

**OFFICIAL REPORT OF PROCEEDINGS****Wednesday, 4 November 1987****The Council met at half-past Two o'clock****PRESENT**HIS EXCELLENCY THE GOVERNOR (*PRESIDENT*)

SIR DAVID CLIVE WILSON, K.C.M.G.

THE HONOURABLE THE CHIEF SECRETARY

MR. DAVID ROBERT FORD, L.V.O., O.B.E., 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 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, C.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, O.B.E., J.P.

SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE JACKIE CHAN CHAI-KEUNG

THE HONOURABLE CHENG HON-KWAN, J.P.

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

DR. THE HONOURABLE CHIU HIN-KWONG, J.P.

THE HONOURABLE CHUNG PUI-LAM

THE HONOURABLE THOMAS CLYDESDALE, J.P.

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 DESMOND LEE YU-TAI  
THE HONOURABLE DAVID LI KWOK-PO, J.P.  
THE HONOURABLE LIU LIT-FOR, J.P.  
THE HONOURABLE NGAI SHIU-KIT, O.B.E., J.P.  
THE HONOURABLE PANG CHUN-HOI, M.B.E.  
THE HONOURABLE POON CHI-FAI  
PROF. THE HONOURABLE POON CHUNG-KWONG  
THE HONOURABLE HELMUT SOHMEN  
THE HONOURABLE SZETO WAH  
THE HONOURABLE MRS. ROSANNA TAM WONG YICK-MING  
THE HONOURABLE TAM YIU-CHUNG  
DR. THE HONOURABLE DANIEL TSE, O.B.E., J.P.  
THE HONOURABLE ANDREW WONG WANG-FAT  
THE HONOURABLE LAU WONG-FAT, M.B.E., J.P.  
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 MICHAEL LEUNG MAN-KIN, J.P.  
SECRETARY FOR TRANSPORT  
THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, J.P.  
SECRETARY FOR TRADE AND INDUSTRY  
THE HONOURABLE EDWARD HO SING-TIN, J.P.

**ABSENT**

THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., Q.C., J.P.  
THE HONOURABLE TAI CHIN-WAH

**IN ATTENDANCE**

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

**Papers**

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

| <i>Subject</i>   | <i>L.N. No.</i> |
|--|-----------------|
| Subsidiary Legislation:  |                 |
| Boilers and Pressure Receivers Ordinance   |                 |
| Boilers and Pressure Receivers (Exemption) (Consolidation)<br>(Amendment) (No.3) Order 1987 .....    | 360/87          |
| Immigration Ordinance  |                 |
| Immigration (Places of Detention) (Amendment)(No. 6) Order<br>1987 .....                             | 361/87          |
| Miscellaneous Licences Ordinance   |                 |
| Miscellaneous Licences (Amusement Game Centre) (Exemption)<br>Order 1987 .....                       | 362/87          |
| Lifts and Escalators (Safety) (Amendment) Ordinance 1987   |                 |
| Lifts and Escalators (Safety) (Amendment) Ordinance 1987<br>(Commencement) (No. 2) Notice 1987 ..... | 363/87          |
| Lifts and Escalators (Safety)(Fees) Regulations 1987   |                 |
| Lifts and Escalators (Safety) (Fees) Regulations 1987<br>(Commencement) Notice 1987 .....            | 364/87          |

## Sessional Papers 1986-87:

No. 16—Supplementary Provisions approved by the Urban Council during the second quarter of the financial year 1987-88

## Others:

Public Response to Green Paper:  
The 1987 Review of Developments in Representative Government  
Report of the Survey Office  
Report of the Monitors  
October 1987

**Statement****Public Response to GREEN PAPER:****THE 1987 REVIEW OF DEVELOPMENTS IN REPRESENTATIVE GOVERNMENT**

**REPORT OF THE SURVEY OFFICE****REPORT OF THE MONITORS****OCTOBER 1987**

CHIEF SECRETARY: Sir, on 3 June this year I joined other Members of this Council in wholeheartedly supporting a motion by Miss DUNN which called upon the people of Hong Kong to express their views on the Green Paper: 'The 1987 Review of Developments in Representative Government'. Obviously we hoped and trusted that the public would respond to the call. But I doubt whether even the most optimistic among us could have foreseen the magnitude of that response, which has far exceeded that in any previous public consultation exercise: over 130 000 direct submissions were received on this occasion, compared with 364 received in response to the 1984 Green Paper on the Further Development of Representative Government.

Laid on the table this afternoon is the report of the Survey Office on the public response to the Green Paper. The document is remarkable, not just because of its size and its detail, but because it reflects the views contained in over 130 000 submissions sent direct to the Survey Office, as well as in nearly 170 public opinion surveys and over 20 signature campaigns, on how the people of Hong Kong wish to see our system of government develop in 1988 and beyond.

The report comprises three volumes. Volume I consists of the main survey report and the report by the monitors appointed to oversee the work of the Survey Office. Volume II provides supporting details to the main report, in the form of summaries of the views expressed on the Green Paper by Members of this Council and the Urban and Regional Councils; details of the public opinion surveys, signature campaigns and similar documents sent to the Survey Office; and comprehensive lists of all groups and associations who wrote to the Survey Office and who did not request confidentiality. Volume III of the report contains samples of all the different types of pre-printed letter which have been received by the Survey Office, as well as the various types of questionnaires, except just three in respect of which the organisers have requested confidentiality. These pre-printed letters and questionnaires collectively constituted 86 per cent of the submissions received from individuals and groups of individuals.

The period of public consultation on the 1987 review began on 27 May with the publication of the Green Paper, and ended on 30 September. During this four-month period, over 134 000 submissions were received by the Survey Office. Of these it was necessary to exclude some 2 900, either because they were received after the deadline for submissions, or because they were judged to be irrelevant, duplicate or of disputed authorship.

Of the slightly more than 131 000 submissions which were processed and reflected in the report, an overwhelming majority (nearly 96 per cent) came

from individuals. Of the rest, over 4 600 came from groups of individuals and some 1 100 from organisations. Less than 7 per cent of contributors have requested confidentiality in respect of their submissions: their request, Sir, will be fully respected.

Some 85 per cent of all submissions were received during the last three weeks of the consultation period: on 29 September alone over 14 300 submissions were delivered on one day. Additional staff had to be made available to the Survey Office at very short notice to cope with the sudden and immense increase in workload. Further, the task of sorting and analysing the submissions, which varied greatly in form and length, was not an easy one. Letters varied in length from one-line statements in support of or against one particular option, to many pages of comment on all the issues contained in the Green Paper. Despite these challenges the comprehensive and detailed report before us today has been completed on schedule, to the great credit of all concerned. The Commissioner of the Survey Office and his team deserve our warmest thanks and congratulations for this.

In addition to receiving submissions from the public, the Survey Office also engaged the services of a professional firm to undertake two public opinion surveys. During these surveys some 6 000 people, selected at random from the general population, were interviewed and asked for their views on the issues in the Green Paper. This compares with a usual sample size of between one and two thousand for opinion surveys of this nature. The results of these surveys are given in the Survey Office report.

Sir, there has been understandable public concern at the discovery that some submissions to the Survey Office were not actually sent by those from whom they were purported to have been sent. Altogether 2 182 reports alleging that individual submissions had been falsified were received by the Survey Office up to 21 October; of these 45 were withdrawn after they had been made, and 228 could not be acted upon because the complainants were unable to quote the reference numbers which identified the submissions. The remaining 1 909 submissions were deleted from the Survey Office records and referred to the police for investigation. Sir, these submissions advocated very different points of view. Of the 1 909 false submissions I have just mentioned, 904 supported and 977 opposed the introduction of direct elections in 1988. Twenty-eight did not comment specifically on the timing of direct elections.

Since 21 October, a further 542 allegedly false submissions have come to light. It was not possible due to lack of time to excise them from the Survey Office report. Of these, 238 supported and 293 opposed the introduction of direct elections in 1988. Eleven did not comment on the timing of direct elections.

Sir, it is indeed a pity that a small minority should apparently have sought to influence the outcome of the survey with the submission of bogus opinions; but these incidents should be viewed in perspective. There can be no doubt that the vast majority of submissions are genuine and made in good faith. Over 90 per

cent of all submissions from individuals and groups of individuals included identity card numbers which could be cross-checked against the names supplied. Furthermore, all submissions bearing an address, and 70 per cent of individual submissions did so, were acknowledged in writing by the Survey Office; and it was of course through this mechanism that the existence of the false submissions was discovered. Far from undermining the credibility of the Survey Office report, the detection of these false submissions has demonstrated the effectiveness of the procedures adopted by the Survey Office to ascertain beyond reasonable doubt that the submissions reflected in the report were authentic.

Further evidence of the thorough scrutiny which has been brought to bear on all aspects of the works of the Survey Office is provided in the report by the independent monitors, who were required by their terms of reference 'to observe all aspects of the work of the Survey Office and to submit their independent report to the Governor as to whether they are satisfied that the Survey Office has properly, accurately and impartially carried out its duties and followed the procedures prescribed in its terms of reference.'

I would like, Sir, at this juncture, to pay tribute to the conscientious and dedicated manner in which Mr. LI Fook-kow and Mr. Andrew So have undertaken their responsibilities as monitors. Their report records that they read all submissions received by the Survey Office, a truly mammoth task; they attended meetings of this Council, the municipal councils and the district boards, as well as several seminars, to hear for themselves people's views on the Green Paper; and they acquainted themselves fully with the working procedures of the Survey Office, in particular with the data processing systems employed, so they could check both the input of data into the computer and the retrieval of information for inclusion in the report.

It is quite clear, Sir, that the monitors have observed all aspects of the work of the Survey Office very closely, and that considerable weight can and should be attached to their judgement that the Survey Office has properly, accurately and impartially carried out its duties.

Sir, it would not be appropriate for me to comment this afternoon on the pattern of public response which has emerged on any particular issue. The public opinion on each of the major issues in the Green Paper has been collated and is recorded in detail in the various chapters of the survey report. It is there for all to read. In some cases the outcome may appear to be fairly clear-cut. In others, where a wide range of views have been expressed, or where views appear to be more or less evenly divided for or against particular options, the task of assessing the outcome of the public consultation will be much more complex.

As expected, the issue of whether there should be direct elections to this Council, and if so when, has dominated public response to the Green Paper with nearly 96 per cent of submissions commenting on this issue. The question was also the subject of nearly all the public opinion surveys which have been

conducted, either by the firm commissioned by the Survey Office or by others, as well as all the signature campaigns and similar documents.

It will now be necessary for the Government to approach, with great care, the task of assessing the outcome of public consultation on the 1987 review and deciding on the policies to be adopted at the conclusion of the exercise. I say we should do this with great care because we intend to reflect carefully on all the material contained in the Survey Office report. The statistics it contains represent the efforts of thousands of people who were prepared, in many instances, to devote considerable time to composing their submissions, attending meetings or seminars on the Green Paper, or completing a survey questionnaire. We owe it to these people to take time to consider their views very carefully. All the views, which have been expressed are important and all will be fully taken into account.

Sir, as you said in your address in this Council on 7 October, important decisions will need to be taken over the next three or four months on what changes it would be right to make in 1988. In reaching these decisions a heavy burden of responsibility will fall on the Members of the Executive Council, whose job it will be to advise you on the right steps to take. The decisions will not be easy, but I know that I speak for all my colleagues on that Council when I say that our first concern, as always, will be to ensure that the course we recommend is the one which we perceive to be in the best interests of the people of Hong Kong as a whole. It goes without saying that, during our deliberations, we will take the most careful note of the views expressed by Members of this Council when they debate the contents of the Survey Office report later this month.

The White Paper will be published in early 1988. Sir, I am fully confident that, when it is published, the people of Hong Kong will see that the Government has honoured its commitment to take full account of their views.

## **Government Business**

### **Motions**

MR. CHENG: Sir, may I have your consent under Standing Order 68 to move that Standing Order 12(3) be suspended.

There are two motions standing in my name on the Order Paper, one is to amend the Air Pollution Control (Specified Processes) Regulations 1987 and the other the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) (Amendment) Regulations 1987.

You will recall that on 14 October 1987, this Council adopted a motion to the effect that the period in which this Council could amend the Air Pollution

Control (Specified Processes) Regulations 1987 be extended until 4 November 1987, that is today.

The Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) (Amendment) Regulations 1987 was tabled in this Council on 7 October 1987. This Council has a period of 28 days, that is up to today, to amend these regulations.

Therefore, my two motions have to be moved today.

However, Standing Order 12(3) stipulates that Official Members' business should be placed on the Order Paper before the business of Members other than Official Members. The Chief Secretary will therefore move the 'Motion of Thanks' before I move the two motions I have just mentioned. As all Members other than Official Members will be speaking on the Motion of Thanks at this sitting, the debate will continue until tomorrow and consequently I will not be able to move my two motions today.

Sir, I am therefore asking your consent to move that Standing Order 12(3) be suspended so that my two motions can be taken first.

HIS EXCELLENCY THE PRESIDENT: You have my consent. Please do so.

MR. CHENG: Sir, I move that Standing Order 12(3) be suspended to enable the two motions on the Order Paper standing in my name to be moved before the Motion of Thanks.

*Question proposed, put and agreed to.*

## **INTERPRETATION AND GENERAL CLAUSES ORDINANCE**

MR. CHENG HON-KWAN moved the following motion: That the Air Pollution Control (Specified Processes) Regulations 1987, published as Legal Notice No. 192 of 1987 and laid on the table of the Legislative Council on 15 July 1987, be amended in regulation 2—

- (a) in the definition of 'authorized person'—
  - (i) by deleting paragraph (b), and substituting the following—  
'(b) as a civil or structural engineer, in list II therein; or'; and
  - (ii) by inserting, after paragraph (b), the following—  
'(c) as a surveyor, in list III therein;'; and
- (b) in the definition of 'qualified engineer'—
  - (i) by inserting after 'Building Services', the following—  
'Engineers'; and
  - (ii) by inserting after 'Marine Engineers', the following—



‘or a corporate member of the Hong Kong Institution of Engineers (building services, chemical, marine or mechanical engineering disciplines) admitted on or after 5 December 1975’.

He said: Sir, I move the first motion standing in my name on the Order Paper in respect of the Air Pollution Control (Specified Processes) Regulations 1987.

As I explained in this Council on 14 October 1987, the definitions of ‘authorized person’ and ‘qualified engineer’ needed further consideration. I have had opportunity to meet representatives of the Administration as well as the Hong Kong Institution of Engineers, who have examined the definitions carefully. It has now been agreed that the following amendments should be made:

In the definition of ‘authorized person’, the reference to ‘municipal engineer’ should be deleted, to take account of the fact that the Institution of Municipal Engineers no longer exists, and that a similar amendment to the Buildings Ordinance has been passed in this Council on 15 July 1987. The definition should also include a surveyor whose name is in List III of the authorized person’s register kept under section 3 of the Buildings Ordinance, since he is as much an authorized person as those whose names are kept in List I and List II.

In the definition of ‘qualified engineer’, reference should be made to corporate members of the Hong Kong Institution of Engineers admitted on or after 5 December 1975 under the building services, chemical, marine or mechanical engineering discipline. The reason for this amendment is obvious, since corporate members under the above description are recognised engineers, just as corporate members of the Hong Kong Institution of Engineers admitted on or after the same date under other disciplines are recognised under the Buildings Ordinance.

In addition, an amendment should be made to correct an incomplete reference to the Chartered Institution of Building Services.

Sir, I am fully aware of the current re-structuring of the membership of the Hong Kong Institution of Engineers with a view to registering engineers who may include qualified persons not belonging to the institution. I feel strongly that upon full compilation of this list of registered engineers with Government’s endorsement, such registered engineers should be referred to in all relevant legislations in lieu of corporate membership of all other institutions to ensure a high degree of professionalism.

I would like to thank the Administration for its understanding and cooperation during the course of discussion on the amendment and I am grateful to the President of the Hong Kong Institution of Engineers for his valuable advice.

Sir, I beg to move.

*Question proposed, put and agreed to.*

## INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MR. CHENG HON-KWAN moved the following motion: That the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) (Amendment) Regulations 1987, published as Legal Notice No. 261 of 1987 and laid on the table of the Legislative Council on 7 October 1987, be amended in regulation 2—

- (a) in paragraph (a), in the definition of ‘authorized person’—
  - (i) by deleting paragraph (b) thereof, and substituting the following—  
‘(b) as a civil or structural engineer, in list II therein; or’; and
  - (ii) by inserting after paragraph (b) thereof, the following—  
‘(c) as a surveyor, in list III therein;’; and’; and
- (b) in paragraph (b)—
  - (i) by deleting ‘and’ at the end of sub-paragraph (i);
  - (ii) in sub-paragraph (ii) by deleting ‘Services’.’ and substituting the following—  
“‘Services Engineers’; and’; and
  - (iii) by inserting after sub-paragraph (ii) the following—  
‘(iii) by inserting after “Marine Engineers” the following—  
“or a corporate member of the Hong Kong Institution of Engineers (building services, chemical, marine or mechanical engineering disciplines) admitted on or after 5 December 1975”.’.

He said: Sir, I move the second motion standing in my name on the Order Paper in respect of the Air Pollution Control (Furnaces, Ovens and Chimneys) (Installation and Alteration) (Amendment) Regulations 1987.

The resolution sets out proposed amendments to the definitions of ‘authorized person’ and ‘qualified engineer’. The reasons for making these amendments are the same as those I have given in my previous remarks on the Air Pollution Control (Specified Processes) Regulations 1987.

Sir, I beg to move.

*Question proposed, put and agreed to.*

### Motion of Thanks

THE CHIEF SECRETARY moved the following motion: That this Council thanks the Governor for his address.

MISS DUNN: Sir, your comprehensive, forward-looking address covered so much ground that I do not think that any of us can possibly follow up all the themes you spoke of so cogently. As we did in the last two legislative sessions we

have separated ourselves into five groups in this debate. Twenty-three Members will speak today on structure and machinery of the Government, law, order and security, relations with China, economic and financial situation and development of infrastructure. Twenty-two Members will speak tomorrow on the development of infrastructure, education and manpower, health and social programmes, culture and recreation, and travel and tourism. We will do our best to be succinct.

I particularly welcome the indications in your address of an increased willingness in the Government to accept new ideas and new ways of doing things. Hong Kong grows and changes so fast that the Government must become more open-minded.

Not long ago the Government had no machinery for obtaining scientific advice. I am delighted that it is now prepared to establish such machinery through the new Committee on Science and Technology and to increase the funds made available for research. It is gratifying that it also recognises the need to put increasing emphasis on support services for industry.

Equally welcome is your proposal to improve the Government's long-term financial planning and allocation of resources.

The re-vamping of the Housing Authority and the establishment of the Land Development Corporation are further examples of this new open-mindedness, as is your willingness to consider more private involvement in developing the economic infrastructure. The development and growth of our container port and the construction of the Eastern Harbour Crossing are prime examples of the contribution the private sector can make.

I am particularly glad that you have agreed that the top management structure of the Civil Service, established on the basis of the 1973 McKinsey Report, should be reviewed. I first proposed such a review in this Council in 1977 when it was rejected outright. But I do not give up that easily. I kept at it every single year until 1984, when the stubborn resistance to it culminated in comprehensive rejection by the then Chief Secretary making it absolutely clear the idea was dead and buried. Three years later, I cannot conceal my delight that my recommendation has at last been accepted, 10 years after I proposed it. Again, I welcome the open-mindedness in Government thinking and may I suggest that the mind should perhaps open a bit further still.

I hope that the review now to be undertaken will not be confined to the 'distribution of responsibilities between Secretaries and...the working relationships and relative roles of Secretaries and Heads of Departments'. These matters should, I believe, be considered in the context of the responsibilities of the Governor in Executive Council and of this Council and of the statutory responsibilities and financial accountability of Heads of Departments.

These aspects of our system of government were not addressed by the McKinsey Report and I think that that omission should be put right. Furthermore I think that what is often loosely called 'the Secretary system' has developed—or should I say just grown?—in ways not envisaged at that time. For instance, McKinsey envisaged a small central Secretariat. Their proposals involved the creation of only seven Secretary posts, including the Secretary for the Civil Service and the Deputy Financial Secretary. That is to say that they recommended that we should have only five of the so-called 'policy' Secretaries. We now have 14. Nearly twice as many.

The current year's Estimates provide for 172 administrative service posts in the Secretariat. I suggest that the new consultants should be asked to consider whether such a concentration of the Administrative Service in the Secretariat is really the best way to use all that manpower. Speaking as an outsider, although I am ready to be convinced by sound arguments, I must say that I rather doubt it.

There is at least one great disadvantage of this concentration of Administrative Service posts in the Secretariat. It means that many officers inevitably spend most of their careers in the Secretariat. I do not think it can be good for anyone—or in the public interest—to be cut off for so much of their time from contact with the public and from day-to-day working contact with their colleagues who are at the sharp end.

We have all been saying for a long time that we must promote closer contact and better understanding between the Government and the people. The public will no longer accept decisions from on high just because that is where they come from. People are just not prepared to acquiesce in Government by edict as they once did, particularly when their means of livelihood is at stake. This is not just a question of making right decisions, though the Government cannot hope to get the decisions right unless they take account of public opinion and public attitudes. As I have said before, the Government at all levels must be ready and willing—and let me stress *willing*—not just to consult before decisions are taken. It must also recognise the need to explain and justify those decisions effectively to the public at large and particularly to those who are directly affected.

If decisions appear to those affected to have been imposed without proper regard to their interests, they will be opposed. If then attempts are made to explain and justify and even to modify decisions, it is often too late for them to succeed because of the distrust and suspicion that have been generated. The Government may indeed be forced to abandon or delay a decision that really was quite sound and genuinely in the public interest.

I suggest that these old-fashioned attitudes might disappear more quickly if the Secretariat were staffed by people who have had recent experience of working at the sharp end. No one should go into the Secretariat in his 20s and not emerge into the light of day until he's middle-aged. He may be too set in his bureaucratic ways by then.

The front-line departments could benefit too. The Secretariat would have a better understanding of the problems of running a department and the departments would have a better understanding of how the Secretariat works.

Having said all that, as I was putting down some thoughts for this speech, I was going to turn to the economy, to refer to inflation and overheating, to the fact that what goes up must come down and that no boom goes on forever. However, events have overtaken me and the words have been taken out of my mouth. The dangers that were already apparent and the factors that have contributed to them have now become all too real and obvious.

We have already taken action to mitigate the worst effects of the crisis in our stock and futures markets that hit us so suddenly following the collapse of confidence in New York.

I support the package of measures to help stabilise the market and I commend all those who worked so long and hard to put this package together in such a short time. As you said, Sir, the events of the past two weeks have shown up weaknesses in the system which must be put right. There is talk that there are basic flaws in the structure of the futures exchanges. There is also much talk about the lack of regulation of the markets.

In my opinion, what was lacking was not good law but good management— not inadequate powers to safeguard the public interest but the lack of the will to exercise those powers. Those in the market place knew what was happening. They have not been surprised by the recent revelations—only surprised that for so long so little was done to check the excesses or to balance the books.

The Exchange Company was set up by Ordinance and was given power to make rules for the proper and efficient operation and management of a stock market. It was surely their general committee's responsibility to lay down and enforce the rules required to run an orderly market. Chapter 361 also expressly puts upon the company the duty to ensure that its members complied with the capital requirements laid down by the Securities Ordinance and its committee has the duty to notify the Commissioner for Securities if it becomes aware that any member is unable to comply with those requirements or of any financial irregularity or other matter which in the opinion of the committee indicates or may indicate that the financial standing or integrity of any member is in question. No one knows at this time whether the committee took those responsibilities seriously.

It may be that the lessons to be learned are these. First, where the poachers and gamekeepers are the same persons, self regulation can fail, especially where the stakes are high. There appear to have been too many conflicts of interest in those who took on the responsibility of running orderly markets.

Second, the Government and its watchdogs, the Securities Commission and the Commodities Trading Commission, had the duty to supervise the markets to safeguard the interests of genuine investors. They must have known for a

long time that the rapid growth in the volume of trading particularly in the futures market had overstretched the structure on which those markets depended. Too much margin trading. Excessive lending to fund speculative trading. Delays in settlement. Too many two-dollar shell companies dealing in vast sums of money. Widespread allegations that many people were breaking the rules with impunity. Too little surveillance of the market. Not enough capital in the futures guarantee corporation. Of course, we must now review those structures urgently if we are to retain Hong Kong's credibility.

But how did we get to this point? If one looks at the Securities Ordinance and the Commodities Trading Ordinance, the functions of the two commissions are spelt out in almost identical language. They include responsibility for supervising the activities of both markets, to take all reasonable steps to safeguard the interests of investors and traders in futures, to promote and encourage proper conduct amongst members and shareholders, to suppress illegal, dishonourable and improper practices in relation to dealings in securities and trading in futures contracts, and to promote and maintain the integrity of all those who deal in both markets. The warning signs were there for all to see before the crisis came. Why did the Government and its watchdogs not act? Did they not see the need to act? Or did they lack the will to act?

I welcome your decision, Sir, to appoint a committee to review the structure and operation of our exchanges. One fundamental question I hope the committee will consider is this. Do we need a stock index futures market? In what way does a futures market contribute to Hong Kong's economy? We managed for a long time without one and it seems to have become little more than a licensed casino. In most countries where gambling is allowed, it is far more closely regulated than this market seems to have been. But why do we need it? Indeed, in a small place like Hong Kong, is it possible to have a futures market without relying upon speculators to provide a counter part to those who want to hedge?

Sir, I am sure that the events of the last two weeks will not alter Hong Kong's fundamental policies or shake our faith in the free market. Hong Kong does not expect its Government to shoulder full responsibility for our financial institutions or to underwrite all financial risks. Our traders and market dealers should be free to pursue their legitimate interests; but in a fair market. We need to have in place a system of checks and balances that will be effective. What we need are structures that prevent too much power being in too few hands, an effective system of monitoring that will provide clear warning of emerging problems, and a decisiveness of response in dealing with them. Hong Kong has suffered many setbacks in our history. But we have always learned the lessons from experience. And that is the task that lies ahead of us all.

Sir, I have pleasure in supporting the motion.

MR. PETER C. WONG: Sir, on 7 October you presented to this Council a package which serves as the blueprint for Hong Kong's development in the next few years. It is a detailed and well thought out programme, honest and down to earth. There is no reason to believe that the recent crisis would impose any substantial constraints on the various projects. Some minor adjustments may be necessary in the light of developments, but on the whole the package is sound and should be implemented as soon as is practicable.

*Relations with China*

With these remarks, let me now turn to our relations with China. Sir, you gave prominence in your address to our relations with China and to the importance of the increasing links between Hong Kong and the Mainland. These links— whether they be economic, political, or personal—work to the benefit of both Hong Kong and China. Apart from enhancing our economies, they foster an understanding that will help to ensure that the terms of the Joint Declaration are faithfully implemented. Co-operation and mutual assistance come in many forms, but two recent examples of speedy and constructive help show how ready China is to come to our aid in times of emergency. The first is the very satisfactory arrangements that were made to enable Hong Kong to return to China the former Vietnamese refugees settled in China who arrived here illegally in alarming numbers during July and August. The second is the participation of the Bank of China in the efforts last week by the Government and major banks to support the Futures Exchange.

There has been during the past year considerable questioning of China's intentions towards Hong Kong, particularly in relation to the Review of Developments in Representative Government. It is natural for there to be concern that our freedoms should be preserved. It is understandable that these concerns should sometimes take the form of anxiety about our future, but it will do our confidence in ourselves and in our future no good if we mistrust China's motives towards Hong Kong and doubt her intentions to carry out the terms of the Joint Declaration. By all means let us guard our freedoms and examine critically the many changes that must take place during the transition period, but let that be an attitude of healthy caution and not one of undue suspicion.

*Illegal immigrants and refugees*

With these observations on our vital links with China, may I now deal briefly with illegal immigrants and refugees. Quite apart from the arrival this Summer of some 7 000 former Vietnamese refugees resettled in China, we have this year seen considerable increases both in the number of more conventional illegal immigrants arriving from China and in the number of Vietnamese refugees entering Hong Kong waters. For the first nine months of this year some 15 589 conventional illegal immigrants have been returned to China, compared with 11 100 in the same period last year. The number of boat people arriving from Vietnam was 3 028 for the first 10 months of this year, compared with 1 994 for the same period in 1986. I deal with these two categories of people together

because it is now clear to us all that, no matter whether they are called illegal immigrants or refugees, they come here for the same misguided reasons: to use Hong Kong as a means of seeking a more prosperous way of life. The difference is that, while the illegal immigrants can normally be returned to China within a day of their arrival in Hong Kong, we are bound by international obligations to accept all Vietnamese boat people as refugees, and it will, as you have said, Sir, require a great deal of time and patient diplomacy before we can return those who are not genuine refugees to Vietnam. The resettlement countries, because of their own political difficulties and because they are aware that most Vietnamese boat people are now economic migrants and not genuine refugees, are accepting fewer and fewer refugees from our camps. The burden of keeping these refugees has already fallen on Hong Kong for far too long, yet there is little sign of relief in the near future and every likelihood that our problems will increase. Sir, I support any solution that will relieve us of this burden, whether it involves repatriation or some other method. But it must be a solution that does not compromise our long and consistent reputation for treating the boat people in a humane and decent manner. Sending them back to Vietnam may be a last resort, if we can be absolutely sure that they will not be persecuted. However, I am firmly opposed to any attempt or suggestion to turn them back before they land in Hong Kong. This is neither humane nor practical.

*The BN(O) passport*

Turning now from those who wish at all costs to enter Hong Kong to those who wish to be able to leave Hong Kong and visit other countries freely, I wish to reflect the concern that has been expressed in the community over the new British National (Overseas) passport. We were promised in this Council and in Parliament more than a year before the passport became available that vigorous efforts would be made by both the British and Hong Kong Governments to ensure that the passport would in every way be as acceptable to foreign countries as the existing BDTC passport. Yet within a few months of its issue, we encountered certain difficulties with the passport among the immigration authorities of countries close to Hong Kong geographically or most frequently visited by Hong Kong people. This has resulted in confusion and distrust in the new passport. The difficulties have, I understand, been resolved, but the confusion and distrust have not been dispelled. The fact remains that the credibility of the new passport—and to some extent that of the British Government—has suffered. If the passport is to become established as a tested and reliable travel document it must become widely used as early as possible. We are assured that there have so far been no great difficulties for holders of the passport. This may be true, but after only four months of very limited use it is not a convincing assurance. The plain truth is that the initial enthusiasm has fizzled out like a damp match. Those who are considering whether or not to take out the passport would be more interested to know how the British and Hong Kong Governments' promises about ensuring the acceptability of the passport



have been fulfilled; what positive efforts have been made and will be made to ensure that other countries' immigration officers are familiar with it; and how many countries so far have said that they will recognise it. Obviously a great deal more has to be done by the British and Hong Kong Governments. Time is not really on our side. While I have appreciated the difficulties involved, this is not an excuse for not pursuing the matter with utmost speed and effort.

*Regulation of financial institutions*

Sir, it is fortunate that the BN(O) passport is not listed on the Stock Exchange because its shares would have plummeted long before the panic of the last two weeks. Events of the last fortnight serve as a grim reminder that Hong Kong is as vulnerable as ever to outside influences, and despite our healthy economy Hong Kong is not free from vicissitudes. It is still too early to say what effects the recent events on our Stock Exchange and Futures Exchange will have on our position as a major international centre. But it is not too early to start putting right whatever deficiencies in our system that were brought to light by those events. The recent strengthening of Government supervision over our banking and deposit-taking institutions has been shown to have been working well. A similar strengthening of the supervision of our securities markets is now due. We have a laissez-faire, non-interventionist economic and financial system. but if this system is to work fairly and efficiently it must have a sound and effective regulatory framework in which to operate. Otherwise, the Government has to intervene when the lax and outdated regulatory framework is shown in a crisis to be inadequate. This was the case with the Government takeover of a number of failed banks in recent years. It was also the case with last week's rescue packages for the Futures Exchange.

Sir, you said in your address four weeks ago that 'It must be our task to ensure, particularly when the market-place is flourishing, that it warrants the trust and confidence of those who participate in it.' How apt those words were, and how urgent the task has now become! It is far better to spend millions on expanding our regulatory agencies and employing expert consultants to advise on improvements than to spend billions mopping up the mess when it happens. I welcome the Financial Secretary's recent assurances that there will be a thorough examination of the present system to see what changes are necessary to rectify its deficiencies. It is therefore most reassuring that at a dinner speech last evening, Your Excellency announced that in the light of recent events Government had decided to set up a committee to review the workings of the exchanges and the regulatory commissions. I look forward to the early announcement of the chairman and members of this important committee and its terms of reference.

*Commercial crime*

Sir, a related subject is the prevalence of commercial crimes in recent years. It is in fact a world wide phenomenon. Much effort has been spent in the past two years in a number of countries including the United Kingdom to find effective

ways to combat such crimes and to simplify the procedures in prosecuting the culprits. The report of this Council's Select Committee on Complex Commercial Crime is now more than a year old. The recent conclusion of the longest and most complex court case in our history has, I believe, shown how necessary it is that there should be reforms. I am pleased to learn that a draft Bill implementing, as far as possible, the recommendations of the Select Committee will soon be going to the Executive Council. I do not wish to suggest that there is any similarity between fraud and abuses on the Stock Exchange, but the inadequacies of our present system of investigating and trying complex commercial crimes and such matters as the absence of any real sanctions against insider dealing will continue to give encouragement to the opportunist, the unethical, and the downright dishonest. This will certainly be detrimental to Hong Kong's reputation as a financial centre. We are conscious, Sir, that fair dealing and honest trading, and not merely soaring share indexes, are the key to our reputation as an international financial centre, and the sooner we make use of the lessons we have learned, the better it will be for all concerned. The collapse of the exchange markets has certainly added a new dimension to the need to have effective remedies to tackle complex commercial crimes. Clear thinking followed by effective action is what the public expects of this Council.

Sir, I have great pleasure in supporting the motion.

MR. HU: Sir, it was most heartening for me, and I believe for the people of Hong Kong as well, to hear from you the forward-looking programmes the Government has planned for Hong Kong in the years to come. The programmes not only reflect the Government's determination to maintain Hong Kong's prosperity, but also the Government's commitment to improving the well-being of Hong Kong people as a whole.

With these programmes, I share with you the confidence that we can achieve the objective of developing Hong Kong into a society which combines a strong, expanding and competitive economy with concern for the quality of life of all its people.

#### *Relations with China*

Sir, in your opening speech you gave special emphasis to the relationship between Hong Kong and China. I agree entirely with your approach towards the Hong Kong-China relationship. Historically Hong Kong and China enjoy close links. A large part of Hong Kong's success can be attributed to support from the Mainland. The steady supply of raw materials, foodstuffs, water and so on has enabled Hong Kong to keep growing even in times of world economic recession. Furthermore, China provides a tremendous market for Hong Kong products. This relationship, of course, is not one-sided. Hong Kong, which has been serving as China's gateway to the outside world, has also contributed a lot to China, particularly to its modernisation programmes.

With the signing of the Sino-British Joint Declaration, there is no doubt that this link will become closer in the future. It is therefore of the utmost importance that we further cultivate and improve our relationship with China to ensure Hong Kong's stability and prosperity.

There are three guiding principles for this relationship, namely mutual understanding, mutual trust and mutual respect.

The key word here is 'mutual'. We cannot pursue our own interest at the other party's expense, and vice versa, if we are aiming at a good long-term relationship with China. If we fail to do so, Hong Kong will be the greater loser in the end. A worrying trend has developed recently. It appears that the public consultation on political review just concluded has provided some people with the opportunity to arouse mistrust towards China. A confrontational approach was adopted in pressing China to give way. However, these people have missed the point that the problem here is not whether we should, or could, fight China. The problem is whether doing so will serve the long-term interests of Hong Kong. Such mistrust might backfire on us. Furthermore, it will block the way to better understanding, trust and respect between the two parties.

Many official channels for exchanges of ideas on matters of common interest between Hong Kong and China have been outlined. However, I would like to point out here that official channels alone are not enough to achieve the above-mentioned three principles. More private channels are needed. Only by cultivating channels from the top to grassroots levels can we build up the full-scale relationship with China that our long-term success requires.

#### *Involvement of private sector*

On the domestic front, the Government is planning quite a number of ambitious infrastructural development projects. Hong Kong's rapid development in recent years has increased the complexity of these programmes, and the task is so big that it requires the combined resources of the public and private sectors. This leads to a trend towards more involvement of the private sector in the development of the territory. The Government has been encouraging a lot of public works to be privatised if and when possible. It seems that we are moving in the right direction as this helps to cut down bureaucratic delay and increase efficiency.

The formation of the Land Development Corporation, an agency to handle urban redevelopment, will be a milestone in the Government's efforts to involve the private sector in large scale projects. The corporation, to be chaired by an unofficial, will have many chances to take up joint-ventures with private developers, and therefore its success will largely depend on its ability to secure co-operation from the private sector.

Another area where the private sector will play an important role is housing. Earlier this year the Government announced the Long-Term Housing Strategy, which sets the target of providing homes for an additional 1 million families

in the public and private sectors combined, by 2001. Again this project relies heavily on support from the private sector.

The above two developments are welcome signs of a growing private sector involvement in building a better Hong Kong. It is only by co-ordinating resources from both the public and private sectors and maximising their efforts that the limited resources in Hong Kong can be put to the best use.

### *Housing*

I am pleased to note that the Government has adopted a realistic attitude and turned to a more demand-oriented housing policy, which I have been advocating all along.

Hong Kong has long been called a 'borrowed place' for historical reasons. This mentality is reinforced by the fact that more than half of the population lives in flats not owned by themselves. It is gratifying that the Government has now acknowledged that the pattern of demand for housing is changing. With the improvement in living standards in recent years, people are no longer contented to live in the uniform concrete boxes provided by the Government, or to share a flat with other families. They want to own a home in a place which they feel they belong to.

In this sensitive period in Hong Kong's history, there is no need for me to stress the importance of local people's confidence, which will determine whether Hong Kong can pass through 1997 with its stability and prosperity intact. By providing them with their own homes, we can help to cultivate a sense of belonging among our people, and will encourage them to stay in Hong Kong. An enlarged Home Ownership Scheme also serves another purpose. It is an effective way to stabilise the property market, because the Government is in a position to ensure that the price of Home Ownership Scheme flats is within the reach of those eligible for it. In this way, we can defeat speculation in real estate and ensure a healthy development of the property market.

### *Labour shortage*

I am disappointed that the Government has failed to present a bolder and more effective solution to the shortage of labour. The problem we now face is not only a shortage of labour, but of manpower in general. The latest statistics show that in June there were 42 300 reported vacancies in the manufacturing sector, an 85.2 per cent rise over the same month last year; 14 850 in the wholesale and related sector, up 109.9 per cent, and 5 940 in the finance and business sector, an increase of 132.5 per cent. Behind these alarming figures, there were already considerable payroll increases of 13.5 per cent, 10.4 per cent and 12.8 per cent in the above three sectors respectively.

It is therefore apparent that the problem now is not whether the employers are willing to pay enough to get people to work for them. The problem simply is that the development of Hong Kong has outgrown its population and there are

not enough people to do the necessary work. If this problem is not remedied in time, the future development of Hong Kong will be severely hampered.

It is regrettable that the Government has insisted on sticking to the current policy and is unwilling to try bolder measures to tackle this problem. Labour-saving methods and wage adjustments are no doubt two of the many solutions to our problem. But can they help to provide enough manpower to fill the existing vacancies now? These measures, though effective, will only work in the long run. Local industries have already been working on various labour-saving measures and workers' wages have been adjusted constantly. Over-dependence on these measures will not only fail to solve the immediate problem but will have the adverse effect of pushing up costs and fuelling inflation. For example, tender prices for the construction industry have already risen 20 per cent in the past six months due to rising wages. And as far as manufacturers are concerned, increased wages will only reduce the competitiveness of their products in the overseas markets. The overseas buyers may be forced to place their orders elsewhere.

One way to solve the problem is to cut back expenditure on public works to release manpower engaged in public works to other sectors. The merit of this is that it can reduce the demand for manpower and avoid pushing up inflation. However, in the long run, this could mean that some of our major infrastructural projects are not completed on time, and therefore I do not support this option.

Another feasible solution is to relax the immigration regulations to allow imported labour. We appreciate the Government's concern that if a large number of foreign workers are allowed to rush into Hong Kong, they may increase the demand for the already stretched social services and housing, and will create security problems. We can consider importing workers on a contractual basis, under which the workers can only work here for a short and limited period. On the expiry of that period they will have to return to their own countries. With over 32 200 Filipino maids working here under similar arrangements, it will not be too difficult for the Government to work out arrangements for other categories of workers on this basis.

Another short-term solution is to allow Chinese workers to work here on a daily basis. They may cross the border in the morning and return to China in the evening. If the employers are able to make the appropriate transport arrangements and to provide the necessary security at their factories or construction sites, this is unlikely to pose any serious problems. This measure can also be complemented by the establishment of an industrial zone at the border, employing Chinese labour under similar conditions.

These suggestions, though they have already been ruled out by the Government, deserve serious reconsiderations. We have a problem. The Government cannot just sit there and wait for the problem to disappear when Hong Kong's

economy takes a down turn. If nothing is done in time, Hong Kong's current economic boom will go downhill earlier than other circumstances dictate.

*Central Provident Fund and welfare for the elderly*

I welcome your various proposals to improve the Public Assistance Scheme, the Old Age Allowance and the Disability Allowance for severely disabled persons. These improvements will particularly benefit the larger families who have been on public assistance for some time, the elderly persons in a lower age group and severely disabled individuals requiring constant attention. However, I remain unconvinced that 'it would not be right to set up a Central Provident Fund or to make private funds compulsory'.

The success of Hong Kong has been built on the industry of the local population. Retired workers are entitled to enjoy their fair share of the community's prosperity. The proposals to change the character of the Long Service Payment Scheme to include employees retiring due to old age or ill health and to improve the Old Age Allowance Scheme with its age qualification lowered to 65 in stages by 1991, I am afraid, are not substitutes for a contributory provident fund scheme.

The majority of employees prefer to be self-reliant by virtue of Chinese tradition and would only consider applying for assistance or allowances as a last resort, particularly as they will now be required to undergo some means-test for the old age allowance, however simple it may be. The concept that retired and elderly persons are generally accepted as an integral part of the family unit and are normally supported out of the family's own resources is of course to be encouraged, but this support cannot be relied upon entirely. Chinese people generally will try to save as much as they can during their working life and it seems wrong to discourage the virtue of saving for rainy days or for retirement.

It is true that those who have not held steady jobs or whose pay has been low may benefit the least from a Central Provident Fund, but this group will in any case be covered under Public Assistance or the Old Age Allowance Scheme. There are still a large number of employees who can accumulate over time sufficient funds in a central scheme for their retirement days. As far as the Long Service Payment Scheme is concerned, there is no guarantee that employees on departure from their employment will be able to obtain their entitlement, as employers may fail to meet their legal obligation for one reason or another. It is therefore not wise to rule out the reconsideration of a contributory provident fund scheme, although all existing social security schemes are on a non-contributory basis. There is no justification for Government social security schemes to be confined to a non-contributory basis, particularly as our previous arguments against the setting up of a Central Provident Fund, such as the uncertainty of the future of Hong Kong beyond 1997 and the inability of our economy to afford such a scheme, are no longer relevant.

I have on a number of occasions in this Council called for the establishment of a compulsory provident fund scheme, and much has been said. May I stress again two of its advantages which apply particularly to our situation. First the employers' contribution can be used to offset the long service payment, so that the employees will not have to worry about no payment being available on their retirement. This can ensure that the scheme will work. Furthermore, a provident fund scheme, together with the Long Service Payment Scheme, can ensure that employees can maintain a reasonable living standard upon retirement, comparable to that which they enjoyed while they were still working. It is hoped, therefore, that Government seriously review its decision on this matter.

*Sports and recreation*

Sir, I note with pleasure that the Government has plans to increase support for sports and physical recreation. Through participation in sports and physical recreation, we can promote the general health and thus indirectly reduce medical expenses. It is also socially desirable for Hong Kong people to get more involved in sports and physical recreation.

However, the Government has done little to help the sports bodies financially besides mere encouragement to expand their plans and increase their activities. Funds allocated to sports bodies are based on the level paid years ago, and are only adjusted to the prevailing inflation rate, without taking into account additional activities, new developments and the need to strengthen administration.

Tied up by limited resources, the sports bodies are unable to devise any comprehensive plans to promote their respective activities. It is time for the Government to review its policy concerning financial aid to the sports bodies. To meet the improving standard of living and thus the greater demand for sports and recreation, funds provided for the related bodies have to be demand-oriented, based on actual need, or else little will be achieved. More emphasis has to be placed on sports and physical recreation in our present education system, which has so far paid limited attention to this important social and health related area. We should also undertake detailed study of matters relating to physical recreation and health, which are conducive to a healthier life for Hong Kong people.

With these remarks, Sir, I support the motion.

MR. WONG PO-YAN (in Cantonese): Sir, you paid tribute to Sir Edward YOUDE in the first paragraph of your policy address for his achievements in guiding Hong Kong through an anxious period in its history. I wish to join you, Sir, in paying him this high regard as well. On the other hand, you took up governorship at a time when Hong Kong has been most vociferous with dissenting views. You have demonstrated resolute leadership in your very first policy address, an element which is so very important at this period of time. Your policy speech is well received by the great majority of the people and I would like to congratulate you on this success.

In another three months, I shall have lived in Hong Kong for 40 years. I feel honoured by your compliments paid to the people of Hong Kong as contained in paragraph 2 of your address. Looking to the future, I firmly believe that in the next 60 years or more, we can expect even greater achievements. I am glad to see that many young people have returned to work in Hong Kong. They give a youthful impetus to our society. I am also glad to see many of my 'older young friends' who are of my age or even a few years senior than I (it is not right to call them and me old people) still working busily for Hong Kong in public affairs or private business. All this gives me full confidence in the future of Hong Kong.

*Relations with China*

Sir, you mentioned in your address the work of the Joint Liaison Group and that of the Land Commission which show the determination of both governments to implement in earnest the terms of the Joint Declaration. This is the foundation on which the confidence of the people of Hong Kong and of the world is based. I agree with you in saying that these two bodies will continue to play an effective and positive role. You have also rightly pointed out the relationship between the Basic Law and the development of various systems in Hong Kong. As one of the seven Members of this Council involved in the drafting of the Basic Law, I wish to give my assurance that I will do my utmost to work for a draft which complies with the Joint Declaration and also caters for the fundamental rights and benefits of the people of Hong Kong.

*Economic and financial situation*

Sir, your reference to the state of the economy and its prospects is indeed encouraging. None the less, I wish to offer my observations on the following points:

(1) You stated in paragraph 22 that 'We can ride the storms better than most'. I think we should give this statement some careful consideration. We often said in the past that our economic activities, especially those of the manufacturing industry, were flexible and easily adaptable to the influence of external changes. This was true for some time, but I think the situation has changed. Up to the early 1970s, Hong Kong was ahead of our neighbouring countries such as Taiwan and South Korea. Yet as a result of their development in the last decade, they have overtaken us. On the other hand, owing to the rapid communication of data, outside changes affect Hong Kong more quickly. In view of this, we should have a full understanding of our constraints and should be more cautious but not over ambitious in our policy decisions.

I wish to point out that I drafted the above paragraph before the recent slump of the stock market and the crisis of the Hang Seng Index Futures Market. And yet the points I raise today apparently deserve deeper thoughts.

(2) On the solution of labour shortage, the Government is less inclined to resort to imported labour. As such, I think we can take the following steps:



- (a) the various industries should, within their own capabilities, provide better conditions in terms of wages and other fringe benefits to attract workers;
- (b) measures should be taken to reduce the number of hawkers which drains manpower and actively promote the scheme to revoke hawker licences by means of cash payment;
- (c) establishment of more subsidised nurseries to encourage more women to be part of our labour force; and
- (d) review legislative restrictions on overtime work of women workers. These restrictions have been in force for more than a decade. With the change of social circumstances, women have a higher social status and a stronger desire for independence. Over-restrictions may contradict their desire for more work.

The development process of many countries shows that some labour-intensive industries will have to face the problem of labour shortage eventually. It is a problem which is difficult to solve. In the long run, therefore, we should be prepared to live with such a problem. The solution is to increase our labour supply on the one hand and make better use of limited manpower on the other.

I fully appreciate that the Government and the commercial and industrial sectors have tried their very best, and you, Sir, have been personally involved in such efforts, to counteract the trend of protectionism in trade. As these are not matters entirely within our power, we can only try our utmost and hope for the best.

On the contrary, I think we can still do a lot for our industry. For many years, for certain reasons which I personally do not quite understand, we have not taken any positive and active attitude towards the manufacturing industry. The Government presumes that there are constraints in the manufacturing industry and then with various reasons, such as public funds should not be used to subsidise specific industries, tries to frustrate further assistance to the manufacturing industry. For example, the allocation of \$1 million or \$2 million from the recurrent account to institutions, say, the Hong Kong Productivity Council, has been treated with unprecedented prominence. Compared with the allocation, whether voluntary or involuntary, of billions of dollars from the Exchange Fund to some other industries, the difference is obvious. To me the Government is a genius in dealing with crisis. It has its way and determination in management by crisis. However, for this good boy of the manufacturing industry who never creates big troubles, the Government is quite complacent to let him have a few years' free education and let him stand on his own. Thoughts have never been given to grooming this clever, good boy and send him to the university so that he can be better educated. Here, the Government does not seem to appreciate the importance of management by far-sight or have any forward planning. Should we not give such matters more thought? I think that the Government should adjust its approach and allocate say \$1 billion to develop high tech-

nology, such as the setting up of a technology park and other research centres for the electronics and bio-chemistry industries. This will receive the support of many and the Government will be able to take back what it has invested.

In your address, there is no reference to the popular topic about the new approach in the development of our fisheries and agricultural industries. I must say I feel disappointed in this respect.

I am very interested in paragraph 37 of your address on Resource Allocation System. I hope that my Official Members of this Council will provide detailed explanations during this debate on the principles and implementation of this new system.

*Development of infrastructure*

The development of infrastructure in Hong Kong in the past 20 years is world-renowned and we are proud of the achievements. I am very glad that Government has not slackened its efforts in this aspect because it is an essential factor in promoting production. In this regard, I wish to offer the following points:

(1) When planning port facilities, care should be taken not to overlook ancillary facilities such as the network of roads, parking places and so on especially parking places for container trucks. I suggest that Government should not use the prices of land sold by auction as the basis to determine the provision of parking places because they are absolutely essential facilities and their effect on productivity is invaluable.

(2) On housing, the ratio of home-ownership flats should be raised. I believe that the proportion of public rental housing should be reduced gradually because, if the percentage of people living in subsidised housing is relatively lower, there will be a more open base for election; this has a bearing on our political development.

(3) I whole-heartedly agree with paragraph 44 of your address in which you mentioned that Government will give priority to redevelopment of the older parts of the urban area from now on. After we have had some success in developing new towns, it is now time to turn our attention to the old and dilapidated parts of the urban area. However, I hope that in the process of redevelopment, those who are poor and are living in poor environments should be sympathetically treated. I have raised the question about the living conditions of these people in this Council. As many of them are long time residents since before the War and they live in areas where there have been little change, they have not been able to get the kind of facilities and care afforded to those who arrived in Hong Kong later. Therefore, they should receive better compensation in the redevelopment.

*Culture and recreation*

Finally, I would like to make a point on culture and recreation. Although Hong Kong is no longer called a 'cultural desert', with the general improvement in the level of education, the demand for cultural entertainment from our young generation is no less than their need to work. As concert halls and theatres have been provided in many districts over the years, the demand for cultural activities is eminent both in terms of quality and quantity. As for quality, we dare say that we have made some achievements. As for quantity, I think we need to provide more incentives for organisations and individuals so that they can benefit from government assistance in their development. Therefore, I suggest that the Government should adopt a more positive approach, provide more resources so that the budding artistic groups may be able to blossom, whereby the cultural life of the public may be enriched and the use of our existing facilities may be maximised.

*Sir, with these remarks, I support the motion.*

MR. CHEUNG (in Cantonese): Sir, the scene in Hong Kong today is notably different from the situation a month ago on the 7 October when you, Sir, presented us with your policy address. Hong Kong is currently in the thick of its greatest economic test in the last several decades. I remain confident however that present difficulties will not shake Government's determination to bring forward reforms. It is also my belief that in this gloomy period people from all walks of life will face the issues with greater unity of purpose.

It is precisely the present climate which has heightened my appreciation of the far-sighted aims and measures presented in your speech.

As Hong Kong moves towards 1997 it is imperative that Government maintain a sound administrative structure to meet constantly changing social needs. It will not be long before conclusions are reached in the Review of Representative Government. A draft of the Basic Law will be published next year. These developments are bound to have an influence over the administrative framework during the transition. It is for this reason that I am in favour of the Government commissioning international professionals in administration to assist in reviewing distribution of responsibilities among government's policy branches. The present administrative framework was put in place in 1973 when there was a reorganisation for the purpose of increasing government's adaptability in the face of changes and new challenges inherent in growth. We have indeed seen a strengthening in the ability of the Government to co-ordinate efforts in planning in both policy making and distribution of resources. Civil Service moral has been boosted, and there has also been improved interdepartmental co-ordination. However, the last 14 years have seen rapid development resulting in a corresponding increase in the work in policy branches and departments. The number of Secretariat branches has increased from two resource branches and six policy branches to a total of 16 branches today. The bottle-neck scenario which the McKinsey report sought to eliminate

may easily recur. There is no time to lose in reviewing the adequacy of government branches in meeting community needs and the division of work as well as the functional relationships among Heads of Departments.

At present in the implementation of policy, there is still a phenomenon of lack of co-ordination in the administrative structure. For instance I am very pleased that the Government is spending in the next 10 years a total of \$10 billion in sewage treatment and I believe that the Environmental Protection Department will spare no effort in bringing forward measures to protect the environment, but measures to eliminate environmental pollution must be done step by step. On the one hand government departments themselves have to co-operate; on the other, people in Hong Kong must be made to understand the issues and to offer their co-operation. Only then will we be able to achieve our purpose. One shiny example of this is the 'Keep Hong Kong Clean' campaign where we have Government and public co-operation.

I do not doubt for a moment the professional knowledge and the determination of the Environmental Protection Department in eliminating pollution but it must be borne in mind that solving their problem will in turn affect the livelihood of many people in varying degrees. It is for this reason that I think that the Environmental Protection Department should enlist the help of district office staff who are well-versed with public relations work to explain to members of the public what legal provisions there are and what plans the Government has and then they can all come to an agreement on the measures to improve the situation and details in compensation. This will make the whole exercise much smoother.

I wish to give you another example of the lack of co-ordination in the Administration. Very often after Government resumes the land of farmers and other residents they take up to eight to nine months or even a year to pay compensation. It is very unfair for these people to have to wait so long. The Government is commendable in bringing forward the many projects to improve the infrastructure but compensation must be paid to those who are in need of it. Very often we find that work in this respect involves several departments such as the Buildings and Lands Department, the Legal Department and Registrar General's Department but it is often found that documents go on excursions and it takes a long time before anything is done. I urge Government to set up direct channels for speeding up the payment of compensation.

I am sure that with expert advice from consultants the Administration can be better structured and achieve greater efficiency to serve the public.

Apart from reviewing the higher echelons of Government I think it is also imperative to review the levels of Administration and improve accountability. I support the Government in setting up the Broadcasting Authority, Hospital Authority and the Board of Governors of Radio Television Hong Kong, as well as the proposal to make the Housing Authority independent. All this is done with a view to increasing public participation and decision, but obviously

members of the public have a right to know who these bodies are accountable to. I have full confidence in those who are appointed to these authorities in that they have the adequate public spirit and talents but the Government must lay down very clearly their terms of reference and channels of accountability. Apart from submitting working reports, these authorities must have right supervision channels to ensure that they do things according to public interest.

Lastly, I learn that the Town Planning Board has recently received a lot of complaints and objections and this has resulted in delays in hearings, and much time and money has been lost on the part of the developers. In order to improve the situation I suggest that the Government ask the Town Planning Board to set up an ad hoc group in conjunction with district management committees and the Territory Development Department to consider the objections before they are heard at the full board. This will reduce the time.

Sir, with these remarks, I support the motion.

MR. CHEONG-LEEN: Sir, in the opening paragraph of your address, you expressed your firm commitment to 'making Hong Kong a better and more prosperous home for all our people'. This is a commitment which deserves the co-operation and support of all Hongkongers.

#### *Relations with China*

You quite rightly emphasised the fact that our links with the Mainland are growing and developing in every field. These links are totally indispensable to Hong Kong's future prosperity under the 'one country—two systems' concept whereby capitalism and the Hong Kong life-style will continue to co-exist productively with Chinese-style socialism evolving on the Mainland.

Your first visit to Beijing since you became Governor was positive and fruitful, and broadened the base for mutual understanding and co-operation to ensure that confidence in Hong Kong's future will not be jeopardised during the next 10 years while Hong Kong continues to be Britain's responsibility. Importantly, you, Sir, will have to make sure the Hong Kong Government does not become or take on the appearance of a 'lame duck' government during the transition period.

For confidence is after all the key factor—the absolute factor—in the preservation of Hong Kong as a thriving, dynamic and prosperous international city. I am in no doubt that this factor has been highlighted by you, Sir, in your talks with China's leaders concerned with Hong Kong, and which they themselves want to preserve in every way possible.

Your forthcoming visit again to Beijing next month will further solidify the common interest which the Hong Kong and British Governments have with China in steadily implementing the terms of the Joint Declaration in the best interest of all concerned, and particularly those of Hong Kong people.

The confidence of Hong Kong people and their determination to preserve their life style and evolving system of representative government are crucial to the successful implementation of the Joint Declaration. To put it bluntly, Hong Kong people must have 'their place in the sun' within the larger scheme of things, where the voices of the local residents, whether they be progressives, conservatives or moderates, the older or the younger generation, the rich or the not-so-rich, will all at the end of the day be united together for the greater good of the 1997 Hong Kong Special Administrative Region. And in the coming weeks, there will be need for a fair and balanced political consensus within the Hong Kong community on the pace of development of representative government.

From 1 July next year, the Joint Liaison Group will have its principal base in Hong Kong. By that time, the first draft of the Basic Law will have been issued for public information. I earnestly hope that the drafters of the Basic Law will reflect the hopes and aspirations of the people of Hong Kong within the spirit of the Joint Declaration for a high degree of political autonomy and preservation of a capitalistic economic system based on the principle of justice for all.

In this respect, the people of Hong Kong will continue re-discovering their own sense of identity, as Hong Kong Chinese living within the 'one country- two systems' concept and acting as valuable links between China and the Western world, and as a catalyst for forward change and progress on the mainland. The decisions of the 13th Chinese Communist Party Congress should be cause for even greater confidence that China will continue with her modernisation programme and open policy to the rest of the world, which in turn augurs well for Hong Kong's future stability and prosperity.

The significant economic and political developments that have been taking place in Taiwan provide even greater opportunity for Hong Kong to perform the role of a neutral base whereby trade, cultural and social ties between the Mainland and Taiwan can be further enhanced. This vital role should not be lost sight of even as the Hong Kong Government continues in measured pace in replacing expatriate administrators by Hongkongers in the run-up to 1997.

#### *Economic and financial*

Last month, Hong Kong went through one of the most traumatic financial crises in its history, following on the crash in the New York stock market. Due to the steady nerves and swift remedial action by the Government, the Hong Kong Futures Exchange was rescued, general confidence was restored and Hong Kong's international reputation as a financial centre was not irreparably damaged. After the dust has settled, and after the recriminations, reviews and investigations are over, let us hope that our financial institutions will come out even stronger and more durable than ever before. The Government has the duty and responsibility to thoroughly investigate, clear up and rectify the situation so as to retain the confidence of the people and Hong Kong's credibility among the international financial community.

We are today living in turbulent times, in a world of instant communication where movements on the major world stock markets can have quick repercussions on the Hong Kong stock market. Already there are some negative signs that point to a slow-down in the world economy next year. Therefore it is incumbent for us in Hong Kong where we are so exposed to outside events beyond our control to 'work hard for the best, and be prepared for the worst'.

Our motto should be: Business as usual, to keep on producing and saving, sell more and increase real income for our people and our community.

As Hong Kong based business enterprises expand their sub-contracting operations in the south China provinces the opportunities for developing mutually profitable economic links between Taiwan and the Mainland via Hong Kong are virtually unlimited. In this respect, Hong Kong's economic future into the next century is assured.

In order to strengthen Hong Kong's economic viability and usefulness as a manufacturing and entrepôt centre, and a financial centre, the Government should not lose momentum in its development plans to build a new international airport. Already the existing airport at Kai Tak is reputed to be the busiest single air cargo terminal in the world. By the end of the century, the new airport when completed may well become China's most modern international air gateway to the outside world. As such, it will represent a vital element in Hong Kong's expanding economic infrastructure.

Of equal importance is the need to expand the port facilities so as to cope with the rapidly growing cargo and container traffic from the Mainland. The Joint Port and Airport Development Study will have to be completed on time, that is by the late summer of 1989. With our superb harbour as one of Hong Kong's greatest assets, we must and definitely can preserve Hong Kong's prominent role as China's No. 1 transshipment centre to the world.

#### *Tourist industry*

As a regional centre of the Far East and as a major gateway to China, Hong Kong stands to gain much by expanding and improving its tourist facilities.

A territory-wide Courtesy Campaign sponsored by Government at least once every two years will not only strengthen civic consciousness and pride among Hongkongers but will in the process make Hong Kong an even more attractive tourist destination for the 4 million tourists who annually come here. Added to this has to be the consciously promoted policy of the Government to keep Hong Kong as an internationally oriented and bilingual society where Chinese is the local 'lingua franca' and English the principal international medium of communication with the world.

#### *Infrastructure*

Sir, in your address you stated that 'a key element of our development strategy has been the New Towns Programme'. This programme has been eminently

successful, so much so that by the end of the century the population in the new towns could all told be nearly equal to that of the urban areas of Hong Kong Island and Kowloon.

Already many urban district boards are pointedly noting that the new towns have facilities such as cultural centres and recreation centres which are not available to residents in the older and more densely populated urban districts.

In the urban areas, the Urban Council has embarked on a far-sighted plan to build sports centres and community arts centres within easy access of urban residents. The magnificent Cultural Centre in Tsim Sha Tsui which will open in 1989 will help to redress some of the shortfalls in the lack of cultural venues in the older parts of urban Kowloon. However, with the pressure from various district boards for Government to build regional cultural halls having 1 000 or more seats, there is a need for even closer co-ordination and co-operation between the City and New Territories Administration and the Municipal Services Branch in ensuring that total resources are properly used and that the policies of the Government and the two municipal councils are well understood by district boards and do not appear to be conflicting, or that Government is passing the buck onto the municipal councils.

It is timely that increasing priority be now given to redevelopment of the older urban areas, and that the harbour reclamations to provide more land should proceed with all possible speed. The setting up of the Land Development Corporation to implement specific and well defined urban renewal projects in co-operation with the private sector is to be welcome. As is well accepted as being a basic element in Hong Kong's dynamic growth and progress, private sector participation will be the main driving force in the process.

The Land Development Corporation, which will be non-profit making, will have to work out fair and equitable compensation arrangements for those affected, as well as acceptable rehousing arrangements for tenants and owners displaced by redevelopment projects. Adequate checks and balances should be part of the procedures to ensure that the Land Development Corporation does not abuse its extensive powers.

Providing there is sufficient but flexible co-ordination and overall planning on the part of government departments and quasi-government agencies, particularly the Land Development Corporation, I have no doubt at all that private enterprise will make an enormous contribution towards urban renewal, and in improving much more quickly than if Government were doing the job itself, the living environment of residents in the urban blighted areas.

I look forward to Metroplan coming up with among other aspects a comprehensive and realistic development plan, including a list of priorities for reclamation projects, such as between Central and Wan Chai Districts, with pointers for more detailed district planning and urban renewal.



At the same time, the urban sewage system needs major overhaul. In many of the older districts, the blocking or overspill of the sewage system often caused by the many restaurants being concentrated in one or two buildings, is one of the most common causes of complaint and frustration among multi-storey building residents.

*The elderly and the retired*

On the subject of social security it was heartening to hear that the Administration has been paying particular attention to the concern expressed by Legislative Councillors on the welfare of the elderly and the financial security of retired persons.

Since the decision of the Administration was announced that a Central Provident Fund will not be established, many Legislators have been receiving representations from the labour sector critical of such decision. This I believe is highly indicative of the worries of the man-in-the-street, the factory worker, the office worker, the shop assistant and so on, that when they reach retirement age, before or after 1997, the various government provisions for old age are starkly insufficient and far from satisfactory for them to enjoy their well-earned retirement years in dignity and basic comfort.

In order to win the hearts and minds of our working population, I urge Government to actively maintain its dialogue with the public and clarify even further why in its view a Central Provident Fund is not suitable for the Hong Kong economic environment.

For the Government to succeed in its efforts, the Long Service Payment Scheme, the Old Age Allowance, and the Disability and other allowances and so on must in substance and in presentation be seen and accepted by the community as equal to, or an even better alternative in the long run to a Central Provident Fund. The continuous review and improvement of these schemes- with steadily increasing benefits in monetary terms-as integral parts of the taking care of retired workers and the elderly cannot be over-emphasised.

Meantime it is incumbent for Government to commence monitoring and co-ordinating as soon as possible private provident fund schemes for the better protection of the beneficiaries, and to give protection to employees from losing their retirement benefits because of poorly managed funded schemes.

*Cultural*

In cultural activities, you quite rightly pointed out, Sir, that Hong Kong is now taking its rightful place as an important cultural centre in the region.

After the new Hong Kong Cultural Centre is opened in 1989, our cultural activities, at least in the performing arts, will take on more international significance.

With 21 000 theatre and concert hall seats coming on stream throughout the territory by 1989, it is timely that the Government's cultural policy should emphasise the development of local talent and local professional performing companies. As a first step, the Council for Performing Arts is making the right move by supporting the idea of forming a liaison committee for the exchange of information and cross-fertilisation of ideas.

On the other hand, there has been a distinct void in Government's support for the visual arts and the literary arts. I therefore look forward to the report of the Working Party on the Visual Arts which is expected to be completed during the current financial year.

It is to be noted that the Urban Council has taken the initiative to plan for the setting up of a Visual Arts Centre in Victoria Barracks, which should be open in about two years' time.

As regards active recreation and sports, we await the consultant's report on the way forward which has been commissioned by the Municipal Services Branch and which should be ready shortly.

*Public Order Ordinance*

Sir, may I take the opportunity to say that it is timely that during the current session there should be a careful review of the 'false news' provision in section 27 of the Public Order Ordinance.

Is it still worthwhile retaining this provision as it is presently worded in Hong Kong's legislation, or should it not be amended, and even taken out altogether, in the light of the heavy criticism it has received both locally and internationally?

Sir, in the last paragraph of your address, you committed yourself and the Government to developing Hong Kong 'as a society which combines a strong, expanding and competitive economy with concern for the quality of life of all its inhabitants'. I am sure that all of us in this Council share that commitment, even though at times we have different perspectives or different ways of approaching it. But in the final analysis, with goodwill and vision on all sides, we will be able after each debate is ended to forge the best possible way to live up to this noble commitment to the people of Hong Kong.

Sir, I support the motion.

4.27 pm

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

4.50 pm

HIS EXCELLENCY THE PRESIDENT: Council will resume.

MR. HO SAI-CHU (in Cantonese): Sir, in your policy address to us you gave the Government's achievements in the implementation of policies in different areas over the past year and put forward policy guidelines for the future. The policy address was comprehensive and pragmatic indicating that even during the transitional period our Government is a capable one and adopts a positive attitude. This attitude I am sure is welcomed by the people of Hong Kong.

Sir, I notice that in the policy address, the section 'Relations with China' occupied the foremost position and was given substantial coverage. As for the social stability and economic prosperity of Hong Kong after the signing of the Sino-British Joint Declaration in 1984 you gave high marks on these two scores. You also made a special note of the fact that the Chinese Government is drafting the Basic Law for the Hong Kong Special Administrative Region. Pointing out correctly that the content of the Basic Law would affect the development of various systems in Hong Kong during the transitional period. Without doubt full co-operation between China and Britain, close liaison between China and Hong Kong, strengthened communication and consultation as well as implementation of the Joint Declaration are major assurances that the prosperity and stability of Hong Kong can be maintained.

In the recent past the debate on whether there should be direct election to the Legislative Council in 1988 attracted the attention of very many people. This was helpful in promoting civic consciousness. At the same time to all members of the Joint Liaison Group and Land Commission who are hard working and have made a lot of contributions but who are not well known by members of the public, I would like to send them my sincere thanks because their work is important and substantive and has great impacts on the future development of Hong Kong.

As regards the review of representative government you said in your address that political changes should be gradual and undertaken with caution and the public opinion and other relevant factors should be fully taken into account. I support this approach because it contributes to the social stability of Hong Kong.

The link between China and Hong Kong is not only political but also economical. Mention was made in your address of the fact that China is the largest trading partner of Hong Kong and that whether it be import or export trade, investment, flow of travellers or processing carried out in plant set up in China, there has been substantial growth. However, I feel that omitted from your address was how we can further such links; no new proposals were put forward in this respect. In my opinion much can still be done in connection with economical operations between China and Hong Kong. This is particularly so for the Pearl River Delta Region which is close to Hong Kong, enjoys convenient traffic, is rich in resources and has quite readily available labour resources. If the business and industrial sectors of Hong Kong are to invest in the Delta Region and to set up plant there, they will find that there is much

room for manoeuvre and development especially with reference to resolving the labour shortage problem in Hong Kong. In addition, the Hainan Province Special Economic Zone, which is proposed to be set up shortly, will adopt an even more open policy. The proposal deserves our attention.

Recent major political events in mainland China indicated that its open policy would be adhered to for a long time and that its open policy would be guaranteed through organisational structure and by law. The confirmation of such basic policies helps maintain the confidence of the people of Hong Kong.

Sir, we all know that labour shortage is an urgent problem faced by the business and industrial sectors of Hong Kong. Because of the booming economy of Hong Kong in recent years labourers are fully employed with the unemployment rate dropping to 1.8 per cent. To advanced countries like Britain, the United States and West Germany with a high unemployment rate, the employment situation of Hong Kong is something they can only wish for. In Hong Kong itself, however, the problem is labour shortage in a number of industries. It is estimated that major industries, such as manufacturing, construction and catering industries face a shortage of about 70 000 to 80 000 workers. The fact that the Government of Hong Kong imposes strict limitation on the number of immigrants into Hong Kong and factors like birth control, economic upturn and greater opportunity for youngsters to receive education jointly reduced our labour supply. Unless this problem is solved our economic development will be affected.

There are many ways to resolve labour shortage problems, but before we offer any one of them we must assess the pros and cons. Relaxing our policy on the import of labour or allowing Vietnamese refugees stranded in Hong Kong to join our workforce is undoubtedly the most straightforward option. But this may lead to a series of political and social problems such as triggering off a tide of refugees or illegal immigrants and it may also give rise to all sorts of conflicts in connection with our local workforce and social interests. These accompanying problems may only be solved at considerable cost.

In the long run to get to the root of the problem of labour shortage we should invest more in technology, make use of sophisticated techniques and try to introduce mechanisation and automation in labour intensive fields. The Government should provide more guidance and assistance in this regard.

Making reasonable adjustments to the way we deploy our workforce and promoting the initiative of our staff are relatively pragmatic measures more likely to yield results. My proposals are as follows:

Firstly, raise wages and benefits to an appropriate level. One of the important factors contributing to Hong Kong's present success is the good co-ordination and co-operation among different sectors of our community. When the wealth in our society grows, we all benefit from it. Hong Kong's labour market is a free one; different industries can in the light of demand for labour raise wages and benefits according to their own views to attract more staff.

Secondly, encourage housewives to join the workforce. Many housewives who were originally workers gave up their job after marriage or because of certain constraints. It is estimated that there are about 40 000 such housewives. To draw them back into the workforce we have to alleviate the difficulties they face by providing them nursery services, amending legislation to relax restrictions on overtime work by women, and allowing husband and wife to be taxed separately and so on.

Thirdly, amend and strictly enforce hawker control legislature. The Government is proceeding with work in this area. The crux of the matter has to do with strict enforcement; many hawkers were originally young and able-bodied workers. Because of higher income and more flexible working hours people have switched to hawking. If the Government implements a sound licensing system and strictly bans illegal hawking some of these young people will be forced to rejoin our workforce.

In addition, under an agreement between China and Hong Kong, some people from China who are holding one-way permits come to reside in Hong Kong so long as we make no change to the daily quota of such people coming into Hong Kong. We can negotiate with China to give priority to those who are able to work and at times when demand for labour is acute, even the daily quota of 75 people can be applied with flexibility by allowing such people into Hong Kong together early in the month while retaining the monthly total.

Moreover, since there is the precedent of bringing Filipino maids into Hong Kong on contract terms, I consider that we can do likewise for maids from mainland China. This will be more in agreement with the traditions and customs of the Chinese community in Hong Kong and should be welcomed by housewives who want to go to work.

Sir, recently there was a slump in stock markets throughout the world; Hong Kong was also affected. Giving rise to worries in the minds of quite a number of people about our economic prospects. However I believe that Hong Kong's economy is basically sound. With our people's adaptability and experience and with the efforts and co-operation of various parties, Hong Kong's economy will continue to grow.

Sir, with these remarks I support the motion.

MR. LAI: Sir, I do not intend to devote much time to the operation of the financial markets; it was not on my agenda. But neither was the stock market crash. In the light of what has transpired in the last two weeks, I cannot but be drawn to make a few comments on the financial markets to start off my speech here today.

If the Government deemed that the well-being of the stock market and the futures market was of such importance to the fundamental strength of Hong Kong to survive in the international financial world that it warranted using the

Exchange Fund, then it would indeed be difficult to reconcile with the latitude extended to the Hong Kong Stock Exchange Committee to determine the closure and business activities of the exchanges.

I do not argue against the injection of billions of dollars to guarantee the working of the futures exchange; it might have provided a stabilising force in a fast faltering scene. However, the responsibility taken on by the Government is incommensurate with the degree of influence of the Government has on the affairs of the exchanges. It is not without grounds for the man in the street to think that in the management of the financial markets, the stock and futures markets especially, the Government has the responsibility to keep the ship afloat, but not the power to steer its course.

Investors plunged into the market at their own risk; brokers took up clients at their own risk; the Guarantee Corporation came to the agreement at its own risk. But the Guarantee Corporation had the Government rescue package to fall back on; institutions are guaranteed to get their full share of profits while ordinary investors are left to face bankruptcy without assistance nor sympathy because they made the unwise decision. This irony has generated much suspicion as to the real purpose of using the Exchange Fund. Who are the actual winners in this recent crisis? I am sure this is a question which the general public would like to know. The fact that the Guarantee Corporation was allowed to be so grossly undercapitalised exposed the inadequacy of provision for contingency for the purpose of which the Guarantee Corporation was set up originally. The poor framework within which our pride financial markets operate and the lack of regulation and supervision of the financial institutions in Hong Kong call out for Government review. We must examine relevant regulations with regard to the granting of licence and supervision of the financial soundness as well as the business practices of the brokerage houses. I hate to see measures to improve the soundness of the system being implemented only after the crisis we just experienced. None the less it is better late than never.

I would not argue with retrospective wisdom the advisability of the closure of the stock exchange. After the four day suspension, the market fell by one third in value. It is difficult to believe that it had achieved the purpose of mitigating the impact of the Dow Jones Industrial Average fall of one quarter in value the previous night. But right or wrong, it should have been the Government's responsibility to determine whether it should be closed or not in the first place. The suspicion of the Administration's unwillingness to take the responsibility or the inability to chart out a course of action does little to enhance the image of the Government as a responsive and decisive Government in terms of crisis.

Sir, I welcome your swift decision on setting up a Securities Review Committee to tackle the existing problems. It is crucial that the terms of reference are worked out carefully so that the committee with its appointed chairman could react independently.

The Government must not be seen as a lame duck in these turbulent times. The fact that the Administration merely agreed to go along with the decision of a small group of people with extensive interests in the markets is hardly convincing that it is equipped or prepared to assume the commanding role in a crisis. That confidence is needed especially in these years of change and uncertainties for not only those who engaged themselves in investing in the stock market or the economy, but for ordinary citizens as well.

The decision to close the stock market further demonstrates the danger under which Hong Kong would be placed if we had a political system wherein decisions are made by a small group of elites. The Government, now and beyond, must be autonomous for it to discharge its administrative functions. If the proposal to install a Grand Electoral College were adopted for our future political system, the decisions of the economic elite would not even be subject to the effective checks by an independent government. The only way to safeguard the interest of the public is to have a legislature whose membership is drawn from the broad base of the populus.

Sir, you pointed out that the gradual evolution of our political system has been able to cope with the needs of our society. However, the pace of development has to pick up to take into account of the impacts of the Sino-British Joint Declaration and its implications. Never before has our society been placed under such pressure to change. Political imperatives as well as the fast changing social circumstances force upon us the need to take bolder steps forward. We are changing from a colony to a Special Administrative Region with a different set of rules and purposes in 10 years' time. I strongly believe that only with a legislature with widespread support from the participation by the population can the Administration face the challenges in the coming years with the usual effectiveness that has characterised the success of Hong Kong. The best way I know to achieve this is by means of direct elections.

I am heartened indeed by your decision, Sir, to set up an Office of the Commissioner for Administrative Complaints. My first impression of the Bill, which was gazetted last Friday, is that it provides quite adequate powers for the commissioner to carry out his duties. However, I have reservation about the police not being included in the list of departments that the commissioner could investigate and the provision that the decisions of the commissioner will be final. But these of course will be discussed further on other more appropriate occasions to examine the Bill. In any event, I commend the Administration's determination to further develop a more accountable process of Government. Many if not all of the suggestions that were voiced here last session seemed to have been incorporated in the original ideal of such an office.

As far as infrastructure goes, I am glad that the Government is going to undertake a number of studies to plan for its development. Since the results of these consultancies will not be available for some time, I shall limit my comments on a few general observations. We have the congestion problem with

us at the Lion Rock Tunnel for years, yet the construction of the Tate's Cairn Tunnel has only just begun. We have been suffering the traffic problem with the Cross Harbour Tunnel, yet our predicament will continue until 1989. We are going to have a light rail plan that needs a monopoly zone to support. Clearly, we could have done much better in planning for new towns and the transport network essential to any metropolis.

Perhaps we can gain from our experience, painful though it may be, in mapping out our future strategy. Co-ordination of various departments is indispensable in development of new towns and long-term planning. Had that been done effectively, we would not have the shortfall of social services, schools, transport links, and employment in the new towns. In the further development of the north west New Territories, I urge the Government to pay close attention to the co-ordination of various services so that the problems which we encountered in new towns like Tuen Mun, Sha Tin would not be repeated.

I am acutely aware that statutory corporations like the KCRC will continue to play an important role in the development of infrastructure. Perhaps they are run on 'prudent commercial principles' their social responsibilities may be obscured sometimes; the case in point is the expansion of the light rail link to urban areas. For the KCRC, commercial principles may come first, but for the Government, nothing should take precedence over the service to the public. I have held from the very beginning the opinion that since the routes to Tsuen Wan would have higher patronage, they should be given more weight in the deliberation on which route to expand.

Another statutory corporation that has a potentially significant role in the development of our infrastructure is the Land Development Corporation. I am of the view that measures to safeguard the interests of owners and tenants involved in redevelopments must not be sacrificed to facilitate a shorter redevelopment process. It must also not be turned into a land assembly machine. The objectives of bringing about urban renewal and improving the lives of those who live in poor housing conditions must not succumb to pure economic principles.

The environment has received much attention lately. Legislations to control air, water and noise pollutions are meaningful measures to secure a better environment. However, the costs of these measures must be borne by all sectors in the society. Industrial pollutions are just as damaging as animal waste if not more. We must tackle all pollutions with the same vigour and not be seen as favouring any particular party. The economic costs may be higher for industries to tidy up their operations, but the social costs otherwise would be much heavier.

Many are suffering from problems that are caused by the lack of planning and co-ordination. Of course the Administration is more careful with developments now, but we cannot foresake the responsibility to eradicate their problems. The lives of residents living in mixed industrial and residential areas would be



greatly improved if the Government would take the initiative to facilitate redevelopment of these areas into more homogeneous residential neighbourhoods. This idea might get a more favourable reception if the factories were given land to relocate and permission to redevelop the original sites.

The success of our society is sometimes erroneously measured only by its economic performance. Undoubtedly, as you say, Sir, economic success gives us the conditions to pursue other social objectives. But the true measure of the success of any government is nevertheless the quality of life that its citizens enjoy and equality in the society. It is important that we should not commit ourselves to social programmes that we might have trouble implementing in lean years. It is more important that we should not be scared away from our duty to bring forth a better society by over-cautious forecasts of our ability to pay for social programmes. A conservative forecast that would give the Government a pleasant huge surplus (which may or may not be a surprise) at the end of the day is no better than a forecast that did not foresee a deficit in that they are both wrong and cannot plan for the optimal utilisation of society's available resources to achieve its goals. Caution has a price, and that price is not measured in quantitative terms, but in human terms. As a society, I believe, Sir, Hong Kong is becoming very conscious of that price.

With the above remarks, I beg to support the motion.

DR. LAM (in Cantonese): Sir, your policy address has been well received and boosted people's confidence in the future. A theoretically sound plan must be thoroughly implemented before it can achieve the desired effect, otherwise it will be like the project in Daya Bay with mishaps from the beginning and the hard won confidence will be destroyed.

Sir, you correctly pointed out that the continuance of sound administration will depend greatly on the maintenance of a dedicated and efficient Civil Service. Unfortunately, you have failed to tell us how the undedicated, inefficient and substandard minority will be dealt with, neither have you told us how you will better monitor the functioning of the 380 odd statutory advisory committees which are your eyes and ears and how to improve their quality.

Let me give you an example. We have the School Medical Service Board which has an annual budget of \$24 million, and involves 370 000 students. I have been appointed to the committee, but in the past year not one single meeting was convened. Such committees are totally devoid of vitality. Is there any real value in their continued existence? Their advice may be misleading resulting in your making wrong decisions. How many such extremely inactive committees are there? What does the Administration plan to do about them, and when will action be taken?

Our recent suspension of trading in the stock market has demonstrated the quality of some civil servants and their ability to handle emergencies. At the same time, it has exposed long existing flaws in the operation and surveillance

systems of our financial market. I welcome the setting up of the Securities Review Committee; its terms of reference should include a study of government officials responsible for securities matters to see whether they have sufficient professional knowledge to meet the requirements of the job. There are people who think that the existing system in Hong Kong is the reason for its success and therefore there is no need to make any changes. This financial crisis should be a good lesson for them. The existing system may work well when all is well. However, when there is the slightest difficulty, the weaknesses will be shown. During the transitional period leading to 1997 we may come across problems, big or small, and if we do not make timely changes in our political system it will be both unwise and irresponsible. We must take into consideration the possible short-term and long-term adverse effects of not introducing direct elections in 1988. To be fair, most civil servants we know are of high quality and efficient. However, they have one common weakness, that is, they are over subjective in defending the policies they have formulated. Regarding people who are vocal in criticising Government policies and the well-intentioned constructive proposals made, the Government is over suspicious. Consequently, some important central policy advisory committees lack members who are representative. One example is the hon. SZETO Wah. Even though he is the only Legislative Councillor returned by the educational functional constituency, he is neither a member of the Education Commission, nor a member of the Board of Education. This is indeed a waste and it is disrespect and an insult to the entire education sector.

Whether the Administration is efficient cannot merely be decided on by speed. If we want to shut up dissenting voices in the conference rooms whether it be in the name of promoting efficiency or achieving consensus or avoiding confrontational politics, we are in fact taking a retrogressive step in democratisation and taking a first step towards dictatorship. Only in autocratic or communist countries are dissenting views suppressed; no criticism of the party or the leader can be tolerated, even if it is given in good faith and is constructive. We are now in the transitional period moving towards 1997. We must strengthen our people's confidence in the present Administration. It is not enough for the future SAR Government to merely stress the relationship between Hong Kong and China. Most of us are Chinese; we both understand and care about China. Our personal feelings and experiences have made us choose Hong Kong as our home. It is because we prefer the quality of life brought about by capitalism.

Sir, you talk about a determination to implement fully the terms of the Joint Declaration. However, you have not told us how the British-Hong Kong Government intends to implement the high degree of autonomy and the concept of Hong Kong people governing Hong Kong. The development of a representative system of government is made entirely the responsibility of the people. Before and after the publication of the 1987 Green Paper on Political Review, Chinese officials repeatedly expressed the view that they were against the introduction of direct elections in 1988 and they influenced public opinion directly.

On the other hand, the British Government kept silent using public opinion as their shield; this gives one the feeling that during the transitional period, even though Hong Kong's Administration is theoretically British responsibility, the Chinese authorities are in fact running the show.

The first draft of the Basic Law is not yet promulgated, yet it has been decided that it will be the key foundation stone for the structure of our future. In fact before we are given a chance to understand the first draft we have no way of knowing whether it will be accepted by the public. Hong Kong people have never formally authorised the members of the Basic Law Drafting Committee and the Basic Law Consultative Committee to represent them. Recently, Mr. Ji Pengfei announced that the Chief Executive of the Hong Kong SAR Government would be chosen through consultation. This is unilaterally negating the possibility of his being chosen through election as stated in the Joint Declaration. So even before the promulgation of the first draft of the Basic Law the conclusion is drawn. Such is the case even before 1997; therefore a high degree of autonomy after 1997 is but illusions to us.

Sir, in the concluding paragraph of your address you talked about the development of Hong Kong as a society with concern for the quality of life of all its inhabitants. Mr. Paul HARWOOD of the University of Ottawa wrote an article on the quality of life and he said that the quality of life should include the following features; freedom of expression, electoral rights and participation in public decision making. Let us look back at the Public Order (Amendment) Bill 1987 and Film Censorship Regulations that passed through this Council in the last session. Obviously they affect our quality of life adversely. The Administration should amend these two pieces of legislation quickly. Besides, the delay in giving people the right to directly elect members to this Council and the refusal to set up a Central Provident Fund go contrary to what you call the concern for the quality of life of all our citizens. In 1987-88 the Government will spend \$1.4 billion on pensions to protect the quality of life of its retired civil servants. I fully support this. However, it does not work positively to improve the quality of life of people in the middle and lower classes. One therefore starts to doubt whether the Administration's decision regarding the Central Provident Fund is wise or fair.

Health is an important indicator of the quality of life. As our population starts to age the Administration should strengthen its medical and health services for the elderly. However, I do not see any action in this respect. There is an increasing demand for hospice care and yet there is no financial support from the Government. The Government has a responsibility to help the sick and to reduce their suffering, both physical and spiritual, during the last stage of their lives. Now we have 4.5 beds per 1 000 population; we have not reached our target of 5.5 beds per 1 000 population as recommended by the Medical Development Advisory Committee. When the Hospital Authority is set up, whether it can improve the quality of our medical services will depend on adequate

financial support from the Government. However, the quality of the Hospital Authority and members of the regional committees will also be important and will affect its success. I hope that you, Sir, in appointing members to the Hospital Authority, will consider not only whether they are representative enough but also whether they can objectively take an overall view of all the factors that are directly or indirectly related to the authority, for instance, the difficulties faced by the sick and the quality and morality of professionals in the field, so that with our limited resources they can provide services comparable to those in advanced countries. More importantly, members should have independent thinking and determination. They should place the public good in the foremost position otherwise it will become the statutory body for endorsing the policies of the Hospital Services Department; there will be a reverse of roles and our original purpose of setting it up will be defeated.

Sir, in improving the medical and health services of our community, have you taken into consideration the vast resources now in the private sector? Now there are 2 281 doctors in the private sector and 2 633 in the public sector. In fact resulting from the effort of district boards, many doctors in private practice are charging elderly people concessionary rates; they are also very generous with their time and they volunteer to conduct health education activities in different districts.

Sir, from January 1979 to September 1987 there were 5 581 babies born in closed Vietnamese refugee camps. As at 21 September 1987 there were close to 2 000 children aged under seven in refugee camps; they have to live in confinement. These children and I at least have two things in common. First, we do not like to live in confinement. Second, we are at a loss as to what wrong they have done to deserve such treatment. There are 3 500 Vietnamese refugees who have been in Hong Kong for more than five years and they are still here. For those who do not have a chance of leaving Hong Kong we must come up with a practical solution; we cannot keep them in camps forever until their deaths, I would like to suggest that we set a period, say five years, seven years, or 10 years—after this they will be integrated into our society. I believe that among the hon. Members sitting in this Chamber are those who fled the rule of the communists. They have managed to contribute towards Hong Kong's stability; this we all recognise. Therefore these Vietnamese refugees too may one day make contribution to Hong Kong.

Sir, I hope that you will practise what you preach and put the quality of life of Hong Kong people as the most important target. With these remarks, I support the motion.

MR. ANDREW WONG (in Cantonese): Sir, I would like to thank you for the policy address delivered on the 7 October. As I was otherwise engaged, I was not here however. But after reading the Hansard I feel that you are a decisive

and resolute person and we are lucky to have you as the Governor. I believe that you and I have similar principles in doing things and conducting ourselves; that is we believe our judgements are correct though we admit that we might be wrong.

Since we believe that our judgements are correct, we follow it up with actions. Now, if people do not believe that their own judgements are correct and if they hesitate before they speak or before they take action then how can they achieve anything? We admittedly may make mistakes, we listen to the dissenting views and then we correct ourselves. Of course if we do not listen to the opposing views it will be too late to regret and if we do not regret at all and even if we are proven to be wrong then it is even more blameworthy, so I often remind myself of such principles. In paragraph 4 of your address it says, 'On many issues we have debates, animated debates, but it is only reasonable because only by doing this can we come to correct conclusions.'

The decisiveness of your style can be shown in the address on the issue of the University of Science and Technology, Open Learning Institute and the Broadcasting Authority and so on. Decisiveness is very important, but it is also very important to listen to dissenting views, as I mentioned earlier on. When you made all these decisions, did you not think that there might be the mistake of a wrong judgement. For example in paragraph 64, mention was made of a certain topic and then some time ago we debated the animal waste of policy and legislation. And also in paragraph 75, our second law school would be set up in the City Polytechnic but not in the Chinese University. Of course I have to declare my interest, but this issue is related to the community as a whole. And also in paragraph 100, the setting up of the Central Provident Fund is rejected and it is to be substituted for by private provident funds. And also in paragraph 102, the age of people eligible for Old Age Allowance will be lowered from 70 to 65. Regarding the private provident funds, now we have a slump in the stock market. Do you think otherwise? As regards the second measure of lowering the age for claiming Old Age Allowance, if the administrative cost is too high would it still be worthwhile to conduct a means test? I do not want to speak in detail on these topics, but I hope that before the event the Government should bear in mind that it should listen to dissenting views. If it cannot be done before the event then at least it should be done after the event. After listening to the dissenting views we can try to find out whether we can correct our measures.

In paragraph 13, on the question of the Basic Law, you said, 'The members of the public in Hong Kong are concerned about the drafting of the Basic Law'. This is only natural, because the Basic Law will set up the framework for the Special Administrative Region and it will also affect the development of our political system and also other systems before and after the setting up of the SAR. The Basic Law will restrict our development in the future. This is well understood though as yet not openly stated. The Basic Law may even affect and restrict the development in the transitional period. I am not concerned that the

Basic Law would affect our development in the transitional period because that cannot be avoided, but I am concerned that the Basic Law may be the reason for freezing any developments during the transitional period, pending the development in 1997. Because the Basic Law is to be a blueprint, it lacks flexibility and Hong Kong will suffer because of this. Since the Basic Law is to be a blueprint, many parties offer proposals hoping that their proposals will be accepted as the blueprint. Now whatever proposal finally comes out to be adopted in the Basic Law, neither Hong Kong nor China will benefit because Hong Kong is not like other countries; Hong Kong will not be setting up a new system after national democratic resolutions. Now in this transitional period of 10 years, why do we not make use of the approach of trial and error? That is, we should look at the practical problems and then make use of flexibility in our development so long as we do not violate the Joint Declaration. Hong Kong is different from other places, but is more fortunate than they because it has a more stable political environment. We still have 10 years to go before 1997, and we must make use of this opportunity to do what is to be done.

Sir, in paragraphs 160 to 163 of your address you talked about the Commissioner for Administrative Complaints and also there will be an appeal procedure to the Governor in Council. I give you my whole-hearted support. Some people may think that this is not adequate, but this measure, in my opinion, shows that we are adopting the policy, or the approach, of trial and error. This is our way of doing things step by step.

Sir, in your address you also discussed the issue of civil servants. I give my support to what is said in paragraphs 154 to 159 in general. The crux of the problem of the civil servants has to do with the coming of 1997 because before and after 1997 the systems in place in Hong Kong will not be frozen, there will be some changes; therefore, civil servants have doubts in their minds, and the best way to deal with this is to dispel their worries. The best measure will be to clearly define Civil Service posts, vis a vis, politically appointed posts; this all boils down to the ministerial system. But it is regrettable that in the 1987 Green Paper nothing is mentioned about this, so I would like to call on the Government to refer this question to the consultants or to set up a commission among civil servants to review the situation.

Sir, regarding developments in representative government you mentioned only in the paragraphs 151 to 153 that there will be consultation and that the Survey Office is involved in the final stages of work in compiling the report and that the Government will definitely consider the views of the public as recorded in the Survey Office report, but no firm decision has been made concerning these options. This is only wise and proper because before completion of the report the Government and the Executive Council is not in a position to consider the questions, not to mention decisions. But what role should public opinion play in the decision making process? I think that there are two levels in the relationship between public opinion and policy making. The first level, and

the most basic, is one of effect or function. Those in power should consider whether there are problems in the community, what sort of problems they are; are they public problems? And is it a problem as such, what solutions are there, and are the proposed solutions effective and so on? This is a rational level of the relationship. Public opinion plays a role in this level. It is as the saying goes, three cobblers can beat King Solomon. It enables those in power to listen to dissenting views and to understand that their own views are not necessarily correct. This was a statement made by Mr. Denis BRAY, and on this level, the focus is on reason or to quote Sir S. Y. CHUNG, 'it is a level involving the quality of public opinion.'

But the second level, which is equally important, is the political one; if there is something that the Government wishes to choose, but the people object or conversely if the Government rules out something which the people want very much, then these views should also be considered. It is a non-rational level, though not necessarily irrational; it is emotional and a show of power; this is what we call quantity, or the quantity of public opinion involving the number of people against or for a particular stance. The reason why the quantity of public opinion ought to be considered is because if people strongly object to a particular choice then troubles will follow one another if the Government should ignore public opinions. That is why, although the quantity of public opinion is non-rational it should be considered and it is a rational consideration. Both levels are rational.

Sir, the Chief Secretary. Mr. David FORD, released earlier today the Survey Office report, and the Government has simultaneously published or released this to the public. Although, I have not had time to digest its contents, I wish to say a few words based on my shallow knowledge of the relationship between public opinion and decision making. First of all, the source of public opinion. One is individuals or groups of people writing to the media or to the Government. The second source of public opinion is through opinion surveys. I think that in the first case, the focus should not be on the quantity but on the quality. The focus should be on the reasons and the arguments in favour of particular options. Therefore, I attach no importance to fake submissions. There is nothing wrong in people expressing their opinions, but when opinions are mass-produced then that is very dangerous indeed. Sir, opinions obtained from the first source must focus on quality. In other words, not the thinnest volume of the three in the Survey Office report. We should also look at Volume II. We should concentrate on quality.

As regards opinions obtained from the second source, that is through surveys, Government should focus on the importance of quantity. Whether these surveys are conducted by the Survey Office themselves or by popular bodies, they do not reflect the strength of feeling of those interviewed. We should not lose sight of this important factor. The second point I wish to make is this; questions in the questionnaire sometimes are unclear as regards

categorisation. That is possibly a result of the diversity of options in the Green Paper; for instance, it is asked whether you are in favour of direct elections. And instead of listing many years in which direct elections can be implemented only several are given. Actually I think that only two, or several questions need be asked. Namely; are you in favour of Legislative Council seats being returned by direct elections, if so, are you in favour of having direct elections in 1988? None of the surveys seem to be as simple and clear-cut as that. I wish to refer to paragraph 13.39 in the report, describing the targets of some of these surveys. It involved people in the tertiary institutes although I myself was not involved. It asked that the interviewee could choose the year in which he would like to see direct elections conducted but that has coloured our visions. In all of these surveys, it seems that the ratio of those in favour of having direct elections in 1988 to those who are against having direct elections and the ratio of those in favour of direct elections to those in favour but not to be held in 1988 are about 6:4. I am not saying whether I myself in this case am in favour of direct election or not, but this is obviously the case; it is for those in power to consider the data. Chapter 10 of Volume II lists the details concerning the questionnaires. We must consider the questionnaires themselves in assessing their results and when that is done it can be seen that the quantity of public opinion is in favour of direct election and of conducting it as soon as possible.

Sir, let me quote from Article 73 of the UN Declaration regarding non-self governing territories. Members of the United Nations which have assumed responsibilities for the administration of the territories whose peoples have not yet attained a full measure of self-government recognise the principle that the interests of the inhabitants of those territories are paramount and accept as a sacred trust the obligation to promote to the utmost within the system of international peace and security established by the present charter the wellbeing of the inhabitants of these territories and to this end several things. And I wish to quote only (b); 'to develop self-government to take due account of the political aspirations of the peoples, and to assist them in the progressive development of their free political institutions, according to the particular circumstances of each territory and its peoples in their varying stages of advancement.' Sir, the United Kingdom and China are member states of the UN, and with that quotation I wish to support the motion.

MR. ALLEN LEE: Sir, when you addressed this Council on 7 October, the picture you presented can only be described as no less than rosy. I believe what has happened since 19 October should not alter Government's plans for the future. Our economy performance is at an all time high. We are experiencing double digit growth two years in succession. Our total trade is expanding rapidly and we are now the second largest container port in the world in terms of throughput and may soon become the largest. Public sector financing is in a healthy condition. To me, the most important part of your address is on page 9 paragraph 18. It is so important that I would like to render my full support.



You said and I quote: 'Within this territory, a sound, healthy economy is the essential foundation on which all our other endeavours and achievements must be based. We must continue to develop an environment within which business will flourish. From this, and only from this, will flow the creation of wealth which brings higher standards of living to our people and which gives the Government the ability to fund social programmes to meet the growing expectations of our community. We are fortunate that these fundamental truths are well understood in Hong Kong: it is one of our greatest strengths. This approach to economic and social reality forms the backbone of all our policy making' End of quote. Sir, I could not agree with you more. This must be the principle and philosophy of Hong Kong. I had intended to speak on other aspects of Hong Kong in this policy debate but I can find no other subjects of greater importance than a sound, healthy economy and the maintenance of our future economic growth. Sir, most recently the Hong Kong Stock Market and the Futures Index Market took an unprecedented drastic plunge following the collapse of the world stock markets. No one had predicted nor anticipated this sudden change. The events which have happened is reactionary and sometimes to the extent of being uncontrollable. Hong Kong's reputation as being one of the world's major financial centres was on the brink of being permanently damaged and unrepairable. The decision of the Government to use the Exchange Fund to inject \$2 billion into the Guarantee Corporation of the Futures Exchange along with another \$2 billion from the financial services sector is a move, in my view, which is absolutely necessary not only to uphold our reputation but more importantly, to safeguard Hong Kong as a financial centre. This incident has shown the flexibility and ingenuity of the Hong Kong Government. Our Government had to take the lead to enable us to pull through, or at least to stabilise our own market, in view of the worldwide economic crisis. I firmly believe that the Government's decision is correct and I support it whole-heartedly. We are living in an ever-changing world. This incident shows us how vulnerable Hong Kong is. We must always be prepared to act and react swiftly to prevailing circumstances. This is exactly what we have done. Looking ahead, I am confident in Hong Kong and in the longer-term outlook of Hong Kong's economy. However, we must be prepared to respond at all times as our economy is still heavily influenced by external forces beyond our control. Our Government must show its leadership in the planning, execution and decision making processes in order for us to guard against any fluctuations which may happen in the future. We must plan ahead and we must show our people our confidence in the future.

My first topic is the airport project. This is a project of significance, particularly as interest has been shown in the private sector of participating in a new airport scheme. I do not wish to spend much more time to tell you, Sir, how congested the Kai Tak International Airport is. It is certainly not in the league of reputable international airports. The implications of building a new airport are wide-ranging. Not only does it show the confidence Government and the

private sector has in our future but it also enhances our determination and image as an international city. I understand that there is a consultant's study underway. Although capital projects such as an airport often require a lengthy decision making process, I want to urge Government to quicken its pace as the need for a new international airport will be more pressing in a year or two.

My second topic is with regard to industrial development. I have said so much in the past, now I am glad to see our Government is doing something about this important subject. Our industry is facing increasing protectionism and competition and is narrowly based. There is no question in my mind that we must move up-market and our future will be more dependent on knowledge based industries. A proposal to set up a technology centre should not be delayed. I have recently visited a techno-park in London. I have obtained information with regard to the operation and management of a techno-park. I shall pass this information on to the Director of Industry and discuss with him on the viability of setting up a technology centre along similar lines as that of the United Kingdom. Techno-parks enhance the close relationship among industry, academics and researchers to assist the development of technology based industries. Sir, I would like to once again reiterate that industry is the backbone of our economy. Without a determined industrial development programme, Hong Kong will suffer in the long run. While not wishing to sound like a broken record, the fact remains that Hong Kong's future stability and prosperity depends much on the performance of the manufacturing sector.

My third topic is education and training. It is often said, Hong Kong's most valuable resource is its people. I am glad to see the Government's efforts and determination in education and training. I have often told overseas visitors that I am very proud of the high standards that we have set for ourselves. We have trained various talents to serve Hong Kong in different fields. I supported the establishment of Hong Kong's third university and the increase of the research and development budget for our tertiary education institutions. I would like to see more of our young people who are qualified to enter universities and polytechnics be given the opportunity to further their education. It is heartbreaking in my view to see our young people, who are the potential leaders of the future, be denied a place in our institutions because there are insufficient places. In my view, it is the duty and responsibility of our Government to improve the intake whenever and wherever our resources permit. I believe to invest in education is an investment into the future. It is the best guarantee that we can have. I see Hong Kong's past and future success closely associated with a good education system. I am glad that I have been given the opportunity to serve and be associated with one of Hong Kong's tertiary education institutions.

Sir, a sound and healthy economy must be based on confidence: business confidence and confidence in our Government's ability to take the lead during crisis and in our Government's flexibility in the policy and decision making processes. I recognise that no government is perfect but a good government is

responsible and responsive. Judging from Hong Kong's past performance and economic success, I acknowledge that the Hong Kong Government is a responsible and responsive government. I have participated in many international conferences during the past 10 years and I have noticed that other governments have constantly been envious of our success, but we must not be complacent. We have many problems facing us both in the short and long term. I am confident that with the co-operation of business, government and the community at large, we can take up these challenges of the future. Hong Kong has stood on its own feet without foreign aid of any kind. It has a commendable track record. It is on this basis that we should continue to invest, to build and to share.

With these remarks, Sir, I support the motion.

MR. CHENG: Sir, in your comprehensive and most constructive policy speech, you devoted a good quarter of your time to plans for the continuing development of our infrastructure and also the expansion of our education system. I would like to touch upon both these subjects, especially on their relation to each other, and to draw attention to certain issues which I believe call for immediate action or deliberation.

But first, it is impossible to speak on the enormous development programme you have outlined, Sir, without referring to the events of the past fortnight. The fall and jittery state of stock markets throughout the world is bound to affect everyone's economy, but I trust this will not cause us to be faint-hearted about the developments which—only a month ago—we were quite sure needed to be undertaken. I say this because in the mid-1970s—when oil prices rocketed and stock markets fell, and worldwide recession began—our programme of public works was severely cut. But before the decade was out we were having to scramble to make up for that lost time.

Our economy was sound a month ago and it is still basically sound today. I hope there will be no axing of essential development projects, especially in view of the lead time—often up to a decade—which is involved in any large-scale undertaking.

In discussing the infrastructure, I cannot do otherwise than speak as an engineer as well as a legislator—since all my working life has been spent in that profession and in helping to build up the infrastructure which we have today. And it was as an engineer that I felt more than a twinge of anxiety when you, Sir, spoke of the 'two critical problems' of our port and airport development.

Today, the expansion of our port facilities and the provision of a second airport are indeed critical matters—affecting our manufacturing industries, our entrepot trade and our tourist industry, the latter of which of course covers Hong Kong's development as a venue for international conferences and exhibitions.

I was—and am still—concerned at what seems to be a lack of urgency in Government's approach to these two projects. You reported, Sir, that the Government is now commissioning a joint Port and Airport Development Study to advise on the best and most economic means of providing new facilities before the present ones reach saturation point. The study is to be completed by the late summer of 1989. With all due respect, Sir, I believe that this study should be expedited on account of the lead time which will elapse before two such enormous projects can be completed.

There are already signs that our port and airport are fast heading towards saturation point. If we are to avert the risk of critical blockages at these two points which are so vital to our economy, the sooner we get on with this survey the better.

Even at the best of times, the Government has not always paid proper attention to the question of lead time in connection with large projects. There are at present two glaring examples. I refer to the Lion Rock Tunnel and the Cross Harbour Tunnel. Both are heavily congested—but it is only now that we are doing something about providing alternative routes. With forward planning and due regard to lead time, we could today have been well ahead with these new projects and so have been able to cope with the congestion which is getting worse day by day. Furthermore, in our container port development, supporting facilities have not been given sufficient priority, and such problem as container vehicle parking is, I understand, only being studied by consultants today. I, therefore, cannot emphasise too heavily the importance of co-ordinated strategic planning and then, above all, the prompt implementation of such plans.

Given adequate forward planning, we are fortunate in that we can count on our engineering and construction industry to get the job done on time. The members of my constituency—which covers all those professionally engaged in the construction industry and in land development—will play a leading role in the vast development of the infrastructure which is now being planned.

Against this background, it is worth noting that the four professional institutions which make up my constituency are now seeking approval by the Government of statutory registration of all such professionals. Proposals are being discussed which will ultimately ensure that these professionals are legally identified—a move which, I believe, is clearly in the public interest. I would urge Government to finalise this as soon as possible.

As regards projects which are completed ahead of time, it is indeed gratifying that our third university, the Hong Kong University of Science and Technology, is now expected to have the first intake of students in 1991—three years ahead of time. This, of course, gives me great personal satisfaction.

In recent years I have become increasingly involved in educational facilities for young people intending to make their careers in the technological and scientific fields. And I am keenly aware of the great advantages that would

accrue from everyday contact between academics and students, researchers, and those who are already out in the field practising and producing. There needs to be the closest contact between them all, to promote a multi-directional flow of ideas, experience, information and requirements. It would be an ideal situation if a community could be formed of such components.

We have, I believe, an opportunity to bring that about in the context of the third university. You mentioned, Sir, that consideration is to be given in the coming months to the need for a third industrial estate and also a technology centre. Such a centre—otherwise known in other countries as a Hi-Tech Industrial Research Park—would house research laboratories and companies engaged in the commercial application of high technology.

I would strongly urge that there is a need for such a centre, and for a third industrial estate, and that both should be sited in an area such as Junk Bay so as to be near the new university. This would facilitate the practical, academic and research links which could be of immense benefit not only to those immediately concerned but also to hi-tech industries in general and to related professions.

To foster such an enterprise, I can think of no better body than the Committee on Science and Technology which the Government is appointing to seek out and develop new scientific ideas of relevance to Hong Kong.

Sir, you opened your address with a tribute to your predecessor, one of whose prime concerns was the need to prepare and equip our young citizens to meet the technical and other challenges of the future. Your speech made clear that you share the same educational vision, and the same sense of urgency. This is heartening to us all, and makes me confident that the projects I have just mentioned will go ahead rapidly and will bear fruit in abundance.

Sir, with these remarks, I support the motion.

MR. CHEONG: Sir, I would like to offer to my sincere congratulations to you in presenting a very distinct, full and clear-cut programme of work for the years ahead. The longer-term strategies as presented by you in areas of housing, transport, education, environmental improvements, medical and health, social welfare, infrastructure, and law and order clearly demonstrate this Government's commitment to working responsibly and responsively for the well-being of Hong Kong. It is indeed an honour to be able to work, under your leadership and guidance, towards bringing this ambitious yet far-sighted programme to fruition.

Allow me also to declare my whole-hearted support for your determination to press on with the task of making Hong Kong a better and more prosperous home for all our people. In this debate, I would like to make one general observation and some specific ones.

Despite the significant progress we have made on many fronts throughout the past few decades, it must be recognised and accepted that Hong Kong still has to address a lot of problems. We still need to do a lot of work and if we were to have any chance of successfully completing the tasks set out by you, Sir, I firmly believe that all sectors of our community have to work together with dedication, resolution, pragmatism, understanding, and above all, with a spirit of compromise.

*A note of caution*

Unfortunately, while our political system is evolving in a period of some uncertainty, there is a marked tendency on the part of some public figures to bombard the Administration with undue criticisms. The actions taken by our policy makers have frequently been under attack unfairly by subjective interpretations based on far-fetched and sometimes erroneous assumptions.

At this juncture of our political development, I accept that this is a phenomenon we may have to put up with. However, a note of caution needs to be voiced. In my view, such practices, if carried on for too long, will tend to be unsettling for our community. It may also breed distrusts and frustrations that would have a damaging effect on the morale and efficiency of our able administrators.

Over the next decade, if we are to succeed in achieving the twin goals of stability and prosperity, the morale and the efficiency of our Civil Service must not be damaged irretrievably. We need an efficient Administration, backed up by a business like Legislative Council, to implement our policies with pragmatism, conviction and, above all, with a sense of continuity.

It is with this in mind that I would sincerely urge both our politicians and administrators to take caution. We have achieved reasonable prosperity but we still have a long way to go to achieve long-term stability. Petty posturing could become obstacles to the achievement of our desired common objectives. We must work together with mutual trust and pragmatism in tackling all the important issues before us. It is indeed timely for all of us to reflect and act upon William PITT's observation: That it is measures, not men, that matters.

*Health of our economy*

Turning now to observations over specific issues, may I say how timely it is for you, Sir, to remind us in paragraph 18 of your address what is the backbone of all our policy making. The continued health of our economy is the key to our future success. Indeed, if the health of our economy were to be jeopardised, all the rhetoric in the world would not be able to satisfy the real needs and expectations of our citizens. The events which have unfolded over the past two weeks have clearly demonstrated how vulnerable Hong Kong can be to external factors.

Of the pillars underpinning our economy, two major components—namely, the manufacturing industries and the financial services—are almost entirely oriented towards external demand. These sectors collectively provide the bulk of job opportunities to our workforce. If we are to achieve long-term stability we cannot allow these vital component of our economy to contract suddenly. It was against this background that I fully applauded the Government's decision to deploy the Exchange Fund in upholding the integrity and liquidity of our securities and futures markets.

#### *The Exchange Fund*

Nevertheless, since 1980, for the sake of stabilising Hong Kong, the Government has had to deploy billions of dollars in upholding the integrity of our monetary and financial systems. This is no small sum and dare I say that if similar amount has been spent in support of industrial development, the longer-term benefits to Hong Kong's industrial competitiveness might be equally great, if not greater.

It is true that, over the past decade, the importance of the financial services sector to our economy has grown steadily and I am sure it will continue to be a very significant contributor to future growth. But, whilst we have been able to stabilise the panic for the moment, the Government must draw lessons from this unfortunate episode. The Exchange Fund is not inexhaustible and should not always remain the lender of last resort. If we are to avoid the trauma of the recent past, we must move quickly to strengthen our supervisory system and inject into it the capacity to foresee problems.

Towards achieving that objective, may I echo my support to Miss DUNN's sentiments on this issue and her welcome to the setting up of the Securities Review Committee.

#### *Economic prospects*

In so far as our economic prospects are concerned, Sir, I am not too confident in the next two to three years. Some may argue that our economic indicators have been sufficiently positive and that, given our record of performance in the last two years, we may look forward to a reasonable rate of growth in 1988. I would caution against such optimism.

In the first place, the world financial scene, precipitated by the recent falls in all major stock markets, is likely to remain unsettled for some considerable time. This may even lead to a period of, at best, a mild recession in the future.

Secondly, practically all the output of our manufacturing industries are represented by consumer goods. The ultimate success in our sale of such products in the world markets is very much dependent on the level of demand in those markets especially during the Christmas season. The possible contraction of demand as a result of the trauma that people have experienced worldwide will affect us adversely. Already there are signs that the orders have been slowing down. I expect them to slow down even further.

*Budgetary control and tax relief*

Against this background, I must make a plea that Government should spend wisely and continue to exercise tight budgetary control particularly in respect of those services programmes which do not directly or indirectly promote our external competitiveness. On the revenue side, Government should be cautious in any consideration of further tax cuts for the business community in the 1988-89 Budget. After all, a 0.5 per cent or even 1 per cent reduction in corporate profits tax would not be enough to bring much stimulus to our economic activities.

On the other hand, I feel strongly that Government should consider providing some relief to the tax burden carried by those taxpayers whose annual income falls within the range of \$150,001 to \$400,000. The latest statistics shows that taxes collectable from these taxpayers (numbering a total of 77 581 persons) amounted to \$2.56 billion representing 44.98 per cent of total collectable salaries tax. The relief is perhaps long overdue.

These taxpayers generally occupy positions as our second and third tier executives in both our private and public sectors. They are indeed the backbone of our society now, and will one day lead our society. The expenditure outlay of this group of people is high in relation to their disposable income. It has been really tough for them to achieve any reasonable degree of savings.

Hence, at a time when Government's coffers are likely to be flush with windfall revenues this year, a modicum of tax relief for this group of taxpayers should command high priority. Even if their total contributions were to be cut by 25 per cent, this would only cost the Government approximately \$500 million per annum. Yet, the intangible morale boosting effect on these people would be so tremendous that it would positively contribute towards Hong Kong's continued progress. I therefore strongly commend this suggestion for our Financial Secretary's consideration.

Sir, I have great pleasure in supporting the motion.

MR. PETER POON: Sir, your policy speech presents a comprehensive and encouraging blueprint of the near-term future of Hong Kong. It is wide-ranging and far-reaching and demonstrates the resolve of the Government to maintain our economic growth and social stability. It gives a clear direction to the Government's commitment to improve the quality of life of everyone in Hong Kong and presents the realities of, as well as positive measures to deal with, our various problems. May I also congratulate you on your fine efforts during your recent trip to the United States. You have admirably presented our case for free trade and promoted Hong Kong as a vibrant business centre with enormous prospects. You have also helped to uphold confidence in our basic economic strength.



*Economy*

The state of our economy is very sound. We have achieved economic growth which is highly impressive. However, we have also a number of problems to address.

(a) *Labour shortage*

With the tremendous growth in our industrial output, we have a labour shortage. This is the price of our success and prosperity. As to the manufacturing industry, there is definitely a shortage which is worrying our manufacturers. The shortage is in numbers so I do not think raising wages alone will attract more people. Real wages have increased significantly over the past few years and there is the possibility that higher labour costs will render us less competitive in the world market. The solution is in going for better vocational training, more automation or in going up-market and developing less labour-intensive industries. Luckily, the problem is alleviated by our industrialists' having processing plants in China, which are estimated to employ about 1 million workers. The question of 'imported labour' has to be dealt with very carefully because it would disrupt local labour relations and may give a pretext to other countries wishing to impose protectionism upon us.

As to employment in the service sector, the problem seems to lie in the new attitude to work rather than in a great shortage in numbers. Employees look more now to the quality of life and are less inclined to commit themselves to work for an employer for a substantial period of time or to work overtime. This is because, with an unemployment rate of less than 2 per cent, they can always get a job very easily. However, I am not suggesting that there will be no shortage in future, as the service sector will continue to expand. The increase in real wages in this sector is greater than that of their counterparts in the manufacturing sector and this trend will probably continue. Our main aim must at all times be to improve the productivity of our workers and employees despite their fine track record.

(b) *Inflation*

I support the retention of the 'linked exchange system'. It gives certainty to those in business and its introduction has served us well. Admittedly, as the US dollar weakens, our inflation rate will go up. If a GDP growth of over 10 per cent for the year under review can be attained, an inflation rate of 6 per cent to 8 per cent can be tolerated. Luckily, our economic growth is mostly export-led, not merely internally generated. Also, with the depreciation of the Renmenbi and the restraint of the Japanese exporters in prices, the impact of our lower HK dollar against the strong currencies is not as great as to become alarming. Another point of comfort is that our people are very pragmatic and adaptable. The 'urge to splurge' is not inherent in them, so when prices go up there is usually some automatic adjustment in spending to check the 'spiral inflation' prevalent in other countries.

(c) *Protectionism*

Nothing concerns us more than the 'protectionism' so loudly trumpeted in the USA. We have no natural resources and live by our trade. Worries about the large US deficits are understandable but 'protectionism' itself will not solve such problem. The crucial need is to improve 'productivity' and 'competitiveness'. Protectionism will create trade retaliation and conflicts and will throw the world into depression. Hong Kong being a free trade territory should continue its efforts to fight against any such proposals.

(d) *Commercial crimes*

Many people are disappointed at the considerable delay in introducing reforms in the trial of complex commercial crimes after the Select Committee on Complex Commercial Crime has made its recommendations. Past experience shows that this is an area which deserves our urgent attention. Under the present system, the trials are long and very expensive and at times very unfair both to the prosecution and to the accused. The Chief Justice Sir Denys ROBERTS had commented recently on the low sentences passed on people committing such crimes. One eminent overseas expert said that it is generally felt that while a bank robber would get 15 years, a man who makes billions of dollars by perpetrating commercial fraud may, even if caught and convicted, get only two to four years, whilst in some cases millions of dollars are stashed away somewhere for his own benefit. Usually such people can afford the best lawyers and may sometimes get off on mere technicalities. I am happy to hear that draft legislation will soon be introduced for comment. The present system is inadequate to bring people to justice: it must be reformed as quickly as possible.

*Tax*

I would now like to speak briefly on taxation matters. Hong Kong's economy is very buoyant and high government revenue is expected to produce a substantial surplus well above the previous forecast for the year. Most of the burden of direct tax in Hong Kong is on a relatively small proportion of taxpayers in Hong Kong. The burden on the middle class is particularly heavy and I suggest that the Government should look into this problem and see whether it can be alleviated. I have also stressed before that in principle, there is a strong case for separate taxation for married women. However, even if the excuses of high administrative costs and the complications to our simple tax structure are accepted, I see no reason why a working wife allowance which involves none of these problems should not be seriously considered as a proper relief. This will give incentive to some wives to work, which may help our labour shortage. Many of these women complain that they will have to pay 25 per cent of their salaries as salaries tax when aggregated with that of their husband, with

no relief at all for expenses incurred for releasing them to the workforce. I am also pleased to see your assurance that Hong Kong will continue to adopt a low tax philosophy: this has contributed to our phenomenal economic growth.

*Management of public finance*

Sir, you emphasised that in managing public finances, the government tries essentially to act like a prudent housekeeper. This is very sensible because in the euphoria of high growth and prosperity, there are temptations to go on a spending spree, which if unrestrained could involve the Government in commitments which it cannot meet when times are not so good. The self discipline of limiting Government expenditure to a reasonable percentage of the GDP has also served us well. I welcome the new introduction of a Resource Allocation System to improve the Government's long-term financial planning. More accurate forecasts and better application of resources would definitely be beneficial to our finances.

*Regulation of the financial and commercial sectors*

Much has been said about events in the past weeks in the stock and futures markets, and Government's action in arranging various packages to uphold these markets and the standing of Hong Kong as a financial centre. The decisions taken may not appear to be desirable to some, but the important question is whether they were necessary. Hong Kong's economy is buoyant. However, we do not live alone in this world. The crash in the world stock markets, the worse since 1929, hit us hard and unprepared. During these critical times, the Government had the unpleasant dilemma that unless it took swift action to save the futures market, its collapse will have enormous and far-reaching repercussions on our stock market, financial sector, the strength of the Hong Kong dollar and the credibility of Hong Kong as a financial centre. The consequences can be horrific. Something had to be done to save our markets. It was done with professional advice from Hambros Bank and the co-operation of the financial community. It is also heartening to have China's support in the rescue operation. We could not have avoided or be insulated from catastrophe triggered off by the much stronger US and Japanese markets, but we can try our best to minimise the damage.

During such a great collapse, it is only natural for many who have suffered heavy financial losses to put a lot of blame on the financial sector and the Government. In other parts of the world, people have accused their governments for allowing such difficulties to happen through de-regulation of the financial sector and the rapid increase in money supply and the great expansion of credit. They also say that many of the new sophisticated money instruments and transactions in the financial markets become speculative in nature. Rules are being bent and business ethics and integrity compromised. We should also take a hard look at ourselves in this respect. More protection for investors and depositors is now needed.

Our immediate concern is, however, to rescue first as many passengers and crew of our ship from a bad storm before we conduct an enquiry as to what went wrong. We must take whatever remedial action to get them back on solid grounds. The world economy is still very uncertain despite the temporary halt of large market swings. The present crisis is not unique to us. Joint efforts to find solutions to avoid a recession or depression have to be made internationally. We must also be mindful that the inevitable slowing down of the US economy after years of growth and the recent stock market crash will definitely affect our own economy.

It has been said that two crucial sides of human nature, 'greed' and 'fear' are hard to control. They are impossible to legislate against. I am afraid those who did not listen to sound warning of market excesses have to pay the price. One cannot ignore economic trends and cycles or market forces. But at least in Hong Kong, our economy is strong. Many of the gilt-edged shares have good underlying value. We do not have large deficit like the USA and many other countries. We are lucky to have virtually no unemployment. In fact, our public finances are in very sound shape and our economic growth is still very high. There is no reason why Hong Kong cannot in the circumstances survive the prevailing economic storm with the least possible damage if we do not turn fear into panic. We must have confidence in ourselves before others have confidence in us. I must urge the people in Hong Kong to be calm and sensible during these hectic times.

I welcome the prompt formation of a Securities Review Committee to review our financial markets and regulatory system as announced by you, Sir, yesterday. It should study what are the causes of the present crisis, the defects in the management, regulations, and legislation of our stock and futures exchanges and whether in the light of bitter experience, greater control should be exercised on such markets. More resources should be allocated to the regulatory authorities. A critical investigation would identify weaknesses and should also suggest what should be done to revamp these markets and restore the confidence of our own and foreign investors and try to prevent such colossal market crashes in the future. We should also continue with our legislation on Disclosure of Shareholdings and speed up the introduction of more effective measures against insider dealings. Our credibility must be upheld. There should be better understanding of the markets, stricter supervision and regulation, and closer consultation with the financial sector. On the other hand, as I have said before in this Council, the Government must avoid overreacting. 'Regulation' should not amount to 'strangulation'.

*Summing up*

Having made such sober comments, let me ask all of us to count our blessings. The Governor's policy speech has provided a clear picture of further improvement in our quality of life and better facilities for everyone. We all share in the

continued prosperity of Hong Kong. Let us give him and the Government strong support of his policies which would create an improved environment for all of us to live in.

Sir, with these remarks I support the motion.

MR. CHAM: Sir, many people attribute the present world economic difficulties to the sizable budgetary and trade deficits of the United States. What we are not sure is whether by reducing the budgetary deficits of the US it will in fact achieve the state of world economic stability. Admittedly, such a course of action might well lead to a more stable US dollar. However, it seems to me that need not necessarily constitute an impetus for further growth of the US economy. If that should be the case, the growth of the US economy will remain limited. This, in turn, will tend to affect growth of the world economy at large. Inasmuch as the HK dollar is linked to the US dollar, the Hong Kong economy may reap some benefits. The crux of the problem is that the propensity of the US to import may thus be constrained. Hong Kong with over one third of its exports going to the US will be subject to this constraint. Therefore, the future prospects for Hong Kong exporters will depend on their ability to further diversify the export market.

Here, Hong Kong exports will benefit from a stable and relatively lower rate of foreign exchange particularly in competition with such economies as those of Japan, Taiwan, Singapore and South Korea, and so on. However, this is a short-run phenomenon. In the long run, further development of Hong Kong exports and industries will hinge preponderantly on its own technological progress. By this term, I include both original research and adaptation of the innovative activities already known. In the former category, Hong Kong, being a small economy, with limited economic resources, cannot have notable break-throughs. It is thus sensible for Hong Kong to concentrate on the adaptation process. We must note that all along Hong Kong has been pursuing this course of action. What I wish to emphasise now is that greater efforts should be made towards speeding up this process which would put the Hong Kong economy on a more advantageous position vis-a-vis its export competitors so that in the longer run, Hong Kong industries will be on a more concrete foundation. In this way, Hong Kong's economic prosperity will widen its horizon and it will, I am convinced, be on a more solid footing.

Sir, I do not mean to say that the Hong Kong economy is not doing well. Quite on the contrary, the employment situation, for instance, is very encouraging. We are at present enjoying full employment. The minimal unemployment figure can easily be attributed to structural changes which are necessary in a developing economy. We can also look at the tremendous growth rate of Hong Kong's exports. If this healthy growth is to be sustained, we must strengthen our industrial capability by devoting our efforts to enhancing our human capital. Here, I should perhaps point out that the Hong Kong

Government must devise ways and means of minimising the outflow of our precious human capital, which after all is the very valuable asset of our economy. The importance of keeping such valuable assets of ours in Hong Kong cannot be over-emphasised.

Hong Kong being an open economy, I am of the view that nothing should be done to tarnish this image. For instance, by no means should we do anything to affect our propensities to consume and import. After all, the essence of economic growth is to promote economic welfare of our people and hence their standard of living. Given this over-riding objective, we must do everything feasible to nurture this growth which hopefully will set an example for the developing as well as the developed nations. A world in which the institution of free trade and its virtues will be preserved to the elimination of any moves towards protectionism.

Sir, I support the motion.

6.35 pm

HIS EXCELLENCY THE PRESIDENT: There is still a considerable number of Members who are down to speak today. I think Members will probably benefit from a further short break at this point.

7.00 pm

CHIEF SECRETARY: Sir, it is now after Six o'clock. With your consent, I move that Standing Order 8(2) should be suspended, so as to allow the Council's business this afternoon to be concluded.

*Question proposed, put and agreed to.*

HIS EXCELLENCY THE PRESIDENT: Council will continue.

MR. CLYDESDALE: Sir, with the certainty that such good intentions will be applauded by my colleagues, I propose to make my remarks brief and, as far as possible, to the point. I sometimes wish that all our debates were strictly controlled as to the time permitted each speaker. We should then perhaps have less oratory and more precision in comments and suggestions.

Sir, I congratulate you on a most comprehensive and far-reaching address to this Council. It provides an outstanding tribute to the present status and depth of the Hong Kong economy, its resilience, its obviously attractive prospects for further growth and the determination of the Government to carry forward an impressive programme of economic, trade, industrial and social development. Although this cannot be adequately discussed in the short time available today,

I believe that this Council and the people of Hong Kong generally will support its manifestly good intentions and declared policies, also the expenditure and programmes which will take these into effect.

Two years ago, in this Council, I laid stress on the need for the Government, through its policies and programmes of development, to help maintain a high level of confidence within our society and particularly in the business sector. I was concerned that any stress which might reduce business confidence in our future should be avoided as far as possible. At that time, I was somewhat more concerned about the possibility of political events causing loss of confidence although banking failures were also in the news at the time.

Today, I have to repeat my warning against events likely to damage business confidence, not only in Hong Kong but also overseas. If Hong Kong is to continue to be developed as a genuine and substantial centre for international financial operations, we cannot afford to permit the kind of actions in the operation of our futures and stock exchanges which have recently brought extensive international criticism and opprobrium. We have been described as Mickey Mouse. Well, Mickey Mouse usually resolves his difficulties but even he would have a hard job to quickly re-establish international confidence in the operation of our exchanges. I agree entirely that the proposed committee of inquiry which is to examine the need for better operation and regulation of the exchanges should be asked to get on with its work urgently and with the necessary terms of reference and powers to carry out a root and branch study. We simply must recognise that if we are to be part of an international system then we must play by international rules. It is intolerable that we should continue to find the need for improvements only when disasters occur. I am therefore, Sir, in total agreement with the comments you made in paragraph 39 of your address to the effect that the Government's role lies in strengthening the legal and institutional framework in which the financial services industries operate, particularly when the marketplace is flourishing.

In view of the events of the last two weeks, I would also suggest like Miss DUNN before me, that a re-examination be carried out of the true benefits for Hong Kong arising out of the operation of an exchange which trades stock index futures. I have read various documents on the function of this exchange and I am no expert in futures trading. It is clearly however an instrument requiring the participation of speculators in the full sense of the word. That being so, I have no doubt that the rules applying to the exchange and particularly to the admission of brokers, and to liquidity and margin requirements must be prudent and capable of being applied. I find it extraordinary that an exchange which has so far seen a very limited life should already have required the Government to bail it out with a possible commitment of 1 to 2 billion dollars provided from public funds. Why should the taxpayer foot this particular bill? What real benefit has this Futures Exchange provided for the economy and can this be quantified? I have no doubt that the risk/reward ratio

of trading on this institution made sense to participants. Obviously so. But can the same be said of the amount to be extended by the Exchange Fund? How much more could be done for the community with the \$2 billion now set aside for possible payments against default?

I look forward with interest to the report which the committee of inquiry will no doubt produce. This should of course be published for all to read and comment upon.

Sir, I have only two other points to make.

The first is my concern, which I have expressed in this Council and elsewhere, that a major study should be carried out, preferably by reputable international consultants, on the present position of the Hong Kong economy, its strengths and weaknesses, its potential for growth in various sectors, the problems it faces and perhaps some of the solutions which might overcome the problems. That our economy will face such problems has been clearly set out in your address and in particular arising from your comments on the trade difficulties which could occur in our principal market. This situation could well be exacerbated by the recent events on the world's stock markets.

Many sectoral consultancy studies have been carried out in Hong Kong and these have been most useful in providing a clear picture for forward planning in public policies and programmes. The last major economic study was the 1979 Report on Diversification. This is now out of date and no longer appropriate to our development.

You may be aware, Sir, that a study on the scale I have mentioned has been proposed by a group of businessmen and industrialists, supported by the Hong Kong General Chamber of Commerce and the Hong Kong Productivity Council. A detailed proposal has been obtained from one of the world's largest international consultancy organisations and it is clear that, given Government concurrence, the detailed study could begin very soon. The cost would be or provided from the private sector but Government support and encouragement is clearly necessary.

I understand that there has been some delay in Government consideration of this proposal. In the light of the potential importance of such a study to the economic and social programme which you so skilfully outlined in your address and which I whole-heartedly endorse, may I suggest that Government agree that this study should now go ahead.

My second (and final) point is concerned with social security. My constituency opposed the introduction of a Central Provident Fund for reasons given at the time. We still oppose it as do many other employers organisations.

However, we have no doubt that there must be a continual and real improvement in our social security system and we have suggested that one of the steps which should eventually be taken is the establishment of a non means



tested old age pension at the age of 65, for all qualified residents of Hong Kong. This would to some extent reduce the demand on the present Public Assistance Scheme which would still however be required.

Your proposal, Sir, to reduce the age limit for the Old Age Allowance progressively from 70 to 65 is certainly a step in the right direction. I would ask however that the Old Age Allowance be given automatically, without means test, to those who are aged 65 or over and who apply for it. Means testing is a demeaning procedure and is no doubt greatly resented by at least some of those people forced by circumstances to apply for this allowance.

There should also be a publicly declared intention to move from public assistance that is Old Age Allowance to the granting of an old age pension by right for all qualified persons of 65 or over. On a phased basis, we should have the financial means to provide such security to the people whose toil has contributed so much to our economy and I can see no reason for serious delay in its implementation. At the very least, we should be given assessments of the cost, immediate and progressive, which such a scheme would entail.

Having hopefully avoided too much oratory and kept well within my allotted time, I have pleasure, Sir, in supporting the motion.

MR. LI: Sir, may I begin by thanking Your Excellency for presenting us with such comprehensive and forward-looking plans for Hong Kong. After two consecutive years of double digit economic growth, it is gratifying that the Hong Kong Government is committed to the further improvement of the quality of life of our citizens. I endorse the Government's plan to spend an extra \$3 billion over the next five years to better our social welfare programmes, though I would qualify that by noting that it is, after all, only one and a half times the money that has been committed in 48 hours on rescuing the Hong Kong Futures Guarantee Corporation. I appreciate Your Excellency's concern for the less-privileged sectors of our community, and I support the introduction of the timely, sensible and affordable reforms to our social welfare services. Thanks to the continued prosperity of our society, we have now more resources available to assist those people who need a helping hand.

Despite the turbulent state of Hong Kong's securities markets, the fundamentals of the Hong Kong economy remain strong. Although the manufacturing sector is clouded by inflation and a shortage of labour, this is currently the price for our commitment to a stable exchange rate for the Hong Kong currency. Under the linked exchange rate regime, our economy has to respond to external changes through internal adjustment of costs and prices. Inflation and labour shortage, though undesirable, provide the necessary adjustment mechanisms for our export-led economic boom. I prefer to see these problems being resolved by market forces rather than Government intervention.

To contend with mounting protectionism it is imperative that we upgrade our industries. Our labour-intensive manufacturing sector is feeling the hard edge of competing in world markets with neither the rapid technological development of advanced countries nor increased low-cost production capacity as in our neighbouring countries in the region. I concur with the Secretary for Trade and Industry's view that in order to remain competitive, the only way for Hong Kong to move is in the direction of 'high technology'.

In the present era of computerisation, the application of information technology is the key to successfully developing high-tech industries. Regrettably, Hong Kong lags far behind both our trading partners and our competitors in this area. The information industry in Hong Kong, as a component of GNP is a mere 1.4 per cent, compared with 3 per cent in the United States and 2.1 per cent in Japan. Other newly industrialised countries, including Singapore, Taiwan and South Korea have all established special institutions to promote information technology at a national level. Your Excellency's emphasis on the industrial development and co-ordination of science and technology for Hong Kong's future growth is welcomed. However, the Government must pay closer attention to the development of information technology.

Education must play a vital role as Hong Kong becomes an information society. The availability of quality manpower is of paramount importance to information technology. Our universities and other tertiary institutions must be prepared to train the required professionals to help our enterprises in exploiting the advantages of information technology. The general public, on the other hand, must also be prepared for the emerging information society. Efforts must be made to overcome resistance to change. Computer knowledge should be taught more extensively in our primary and secondary schools. The computer literacy of our students must be greatly improved.

Sir, in the policy debate last year, I pointed out that Hong Kong is moving towards a growing integration of banking and non-banking financial activities. As a result, the regulation and supervision of financial institutions should be based on 'function' rather than on 'class'. By their very nature, many of the licensed DTCs in Hong Kong should be supervised as merchant banks rather than as another class of deposit-taking institutions. It would also be appropriate to use the title 'merchant bank' rather than 'licensed DTC' because the title 'DTC' lacks recognition in international markets.

Hong Kong must maintain its competitive edge as a financial centre. On my suggestion, the Hong Kong Association of Banks has recently conducted a study of Hong Kong's competitiveness in this area. This study indicates that although it is too early to tell to what extent Japan's emerging off-shore banking market will affect Hong Kong, a change in the Government's attitude is desirable. Better co-ordination of measures between the taxation and banking supervisory authorities is vital. Tax concessions on Hong Kong dollar debt paper are a case in point. By scrapping the withholding tax on Hong Kong

dollar debt instruments so as to revive the capital market, Hong Kong's attractiveness as an international financial centre can be maintained. The resultant loss of about \$70 million in Government revenue would, I am sure, be outweighed by the overall gain to the economy.

The recent drastic fall in the securities markets appears to have had only a minimal effect on the banking sector. While the Secretary for Monetary Affairs had done an excellent job as chairman of banks bailed out by public funds, it is high time for the Government to resolve the conflict of interest that they have created by having the same person act both as industry regulator and at the same time as the chairman of these commercial banks. The recent sale of Hong Kong Industrial and Commercial Bank is a good precedent for privatisation of government controlled banks. I suggest that the Government should make greater efforts in returning the other two banks, namely the Overseas Trust Bank and the Hang Lung Bank, to profitable operation and disposing of them in the market. At a time when people are extremely concerned over possible conflicts of interest in the securities markets the Government must be seen to set the example of removing any apparent conflict.

Sir, I regret to say that the events of the past two weeks have shown the Government at its ineffective worst. At a time when the collapse of the local securities markets indicated a need for major surgery, the Government was seen to be running round sticking on Band Aids.

You, Sir, have recently been arguing the Hong Kong case for free markets and many of us have, over the years, tried to promote Hong Kong as a major international financial centre. These efforts have now been severely compromised because, at a time when all the other world markets remained open. Hong Kong closed for four days. My colleague Mr. Martin LEE has said that the General Committee of the Stock Exchange of Hong Kong had in fact no authority to close the market under the circumstances. If that is the case why did the Government not order the market to reopen as requested by many of us in the financial community? Even if the Government did not have the authority, the necessary amendments to the Securities Ordinance to enable the Government to order the market to reopen could have been implemented as a matter of urgency. Throughout this period the Securities Commission have shown themselves to be completely inept. They have shown themselves to be inept in allowing both the Stock Exchange and Futures Exchange to be operated as gambling casinos and they have shown themselves to be totally inept in their failure to keep markets open to maintain Hong Kong's position as an international financial centre.

In June, I warned the community and the Government of the speculative elements in and the potential danger of the futures market. Now the Government is spending HK\$2 billion of tax-payers' money to support the Hong Kong Futures Guarantee Corporation. This is equivalent to the capital cost of one regional hospital plus 46 secondary schools. A rough estimate shows that it will

take the Government more than a decade to recover the public's money spent on this bail-out action. This loan of public money is to ensure that speculators are paid their profits on futures contracts. It is to be repaid not by the speculators themselves but by a levy paid by the investing public. This surely is adding insult to injury. At a time when we are being asked to adopt means testing for Old Age Allowance, it is certainly a supreme folly to give handouts in the billion dollar bracket to those more than capable of helping themselves. To me, this is a classic case of being 'Penny wise, pound foolish'.

With hindsight, many people in our community have grave doubts over the contribution of the futures market which the Financial Secretary described last week in this Council as a pillar of our economy. The widely held view is that the Government would have done well to have let the futures markets and its accompanying speculators find their own solution, and the Government itself should have concentrated its attention and our funds on handling the problems of the Stock Exchange. The Financial Secretary has so far failed to advance any cogent economic or other reasons as to how the collapse of the Futures Exchange would have affected the value of the Hong Kong dollar.

The major shareholders in the Hong Kong Futures Guarantee Corporation are international banks, namely the Hongkong and Shanghai Banking Corporation, the Standard Chartered Bank, the Chase Manhattan Bank NA, the Barclays Bank PLC, the Credit Lyonnais and other international banks in the ICCH. Was there any evidence, at the time of the Government bail-out, that these institutions were not able or willing to maintain the solvency of the Guarantee Corporation? Does the Financial Secretary not believe that the need of those international banks to maintain their financial reputations and credibility would have ensured their support for the Hong Kong Futures Guarantee Corporation without wasting tax-payers' money? Did the Financial Secretary ever consider that the Government could have withdrawn all its financial business from those institutions if they did not fully honour their commitment to their company?

It is difficult to know whether the Government has in the past viewed the securities markets with benign neglect or benign ignorance but in either case drastic future action is obviously now required. In this regard, I welcome the setting up of the Securities Review Committee as a positive step. I strongly urge the Government to ensure that the committee's appointed members and terms of reference will be equal to the task ahead.

The General Committee of the Stock Exchange of Hong Kong have shown themselves to be unfit to hold that office at a time of crisis and the committee must be reconstituted, in particular to allow a voice to the representatives of those brokers who in fact contribute the majority of the business that passes through the exchange.

It is imperative that any reconstituted committee should, through its membership, safeguard the interests of all brokers, large and small, Chinese and non-Chinese, without favouritism or discrimination, to restore the position and reputation of Hong Kong as an international financial centre.

I think this is the time to ask why the chief executives of banks and other financial institutions must be subject to approval by the Government when the heads of the Committees of the Stock Exchange and the Futures Exchange are not?

The financial community have been pressing for many years to be permitted to own seats on the Stock Exchange of Hong Kong. This has been strenuously opposed by the exchange itself and the results of that resistance can now be seen. The Government has in the past indicated that in the absence of compelling reasons, bank owned stock exchange seats will be permitted from this month. There can be no reason now to defer that decision any longer.

We have all learnt a bitter and expensive lesson. Let us now rise above the mistakes of our immediate past and concentrate on building a strong and stable foundation for our future and that of our children.

Sir, while I agree with Your Excellency's view that our endeavours and achievements must be based on a sound and healthy economy, I must emphasise that our prosperity can only be safeguarded by strong and respected leadership and demonstrated integrity in the management of our financial markets. These are crucial elements in regaining for Hong Kong the confidence and credibility of the rest of the world. We must get it right this time.

With these remarks, Sir, I support the motion.

MR. NGAI (in Cantonese): Sir, in the concluding paragraph of your report you said that the Government is seeking to develop Hong Kong as a society which combines a strong, expanding and competitive economy with concern for the quality of life of all its inhabitants. I fully support such a target.

I think a strong and comprehensive economic system in today's language means one made up of the industrial, commercial and financial sectors. Industry is the economic backbone of our economy; this is an accepted fact. As for commerce, Hong Kong is a trading point. With development in transport and telecommunications Hong Kong's status as an international commercial centre is even stronger. Our financial sector has developed rapidly in recent years and its importance is increasing. To many people Hong Kong is an important international financial centre.

The development in our financial sector is a good thing. However, as our financial market becomes internationalised, our links with other financial markets become closer and we become more easily affected by changes in other markets. The question is how we can consolidate our foundation as a financial centre so that we can weather sudden storms? Our recent crisis in the stock

market shows that our foundation is not strong enough to handle emergencies. Consequently, our reputation has been damaged. This will hamper the development of a strong economy and the general public will also be affected directly or indirectly.

Sir, when the stock market and the futures market plummeted the Government decided to support the Hong Kong Futures Guarantee Corporation by making use of the Exchange Fund. I support such a decision. If the Government had failed to intervene the futures market would have collapsed and it would have been extremely detrimental to Hong Kong status as a financial centre, and the currency will be affected and our economy will be dealt a severe blow. The consequences would have been difficult to assess.

At the same time I feel that the Government should conduct a full investigation into the incident. The investigation should cover inherent causes leading to the crisis and it should also look at our financial structure, especially our Stock Exchange and Futures Exchange, to see whether there are flaws in their operation. Government should then work out solutions to the problems. Sir, you announced the setting up of a Securities Review Committee to investigate and study the issue. I welcome this.

Sir, I am glad that in your address you talked about the control of companies, insider dealings and complex commercial crimes showing that Government attaches importance to the investors in our financial market and also our status and image as an international financial centre. I hope that the Government will also attach importance to the regulating of the exchanges to prevent future problems. In paragraph 22 of your address you said, 'if the storms do come we must be prepared to react to them quickly.' Besides I wish to point out there are many unit trust funds and mutual funds in Hong Kong. Many people subscribe to them as a form of investment. The pension schemes and provident fund schemes of many companies are also run by fund managers. The plummet in world stock markets will definitely affect these funds. Should problems arise the ordinary citizens and employees will be affected. It is the Government's responsibility to monitor the situation and consider strengthening supervision.

Sir, we have been much disturbed by the recent financial crisis. However, this is still the year when we have the best performance in recent years in our export-led economy. According to figures given by the Census and Statistics Department interim gross export figures of the first three quarters of our export is 39.5 per cent over the performance of the same period last year. And export of industrial products also shows an increase of 30.2 per cent. I am sure our growth in GDP will definitely reach the revised figure of 12 per cent forecast by our Financial Secretary or even higher. To sum up, looking at our economic growth this is a year we can be proud of.

Sir, I am most happy that the address stresses the importance of research work in science and technology. As we all know, in order to increase our competitive edge we must raise the standard of industrial technology. Manu-

facturers should be taught to make use of new technology for the manufacturing of new products. To achieve such long-term targets the Government must play an active role to co-ordinate, plan and promote everything to make it effective. The Government has decided to set up the Science and Technology Committee to look at new scientific ideas applicable to Hong Kong. It will also advise the Government on relevant matters. This is a pragmatic approach. I believe that this committee will raise the standard of our industrial technology. I hope that members of this committee will be drawn from major industries so that they can reflect the different needs. At the same time I fully agree that academic research should become an important part of tertiary education. The Government is treating this as an important thing and increasing allocation will go towards satisfying demand on product design and development personnel in the industrial sector. I think the cultivation of a good environment for scientific research will help our society to progress and to improve the quality of life of our citizens.

Sir, regarding industry, your address mentioned the work of the Industry Development Board, Industry Department, the Hong Kong Productivity Council, Vocational Training Council and the Industrial Estates Corporation. Even though I admit that the Government is taking a positive attitude towards industry I still think that Hong Kong lacks a long-term and concrete industrial policy. Research and development in science and technology, training, provision of support services and industrial land are of course important to the development of major enterprises and they will lead our industries into a new era. The question, however, is 90 per cent of our factories are small in scale; they provide support and processing services to the larger factories. They cannot really afford to invest in new equipment or technology. If the Government does not have a comprehensive plan to help these smaller factories to improve their technology so that they can undertake the technology intensive processing of the bigger factories and provide support services it will hinder our overall industrial development. I regret that the Government has never taken up the issue of making available capital for long-term industrial development and the installation of equipment, particularly the difficulties and needs of the smaller factories. For instance, when there is labour shortage the Government simply says that factories should turn to new equipment, automation, mechanisation without considering that the capital needed and the time needed to get machines chosen, delivered, installed and the workers too have to be taught to operate the machines. The Government also ignores the fact that most smaller factories cannot afford investment in terms of time and money. Sir, I know that this is a free economy. However, we feel that we should try and help the smaller factories to turn to automation and also give them concrete suggestions.

Sir, I do agree that, 'a sound, healthy economy is the essential foundation on which all our other endeavours and achievements must be based.' Therefore, I think the Government should try its best to help smaller factories to use technology and machines so that our overall industrial sector will grow in a healthy manner.

Sir, in your address you put the section on 'Relations with China' in front, showing that you attach great importance to it. In fact our relations with China is beyond the areas of industry and trade. We are moving into the political sphere. According to the Joint Declaration, Hong Kong's sovereignty will be reverted to China; therefore it is important that we have continuity in our political system. And our political review and the drafting of the Basic Law are now in progress. You said, 'China and Britain have determination to implement fully the terms of the Agreement.' I support what you have said. It is important for us to maintain links with China and I also support that we should, through different channels, promote mutual understanding. This is most important in the solving of problems.

Lastly, I would like to say a few words about taxation in the coming financial year. Our economic performance has been outstanding this year and has an increase in revenue from land sales. Many people are expecting tax cuts. Sir, in the Budget debate for this financial year, I pointed out that the reserve is important to balance our revenue and expenditure; therefore the Government should seek to increase our reserve in good years for rainy days. I still hold this view. I do not think that there should be drastic cuts in direct taxation next year, especially in profits tax. However, I hope there will be separate assessment of payment of taxes for husband and wife. The existing system is not fair to married couples and it does not really encourage women to work. Sir, in fact too many people have said too much in this age-old question; I think it is time we did something about it.

Sir, with these remarks I support the motion.

PROF. POON: Sir, I should like to begin by thanking you for your policy address, which I found most heartening and encouraging.

This afternoon, I will concentrate on two areas of importance: first, the proposed Committee on Science and Technology; and secondly, the environment.

1. *Committee on Science and Technology*

Two years ago, I raised a question in this Chamber concerning the Government's intentions regarding the then vacant post of Government Scientist.

I am pleased to note that, following lengthy review of this matter in the intervening period, the Government has now resolved to establish a committee to be responsible for science and technology. This move most efficiently meets a growing need in Hong Kong; and particularly so in the light of recent parallel developments in the United Kingdom.

In view of the rapidly increasing importance of science and technology in our lives, the demand for a centralised autonomous advisory body in these fields has become apparent. It would serve primarily as a think-tank for scientific issues on behalf of the Government, to identify problem areas and highlight oppor-



tunities for development within Hong Kong. At the same time, it would serve to avoid, as far as possible, encroaching on the fields already covered by the Industry Development Board and the Environmental Pollution Advisory Committee.

Of the many varied issues which fall within the domain of this new committee, I should like to underline just a few examples.

(a) *Reference list*

One important purpose which the committee would serve is the compilation of a list of local personnel in specific scientific and technology fields in the Hong Kong context. In this way, a swift and efficient link would be established between the Government and appropriate experts.

(b) *Information technology*

This vital stage in the future of Hong Kong raises a number of questions, which the committee can work to solve. One area of particular interest at present is the possible implementation, in the territory, of some form of computer network system. For example, the network would facilitate business transactions by replacing conventional documentary communication with electronic communication between trading companies, bankers, insurance companies, carriers and government departments concerned with licensing, customs declarations, quota control and so on. The committee may have to consider the standardisation of documents, procedures and methods employed in the local, as well as international, interchange of merchandise. Clearly, this computer network has positive advantages, such as elimination of error, improved inventory control, contribution to profitability through improved cash-flow and reduction of working capital, and improved customer service.

Similarly, it would fall to the committee to provide safeguards against computer-related crimes; and against the misuse of the system of financial credit commonly referred to as 'electronic Money'.

(c) *Technology transfer*

The policy of the transfer of technology to and from Hong Kong will be a topic of concern, as the territory's industries look to step into the future, and thus embrace more high technology. The possible complexity of this transfer as we are moving towards 1997 must be taken into account, with all the implications which will be entailed for the Coordinating Committee for Multilateral Export Controls (COCOM).

(d) *Lasers and radio-isotopes*

These have gained a great deal of significance in recent years, given their wide sphere of application in such fields as scientific research, medicine, the building and the manufacturing industries. Consequently, the question of safety controls in both areas is one which must be given serious and informed consideration.

(e) *Professional standards*

With the approach of 1997, and the heightened importance of having competent and highly regarded professionals in Hong Kong at that time, another point requiring careful consideration is that of licensing in such professions as engineering. The Government must work closely with professional bodies to maintain the standards of qualifications and of practice within the territory.

With these, and many other, considerations in mind, I would like to reiterate my welcome for the establishment of the new committee. In so saying, however, I would add a few remarks aimed at ensuring its complete success.

First, I would recommend that the chairman be chosen not from among the members of the Government but from the independent public. Likewise, the membership of the committee should comprise the directors, or their deputies, of the relevant government departments, and representatives drawn from the tertiary's institutions and those working more generally in the fields of science and technology.

It is, of course, important that specific issues be studied by specialist groups set up under the auspices of the committee as a whole, to make recommendations to the Government for the appointment, where necessary, of selected consultants and to consider their reports. I have, therefore, noted with pleasure your proposal of this course of action.

It is, furthermore, to be hoped that the committee will have the opportunity to hold infrequent meetings with local representatives of scientific and professional bodies in order to encourage the input of ideas at an informal level.

Finally, I would seek to underline the importance of genuine interdepartmental co-operation within the Government, once a recommendation has been put forward by the committee, in order to make it a viable undertaking. Without this, a large amount of valuable time and effort will be wasted. To this end, I would like to request that the Government take the lead in ensuring that all such recommendations be taken seriously, and acted upon wherever appropriate.

2. *The environment*

I now turn to the second area. I am also pleased to remark, Sir, that the Government has determined to tackle the problem of pollution in Hong Kong, and that large sums of money are to be allocated for this purpose over the coming decade.

The rapid deterioration of our environment has been obvious to anyone living in Hong Kong for some years now. I feel that it has now reached the stage where urgent intervention is necessary.

Having served on this Council for two years, during which time I have been concerned with all the Bills relating to environmental protection, and on the Environmental Pollution Advisory Committee for one year, I have come to understand the Government's approach to pollution control; and would like to offer the following observations.

It appears to me that the main thrust of the Government's environmental protection programme to date has been on introducing legislative controls. Thus, to combat air pollution, the Government limits the amount of pollutants a factory can emit; to clean up our watercourses, legislation has been introduced to ban the keeping of livestock in urban and new town areas, and to impose controls on industrial waste; to reduce the level of noise pollution, the Government intends to impose restrictions on industrial noise.

Such control measures are, of course, necessary. My concern is whether we should rely solely on these measures. It is my firm belief that emphasis should also be placed on the following measures:

- (a) Efforts should be made to help industrial manufacturers and farmers to identify ways of reducing the pollution they are causing. Such measures should be implemented preferably even before legislative controls are introduced.
- (b) The most powerful and effective means of combating pollution is planning. Constructing municipal incinerators in population centres, and building residential blocks right next to factory chimneys are but some of the more glaring examples of the bad planning, which is prolific in Hong Kong. It is of paramount importance that environmental planning should become a key issue in the future of the territory.
- (c) Given that much of the pollution in Hong Kong is a result of population growth, it is important to instil in the general public a sense of social responsibility towards their environment. Great improvement could be achieved by simple adjustments in domestic practices. Hong Kong lags behind many other industrialised nations in promoting environmental awareness.

At the same time, the public is led to question the results of the current Government action against pollution. They cannot help but wonder why so little improvement in the situation has been shown, particularly in the light of the expansion of the Environmental Protection Department over the last 10 years, and the great increase in its expenditure. Is it that we have not given enough financial support to environmental protection? Is it that the Environmental Protection Department has not been given sufficient staff to perform its task adequately? Or is there some other explanation?

In your address, Sir, you remarked: 'the harsh reality is that, despite all the efforts made up to now, many of our pollution problems are becoming worse, not better'.

Perhaps it is time for the Government to review its whole approach to the problem of environmental protection, with particular regard to improving cost-effectiveness, and to consolidation, rather than continuing expansion of the department.

Finally, I wish to remind the Government of Hong Kong's unique situation. Its densely populated urban areas and a small overall land area are combined with a reliance on maintaining its competitive industrial edge. Solutions to environmental problems overseas cannot be blindly applied in Hong Kong. Any environmental protection programme must have due regard for the special circumstances here.

With these remarks, Sir, I support the motion.

MR. SOHMEN: Sir, when the whirlwind blew through the world's financial markets in the last two weeks and left Hong Kong looking naked and groping for a figleaf, our other local concerns receded somewhat into the background. But as you prophetically said in your speech, Sir, when storms do come we must be prepared to react to them quickly: and so your Government did. The rescue package for the futures market put together by Government and the private sector in a very short time was not only very necessary but appears to have helped to arrest the panic among investors. The use of the Exchange Fund in this connection has again, and predictably, been criticised in some quarters, but if Government could not employ the fund to safeguard the confidence in our markets and financial institutions, both at home and abroad, then we might as well forget any aspirations to remain a major international financial centre.

To put things in perspective, Hong Kong taxpayers have so far contributed about HK\$10.5 billion in total to defence services under the 1981 Defence Costs Agreement with the United Kingdom, close to HK\$6 billion alone since 1984, the year of signing of the Joint Declaration. The Financial Secretary in his forthcoming further talks on this issue could justifiably ask whom Hong Kong is being defended against, when he argues—as presumably he will—for a reduction in Hong Kong's contribution. I see he has wisely left already! Is HK\$2 billion in contingent support too much to maintain Hong Kong's good name and the survival of a sector of our economy on which so many people now depend? Much damage has already been done by the precipitous closure of the stock market; Government was wise to move fast in damage control.

The events of the last fortnight have brought the point home to many that futures and options do not really create wealth; they have also highlighted a number of false assumptions and shortcomings in our regulatory arrangements and in the behaviour of some market participants. These must obviously be put right as soon as possible. But those critics who now so loudly indulge in

recrimination and accusations should bear in mind that it is easy to be clever with hindsight; one would be more impressed with their position if they had raised their voices before the event.

It is evident that the rapid growth in our financial markets, and in new institutions and new instruments, had already stretched the regulatory machinery, with the Office of the Commissioner for Securities sufficiently understaffed to be unable to avoid delays in dealing even with routine tasks. Sir, we cannot go on legislating, such as for shareholder disclosure requirements or insider dealing offences, which you indicated in your speech, without first ensuring that experienced manpower is in place to cope with the resulting additional demands made on the enforcement agencies. We should also not over-react and abandon our basic philosophy of self-regulation; it is still the more efficient and ultimately more effective way. However, we should carefully monitor and assess the actions of market participants in times of crisis, and record and remember those whose performance left something to be desired, especially when called upon to help with the rescue package. Over the longer run Hong Kong will be better off without those who maximise benefits from participating only in good times but have little sense of responsibility when the going gets tough.

The dramatic fall in the stock exchanges around the world and the consequential effects on investor confidence probably heralds a period of volatility in the financial markets, and will undoubtedly have a downward impact on projected growth rates for consumption, gross domestic product and exports. Fears of an American recession in 1988 have grown, particularly in view of the apparent inability of the US Government to come to terms with the country's budget and trade deficits.

Although we currently enjoy a sound economic performance in Hong Kong, underpinned by strong export figures, the past weeks can only reinforce the justification of your call for continued prudence in the management of our public finances. You have referred, Sir, to the danger signals which had already appeared on the horizon, and to the labour shortage and inflation could be added the rapid credit expansion of late. They have now been overshadowed by the more cataclysmic events of the stock market falls, but are of course still with us.

I must confess I was disappointed that Government has taken a fairly absolute stance as regards the selective and controlled importation of foreign labour to absorb some of the real and immediate pressures for some of our industries. Of course, were we to face a global economic downturn in the short-term, the employment problem may again become less acute. However, it seems to me that administrative expediency alone never justifies inaction; most of the arguments used to reject the idea do not really stand up to scrutiny. The potential political difficulties of importing labour from China are accepted but could be explained as such to the Chinese authorities and their understanding be

sought for Hong Kong's need to look for other sources of manpower elsewhere in the region. China has shown a willingness to date to accept measures considered necessary to support Hong Kong's economic prosperity, even if they meant a possible loss of immediate opportunities for China.

Without in any way wishing to diminish or downgrade the constructive work of the Productivity Council, the Industry Development Board, and the Vocational Training Board, nor the efforts associated with the setting up of our new University for Science and Technology, overall the Government has objectively done very little over the years to help industry in Hong Kong improve quality and productivity, when one looks at the very small amounts of money actually expended in this area. And, Sir, with respect, the construction of new buildings to centralise the activities of all the various organisations alone will not necessarily produce the answer to the cry for a relief from the present labour shortage through increased productivity. Our investment must primarily be in people. As you yourself mentioned, a shortage of labour tends to push up wages and prices and dampens competitiveness; so solutions proposed have to take into account also the time factor as well if we wish to be credible.

Sir, I was intrigued by your introduction of a new 'Resource Allocation System' to assist with Government's long-term financial planning through better forecasting methods and better resource allocation between government activities. These seem to be eminently desirable goals and I am sure Members will be interested to learn in detail how this system is to be implemented.

Your speech, Sir, also rightly stressed the importance of increasing economic links with China and the significance Hong Kong plays as a gateway between China and the rest of the world. In this context it remains surprising that Government continues its refusal to tackle the vexed question of visitor visas for East Europeans and has waited so long for studies to be commissioned into further airport improvements to cater for the China traffic (they are only now being put in place). The Government is unwilling to consider a reduction in the airport departure tax, at least for travel to China, and adheres to an aviation policy which does not in practice facilitate the establishment of new air services from Hong Kong. My personal interest in the subject is a matter of public record and I readily declare it, but I believe they are also of general concern. While the new port and airport development study has to be a welcome and necessary step forward, the availability of its findings in the third quarter of 1989 only suggests to me that we shall likely be experiencing capacity restraints at Kai Tak well before the new facility can be put in service, and I for one do not believe that capacity at Kai Tak can last until the year 2005, since the increase in passenger throughput alone is expected to see a figure of 18 million by 1995, against the current 10 million.

Progress on the development of additional port facilities, although advancing, may also barely keep up with anticipated requirements—such are the attractions of the Hong Kong harbour and the result of our strengthening

entrepot function. I am delighted, however, that work on the new Hong Kong Shipping Register has re-started in earnest. The shipping industry remains an important component of our local services base and continues to deserve special attention in the same way the tourist industry does.

At the risk of repeating Mr. Hilton CHEONG-LEEN, may I also briefly comment on the references in your address, Sir, relative to the growing importance of our cultural life. Much has indeed been achieved over the past decade but regrettably the last few years have seen an emphasis primarily on buildings rather than on people. The 21 000 theatre and concert hall seats shortly available are well in excess of the number of local performing companies able to service them on a regular basis. It should be understood that for the investments already made to realise their full potential, they will need to be supported by even more concentration on the development of local artistic talent. To do so will also allow us to strike the right balance between expenditure involved in bringing to Hong Kong artists from overseas as against funds spent to further encourage local artists, so that we can fill genuine cultural gaps still existing while helping to provide additional learning opportunities for Hong Kong performers. In many respects, Hong Kong presently finds itself at the crossroads of cultural development, with a good base in place but one which still requires on-going commitment for a true blossoming. To achieve this next stage, we will require more co-ordination between the various bodies involved in the funding, the administration, the presentation, production or teaching of the arts. Although we have a Council for the Performing Arts, it is not meant to be an overall co-ordinating body and significantly does not deal with the visual arts, which also need to be considered if we are to strive for a balanced cultural environment. I was struck by the total absence in your address of any reference to the visual arts and believe this apparent neglect deserves early rectification. All those involved in the arts in Hong Kong, as educators, administrators, presenters, or in government service, on the other hand, need to be congratulated and warmly thanked for their hard work which has allowed Hong Kong to achieve so much in an incredibly short time.

Sir, a large part of Council time this last year was taken up by the discussions on possible ways forward in constitutional reform. The public debate has so far been more divisive than productive, and has left the large majority of our population confused and clearly unwilling to take a position. The proponents of more abrupt change to be introduced next year have not really made a good case for the need for urgency, and I am not at all surprised that the findings of the Survey Office confirm a definite preference for a more gradual approach and one that will take into account the reality of the future Basic Law.

It is, of course, the drafting work on the Basic Law which should occupy our full interest, not so much the arguments pro and con direct elections in 1988, because it is the totality of the provisions of the Basic Law which will determine the success or failure of the 'one country, two system's experiment and the state

of the territory during the next 60 years. The Green Paper debate has at best created a diversion away from the fundamental issues, but more likely produced complications for the drafting process, with the Hong Kong contingent of drafters presenting a picture of disagreement and lack of purpose to the Chinese side of what the Hong Kong people really want. This is not helped by the absence of constitutional legal expertise among our eminent Drafting and Consultative Committee Members, a lack of knowledge which is, in fact, mirrored throughout the territory and which clearly has not helped to raise the professional level of the undertaking. I have taken the liberty to suggest to the Vice Chancellor of the Hong Kong University that the possible establishment of a chair in constitutional law be examined; I am confident that, given the importance of the subject matter in the years to come, the necessary funding might even become available from private sources so that this soft spot in our armour can also be covered.

Sir, I concur whole-heartedly with your observation that perhaps even more important than the organic structure of our future Government will be the composition and continued dedication of the Civil Service. Like investor confidence, motivation among our civil servants is made up by a complex set of factors, and is just as fragile and as easily disturbed. A fundamental change in circumstances such as Hong Kong is going to experience with the transfer of sovereignty must clearly have more of an impact on the morale of the Civil Service than it may have on the average citizen. Civil servants in Hong Kong will increasingly require more than financial rewards or guaranteed career prospects; they will need to have confidence during the period up to 1997, and beyond, in the political support by the people.

While individual or collective disagreements with the policy decisions of Government are an acceptable and, indeed, necessary result of a free society, Government's authority to make decisions should not be undermined all of a sudden on the strength of the argument that it is an appointed government. Those intent on proving their power by means of challenge, but without carrying any responsibility for the result of their actions, do not ultimately help to achieve better government but instead help to create doubt, vacillation or indecision, or demoralise those who are part of government. This is not what Hong Kong needs or wants in this critical transition period. We should assist Government to function properly through responsible and constructive comment, not by concentrated efforts to discover and publicise any and all shortcomings, or by campaigns to exploit policy differences for short-term gains in popularity. A case in point last session was the debate on the Public Order (Amendment) Bill which focused negative international attention on the Hong Kong Government by misrepresenting and discrediting its intentions. Ironically, the most vocal champions of the freedom of speech and of the press were those representing organisations which themselves practise censorship over the opinions of their members.



This is not to say that we should not encourage and promote more open government whenever possible, and the proposed legislation to create the office of an 'Ombudsman' is a step in the right direction, although I have some reservations on the specifics that have just been introduced for comment. And we should also try to anticipate future problem areas and endeavour to forestall them, such as planning ahead for the possible reduction in the number of those willing to join or remain in public service, by adopting greater flexibility in the application of Civil Service Regulations. One suggestion, for which I certainly take no credit but which I fully support, is to work towards a more extensive manpower interchange between the Civil Service and the private sector. This would allow more scope for filling sudden vacancies in the Civil Service with experienced personnel from the outside; conversely, the temporary secondment of civil servants to work in commercial, industrial, financial or academic environments might well allow a speeding-up of the learning process and create more confidence in the ability to provide governmental services based on solid practical experience. Such cross-fertilisation could be particularly beneficial in the specialised regulatory and enforcement agencies: I made this suggestion in the debate on the Banking Bill last year but did not get a hearing. Perhaps a re-think is in order: the example of those civil servants who have had a stint in private business certainly seems to prove that it is no disadvantage. And if and when we do move towards a class of professional politicians in legislature were Hong Kong to opt for direct elections, it will likely be even more important for the Civil Service to maintain a strong interface with the private sector, and to continue to get the practical input on which Government has up to now been able to rely and which has been partly responsible for Hong Kong's tremendous success.

All of us could now do with fewer theoretical arguments when discussing the future of our governmental structure and machinery, and with less speculation as to the most ideal forms of protecting our autonomy; what we require is the application of common sense in identifying and providing for the practical needs of this territory in the next 10 or 60 years. Only a strong and decisive government can give us the guarantees that the promises embodied in the ambitious programme outlined in your address, Sir, can and will be kept. Government must be effective; it does not necessarily always have to be popular.

With these comments, Sir, I support the motion.

MISS TAM (in Cantonese): Sir, ever since 1978 you have become familiar with the problems that Hong Kong will have to face in the future and regarding their solutions particularly in the period after the Sino-British negotiation on the future of Hong Kong, you have made outstanding contributions. In your address you outlined Hong Kong's future, analysed and explained the Government's programme that is necessary for Hong Kong's benefit. It is like

using a telescope; the focus can be adjusted to 1990, 1997 and even beyond, and far-sighted plans can be made for the future of Hong Kong. This is indeed forward-looking.

Sir, in your address you described in detail that Hong Kong should make full use of its land resources, develop its container terminals and airport so that it can become the best gateway to China. Internal economic activities and our trade with China have increased our demand on the transport system. This is in paragraphs 47(a) and 47(b) of your address. Towards the end of last year a consultant was commissioned to undertake a Second Comprehensive Transport Study. They will make recommendations on transport needs up to the year 2001. Besides, in the next five years highway construction without counting Route X will involve an expenditure of \$5 billion.

Our transport programme is so immense; how can we implement it? It is important that we tap new resources and try to make savings.

First, let me talk about tapping resources. Firstly, free market economy or limited competition. In Hong Kong we believe in free market economy. In Tuen Mun the Government has approved a sterilised zone for the light rail system imposing restrictions on buses operated by the Kowloon Motor Bus Company. On this point there has been heated debate, and people asked whether the Government was interfering with free market forces, ignoring public interests and restricting competition.

I do agree that Hong Kong's stamina comes from free competition in its economic activities. However, when the economic activity is one that provides basic facilities, for instance transport, then we cannot leave everything to market competition. The reason is that the Government has in fact given tremendous support in the construction and maintenance of roads. On the other hand, there is tremendous investment from the private sector on public transport. Certain modes of transport can only survive if they are given the monopoly, for instance, the MTR. I understand that both local and foreign investors are interested in developing Hong Kong's infrastructure. On the one hand they consider that Hong Kong will remain a gateway to China and Hong Kong's population and economic activities will grow and this will increase the demand on our transport system. But investors are practical people; without the prospect of one to two decades' business, without an insured amount and appropriate protection from competition, we cannot ask them to invest in roads and bridges. Therefore, if the Government wishes to tap the resources in the private sector and to encourage it to invest in infrastructure and transport systems, it must explain to the people in Hong Kong that free market competition philosophy is not the best philosophy, but rather an environment with limited competition is more suitable. The Government will decide on the quantity needed and the private sector will provide quality service. Only in this way will the private sector be attracted to invest.

Secondly, the Government's responsibility, or the investor's responsibility. I may ask whether in privatising infrastructure the Government is shirking its responsibility? And of course I will not support the Government shirking its responsibility; however, I think the reason why Hong Kong has been successful is that when the private sector or the people can well undertake an economic activity, the Government will not compete to take up that job. Hong Kong has a tremendous demand for its infrastructure and Hong Kong Government has the responsibility to make use of its ability to stimulate private investment in enterprises and economic activities and encourage them to participate. In 1984, when the Government privatised government car parks it had to face quite a lot of criticisms. However, the Cross Harbour Tunnel was privately run from the start. The public was therefore psychologically prepared from the start and were willing to accept toll paying. Therefore, the Eastern Harbour Crossing, the future Tate's Cairn Tunnel and the tunnel under planning linking the Kowloon Peninsula and the New Territories will be privately built, and I believe they have all been accepted by the people of Hong Kong.

At the same time, the Government should maintain its low tax policy; it should take a small percentage from the wealth generated by the economic activities in order that the Government can fund public service. In this way, infrastructure can be expanded without an increase in public sector expenditure. And this is Hong Kong's traditional policy and it should be maintained. Therefore should the port and airport development study recommend the building of bridges or piers, we should also encourage private investment and management.

Thirdly, pioneering or profiteering. Sir, basically I am against using public funds as capital and forming public corporations to compete with the private sector; for instance, the adverse effect the MTR has on the China Motor Bus Company and the Hong Kong and Yaumatei Ferry Company. However, there is one fact that cannot be neglected, that is, no matter how hard we try to encourage private sector investment there are circumstances in which the Government is forced to participate in limited competition either because of very heavy front end loading or because it takes a long time to recover capital or generate profit.

Therefore, I think that companies in which the Government holds a lot of shares or which are supported by the Government, for instance the MTR and the LRT, have a major task and that is to develop an efficient means of transport between the urban areas and the new towns.

In the policy debate in the last two years I have said that 2 million people who have migrated internally relied for a long period of time on an efficient means of transport to maintain their livelihood; I also said that job opportunities for the entertainment and service sectors will always be in the urban areas.

Tuen Mun New Town started in the mid-70s and yet it was only in 1983 that 36.4 per cent of the workers living there had jobs in Tuen Mun. In 1985 the

figure increased to 57.3 per cent and this year it has increased to 83 per cent. Sir, the experience gained in the past 10 years is that in the development of new towns the number of workers and their skill available do not match the demand of the manufacturers. We have two options; one is to look at the waiting list for public housing and allow some skilled workers who meet the demand of the manufacturers to enjoy priority and be allocated public housing in new towns. However, there are many reasons why this cannot work.

Another alternative, that should be chosen, is to use Government supported transport systems to develop new towns.

Last year I stated that the MTR is a huge investment; extending it to Junk Bay would mean \$15 billion according to 84-85 figures and very little development will be possible along the line. I understand that stage 2 of the development of Junk Bay is now ready to go ahead; if this is the case we should work to expand the housing programme in Junk Bay, both public and private so that the MTR extension will be more cost-effective. On the other hand, according to information from the Economic Services Branch, commercial development is quicker in the Tai Po and Fanling New Towns than in Tuen Mun. The reason is that they are linked with Sha Tin and the transport system is better, and the rapid increase in population increases economic activities. Junk Bay is close to Kwun Tong. The Housing Department should conduct a survey on the occupation of residents so that figures of skilled workers moving into the area can be forwarded to the Trade and Industry Departments for onward transmission to manufacturers. Since Kwun Tong should not be further developed as an industrial area perhaps this will encourage manufacturers to invest in Junk Bay. Tuen Mun's bitter experience in the past 10 years should teach us a lesson.

I know that the KCRC and the MTRC are operated on commercial principles; however, I hope that even though it is operated on commercial principles there should be some flexibility so that pioneering and not merely profiteering will be the target. In the north western parts of the New Territories, unless we have the rail system it is impossible for us to develop the area between Tin Shui Wai and Tsuen Wan. In deciding on the route, we need not choose the routes that will reap the highest profit in the shortest period of time; we should aim at helping the areas along the line to develop. It is unreasonable to make such a demand on a private company, therefore in order that Hong Kong will continue to be prosperous this responsibility will have to be borne by a transport system that is supported with public funds or with public sector investment. Even though the recovery period might be long and the financial burden might be heavy on the Government, it will prove that the Government is operating only as a private sector company but is not shirking its responsibility.

I think that the MTR should only be extended to Junk Bay; it should leave the development of the north west New Territories to the KCR because the KCR will be able to generate income from freight and increased passenger transport, and this will help towards operating costs so that one company will not be over burdened by having to run two major routes.

I now move on to achieving savings and talk about competition between old and new forms of transport. The MTR makes use of the Cross Harbour Tunnel and this route is becoming an increasing threat to ferry services. In the past three years the Yaumatei Ferry Company rationalised their routes in order to cut down operating costs. However, cross harbour ferry companies and companies serving outlying islands will be affected by the reclamation in the northern shores of Hong Kong Island for the construction of Route 7, a new road along the waterfront, and even the reclamation in Hung Hom. On the one hand, there will be relocation and on the other there will be redevelopment. We will have to wait until 1996 for the situation to settle.

During this process I hope the Government will not use the rebuilding of the pier as a reason to curtail ferry services. All existing routes, unless by request of the ferry companies made under the existing policy should all be maintained. At the same time, the new pier should be re-built in a location closest to the existing pier after reclamation, otherwise it may affect the viability of the route in question. We still need ferries and therefore it is essential that we should prevent them from not being able to operate normally.

Franchised buses are controlled under the Schemes of Control. The original intention was that in the '40s and '50s we needed private investment, therefore a certain percentage of the companies' fixed assets is used to calculate the profit to encourage major investment. However, with competition from the MTR, bus services are reduced and the growth is slow. Therefore, they have to consider using smaller buses as a means to cut expenses. I hope that the Government, using its traditional policy of 'minimum control, maximum advice' will advise the not so well managed companies, particularly those with very weak top management, to try to cut expenses because the golden period is now gone.

A second question regarding cutting of expenses: laissez-faire or controlled transport links with China. In mid-1988 the China Ferry Terminal will be commissioned and will give a new lease of life to water transport. Easy flow at all the crossings at Man Kum To, Sha Tau Kok and Lok Ma Chau will also give opportunities to bus companies to expand their business. It is estimated that between the end of 1988 and the beginning of 1989 the total throughput of the three control points would be 52 800 vehicles.

Yaumatei Ferry Company now has ferries serving She Kou and Kwun Tong, and there probably would not be new management problems. However, if existing franchised buses expand routes to China, how can they work out their investment and operating costs in two different services under the Scheme of Control? Should subsidiary companies be formed to undertake the service? These are questions that cannot be overlooked.

On the other hand, vehicles with Chinese licence plates, particularly goods vehicles, coming into Hong Kong from Zhenchen will be increasing. These vehicles and their drivers will have to be governed by the same laws that govern

local drivers and vehicles: registration, insurance, examination and driving tests will have to be of the same level. I think that in the scheme of management we must include the registration number and the identity and name of the mainland Chinese driver. Their Hong Kong driving licence should have a different colour so as to distinguish them from other papers of identity.

I have brought up these questions because I feel that if we take the attitude of non-interference there will be management problems. It is essential that we make decisions from the very start so that any problems arising out of traffic between China and Hong Kong will bring benefit rather than disadvantages.

The third point on cutting of expenses is which type of transport should have priority: public or private transport. In your address it is stated that a vast amount is spent on highway construction; public transport should of course be given the priority in using the roads. From 1982 to 1986 the daily vehicle kilometrage of vehicles has increased greatly and the number of goods vehicles has increased to 89 000. Public transport has a daily capacity of over 4 million passengers daily, and the number of taxis has increased to 8 000 and take up 10 times the road space used by private vehicles. These figures show that even though we want to build roads quickly, unless we can decide on who should get priority in using the roads, we will not be able to get smooth flow of traffic. We all want to be able to have an smooth flow of traffic without having to shoulder the cost.

In the first Comprehensive Transport Study in 1973, the question of priority was not included. I hope that in CTS 2 when we consider which projects should have priority we should take into consideration the need and also allow public transport and freight traffic to go first. If the traffic through Lion Rock Tunnel has improved, then I would advise that we take buses instead of private vehicles and this is the advice I will give to Mr. Allen LEE.

Next point, right or favour: consultation for Comprehensive Transport Study 2. Investment in the transport system and infrastructure should be governed by cost effectiveness. When planning, we can apply reason and logic but in the implementation of policies if we have the understanding and support of the public we will be able to work more effectively. Electronic road pricing is a good scheme from the road management viewpoint. However there was never an appropriate timing for the public to accept it.

Sir, you said that when the second Comprehensive Transport Study is completed in the middle of next year it will seek public views on its recommendations before major decisions are taken. I welcome this and I hope that the Secretary for Transport in replying to my speech will give details regarding consultation and will also make a promise so that our transport policies will be supported by the public.

Sir, with these remarks I support the motion.

MR. CHAN YING-LUN (in Cantonese): Sir, in your policy address you have answered the questions raised in this Council and that is in line with the policy of representative government development. You have visited the districts and this has benefited me and other citizens. You have visited the Cheung Sha Wan Market. I work there and when you made your visit, the Urban Council did a terrific job of cleaning it up; the unlicensed cooked food stalls have also disappeared during your visit. Now you will also be visiting the Eastern District and quite coincidentally you will also visit the place in which I have spent my childhood. I also believe therefore that your visits would bring us some benefits. Apart from welcoming you I do not have other requests to make as the Government has already improved on the squatters area in the Eastern District and very soon the Shau Kei Wan squatters will disappear from the map. The people would also move to new housing estates in Chai Wan and you have moved away my electors (*laughter*). Sir, I am very glad to hear that you have made a commitment to build a better and more prosperous Hong Kong so that we can all live very happily here. Therefore I would like to look at policies of the Government from the point of view of the citizens to see whether they tie in with the needs of the people. These questions have been discussed at district boards and they are the concerns of the people.

### *Housing*

Sir, public opinion supports the idea that the Housing Authority should become autonomous. This is in line with the trend of democracy; when the Government feels that the public have become mature psychologically it becomes more open and gives them more power. This is worth our support.

As far as I know, after the Housing Authority has become independent it has to be financially self-sufficient. By the financial year 1995-96 the Housing Authority would see a surplus. Now this leads me to think how this surplus will be used. The proposal is such that it will be handed back to the Government in full; this might mislead public housing tenants to think that the Government treats them as instruments of profits. Their mentality is easily understandable because surplus from housing should be used for housing development. I believe the Housing Authority should not accumulate too big a surplus; if the surplus exceeds what is needed for development, I would agree to transfer it back to the Central Government. The Government should, however, state whether the surplus handed back would be used for projects beneficial to the public, otherwise how can public housing tenants not doubt that the money will be put to good use.

Sir, we can easily become biased and think that public housing tenants wish to pay as low rents as possible or even dream of rent concessions. During the consultation period on domestic rent policy I came to the full understanding that as long as rents are reasonably set they will be accepted. The tenants also feel that they should share the responsibility of housing. What I do not want to see is that when the Housing Authority handles a surplus, it should not be

treated like the Land Development Corporation which is due to be formed, and accused by district boards that the Government is using it as an instrument of profit because the proposed arrangement is that all surpluses would have to be handed back to the Treasury. In my view a better approach would be to put the surplus into an independent fund supervised by the Legislative Council and that it should only be used for housing development, raising housing standards and welfare services; this would solve the problem of the usage of the surplus and ensure that public housing tenants need only pay reasonable rent. We can also use the surplus to expand the scope of the Long-Term Housing Strategy to benefit middle class families. Why do we not consider that as well?

*Supervision for the two rail companies*

Sir, the Eastern District Board before the commissioning of the Eastern Island Corridor held in-depth discussions on the bus fares concerned. The result was a lower fare structure than proposed. Also before the commissioning of the Mass Transit Railway Island Line the district board held a discussion on the fare structure, and the result was again a very reasonable fare scale. The district board took pride in being able to reflect public view and realised that district boards shared the Government's stand in transport matters; that is they are there to work for a reasonable fare scale for the benefit of the people of Hong Kong. Presently the Tuen Mun District Board is very concerned about the fare and services of the Light Rail System and hopes that it can take part in the consultative and monitoring work so that the LRT services in the future could really bring convenience to the people in that district. This is worth our support.

The problem now lies with the two rail companies; they play a very important role in passenger transport but the law allows them, or the Boards of Directors, to increase the fares without the Government's approval. Therefore the Government has no machinery to consult the public—it actually does not consult any organisations on this matter—and there is no formal channel for the residents to make known their views. On the contrary, the two bus companies and ferry companies who are private companies have to be approved by the Executive Council for any fare increase. The Government would also consult the Transport Advisory Committee before approving it. Residents' views are reflected in the TAC. So in comparison, the two public companies do not consult the public when they increase their fares.

They are making a profit now but they still adjust fares every year. One wonders whether or not surplus from transport operation should be used to maintain a reasonably low fare structure or should it be used to speed up the repayment of loans, or is it now used for businesses totally unrelated to rail operation? The average citizen and district boards certainly hope that it is the former. But what is actually happening under the present machinery? Is this worth our reviewing? To people who reside along the railway line—especially those who have to go to work in the urban areas—especially from Sheung Shui to Kowloon, they have to spend \$10.40 every day on train fares alone, and of



course they will have to pay extra if they have to go on the MTR as well. This expenditure cannot be said to be small for a person with an average income, therefore I hope that the Government could consider whether the Government is monitoring the two rail companies and whether it is consulting the public. The district board is very concerned about these matters. Of course the two boards of directors already have government representatives and citizen representation, but since there is no monitoring on fare increases, the residents still think that their interests are not protected.

#### *Retirement security scheme*

Sir, as you said, a well-planned social security scheme would help our prosperity and stability. You also said that the elderly people would have a bigger share of our population. Now, we are all concerned about how the elderly would lead their lives. We do not have retirement security schemes and the traditional concept of support for our parents will be in disintegration. It is not hard for us to understand the psychology of our different sectors in society and their request for a Central Provident Fund.

Because of this, I support the setting up of a comprehensive retirement security scheme to let our elderly live in comfort without adding to Government expenditure. Unfortunately the Government has again ruled out the establishment of a Central Provident Fund. It proposes to extend the scope and modify the nature of the long service payment and to increase the Old Age Allowance. But I still prefer a Central Provident Fund, or a compulsory provident fund scheme because we want the young to start to save so that they will not be worried about their post-retirement life and would reduce Government expenditure in this respect. The Government has emphasised that the Central Provident Fund will not be beneficial to the people who do not have a steady job or who have a very low income. However, the long service payment again would not benefit them either. On the contrary for people who have a steady job or who enjoy a not so low income, the Central Provident Fund can replace the long service payment, but the long service payment cannot replace the Central Provident Fund protection. It is proposed that Old Age Allowance applicants will have to make a simple declaration to the effect that their income and assets do not exceed a certain limit; this is regressive and unreasonable and defeats the whole purpose of Old Age Allowance. Therefore, I urge the Government to reconsider the proposal in question.

#### *Environmental protection*

Sir, I am very happy to know you are determined to better our environment; the Eastern District Board is also very concerned about pollution in its district, for example, the odour emitted from tobacco companies, the bad odour of ink from the printing company, the noise from exhaust systems and traffic of the Eastern Island Corridor and so on, and the pollution problems of the Shing Mun River, Kai Tak Nullah and Yuen Long creek are also concerns of district boards.

According to environmental protection experts, an isolated pollutant is easily dealt with because of its relatively simple chemical make-up. However, with the conglomeration of different pollutants the chemical make-up also becomes complicated, and it would be more difficult and more costly to deal with them. Early prevention and cleaning up is the best way to tackle the problem.

Sir, in principle the polluter should pay, but such may lead to higher costs or even losses for the industrial and agricultural sectors—this is not desirable. However, if the polluter is not willing to give up a little of his profit to shoulder his own responsibility towards environmental protection then this is unreasonable. Fortunately, there are still many conscientious employers who are willing; for example, the tobacco company in the Eastern District would install extra equipment to prevent the emission of the odour of tobacco.

The saying ‘prevention is better than cure’ is certainly right. Unfortunately, regarding environmental protection work, we only deal with the symptoms after the problem has surfaced. We have not identified the sources of pollution and prevented them from surfacing. The Environmental Protection Department has been established for 10 years—it has done a lot in monitoring air and water quality, but it has not produced any practical ways to better our environment.

The Government has not done anything to educate the public to make them aware of the importance to protect the environment. It only works unilaterally, so it is not surprising that the results are not really seen.

Sir, when the Government decides on allocating land to businessmen, does it also consider that the businessman concerned should also provide some beautification works as part of the overall project to make up for the losses of the local residents? Take the Eastern District for example; it has always lacked land for recreational development. Actually part of the Aldridge Bay reclamation could have been used for recreational purposes, but the Government has allocated part of it to the Tramways Company for the reprovisioning of their depot. The Eastern District Board, taking the Tramways Company’s assurance and its word that it would continue to provide low cost transportation services and that after the relocation it would conduct some urban beautification works next to the depot to make up for the residents’ loss, has agreed to the Government’s decision. However, it has already scrapped the beautification project even before the main project has started. The district board is of course dissatisfied, but there is little that it can do—the district board has no power to press the request. So when formulating such policies, the Government must look at the interests of the people. Sir, Hong Kong has become a modest, but self-sufficient community. With the rising of the standard of living, the people expect more from the Government. This is what we mean by ‘chain reaction’. But Hong Kong people do not expect free lunch, they want to share the fruits of our prosperity and stability. For example, since the two rail companies are running at a surplus, they should take into account therefore the affordability of the residents in new towns when they adjust their fares. Part of the surplus actually could also be used to fund the concessionary rates for the elderly.

As for housing by 2001, all Hong Kong people will be suitably housed. We can then further meet the aspiration of our people for home ownership flats, or we can put up some of the public housing rental units for sale. The revenue so gained can be used for the production of more units, and I believe this is well within our ability.

Sir, with these remarks, I support the motion.

MR. JACKIE CHAN (in Cantonese): Sir, I am the last speaker today but I can give you my assurance that my speech will not be a long one. I certainly do not want to delay our dinner.

Sir, I would like, first of all, to welcome your policy address which was a satisfying one. The address was pragmatic and catered for the needs of different sectors of our community. Moreover the Government formulated realistic strategies for the long-term development of Hong Kong. Undoubtedly, the policies were dynamic, full of vitality and ambitious. It stated clearly that great efforts would be put into building up Hong Kong for the future, making the public feel that Hong Kong is a city where they can settle down and work. This is most significant in maintaining the confidence of the people of Hong Kong and boosting their sense of belonging.

The boom in the manufacturing industry led to a labour shortage in Hong Kong. The Government's view firmly opposes importing overseas workers. I fully understand and support the Government's decision because it safeguards the interests of the majority and it is obviously aimed at enabling local workers to share in the fruits of economic prosperity. In my opinion, the best long-term solution to the labour shortage problem is for the Government to encourage by various means factory operators to give up traditional labour-intensive processes and change over to production modes that tie in with the development of technology and diversification of industries. Other than solving the problem of labour shortage, this will raise the quality of Hong Kong products, thereby helping us counter the threats posed by our competitors.

So this year's policy address is even more sensible and forward looking than those of the past. The Government's decision to provide more help to industries is a case in point. The Administration is considering setting up a technological centre in a third industries estate and encourages the industrial sector and the academic world to step up co-operation. All these are appropriate measures aimed at dealing with the realities of the industrial sector in Hong Kong. The greatest merit of the measures is that they boost the competitiveness of Hong Kong's products for export while at the same time denying overseas countries an excuse for trade protectionism, since they cannot claim that the Hong Kong Government is subsidising certain industries. In past policy debates, my colleagues and I said repeatedly that Hong Kong's industries need greater and more substantive help from the Government. This year's policy address says that the Government has responded to our call. I am most satisfied with this.

It seems that our policy on industries is now moving in the right direction. What we are concerned with, however, is whether the Government will implement the policy. I hope that the Government will as soon as possible examine and then put into practice the proposals in the policy address. Our export trade frequently encounters protectionism in consumer countries and has to meet challenges from our competitors. To maintain a steady growth for our exports, it is essential that the Government keeps reviewing our policy on industrial development.

In your address, Sir, mention was made of setting up a Land Development Corporation to purchase properties and develop old areas. I fully support the setting up of such a corporation to improve the environment in those areas and hope that this can be put into practice soon. I would like, however, to ask some questions here, hoping that the Administration will give me some clarification and dispel my worries.

Firstly, if the Land Development Corporation joins hands with private developers, what is the arrangement regarding the sharing of profit and loss? If there is a profit, does the corporation have to pay tax to the Government? If there is a loss, will Government support be needed?

Secondly, in the process of re-developing old areas, the Land Development Corporation has to compensate the existing residents for losses and purchase properties in these areas, incurring a huge amount of money. Will the Government guarantee the corporation's borrowings? If there is delay in a project and the private company participating in the project is faced with financial hardship, does the Land Development Corporation have to share the financial risks? And if the corporation finds itself in an unexpected irredeemable situation, does it not mean that the Government will once again have to resort to the Exchange Fund to bail out the corporation?

Before setting up the LDC, we must carefully consider these issues. In my opinion, whether the corporation directly develops the old areas or takes part in a joint venture with the private developers, there are potential difficulties that are not easy to be resolved. Developing old areas differs from constructing home ownership estates, in that it involves huge investment and competition with private developers. In the real estate market of Hong Kong, the Land Development Corporation will face great risks. If unfortunately the corporation incurs a loss, it will seriously affect various parties' confidence in the redevelopment of the old areas.

Therefore, I do not think that the corporation should take on the role of a developer. Besides, if the corporation is really to become a real estate developer, it will incur very high administrative costs. In my opinion, the functions of the corporation should be confined to site assembly and preparation of layout plans for the whole of the re-development areas. The land as assembled should be auctioned off to private companies which will then re-develop the old areas, observing the restrictions imposed by the layout plans.

In addition, the existing residents affected by the re-development plans are mostly people who have lived in the old areas for decades. It is only natural, therefore, that they have deep feelings for their place and a sense of belonging. When they move out the loss they suffer is not merely financial. Consequently, the Government should be very careful about compensation and do its best to avoid giving the affected residents the feeling of oppression.

Sir, in connection with road construction the Government plans to spend \$5 billion in the next five years to build a number of tunnels and trunk roads. I whole-heartedly support this but I would like to make one point—that is, at the same time as the roads are being constructed the Government should take into consideration the increase in the number of vehicles and whether there are enough parking spaces. For example, there are more than 90 000 registered lorries in Hong Kong with only about 10 000 lorry parking spaces. Regarding container vehicles, parking spaces constitute a major problem. Moreover, there is one possible development worthy of concern—that is, with a larger and larger volume of trade between China and Hong Kong lorries coming over from China will increase in number correspondingly, giving rise to a situation in which our internal transport may fail to cater for import and export needs. Unless the problem is satisfactorily resolved it will add to our social and transport problems. Let us hope that the Government will come up with a solution soon.

Turning now to Vietnamese refugees, as pointed out by you, Sir, most of those who arrive in Hong Kong now come from North Vietnam. Since they do not have relatives residing in resettlement countries the chance of their being accepted by overseas countries is expected to be slim. It is precisely for this reason that we should no longer expect other countries to solve the problem of refugees for us. This problem has given us a demanding, thankless task and it is a problem we will have to solve ourselves. You, Sir, said we should make use of diplomatic channels to deal with the problem. I beg to differ. I think we should copy the example of other countries—that is, repair the boats for the refugees, provide them with fuel and food but disallow them from entering Hong Kong. Our neighbouring countries' way of intercepting the refugees and turning them away is something our Government can imitate. This is especially so since there is no basis under international law for Hong Kong to be the port of first asylum.

Finally, some remarks on our political system. If someone asked me, 'Which came first, the egg or the hen,' I would find it difficult to give an answer. If, however, the question is whether we, the people, are first or the Government, I believe we would all agree with the principle illustrated by the Chinese saying that people come before the State. In other words, the Government belongs to the people and everything should be based on public opinion. I believe that on the question of future changes to our system the Chinese and the Hong Kong Governments should maintain a close liaison and seek to arrive at tacit

agreement. In whatever circumstances, public opinion must be highly respected, otherwise the Government will not be respected by the people. Stability and prosperity will then be nothing more than empty talk.

With these remarks, Sir, I support the motion.

### **Suspension of sitting**

HIS EXCELLENCY THE PRESIDENT: In accordance with Standing Orders I now suspend the Council until 2.30 pm tomorrow.

*Suspended accordingly at six minutes to Nine o'clock.*