fact they appear fairly frequently in architects' submissions. A very fundamental amendment to permit minor alterations involving internal drainage which is a particularly important feature in alterations connected with restaurants is under preparation and will result in a great number of submissions now required being exempted in the future. Other structural alterations do need full consideration under the Ordinance but I will certainly discuss with the Building and Lands Department whether any distinction could be made between the processing of major and minor works.

Unauthorised building works

Finally, with regard to the problem of unauthorised building works, I very much appreciate Dr. IP's sympathetic comments. The scale of the problem is formidable and with the heavy workload of approving building plans and dealing with dangerous buildings and related matters, the resources available in the Buildings Ordinance Office to tackle the problem are limited and so priorities for control must be set realistically.

It is proposed that prompt action should be taken on high priority cases. These are defined to include cases where there is danger to the public, large structures which contravene both the Buildings Ordinance and lease conditions, and cases recommended for removal by district boards and subsequently endorsed by an inter-departmental committee established for that purpose. All other low priority cases will regrettably have to be deferred until resources are available to deal with them unless the priorities are changed.

Complaints procedures will be streamlined and it is proposed that demolition teams should be established. These would have the power to take immediate action to demolish unauthorised buildings under construction or just completed. Legislative amendments will be necessary to achieve this and other minor proposals to improve efficiency in tackling the problem.

District boards who will be much more closely involved with the new procedure will be consulted shortly on these proposals and it is hoped to introduce them next year.

Dr. IP's helpful suggestion for intensifying the prosecution of offenders, including building owners, tenants and contractors, by making use of the Magistrates (Amendment) Ordinance and by introducing legislation similar to the Fire Services (Amendment) (No. 3) Bill, is being examined.

With these comments, Sir, I support the motion.

SECRETARY FOR TRANSPORT: Sir, I should like first to thank all those Members of this Council who raised matters relating to transport policy.

Miss Maria TAM urged careful study of the transportation requirements of new towns, citing the case of Tin Shui Wai and Junk Bay as examples, whilst Mr. WONG Po-yan reminded us, both of the importance of a good road network and of the need to cater for the parking requirements of container trucks. The latter point has in fact been covered by the Secretary for Lands and Works in his reply.

Mr. CHEUNG Yan-lung, Mr. LAU Wong-fat and Mr. TAI Chin-wah noted the importance of good communication links in the development of new towns also, and suggested that consideration be given to linking the Tuen Mun-Yuen Long Light Rail Transit system with the Kowloon-Canton Railway and Mass Transit Railway.

Mr. POON Chi-fai stressed the need for the continued improvement of public transport services, and is concerned that there should be no over-reliance on our railways.

In response first to the concerns raised by Mr. POON, I should like to make the point that there has in fact never been totally free competition in the provision of public transport services in Hong Kong. The bus and ferry companies, for example, have always operated under a system of franchises and exclusive routes. In general terms, our philosophy remains that the operation of the public transport system should be by the private sector or by public corporations working on commercial principles, with Government providing a statutory framework, regulation and degree of co-ordination between different modes. This system has served Hong Kong well. It has enabled us to maintain a range of services which combine choice and efficiency at reasonable fare levels to a greater extent than in any other large city in the world.

In developing our transport network Government must, of course, take into account both the short-term demands of the public, for whom reasonable fares and convenience today are important considerations, and the longer-term objective of developing a balanced public transport system that is going to provide economically viable and efficient services over a period of years. The railways are already important to us particularly in view of their economies of scale and anti-road congestion role. At the latest count, the MTR and KCR would carry 1.9 million passengers each day on average, or 21 per cent of total passenger boardings on public transport. It is difficult to imagine this number of passengers, most of them travelling in the relatively congested urban area, being carried by other means without serious deterioration in traffic conditions on our roads. In the longer term also we are confident that the railways will continue to justify the heavy investment they involve. Indeed, we anticipate some further extensions of the rail network in the years to come, once populations in certain developing areas pass the threshold that makes the heavy investment involved worthwhile. Overall, however, buses remain, and will continue to be, the most heavily patronised form of public transport in Hong Kong.

The policy of co-ordinating public transport services is, simply speaking, aimed at preventing—

firstly, wasteful competition between modes,

secondly, a return to the previous levels of road congestion in the urban rail corridors, and

thirdly, upward pressure on bus fares which would result from unnecessary fleet expansion incommensurate with overall demand.

Sir, the provision of an adequate transportation system to link the new towns with the old established urban areas is fully recognised. The second Comprehensive Transport Study, work on which has just started and which will take 18 months to complete, will look at Hong Kong's overall transport requirements into the mid-1990s and beyond to the turn of the century.

More particularly, I am pleased to be able to confirm that the possibility of an external rail link to the north-west New Territories continues to be explored. At present, the KCRC and MTRC are conducting separate studies into the feasibility and viability of such a link. The KCRC study is examining possible rail links between Yuen Long and the eastern New Territories, and between Yuen Long and Tsuen Wan, possibly as an extension of the LRT. The MTRC is looking into the possible extension of their existing system from Tsuen Wan to Yuen Long. These studies are expected to be completed by the end of the year. I should, however, perhaps take this opportunity to point out that a decision to proceed to the construction stage will ultimately depend on the economic viability of the line, and that this in turn depends on such considerations as capital costs, the speed of population buildup in the western and north-western New Territories, and the availability of other modes of transport. Even if a

decision to go ahead is made, I would not expect a line to the north-western New Territories to be operating much before the early to mid-1990s. In the meantime bus services connecting the region into Tsuen Wan and Kowloon are continually being improved.

I agree with Miss TAM that we should not rush into the construction of an expensive fixed track to Junk Bay in order to serve just one population centre at the end of the track. It is, however, true that both the MTRC and Government have been considering the possibilities, as on the surface at least the idea of providing a population of the size now projected for Junk Bay with a link into the main rail network has some obvious attractions. The need for a fixed track system and the external transport requirements of Junk Bay are, however, also to be examined in the second Comprehensive Transport Study.

I can assure Mr. WONG Po-yan that Government fully recognises the importance to Hong Kong's economy of a good road network. In recent years, we have spent approximately \$1.6 billion on new roads annually. This represents between 30 and 40 per cent of our public works budget. Although this is a very substantial sum it is still not enough to build all the roads we would like. There are, however, many other pressing calls on the public purse. Once again, the second Comprehensive Transport Study has a part to play, as the intention is that the study team should develop appraisal techniques which will further help us to make the difficult decisions which must be taken to ensure that the money available for highways is spent where it will be of most benefit to the community.

Sir, I support the motion.

SECRETARY FOR TRADE AND INDUSTRY: Sir, 12 Members expressed concern on trade and industry topics which I will address.

Protectionism

Regarding the general concern about the growth of protectionism in the United States, I would assure Members that the Government is fully alert to the seriousness of this threat and will continue to make every effort to counter protectionist pressures and to defend Hong Kong's trading interests. We are using and will continue to use every opportunity to explain our open market policy and fair trade practices and to encourage those who are worried about Hong Kong's exports to their markets to work harder to sell more to Hong Kong and through Hong Kong to other growing markets in this region.

In the multilateral trade field, we have expanded our representation in Geneva and played an active part as a separate contracting party in the preparatory processes leading to the launching of the Uruguay Round under the GATT. In the forthcoming negotiations, we will work to strengthen the multilateral trading system on which Hong Kong relies.

In the US, we have established a new office in San Francisco and strengthened our representation in Washington in order to better protect Hong Kong's interests in our largest export market. The contracts of the lobbyists, employed with funds provided by the Trade Development Council, have been extended and we have recently employed consultants to review our public relations efforts.

We are also aware of the need to co-ordinate the efforts of the Government with those of the trade and industry organisations to achieve a better understanding of Hong Kong overseas. The success of this co-ordination was exemplified by the visit to the US West Coast made during last summer by His Excellency the Governor with support from a high level delegation. I believe that it is only through sustained publicity and personal representation that we can hope to promote Hong Kong's interests. I trust that the organisations which have supported this cause in the past will continue to do so in the coming months when our combined efforts will be needed to influence the outcome of threatened trade legislation.

Adequacy of industrial support

From trade I turn to industrial competition—a topic mentioned in the speeches of seven Members. All questioned whether enough is being done to improve the technological performance of our industries to enable Hong Kong to continue to compete successfully with our industrialised neighbours in the region. Views were also expressed about the adequacy of resources allocated to providing support services to manufacturers.

The Government's industrial policies have been comprehensively reviewed this year by the Industry Development Board and by a panel of this Council and have generally been endorsed. Nevertheless I can assure Members that, within the well-accepted policy of not frustrating market forces and leaving investment and other business decisions to businessmen, and within our resources, Government will continue to improve its vocational education and industrial training programmes; to maintain and improve our capital infrastructure and to expand the existing range of industrial support facilities and technical back-up services provided by the Industry Department and the Hong Kong Productivity Council.

Moreover, the appropriateness of our industrial policies is being reviewed in two other ways. Firstly, we are engaged in a programme of consultancy studies of the main manufacturing industries. These are designed to identify the factors which foster or constrain their growth and determine what more needs to be done. These studies ensure that recommendations for any industrial support service will be soundly based, and that whatever is planned will meet a real demand and provide effective assistance.

Secondly, a review is being undertaken by the Director of Industry and my branch as to the level of support and incentives offered to industrialists by our competitors in the region. This study should indicate whether changes in Hong Kong's policies are needed to ensure that our industries remain competitive in the years ahead. The various suggestions made by Members in this debate will be examined in this review and its conclusions will be presented to the Industry Development Board for advice.

Hong Kong Productivity Council

On more specific points, I sympathise with the call by Mr. WONG Po-yan and Mr. Richard LAI for more resources to be allocated to the Hong Kong Productivity Council. I congratulate the council on the speed with which it has responded to the challenge involved in the rapid expansion of its facilities necessary to implement the Unified Approach. I note its chairman's statement in the report tabled in this Council last week and I quote:

‘The scope of our services has multiplied manifold from our humble beginnings, and the enlarged functions and responsibility of HKPC will provide a new and solid foundation on which we can fulfil our role.’

Sterilisation plant

Regarding Prof. POON's comments on the need for a sterilisation plant, I would remind him of Mr. E. P. HO's reply in the Budget debate. We are hopeful that private sector investment will provide such a facility. However, potential investors cannot be rushed into their decisions and we must work towards a positive result with patience.

Industrial investment promotion

Messrs. Allen LEE, WONG Po-yan, Jackie CHAN and Hilton CHEONG-LEEN all stressed the importance of promoting foreign investment vigorously. Mr. LEE also observed that the Government's industrial investment promotion offices were too few and understaffed and the work was not being done professionally. He repeated his earlier suggestion that responsibility should be transferred from the Industry Department to the Trade Development Council.

Sir, I agree that industrial investment promotion must be pursued vigorously. This is certainly the Government's aim, and, although judgments of effectiveness in this field are difficult to substantiate, I believe that it is largely being achieved within the restraints of present resources.

Overseas investment in manufacturing in Hong Kong has grown substantially in recent years. Last year there were 18 projects involving \$286 million. This year the number of projects is likely to be 15, but with a greatly increased total investment in excess of \$500 million. In addition, the Industry Department is currently assisting 40 other projects which are either committed or promising.

The growth in the quantity of inward investment has been matched by an improvement in its quality. This has resulted in an impressive range of new products and processes being introduced to Hong Kong and our industrial base being widened. The Industry Department's survey on foreign investments, which is due to be published shortly, will tell the story in greater detail.

The staff involved in this work are qualified engineers with considerable industrial experience and I cannot accept Mr. LEE's suggestion of a lack of professionalism. The industrial promotion project officers together with their supporting professional staff currently number 24, located either in the overseas offices or in the Industry Department where they man the One-Stop Unit and undertake missions overseas. The budget for industrial investment promotion work accounts for nearly half of total appropriations for the Industry Department.

There are currently five offices overseas: two in the US, two in Europe and one in Japan. Of these, three form part of larger Hong Kong Government Offices. They are deliberately located in important centres of manufacturing and technology in the most industrially advanced nations.

I have considered the suggestion that industrial investment promotion should be transferred from Industry Department to the Trade Development Council, but I came to the same conclusion as that stated by Mr. HO in the Budget debate last year. The TDC's role is trade promotion. This is what its ordinance provides and this is what it has been doing very successfully. The council could not take on industrial investment promotion without specialist staff and additional resources and I understand that it does not wish to divert its efforts from trade promotion.

There are additional reasons for placing the principal responsibility for this work with the Government. Firstly, this view was reached by the Advisory Committee on Diversification after very thorough examination and endorsed by the Industry Development Board as recently as last month. Secondly, industrial investment promotion work is different in many respects from trade promotion work. Experience has shown that the application of engineering, financial and other skills is required to answer questions from potential investors and to persuade them to consider Hong Kong. Thirdly, there are benefits in retaining Hong Kong's spokesmen in this field within the government department which provides the industrial support and technical back-up services in Hong Kong, and which works closely with the Hong Kong Productivity Council in providing productivity enhancement services and the Hong Kong Industrial Estates Corporation in supplying industrial accommodation and land to industries with useful new technology.

Nevertheless, I accept that there is plenty of scope for co-operation between the TDC and the Industry Department in this area and I emphasise they do co-operate. The TDC has been generous in allowing use of its offices and other

facilities for industrial investment promotion work and there has been an increasing number of joint presentations overseas. Recently, the Executive Director of the TDC and the Director of Industry have come to a working arrangement in respect of foreign enquiries on sourcing of components particularly those involving technical specifications. This co-operation benefits both sides. It helps the TDC to expand the scope of its trade enquiry service, and it alerts the Industry Department to fresh investment promotion prospects.

I am confident that all concerned in this work are aware of the need to intensify our efforts to attract overseas investors. This is crucial in the acquisition and transfer of useful new technology and, at the same time, increasingly difficult in the face of regional competition for new investment. We will endeavour to do more.

Co-ordination

Finally, I would comment on Mr. TAM Yiu-chung's call for greater coordination of the work of advisory committees and statutory bodies in the trade and industry field. I believe that this co-ordination is ensured by these bodies having a degree of common membership and by the Secretary for Trade and Industry being a member of or represented on them all. I welcome the decision this year to appoint more Members of this Council to the Industry Development Board. This has provided closer contact between this Council's Industry and Trade Panels and the Government's principal advisory committee on industrial policy.

Sir, I support the motion before Council.

FINANCIAL SECRETARY: Sir, before I turn to the many and interesting points raised by Members in this debate, I would like to say a few words about the economy generally. This will place in context my reply.

In His Excellency the Governor's address he mentioned the significant recovery in exports underpinning the performance of the economy this year. Recent figures continue to be very favourable. We have witnessed substantial growth rates for domestic exports as well as for re-exports in the third quarter of this year. The current export performance is proving to be much better than appeared likely earlier in the year. I am happy to add that this has helped to keep unemployment and underemployment at a low level.

The pattern of growth rates of domestic exports is noteworthy. Growth rates for the first nine months of the year in relation to Japan and our main European markets have been much higher than the growth rate in respect of the United States. This is a welcome sign of market diversification. Although the United States still remains our largest market for domestic exports, its share in the third quarter was 42 per cent compared with 47 per cent a year ago.

Of course, capital investment is a subject which gives rise to lively debate in business circles, and both Mr. WONG Po-yan and Mr. David LI have referred to some sluggishness. They proposed government measures and fiscal incentives to reverse this trend. The problem is that such measures and incentives have to be paid for, usually by the general body of tax payers. In any event, I am heartened by recent statistics showing a recovery in investment in capital goods, particularly in the manufacturing sector. Retained imports of industrial machinery for use in the manufacturing sector grew by an estimated 23 per cent in real terms in the first nine months of this year over the same period last year, after a decline of 4 per cent in 1985. Whilst I agree with Mr. WONG and Mr. LI that adequate investment, particularly in the manufacturing sector, is essential in maintaining the competitive edge of Hong Kong's industries, this increase that has taken place and the improvement in investment intentions in recent months suggest that their concern might perhaps be unduly pessimistic.

And so, Sir, let me say a little more about investment, because it tells us much about business confidence in Hong Kong. I have mentioned investment in plant and machinery, but with regard to property also there has been a substantial increase in building consents for commercial property and some significant increase in relation to industrial property in the first three quarters of this year compared with the same period a year ago. Furthermore, there has been an increase in the rate of completion and occupation of industrial premises and a relatively buoyant market for industrial land. Building consents are a useful pointer. At the present rate of progress we expect to see for 1986 as a whole a substantial increase in building consents for commercial buildings. And if this happens, it will be the first increase after four consecutive years of decline. Incidentally, I have seen no evidence to show either that our existing land policies are insufficiently flexible to meet the requirements of most industrialists or that land or accommodation costs are acting as a disincentive to industrial investment. All in all the investment scene is looking better.

The Secretary for Trade and Industry has dealt with some aspects of Government's assistance to the manufacturing sector. I have frequently made it clear that I recognise the very significant contribution made by this sector to Hong Kong's economy. The Government's main policies are directed to the provision of infrastructural support facilities of one sort or another and the establishment of proper training facilities. Whilst there is always room for improvement, I believe that our overall policies are succeeding.

As far as financial support to industry is concerned, I do not personally see the need for a specialised financial institution in Hong Kong, and members of the Industrial Development Board including several Members of this Council have agreed with me. I do, however, welcome the attention being given by the Hong Kong Association of Banks to the problem of training loan officers to be better equipped in dealing with applications for loans from industrialists. I am also pleased to note the initiative taken by at least one local bank to promote the

availability of loans to small industries. The response to this scheme indicates the way in which the banking sector can develop its services to industry for mutual benefit without government intervention.

Mr. SOHMEN spoke on the establishment of an autonomous shipping register in Hong Kong. I am grateful to him for his encouragement and support. He also made a proposal that instead of taxing profits, revenue should be collected by the imposition of initial registration fees and annual tonnage dues on each ship registered in Hong Kong. This is a difficult subject.

At present, a shipowner's liability to tax in Hong Kong is in no way dependent on the place where he registers his ships. It is not intended that this should change when the new register is introduced. Under the Inland Revenue Ordinance, both resident and non-resident shipowners, regardless of where their ships are registered, are subject to profits tax on that part of their worldwide profits derived from their Hong Kong income. Broadly speaking, this income covers income from the uplift of freight and passengers in Hong Kong, outward tonnage undertaken from Hong Kong and from charter-hire entered into in Hong Kong. Charter-hire income is, however, exempt from profits tax when it is attributable to an offshore permanent establishment or a charter party under which there is no demise of the ship.

Shipowners are in the same position as others carrying on business in Hong Kong. They are taxed on their profits derived from Hong Kong. Some might argue that to give shipowners a basis of assessment to tax different from that given to others, say the financial and manufacturing sectors, would be contrary to our long standing policy of neutrality in our fiscal system.

Although I have yet to be persuaded that changes should be made to the present system of taxing shipowners, I can nevertheless see some attractions in the alternative proposal made by Mr. SOHMEN of first registration fees plus annual tonnage dues. I understand that at the moment we do not get much in the way of revenue from shipowners, so Mr. SOHMEN's system may have merits, including that of certainty. But there is one problem, and that is that annual tonnage dues are commonly associated with Flag of Convenience registers. We are determined that the Hong Kong Register must never become, or be perceived as, a 'Flag of Convenience'. Hence, the need to be cautious as to how we proceed. Nevertheless, I do not wish to close the door on further discussion of Mr. SOHMEN's proposal. A steering group with representatives of all sides of the shipping industry will shortly be set up to develop detailed proposals on the establishment of the register. This will be an appropriate forum to review fully the subject of taxes, fees and charges. For the moment we will keep our options open.

Mr. Hilton CHEONG-LEEN suggested that the time had come for the Economic Services Branch to consider giving further support to the tourist industry.

Sir, our basic philosophy of minimum government regulation consistent with Hong Kong's overall interests applies to the tourist industry, just as much as to any other industry. We have every reason to be proud of our tourist industry and of the significant contribution it makes to the economy, and I am sure we can look to it to continue to meet the challenges of the future on its own initiative. The number of new hotels in the pipeline is a useful indication of confidence that tourism will continue to expand. And I have no fears for the overall quality of the product Hong Kong offers against very stiff competition within and, indeed, beyond this region.

As Members are no doubt aware, the yield from the hotel accommodation tax is paid to the Tourist Association and provides by far the greatest element in its income. This contribution to the association's revenue has grown rapidly in recent years and has done much to enable the Tourist Association to carry out its objectives though I am aware that the present level of subvention has caused concern in some circles.

As to other forms of government assistance, we support the Vocational Training Council, and various other educational institutions, which provide courses related to tourism. All this helps to maintain the high standard of service that we have come to expect in Hong Kong. Let me add my thanks to the association and all those involved in its activities for their efforts.

Whilst on the general subject of tourism, Mr. TAM Yiu-chung commented that the airport will not be able to meet the demands on it in some five years' time. In fact, we expect the airport to be able to cope for a considerably longer period than that. As to the future, Members may recollect that in the debate on the Second Reading of the Civil Aviation (Aircraft Noise) Bill in June, I mentioned that from time to time we re-examine our needs in relation to airport capacity. We are well aware of the vital role the airport plays in the life of Hong Kong and the territory's economy, and needless to say, we keep the subject under review. We have to, because the estimated lead-time between a decision to provide a replacement airport and the date on which it would become operational is more than 10 years.

Mr. Richard LAI mentioned Hong Kong's electricity consumption. He has rightly pointed out that the pattern is influenced by air conditioning demand.

On Government's policy with regard to energy conservation in general, may I refer Mr. LAI to the reply I gave to Mr. Martin LEE on the same subject on 29 October 1986. He will remember that I said that given the particular circumstances of Hong Kong, we believe it best to rely as far as possible on the operation of market forces. Generally, it is not for the Government to take steps that might disrupt our economic performance or people's preferred lifestyle.

Of course, Mr. LAI is correct in stating that the tariff structure may be employed to encourage load levelling. He might be aware that China Light and

Power Company's existing tariff structure has for the last four years included provision for an off-peak tariff discount to the larger power consumers, and a special domestic night storage water heating rate for certain domestic consumers. The concessions offered have made a contribution to improving the load factor.

Mr. LAI also made reference to the efficient use of the power companies' generating capacity. As Members may recall, in 1981 Government employed consultants to study and assess a number of technical aspects of power generation. The consultants concluded that the power companies' performance in all respects conformed to international standards, and that their generation expansion plans were founded on good engineering practices and sound economic judgment. The consultants confirmed that both companies' investment programmes were timely and did not result in over provision.

The interconnection arrangements between the two power companies established in April 1981 have made it possible for the power companies to reduce significantly their reserve capacity and maintain a better back-up facility for emergencies. These arrangements have resulted in considerable savings for the consumers.

Lastly, Mr. LAI suggested the establishment of an Energy Council to oversee the various aspects of energy utilisation and energy needs, and went on to say that such a council should assume a monitoring role. As Mr. LAI knows, the Government already maintains a monitoring role through the Schemes of Control, which were debated in this Council at some length on 24 November 1982. The Government's monitoring role has itself been examined by consultants and I draw Mr. LAI's attention to the statement I made in this Council on 13 March 1985. At the risk of sounding complacent, which I am not, I note with satisfaction that we have had no tariff increase for at least three years. Indeed, we have recently seen one of the power companies implement a tariff reduction. In real terms, therefore, we are paying less today for our electricity than three years ago. On the basis of performance I cannot see that any purpose would be served by creating a new body as suggested by Mr. LAI. This would only duplicate the existing, well tried and effective monitoring systems.

So much, Sir, for the various matters concerning the economy and economic infrastructure. I turn now to some public finance and monetary matters.

A number of Members including Mr. Peter POON and Mr. David LI made suggestions regarding tax rates and fiscal incentives and so on. Needless to say, these are subjects that I shall be considering during the run-up to the Budget, which I shall present to this Council at the end of February next year. For the time being, I can only say to Members that whilst my mind on these subjects is open my lips must remain hermetically sealed.

Having said that, I agree with Mr. Peter POON's remarks on the control of public sector expenditure. We shall continue to seek ways of improving productivity and increasing cost effectiveness throughout the Service. It is our intention to continue with our value for money studies and to create steering groups to this end in some 38 departments.

Sir, housing is a matter of enormous importance to the whole community, and Mr. CHAN Ying-lun commented that the outstanding demand for public housing should be met by the mid-1990s. He has suggested that the Housing Authority should use more of its own resources to provide public housing thereby releasing more government revenue for welfare and social programmes. The Housing Authority's share of the capital cost of new rental public housing, that is to say, the share that the authority provides, has increased steadily in recent years from 22 per cent in 1981-82 to 43 per cent in 1986-87 and is projected to increase further to 59 per cent by 1987-88.

Mr. CHAN also suggested that we might save resources by reducing the contribution from general revenue to public housing, so enabling us to increase expenditure on social services and so on. This we do in the general context of expenditure. I would remind Mr. CHAN that two new major government hospitals at Tuen Mun and Shau Kei Wan are already being constructed, and two other hospitals, the Queen Mary Hospital and the United Christian Hospital, are being extended. Major capital investment in projects of this nature is only the beginning of the story. Before long, hospitals have to be staffed so that they may take their place alongside other government and subvented hospitals. The cost of running each hospital is a commitment that is entered into when a decision to start building is taken. And it continues. We see the same results whenever we make a significant investment in our Public Works Programme in relation to education or social services.

Mr. WONG Po-yan, Mr. David LI, Mr. Peter POON, Mr. Jackie CHAN and Mr. CHAN Kam-chuen all made helpful comments on the linked exchange system. They have highlighted the importance of the system to the continued stability and prosperity of Hong Kong. I agree with them and thank them for their support. Despite noises off stage, we shall maintain the system and the rate.

Mr. WONG Po-yan in particular was more positive on the effectiveness of the system than he was during this year's Budget debate. Mr. David LI, however, expressed some residual worries about its efficiency. I can assure him that we do attach great importance to monitoring closely how the system is operating and ensuring that it does so in a wholly effective manner. No system is entirely flawless, but this one works well.

Mr. CHAN Kam-chuen in commenting upon the future status of the Hong Kong dollar has unfortunately overlooked an important provision in the Joint Declaration. Section VII in annex I of the Joint Declaration specifies that 'the

monetary and financial systems previously practised in Hong Kong...shall be maintained' and that 'the Hong Kong dollar, as the local legal tender, shall continue to circulate and remain freely convertible'.

Sir, turning to financial services generally, as pointed out by Mr. David LI, the bringing together of policy responsibilities for banking and securities under the roof of the Monetary Affairs Branch is an important step in the right direction, given the growing integration of banking and securities businesses. In this area, the Government is being advised by a number of statutory committees, namely the Banking Advisory Committee, the Deposit-Taking Companies Advisory Committee, the Securities Commission and the Commodities Trading Commission. The Monetary Affairs Branch is now able to present co-ordinated views and recommendations of the Administration to these committees for advice, taking account of considerations relevant to the development of the various inter-related financial markets. Indeed, within the Monetary Affairs Branch itself, there is now established an internal Standing Committee on Financial Markets for the purpose of such co-ordination.

Whether the present arrangements should be further developed by the establishment of a single financial industry advisory think-tank, as suggested by Mr. David LI, is I think highly debatable. Our present legislative framework on financial services is characterised by different provisions for the regulation of different financial markets and for the supervision of different categories of financial institutions. The various statutory advisory committees, which have a degree of common membership (including Members of this Council), are working well. It must be accepted that the Government must always do a certain amount of its thinking of policy issues in private, particularly if the issues are market sensitive. For the moment I think we have the right structure to ensure proper development of ideas and co-ordination of policies, and to superimpose yet another body would not, in my view, really help.

This whole subject of financial services, banking and supervision is in a state of rapid change and change brings with it problems, if not dangers. I therefore thank Messrs. WONG Po-yan and CHUNG Pui-lam for their support for Government's intervention in the banking sector to protect depositors and the integrity of our financial system. Mr. WONG Po-yan has asked the Government to ensure that such problems do not recur in future. We shall, of course, do what we can; but no system of prudential supervision can be entirely fail-safe. What we seek is a system that enables the Commissioner of Banking to detect problems at an early stage, and gives him the powers to take any necessary remedial action. That is the object of the new Banking Ordinance.

Mr. David LI rightly cautioned against any over-regulation that might affect Hong Kong's attractiveness as an international financial centre. I accept his comment, but would remind him that additional regulation is often the response to abuse. Let those in the marketplace realise that at the end of the day a good reputation based on probity is a most valuable asset. As to the question of

special treatment in relation to the capital adequacy ratio requirements for deposit-taking companies engaging mainly in offshore businesses, there will continue to be consultation with those involved. In any event, the requirement will not come into effect until some time in 1988. Suffice it to say at this stage that we must ensure that any solution to the problem does not run counter to the trend, recently endorsed by the conference of bank supervisors from some 86 countries at Amsterdam, towards a convergence of capital ratios across the world.

Mr. LI also suggested that it might be in Hong Kong's interests to allow some important foreign banks to be licensed in Hong Kong even though their assets fail to meet our discretionary criterion for minimum assets, now at US\$14 billion. I can assure Mr. LI that this criterion, while important, is not meant to be inflexible. There is some discretion. We can take into account a number of other relevant factors, but the full implications of making special cases must always be in the forefront of our minds.

Lastly, Mr. David LI commented on the supervisory arrangements for money lenders. On this occasion he will be happy to hear that I entirely agree with him. The Money Lenders Ordinance was not designed for lenders operating in today's sophisticated financial markets. It was designed originally to deal with the problem of loan-sharks. I am pleased to inform Mr. LI that we have been carrying out a general review of the Ordinance. A large number of amendments are envisaged. Some of these will have the effect of excluding sophisticated lending activities from some or all of the provisions of the Ordinance. The usual consultative process will commence shortly.

Sir, it falls to me to conclude this debate. You will recollect that His Excellency the Governor said that his address to this Council was a record of steady and continuing progress towards improving the life of the people of Hong Kong. He ended by adding that, with the support and good counsel of Members, he had no doubt that we could continue to make solid progress towards those objectives to which we are all so strongly committed. Perhaps in that word 'committed' we have the best description of the attitude of this Government. The extent and the far-reaching nature of our long-term plans and programmes demonstrates beyond any question our determination to govern fully and effectively. We will provide the framework necessary to enable the economy to grow. That growth will in its turn allow us to improve our services to the sick, the elderly, the poor and the disabled. We will be able to build new and improved educational facilities and continue with our housing programme, which in many ways stands comparison with any in the world. Sir, this is one community. We believe that we should govern in the interests of every member of that community. In this Council we shall have many opportunities to exchange views on a host of different subjects. We shall address those subjects with resolve, in an endeavour to reach conclusions that are in the best interests of the community as a whole. And we shall succeed.

Sir, with these remarks I support the motion.

Question put and agreed to.

Adjournment and next sitting

HIS HONOUR THE PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday, 3 December 1986.

Adjourned accordingly at twenty minutes to Six o'clock.