

1 HONG KONG LEGISLATIVE COUNCIL -- 31 October 1990

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OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 31 October 1990

The Council met at half-past Two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (PRESIDENT)

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

THE CHIEF SECRETARY

THE HONOURABLE SIR DAVID ROBERT FORD, K.B.E., L.V.O., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE SIR PIERS JACOBS, K.B.E., J.P.

THE ATTORNEY GENERAL

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

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

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

THE HONOURABLE CHAN YING-LUN, O.B.E., J.P.

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

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

THE HONOURABLE CHENG HON-KWAN, O.B.E., J.P.

THE HONOURABLE CHUNG PUI-LAM, J.P.

THE HONOURABLE HO SAI-CHU, O.B.E., J.P.

THE HONOURABLE DAVID LI KWOK-PO, 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, J.P.

PROF. THE HONOURABLE POON CHUNG-KWONG, J.P.

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

DR THE HONOURABLE DANIEL TSE, O.B.E., J.P.

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

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

THE HONOURABLE GRAHAM BARNES, C.B.E., J.P.  
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

THE HONOURABLE EDWARD HO SING-TIN, J.P.

THE HONOURABLE MARTIN GILBERT BARROW, O.B.E.

THE HONOURABLE MICHAEL CHENG TAK-KIN, J.P.

THE HONOURABLE DAVID CHEUNG CHI-KONG, J.P.

THE HONOURABLE RONALD CHOW MEI-TAK

THE HONOURABLE MRS NELLIE FONG WONG KUT-MAN, J.P.

THE HONOURABLE MRS PEGGY LAM, M.B.E., J.P.

THE HONOURABLE DANIEL LAM WAI-KEUNG, J.P.

THE HONOURABLE MRS MIRIAM LAU KIN-YEE

THE HONOURABLE LAU WAH-SUM, J.P.

DR THE HONOURABLE LEONG CHE-HUNG

THE HONOURABLE LEUNG WAI-TUNG, J.P.

THE HONOURABLE JAMES DAVID McGREGOR, O.B.E., I.S.O., J.P.

THE HONOURABLE KINGSLEY SIT HO-YIN

THE HONOURABLE MRS SO CHAU YIM-PING, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

THE HONOURABLE MRS ELSIE TU, C.B.E.

THE HONOURABLE PETER WONG HONG-YUEN, J.P.

THE HONOURABLE YEUNG KAI-YIN, J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE MRS ANSON CHAN, J.P.  
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE PETER TSAO KWANG-YUNG, C.B.E., C.P.M., J.P.  
SECRETARY FOR HOME AFFAIRS

THE HONOURABLE ALISTAIR PETER ASPREY, O.B.E., A.E., J.P.  
SECRETARY FOR SECURITY

THE HONOURABLE MRS HELEN YU LAI CHING-PING  
SECRETARY FOR HEALTH AND WELFARE

THE HONOURABLE ALBERT LAM CHI-CHIU, J.P.  
SECRETARY FOR TRANSPORT

ABSENT

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

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

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

THE HONOURABLE MRS ROSANNA TAM WONG YICK-MING, O.B.E., J.P.

THE HONOURABLE TAI CHIN-WAH, J.P.

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

THE HONOURABLE PAUL CHENG MING-FUN

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):

Subject

Subsidiary Legislation L.N. No.

|   |                                      |
|---|--------------------------------------|
| Immigration Ordinance<br>(Detention Centres) (Designation) (No. 5)<br>Order   | Immigration (Vietnamese Boat People) |
| 1990.....   | .....                                |
| 334/90  |                                      |
| Immigration Ordinance<br>(Detention Centres) (Amendment) (No. 7)<br>Rules   | Immigration (Vietnamese Boat People) |
| 1990.....   | .....                                |
| 335/90  |                                      |
| Revised Edition of the Laws Ordinance 1965<br>Revised Edition of the Laws (Correction<br>of Errors) (No. 4) Order 1990..... |                                      |
| 336/90  |                                      |

Sessional Papers 1990-91

No. 17 -- Report on the Administration of the Fire Services Welfare Fund for the year ended 31st March 1989

No. 18 -- Revisions of 1990-91 Estimates approved by Urban Council during the second quarter of the 1990-91 Financial year

## First Reading of Bills

FACTORIES AND INDUSTRIAL UNDERTAKINGS (AMENDMENT) BILL 1990

MERCHANT SHIPPING (AMENDMENT) BILL 1990

AGRICULTURAL PESTICIDES (AMENDMENT) BILL 1990

EVIDENCE (AMENDMENT) BILL 1990

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

## Second Reading of Bills

FACTORIES AND INDUSTRIAL UNDERTAKINGS (AMENDMENT) BILL 1990

THE SECRETARY FOR EDUCATION AND MANPOWER moved the Second Reading of: "A Bill to amend the Factories and Industrial Undertakings Ordinance."

He said: Sir, I move that the Factories and Industrial Undertakings (Amendment) Bill 1990 be read a Second time.

The Bill seeks to extend the Factories and Industrial Undertakings Ordinance to the catering trade. The Ordinance, which protects the safety and health of workers, now covers factories and construction sites only but not restaurants and other catering establishments. In view of the large number of work accidents involving the catering trade, the Labour Advisory Board has advised that it is necessary to extend the Ordinance to this trade. The Bill seeks to achieve this by including catering establishments within the definition of an industrial undertaking.

There are more work accidents in the catering trade than in any other class of business not at present covered by the Ordinance. In 1989, the trade was involved in 14 800 accidents, representing 32% of all accidents in the non-industrial sector. At 91 accidents for every thousand workers, the accident rate in the trade in 1989 was not only the highest in the non-industrial sector, but was also much higher than that found in manufacturing at 30 accidents per thousand workers. Moreover, both

the number of accidents and the accident rate in the catering trade have been increasing steadily over the past few years.

The Ordinance now covers about one million workers, or about 36% of the labour force. The proposal to extend the Ordinance to the catering trade will bring another 162 000 employees, or a further 6% of the labour force, under its protection.

The Employment of Children Regulations made under the Employment Ordinance prohibit the employment of children aged 13 and 14 in industrial undertakings and in the kitchen of a catering establishment. They are permitted to work, however, in other areas of a catering establishment and in any non-industrial undertaking, subject to certain conditions. By bringing catering establishments within the definition of an industrial undertaking, the Bill would have the effect of prohibiting the employment of children in all areas of a catering establishment. This is not our intention. Appropriate amendments to the Employment of Children Regulations will have to be made, therefore, to ensure that children could continue to be employed in the non-kitchen areas of catering establishments. Subject to this Council approving the Bill, the Governor in Council will be invited to make the necessary amending regulations.

Both the Bill and the amending regulations provide for an effective date to be appointed by the Governor by notice in the Gazette. We intend to bring the proposed amendments into effect 12 months after their enactment, so as to allow sufficient time for the catering trade to prepare for compliance. Needless to say the trade will be advised and assisted by the Labour Department in this process.

Sir, I move that the debate on this motion be now adjourned.

Question on adjournment proposed, put and agreed to.

#### MERCHANT SHIPPING (AMENDMENT) BILL 1990

THE SECRETARY FOR ECONOMIC SERVICES moved the Second Reading of: "A Bill to amend the Merchant Shipping Ordinance."

She said: Sir, I move that the Merchant Shipping (Amendment) Bill 1990 be read the Second time.

In June, the recommendations of the Steering Group on the Hong Kong Register of Shipping were adopted by the Administration as the framework for the establishment of the new Hong Kong shipping register. The Merchant Shipping (Registration) Bill 1990 introduced to this Council on 4 July provides for the new registration arrangements but a number of other legislative amendments are necessary to implement the remainder of the steering group's recommendations. Some of these amendments are contained in this Bill and others will be the subject of subsidiary legislation to be laid before this Council shortly.

One of the recommendations of the steering group was that foreign seafarers should be licensed to serve in senior posts on ships registered on the new shipping register.

At present, as a general rule, no alien may be employed as master, chief officer or chief engineer of a ship registered in Hong Kong. In other words, the master and his senior officers must be of British nationality. The need to allow foreign seafarers to serve in these posts on Hong Kong ships was identified as long ago as 1986 when the general principles to be adopted for the new shipping register were published. It was accepted that the continuation of the nationality restriction would seriously limit the growth potential of the new register and that there were insufficient Hong Kong seafarers to fill these posts. This remains the position. The Bill therefore enables the making of regulations providing for the issue of licences to holders of foreign certificates of competency to enable them to serve on Hong Kong registered ships.

It will clearly be important to ensure that the competence of foreign seafarers allowed to man Hong Kong ships is up to the required standard. Accordingly, a validation panel has been established by the Director of Marine to evaluate the standard of the certificates held by foreign seafarers. Those who hold certificates which have been validated in terms of training and experience as being broadly equivalent to those issued in Hong Kong will, on application, be licensed to serve in officer posts on Hong Kong ships.

To ensure that standards are maintained, it is necessary to establish a system to handle allegations of serious negligence, misconduct and incompetence against an officer, whether he is a licensee or a holder of a certificate of competency obtained in Hong Kong. At present, such inquiries can be conducted only in the circumstances of a shipping casualty. This is unduly restrictive. The Bill therefore provides

for such inquiries to be held at any time and for the officer's licence or certificate of competency, as the case may be, to be suspended or cancelled if the circumstances so warrant. This proposal is based on similar provisions in the Merchant Shipping Act 1970 of the United Kingdom.

Sir, I am glad to report to this Council that the preparatory work for the introduction of the new shipping register is well advanced and, subject to enactment of the Merchant Shipping (Registration) Bill by Members of this Council on 7 November, the new register will be launched on schedule on 3 December. With regard to the matters in this Bill, the validation panel has already convened to lay the ground work for the commencement of the issue of licences to suitably qualified foreign seafarers to coincide with the inception of the new register.

Sir, I move that the debate on this motion be adjourned.

Question on adjournment proposed, put and agreed to.

#### AGRICULTURAL PESTICIDES (AMENDMENT) BILL 1990

THE SECRETARY FOR HEALTH AND WELFARE moved the Second Reading of: "A Bill to amend the Agricultural Pesticides Ordinance."

She said: Sir, I move that the Agricultural Pesticides (Amendment) Bill 1990 be read a Second time.

All pesticides contain toxic chemicals which, if misused, pose a health or environmental hazard. The Agricultural Pesticides Ordinance, enacted in 1977, provides for the control of pesticides for agricultural applications only.

For the protection of our community, we propose to amend the Agricultural Pesticides Ordinance and apply the existing control system to all pesticides, for agricultural, domestic and other purposes. Control will be by registration and a system of licences and permits.

This approach is in line with the recommendation of the Food and Agricultural Organization and the World Health Organization that a pesticide control scheme should be comprehensive and should control pesticides used in all situations including agriculture, horticulture, forestry, home gardening, public health, household and

warehouse pest control.

The Agricultural Pesticides (Amendment) Bill 1990 sets out the details of the changes we propose.

A new register of pesticides will be introduced. Part I of the register will contain ready-for-use domestic pesticides and part II will contain all other pesticides. Such a classification will give a clearer indication of the potential hazard to users of a certain pesticide, facilitate enforcement control and provide a basis for different fees for processing different licences.

It is our intention to control the manufacture, import, sale and supply of registered pesticides collectively by means of licences and to control the manufacture, import, sale, supply and possession of unregistered pesticides individually by means of permits. To cater for circumstances where it is neither practical nor necessary to impose a requirement for a permit, a person who has possession of unregistered pesticides will be exempted from such requirement if he obtained possession of the pesticides from a permit holder who passed the pesticides to him in accordance with the permit conditions.

In addition to the active ingredients which kill the pests, pesticides may contain inert ingredients such as solvents and additives. Some can be quite toxic in themselves and may have long-term effects on human health and the environment. A provision in the Bill therefore enables the Director of Agriculture and Fisheries to prohibit or control the use of such inert ingredients in the manufacture of pesticides and the import, sale and supply of pesticides containing such inert ingredients. The manufacture, import, sale or supply of pesticides containing prohibited or controlled inert ingredients in contravention of any prohibition or the imposed conditions will be offences punishable under the Ordinance.

To facilitate transitional arrangements, anyone who deals in a pesticide will have a period of six months within which to comply with the new provisions. Furthermore, a licence or a permit for an agricultural pesticide which was granted before the commencement date will remain valid for the remainder of its unexpired period.

The Bill also contains other amendments of a technical nature.

Sir, I move that the debate on this motion be adjourned.

Question on adjournment proposed, put and agreed to.

#### EVIDENCE (AMENDMENT) BILL 1990

THE SECRETARY FOR SECURITY moved the Second Reading of: "A Bill to amend the Evidence Ordinance."

He said: Sir, I move that the Evidence (Amendment) Bill 1990 be read a Second time. The Bill seeks to clarify that the provisions of section 28 of the Evidence Ordinance apply to any apparatus designed and used for the purpose of ascertaining the speed or weight of a motor vehicle.

The existing section 28 of the Ordinance provides for the admission as evidence in court of a certificate of the accuracy of a radar device or apparatus designed and used for the purpose of ascertaining the speed of a motor vehicle. It is unclear whether the expression "apparatus" in the section as presently drafted would include non-radar apparatus now being used by the police to measure the speed of vehicles. The purpose of the Bill is to make it clear that the expression does include speed detection equipment which operates other than by radar.

I move that the debate on this motion be now adjourned.

Question on adjournment proposed, put and agreed to.

#### CORPORAL PUNISHMENT (REPEAL) BILL 1990

Resumption of debate on Second Reading which was moved on 11 July 1990

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

Bill read the Second time.

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

#### PUBLIC ORDER (AMENDMENT) BILL 1990

Resumption of debate on Second Reading which was moved on 17 October 1990

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

Bill read the Second time.

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

Committee stage of Bills

Council went into Committee.

CORPORAL PUNISHMENT (REPEAL) BILL 1990

Clauses 1 and 2 were agreed to.

PUBLIC ORDER (AMENDMENT) BILL 1990

Clauses 1 and 2 were agreed to.

Council then resumed.

Third Reading of Bills

THE ATTORNEY GENERAL reported that the

CORPORAL PUNISHMENT (REPEAL) BILL 1990 and

PUBLIC ORDER (AMENDMENT) BILL 1990

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

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

Bills read the Third time and passed.

Member's motion

#### MOTION OF THANKS

Resumption of debate on motion which was moved on 24 October 1990

ATTORNEY GENERAL: Sir, Hong Kong's relationship with the Mainland has been the subject of comment by a number of Members of this Council in the course of this debate, and I know that the Chief Secretary will address this issue when he speaks later on this afternoon. But there is one aspect which falls squarely within my province. In his speech Mr TAI Chin-wah made some observations on the status of Hong Kong and what he believed to be an implied power for the People's Republic of China to be kept informed of, consulted on, and to exercise a veto power over major questions affecting Hong Kong. He also seemed to be suggesting that the United Kingdom's right to administer Hong Kong is derived from the Joint Declaration. I cannot allow these observations to pass without clarifying the correct legal position.

So far as Mr TAI's historical observations are concerned, the British Government's position on the United Kingdom's sovereignty over Hong Kong is well known and I do not need to repeat it. This Council will not be surprised to hear me say, however, that I do not accept Mr TAI's view of the position.

Turning now to his suggestion that some kind of fiduciary relationship exists between China and the United Kingdom and that China has a right to veto decisions on major questions, the position is as follows. In paragraph 1 of the Joint Declaration the People's Republic of China declares that it has decided to resume the exercise of sovereignty over Hong Kong with effect from 1 July 1997. In paragraph 2 the Government of the United Kingdom declares that it will restore Hong Kong to the People's Republic of China with effect from 1 July 1997. In paragraph 4 of the Joint Declaration it is declared by the two Governments that, during the transitional period between the date of entry into force of the Joint Declaration and 30 June 1997, the Government of the United Kingdom will be responsible for the administration of Hong Kong with the object of maintaining and preserving its economic prosperity and social stability and that the People's Republic of China will give its co-operation in this connection.

The position could not be clearer. In accordance with the Joint Declaration, the Government of the United Kingdom will, until 30 June 1997, continue to exercise sovereignty over Hong Kong and remain responsible for its administration. In the meantime, the Joint Liaison Group has been established under Annex II to the Joint Declaration to conduct consultations on the implementation of the Joint Declaration and to discuss matters relating to the smooth transfer of government in 1997.

Notions of fiduciary relationships and veto powers therefore go well beyond the provisions of the Joint Declaration and are neither relevant nor helpful. Consultations, however, to ensure the proper working of the Joint Declaration and the smooth transfer of government are provided for in the Joint Declaration and it is primarily the task of the Joint Liaison Group to conduct those consultations. And as Members are aware, consultations are being carried out on a wide range of subjects.

Sir, in July this year, the Hong Kong Bill of Rights Bill 1990 was introduced into this Council. It is a comprehensive Bill. It is a faithful reflection of the International Covenant on Civil and Political Rights as applied to Hong Kong, and accords fully with the requirements of the Joint Declaration. It is not only a statement of rights, but it ensures that these rights are capable of being protected and enforced through action in the courts. The Bill, as presently drafted, is expressed to bind the Government and all authorities and persons.

It was, therefore, a matter for surprise that in the course of this debate Mr Martin LEE -- I regret he is not here today -- has contended that the Government has watered down the proposed Bill "almost to the point of irrelevancy". It is difficult to see how a Bill which constitutes an easily accessible and justiciable statement of fundamental rights for all the people of Hong Kong can be described as irrelevant.

Mr LEE touched on three particular aspects of the Bill. I am aware that the idea of a freeze has been the subject of controversy, and the Administration has already responded to unease in this regard by proposing to reduce the blanket freeze to existing legislation from two years to one year, although allowing for further time in relation to identified Ordinances, if any. It is suggested that the freeze will cripple the Bill. That, too, is a suggestion the logic of which is difficult to follow. The freeze is intended to be a prudent and practical measure, the idea of which in the context of Bills of Rights is not new in the common law world. There is precedent for it in other jurisdictions, and the periods elsewhere have been longer. In any

event, if the freeze provision is enacted for our Bill of Rights, the provision's life span will be limited, and the Bill will otherwise have immediate effect. I suggest therefore that to see the Bill as crippled by the freeze proposal is to take a somewhat short term and narrow view of its impact.

Mr LEE suggested that the Crown Proceedings Ordinance should be amended to permit citizens to obtain interim relief against the Crown. It is the intention of the Administration to consider the Crown Proceedings Ordinance in the context of the programme of adaptation and modification of legislation which cannot survive 1997 without amendment. His point concerning interim relief will be considered in that context.

Finally, Mr LEE suggested that the Letters Patent should be amended so that any Hong Kong law -- present or future -- will be struck down if inconsistent with our obligations under the International Covenant on Civil and Political Rights. The Bill of Rights itself will, after the freeze period, have that effect in relation to existing legislation. The British Government intends to amend the Letters Patent to ensure that Hong Kong laws made after that amendment, which are inconsistent with the International Covenant as applied to Hong Kong, will be invalid. And this provision will have the same effect as Article 39 of the Basic Law.

In the course of this debate, Members have expressed their concern over other aspects of the draft Bill of Rights, in particular urging that the protection of citizens against criminal elements should not be jeopardized. These points are fully noted and I assure Members that the Administration is ever willing to discuss points of concern relating to this Bill. There will no doubt be several such discussions with Members in the coming weeks, and we will, of course, consider very carefully all suggestions for improvement.

Sir, reference has been made in the course of this debate to our system of justice and before I turn to particular comments, I wish to address a point of general and fundamental principle.

We must, I believe, beware not to denigrate our prosecution service whenever a defendant is acquitted. It is as wrong to label the prosecutor as victor when there is a conviction, as it is to suggest that he is inept if there is an acquittal. Those who believe otherwise ignore two cardinal principles. First, that the role of the prosecutor is fairly to present the facts. Second, that any defendant who enters

a court to face trial is deemed innocent until the contrary is shown. The point is well made in a recent article, which I commend to Members, by Miss Margaret NG in the South China Morning Post, when she said and I quote: "It is a serious misunderstanding to see the duty of the Legal Department as securing convictions, and to judge its ability by the number of convictions it manages to secure". I agree with that statement.

In the course of his various criticisms, Mr Martin LEE turned his attention to the need for public faith in the administration of justice. I am sure that he and I are at one on the importance of such faith. No one should seek to detract from the particular stigma which must attach to those in responsible positions within the legal system who abuse the responsibility which has been entrusted to them. But faith in the administration of justice is not enhanced by exaggerated and inaccurate attacks made on it, and in fairness to that principle, I cannot allow to pass the attacks made by Mr LEE.

First, it is suggested that the Legal Department has, for reasons of face, adhered to the prosecutions policy of seeking 15-month jail sentences for certain illegal immigrants. That is a remarkable statement. It is also inaccurate. It is this Council which determines the sentencing boundaries for offences. It is the courts which apply the law. It was the courts which set down sentencing guidelines for these offences, and it is the Crown whose duty, and I emphasize the word duty, it is to seek review when guidelines set by the courts are not implemented, in other words, where sentences are manifestly inadequate or wrong in principle. Whether a sentence is in fact inadequate or wrong in principle is a matter for the courts and the courts alone. And I am sure that Mr LEE would not wish it otherwise.

I reject the suggestion next made, that the Government abused its prosecutorial discretion for political reasons in prosecuting certain prominent individuals for breaches of the Summary Offences Ordinance. The case is under appeal and I for one will not comment on it. But I will say this. The Government does not have a prosecutorial discretion. The Attorney General does. The decision to prosecute or not is a matter for his discretion and his alone. That is fundamental to our system. The suggestion that I would ever prosecute for political reasons is unworthy and is a suggestion which I refute in the strongest possible terms. I refute it because it is not the way we operate in Hong Kong, and because it is untrue. Indeed, the rule of law on which Mr LEE places such a premium, and rightly so, means that the law must be applied to all, regardless of their prominence in society.

As to the troubles which Mr LEE said were plaguing the Legal Department, there have, as we all know, indeed been troubles. But the point bears repetition that such troubles must be put in perspective. The Department has 250 lawyers, whose work covers many and diverse fields of expertise, vital to the proper functioning of this Government. It would be a travesty of fairness to sully their reputations, very high integrity and their hard work with the misbehaviour, however bad, of a few. And I know that Mr LEE would not wish to do so.

Sir, I support the motion.

SECRETARY FOR SECURITY: Sir, I should like to respond to points raised by Members during this debate on law and order and on the problem of the Vietnamese boat people.

Several Members spoke about law and order, and expressed their concern at the recent increase in crime. I share that concern. Although the overall crime rate is lower now than in the first half of the 1980s, it has increased significantly in the last three years. And of particular concern is the recent increase in violent crime.

It has been suggested that much crime goes unreported. It is inevitably difficult to obtain reliable information on unreported crime, which is by no means unique to Hong Kong. Nevertheless, we do have an indication of the extent of unreported crime, from the findings of crime victimization surveys carried out regularly every few years. The latest survey, which is to be published next month, shows that the proportion of personal and household crime reported to the police, although still low, is increasing steadily. This is an encouraging trend, on which we propose to build our forthcoming publicity campaign to emphasize the importance of public co-operation with the police in the fight against crime. The police force is very well equipped to tackle crime, but it can do so successfully only with the assistance of the community as a whole.

Particular concern has been expressed about the reluctance of people to report, and give evidence relating to, crimes with triad involvement, because of a fear of victimization. Although the crime victimization surveys do not specifically cover triad-related crime, there are no indications of increasing reluctance on the part of the public to report such criminal activity. Indeed, this year has seen a

significant increase in the number of triad-related crimes reported to the police, particularly wounding and serious assaults, criminal intimidation and blackmail, and robberies. We intend to encourage the increasing reporting of crimes involving triads. Funds have been approved for three additional one-way mirror facilities for use in identification parades for the protection of witnesses, and all new district police stations will include such facilities. The police will also review reporting procedures with a view to simplifying them, and thus reducing the time taken to report crime.

There have been calls for the reconstitution of the former Triad Society Bureau. I believe that these are based on a misunderstanding. There has been no reduction in the police effort against triads, indeed the police have in recent years devoted considerable additional resources at territorial, regional and district levels to combat the activities of the triads and other organized crime syndicates. These police resources are now better organized and more efficiently deployed to counter the increasing complexity and sophistication of present-day organized crime.

The recent increase in the number of crimes involving the use of firearms, many imported from China, has highlighted the importance of cross-border co-operation against crime. We share a common interest with Guangdong in preventing the illegal import of firearms into Hong Kong. The police and the Customs and Excise Department maintain close liaison and good co-operation with the authorities in China. Many successful seizures of illegally imported weapons have been made by the police, amounting to almost 250 weapons in the past three years.

One of the most effective means of preventing crime remains an adequate police presence on the streets. The difficulties of recruitment and retention in a tight labour market which the police faced earlier this year are being addressed through a review of salaries and conditions of service, already completed for the junior police officers. Other measures to improve deployment are being pursued, including where possible civilianization of certain posts in the police force, and increased use of the auxiliary police. Some 800 auxiliary policemen are now on duty every day, most of them on beat patrol. They play a very important role in the policing of Hong Kong.

The fight against crime must also be pursued through our penal and rehabilitation programmes. One of the more encouraging conclusions from recent crime statistics is the gradual decrease in crime by juveniles. The extensive publicity programmes

against juvenile crime undertaken in recent years by the Fight Crime Committee will, I believe, have contributed to this success. So also will our rehabilitation programmes. The great majority of juvenile and young offenders who are given custodial sentences are sent to training centres where the emphasis is on education, vocational training and rehabilitation. Following their release, all juvenile and young offenders are subject to aftercare supervision to provide them with the opportunity to reintegrate into the community as useful, law-abiding citizens. The Administration is now working on proposals for the introduction of a more general statutory post release supervision scheme for certain categories of adult offender.

I should now like to turn to the problem of the Vietnamese boat people.

At the end of October last year, the total population of Vietnamese refugees and boat people in Hong Kong peaked at very nearly 57 000, the highest number since 1979. Twelve months later, the number is 53 500. This is a modest reduction, given the size of the problem; but it is also an encouraging reversal of a trend which had seen Hong Kong's boat people population increase by nearly 50 000 in the previous two and a half years and by over 30 000 in 1989.

There are several components to the equation of the Vietnamese boat people population -- arrivals and births on the one hand, resettlement and repatriation on the other. The result is that we have to run hard even to stand still. A net reduction in population of 3 500 over the past 12 months has been achieved as a result of some 12 000 departures over the same period.

Progress on resettlement has been particularly encouraging; over 6 000 have left on resettlement this year, and the number of refugees remaining in Hong Kong has dropped from 12 000 at the beginning of the year to some 8 500 today. I expect this trend to continue. We have made less progress on repatriation. Although over 4 000 persons have returned to Vietnam so far this year, our total population of unscreened or screened-out boat people has increased slightly over the same period.

Nevertheless, this year's rate of repatriation of 400 per month is nearly five times last year's rate. We need similarly to achieve and sustain a much greater flow of people returning to Vietnam in the future if we are to achieve a steady reduction in the overall boat people population. We shall do all we can to that end by working with the United Nations High Commissioner for Refugees actively to promote repatriation, and to reinforce the message that those who are not refugees have no

prospect of resettlement.

Sir, I am very conscious that any predictions for the future on this seemingly intractable problem risk being a hostage to fortune. But, the inevitable uncertainties of the future aside, there are some grounds for cautious optimism that we may at last be turning the corner. Vietnam is seeking to improve its relations with its neighbours and the international community at large. We must hope that the benefits of trade, investment and aid which are likely to flow from a normalization of relations will translate into improved economic conditions in Vietnam; and that this in turn will help to stem illegal departures from Vietnam, and encourage those now in the detention centres to return to their homeland and pick up the threads of their lives once more.

Sir, I support the motion.

SECRETARY FOR HEALTH AND WELFARE: Sir, I have noted Members' words of encouragement about improvements in health and welfare services and their endorsement of the philosophy for greater choice and judicious use of tax-payers' money. I have also listened to their expressions of concern, their hopes and suggestions. May I first thank them all.

Social welfare

A number of Members have spoken at length on welfare services, particularly family services, and the basic philosophy for their provision. Most of their suggestions are reflected in the draft White Paper on Social Welfare. We are consulting the public now on the draft White Paper and there will be a motion debate next week. I look forward to their further views.

Several Members have called for Government's confirmation of its commitment to providing welfare services. Others have cautioned against giving any impression of such commitment being reduced.

Government's continuing commitment is beyond question. Over the past decade, the trend in expenditure on social welfare has been rising steadily, both in real terms and as a percentage of total government expenditure. In the period 1989-90 to 1991-92, total government recurrent expenditure is expected to rise by 21%. Over

the same period, recurrent expenditure on social welfare will rise by 25%. This does not include capital items, allocations from Lotteries Fund and services by other departments.

Throughout your address, Sir, you have given every assurance that Government will support the essential structure of our social services and that we will improve standards, upgrade services, increase their scope and generally enhance the quality of life for the ordinary Hong Kong family. Protection of the vulnerable and the disadvantaged will remain Government's priority; no one will be denied through lack of means. The safety net stays firmly in place.

Sir, you have stressed the crucial role of the family. This has been echoed in this Council. At the same time, it has evoked some misapprehension about Government shifting the responsibility for improving the quality of family life to the family itself.

Let me emphasize that the fear is unfounded: we have no such intention whatsoever. On the contrary, we will be improving these services, in quality and in quantity, to support and strengthen the family.

Many of us are local born, local bred like myself, and have lived and thrived on the fine tradition of the family providing mutual care and security. The family has been the cornerstone of our community. Families which can do so will wish to continue to play their part in giving all possible support to individual members. We in Hong Kong appreciate welfare services but we must never ever forsake our proud tradition of the family.

#### Rehabilitation

Mention has been made of the need for a change in our policy for admission of the mentally handicapped to sheltered workshops. This proposal will be considered in the context of the Green Paper on Rehabilitation. A working party will be set up early next year with a view to issuing a Green Paper in 1992 for public discussion.

#### Medical and health services

Turning now to medical and health services, we are in pursuit of major reforms by a three-pronged approach: through the Hospital Authority, through primary health

care and through the Academy of Medicine.

Primary health care has been accepted as the most cost-effective means to achieve the World Health Organization's objective of "Health For All by the Year 2000". Health education and disease prevention will remain our priorities. The Working Party on Primary Health Care is mapping out a blueprint for future development. It will report in two months.

On hospital services, the Hospital Authority will play a key role. Its principal officers will all be in post next month. Final preparations are now in hand for the formal establishment of the Authority as early as possible within the year.

This is not the be-all and end-all: it is but one major step forward in health services reform. We are firm in our resolve to facilitate the Authority in integrating public hospitals, maximizing value for money and, above all, improving patient care. In achieving these objectives, the Authority will have advice from a broad cross-section of professional and community interests. It will have due flexibility and autonomy in operation.

Clearly, Government's commitment and determination alone will not suffice. We need the same dedication and diligence from our medical and health care professionals. In this context, I am encouraged by the enthusiasm of the doctors in sharing our vision for reform. I have faith that our other health care colleagues are equally committed.

With conviction and co-operation from all, a much improved public hospital system with higher standards of service will soon be a reality.

With the inauguration of the Academy of Medicine next year, Hong Kong can boast its own centre of excellence for advancement and specialization in medical training. The third component of our strategy for health services reform will then be in place.

Together, these major initiatives will set a new scene for health care in Hong Kong. We must give the actors the opportunity to perform. Now is not the time to rewrite the script through a White Paper. It is time for action.

Much has been said in this debate over the Government's future policy on hospital fees and charges. The concept of "a wider choice of higher quality medical services

for all the people of Hong Kong at prices they can afford" has been supported by many Members. But some have sounded a note of caution on implementation and asked for retention of the safety net for the poor and the needy.

The safeguard for those in need is secure: no one will be prevented, through lack of means, from obtaining adequate medical treatment. This fundamental principle is enshrined in law. Moreover, there will be no change to fee policy until discernible improvements to services and a satisfactory waiver system are in place.

As regards medical insurance, a recent territory-wide survey showed that one in seven respondents had health insurance. Of these half had their premium paid for by employers. There are signs of a growing trend for health insurance.

By encouraging health insurance, one can redistribute the cost of medical care more equitably among our community and allow the individual a greater choice of care. We will explore various options. Possibilities include compulsory or voluntary schemes, insurer-based or centrally managed.

We want to increase public cost efficiency, maximize value for tax-payers' money and make for more rational rationing of limited public resources. At the same time, we aim to maintain accessibility to adequate care and enhance both the quality and choice of services.

#### Concluding observations

In rising to the challenge of change for better health and welfare services, we will set our sights high and cast our vision far. We will look for ways to improve quality and quantity of services and to offer greater choice. We will identify additional sources of funding. We will adjust our services to meet changing community aspirations. In so doing, we will bear in mind the needs of all, be they rich or poor, or from the "sandwich class".

Sir, I support the motion.

SECRETARY FOR EDUCATION AND MANPOWER: Sir, during the course of this debate, no fewer than 14 Members raised questions on labour and education. I would like to thank them for their interest in these key policy areas, and I am grateful for their constructive

suggestions. While I cannot respond in detail to every point, I have detected several main themes running through their speeches, and I shall attempt to respond to these one by one.

#### Importation of labour

The views of the seven Members who spoke on the importation of labour were as diametrically opposed as when this subject was last debated on 4 July. Two Members called upon the Government to abandon the existing schemes of importation. Of the remaining five who supported these schemes, two asked for them to be extended in scope and number.

Sir, the Government has no intention of abandoning these schemes. Events have proven us right. Despite some softening in certain sectors, competition in the labour market is still intense. Members may be interested to know that the schemes for importing technicians and experienced operatives have been over-subscribed by six times and four times respectively. The Steering Group on Importation of Labour under my chairmanship has spent the past two months vetting applications from over 4 500 companies for 57 000 jobs. It has finished its task and I am glad to report that the Government is now ready to allocate quota. I shall give a more detailed account in a statement I propose to make to this Council at its next sitting but, to put Mr. PANG's mind at ease, I can assure him that no application involving wages below the published median has been accepted. Indeed a good proportion, representing some 55% of all successful applications, offer wages above the median.

Equally, Sir, the Government has no intention of revising or extending these schemes at the present time. The steering group will be keeping a close watch on the schemes as they are implemented, and we will not consider any revision until we have gained some experience of quota utilization, the incidence of abuse and the effect of importation on the businesses involved. As regards the suggestion that plans should be made for importing labour for large scale capital projects in the 1990s, quota has in fact been set aside under a separate scheme specifically intended for airport-related works. Applications under this third scheme will not be required to compete with the two general schemes that I have just described.

#### Vocational training

Sir, three Members spoke on vocational training. Two mentioned the need to

provide opportunities for re-training those workers who become unemployed as a result of changes in the economy. I am truly grateful for their suggestion. In recent years we have appointed to the Vocational Training Council (VTC) and all its training boards worker representatives from our leading industries. This ensures that the VTC's technical education and industrial training programmes are sufficiently responsive and flexible to meet any re-training needs that may arise from sectoral unemployment. The present scheme for re-training ivory workers, for example, was set up in three months, and is working well.

Sir, in his speech, one Member said that the Government appears dangerously close to creating a system that is overly biased towards tertiary education, at the expense of vocational training. I am afraid I cannot agree. We are not putting all our eggs in the tertiary education basket. In recent years, the need to upgrade the level of our vocational training has become increasingly important. This need will be met in three ways. First, the transfer of higher diploma work from the polytechnics to the VTC will not only create additional degree capacity in the polytechnics but, equally important, will enable the VTC to train senior technicians. This will account for 40% of total capital expenditure on expanding tertiary education. Secondly, we are creating new units in the VTC that will provide training in useful recent technologies. For example, the recently established Precision Sheet Metal Training Centre and the Design Centre for Applications Specific Integrated Circuits meet the needs of a manufacturing sector that is increasingly going up-market in terms of quality and in the performance of its end-products. Other training authorities have not been slow to react. With our help and that of the Productivity Council, the Clothing Industry Training Authority has set up a Clothing Technology Demonstration Centre to promote the improvement of work flows. Thirdly, I am pursuing the initiative that you, Sir, announced in your address to this Council in October 1989, by planning the creation of a New Technologies Training Fund. The necessary legislation for this scheme is being drafted. When it comes into operation it will enable vocational training to be raised to an even higher level. The Fund will be used to help managers and technologists learn -- through purpose-designed short courses and overseas working attachments -- those technologies that Hong Kong needs but does not yet possess.

#### Supply of graduate manpower

But I can agree quite readily with the same Member when he said that Hong Kong needs more graduates and with other Members who have shown concern over the "brain

drain". In a recent speech to the Hong Kong Management Association, I made it clear that, if we are to maintain the growth momentum of our economy, Hong Kong will need many more graduates. If our manpower forecasts are right, in 1996 demand in the labour market for graduates will only be partially satisfied by what is left of our existing stock of graduate manpower and the expanded output of our tertiary institutions. We estimate that, in 1996, something like 34% of forecast demand will be met by overseas supplies of graduates. This means that Hong Kong will still be heavily dependent on overseas supplies. The Government is therefore doing all it can to retain, produce and attract educated and qualified manpower. As regards retention, the British Nationality Scheme, and similar schemes that the United Kingdom Government have tried to secure for us, should be very helpful. They are designed to give those who are most prone to emigrate the degree of confidence they need to continue working and living in Hong Kong. As regards production, we are doubling the first degree output of our tertiary institutions. And, finally, we are attracting those who are interested in returning or coming here, partly by way of promoting Hong Kong, partly by relaxing our immigration rules, and partly by providing suitable educational opportunities for their families.

#### Tertiary education

Turning now, Sir, to tertiary education, eight Members have spoken on this subject. No one has seriously questioned the need to expand this sector of education but there are lingering doubts as to whether we can reach the ambitious target that you, Sir, outlined in your address.

We are doing everything possible to ensure that we will reach these targets on time. For the past 12 months, a steering group including the chairmen of the University and Polytechnic Grants Committee (UPGC) and VTC, the Secretary for the Treasury, the Director of Education and myself have been working on various plans to ensure that the VTC and the tertiary institutions get the additional physical capacity and the funds they need for expansion. These plans have been finalized and await resource allocation. As regards human resources, the UPGC estimates that the tertiary institutions need to recruit an additional 3 000 teachers to meet growth and to cater for natural wastage. In its recent report to the Government, the Committee is satisfied that, given their competitive wage package, the tertiary institutions stand a good chance of being able to recruit and train up this number. This task can be achieved more readily if opportunities for academic research are increased and fringe benefits are improved. I am pleased to say that the Committee's

leading recommendation, namely, a substantial enhancement of academic research opportunities, has already been endorsed by the Executive Council. Its implementation, Sir, now awaits resource allocation.

Certain Members were concerned whether we would get enough Secondary VII leavers to fill the additional capacity that we are creating at first degree level, and whether the quality of our matriculants can be maintained. On the first point, the Director of Education has advised me that although our existing policy is to provide one subsidized Secondary VI place for every three subsidized Secondary IV places two years ago, the pull-through rate into Secondary VI is actually lower than this. With my agreement, the Director is now consulting the Schools Councils and the Examinations Authority on a number of measures designed to achieve a higher pull-through rate. These include a slight but justifiable lowering of the entry requirements for A-level examinations, and persuading schools to fill all available Secondary VI places, with priority given to their own Secondary V students. As regards the second point, Honourable Members are already aware that the sixth form curriculum has recently been reformed on the advice of the Education Commission. The new A-level and AS-level system has been fully accepted by the tertiary institutions. We should therefore be confident that the new system will produce school leavers who are not only more adequately prepared for tertiary education but also better educated.

Over time, as the number of first degree places grows, I envisage that increasing use would be made by our tertiary institutions of credit unit systems, not only for determining initial entry into tertiary education but also to facilitate transfer between institutions. Although the benefits of a credit transfer system are many, this feature of tertiary education must be given time to develop and we must avoid pushing it too far too fast. I can say, however, that there is interest in the subject. The Hong Kong Council for Academic Accreditation recently hosted a seminar at which the tertiary institutions have had a first opportunity to discuss ideas, practicalities and modalities.

Education in schools

Sir, seven Members have commented on the basic education we provide in our schools. The burden of their message is that it is time the Government made an effort to improve the quality of that education. This is implicit in the suggestions they have made for reducing class sizes, for improving teaching in English, for stimulating the teaching and learning processes, and for providing appropriate education for the

academically disinclined. We agree whole-heartedly with this message and that the problems mentioned should be resolved urgently.

The answers, Sir, will be found in the fourth report of the Education Commission. I am pleased to say that its report, which is now being printed, will be released to the public on 22 November. The report contains a review of the common core curriculum, deals with related curricular issues, addresses the needs of children at both ends of the ability range, looks at the need for counselling and guidance in schools, tries to resolve the long-standing issue of language in education, and plans for the introduction of whole day schooling at senior primary level. The Commission has spent over a year debating these issues, none of which lends itself to easy resolution, and during the latter part of its deliberations it met several times a week. I would like to take this opportunity to thank those Honourable Members who have worked on Education Commission Report No.4 for the time and effort they have spent on it, and to pay tribute, in particular, to Mrs Rita FAN for her leadership and patience in many hours of lively debate.

Sir, the Commission is not taking a break, well deserved though this may be. Preliminary work has already begun on its fifth report, which will deal with the future demand for and supply of teachers, the delivery of teacher education and training services, and the future of the teaching profession. In the course of its deliberations the Commission will take into account the points that Honourable Members have made in this debate for improving terms of employment and for raising the morale of our teachers.

Sir, with these remarks I support the motion.

SECRETARY FOR ECONOMIC SERVICES: Sir, Members have raised a wide range of points relating to the Port and Airport Development Strategy (PADS). And rightly so for the strategy covers a complex web of projects, each substantial in its own right in terms of both scope and cost. Taken together these projects will eventually change the face of Hong Kong when fully implemented and will have far reaching implications for the future of Hong Kong. My official colleagues and I would therefore like to devote some time this afternoon to addressing the main concerns that have been expressed. I shall start by dealing with the airport project. The Secretary for Planning, Environment and Lands will then outline our overall strategic planning process and port development followed by the Secretary for Transport who will speak

on the transport links. The Financial Secretary will comment on our financing strategy for PADS and the Chief Secretary will round up by referring to public consultation, phasing of PADS and our relations with China in respect of our infrastructural development.

In order to understand why the PADS is the right solution, we must first seek to understand the problem. The problem is that according to modest rates of growth, both our port and our airport will reach capacity within the next six years or sooner, unless we take steps to provide for their expansion. I shall not elaborate on the problems facing the port, which the Secretary for Planning, Environment and Lands will cover in his speech, but it is important to remember that our strategy is designed to address both port and airport growth. If the problems were different, then the chosen strategy might well have been different. Of the 40 or so development strategies considered, it was that based on an airport at Chek Lap Kok and port expansion on Lantau which performed best against five key tests of --

(a) Economic performance, that is, its contribution to Hong Kong's long-term and continued economic growth;

(b) Environmental and social impact, that is, its effect on the quality of the physical, living and working environment;

(c) Programming, that is, its amenability to implementation in incremental stages according to demand;

(d) Flexibility and robustness, that is, its ability to cope with variations in future demands; and

(e) Financial performance, that is, its ability to provide an optimal balance of participation by the public and private sectors and the optimal implementation of works in view of financial constraints.

Well before the problem was redefined to include the port, we had, since the early 1970s, been seeking to identify the best site for a replacement airport. In 1973, the original Air Transport System Long Term Planning Investigation studied an initial list of 30 sites, which was subsequently reduced, by stages, to a shortlist of six. The six were --

- 1) Tolo channel at the entrance to Tolo Harbour in the eastern New Territories;
- 2) a reclamation site to the west of Lamma Island;
- 3) a reclamation site to the east of Cheung Chau;
- 4) a reclamation site of Nim Wan in Deep Bay, offshore and to the north of Black Point;
- 5) a reclamation site in the Shum Chum River Delta, adjacent to the border; and, lastly,
- 6) Chek Lap Kok.

The Chek Lap Kok site was selected as the preferred option and a feasibility study of it was undertaken in 1979 followed by a full Master Plan Study in 1982. With the exception of the Tolo channel site which was rejected in 1973 because of its poor operational characteristics and its adverse environmental impact on water quality in Tolo Harbour, all the other sites have subsequently been reviewed again. The western harbour sites in the area of Lamma and Cheung Chau Islands were reconsidered in the Alternative Replacement Airport Sites Study in 1989. The best site in that area was then compared with the Chek Lap Kok site during the PADS study which completed its work later that year. In 1981-83, while a master plan for Chek Lap Kok was being prepared, the Deep Bay sites and, in particular, the more attractive site of Nim Wan were also re-examined but found to be less desirable than Chek Lap Kok. The Nim Wan site was also recommended to Government in a report prepared by a group of Hong Kong academics this year. This prompted us to look yet again at that site. But this report and the subsequent review only reconfirmed our belief that Chek Lap Kok was the correct choice.

The problems with Nim Wan are many and serious and those recommending the site have not suggested how they might be overcome. The site is so close to the new Shenzhen airport under development that airspace co-ordination would be very complex; an airport at Nim Wan would create serious conflicts with a very important shipping channel serving the Pearl River; aircraft noise from such an airport would adversely affect residential areas in Shenzhen and Tin Shui Wai; the proximity of the Mai Po Marshes would cause a serious risk of bird strike for aircraft; the site would not allow for port expansion to share the new transport links required for the airport;

and the delicate ecology of Deep Bay could also be seriously harmed. I list these points to illustrate that we do listen to suggestions and consider them thoroughly. But we have yet to hear any proposal which is a serious and well-researched alternative to Chek Lap Kok.

We acknowledge that Chek Lap Kok may not be the best site aeronautically taking South China as a whole, but it is, nevertheless, the best site in terms of resolving the complex problem we are facing. Our problem is not one simply of air traffic growth and difficult terrain. This over-simplification of the problem has led some to suggest we should think solely in terms of siting an airport somewhere on the Chinese side of the border where terrain constraints are less problematic to serve the Pearl River Delta as a whole. This suggestion misses the point that the airport is needed primarily to serve Hong Kong and the future Special Administrative Region which will come into being in 1997. The Joint Declaration and the Basic Law require us to "take measures for the maintenance of the status of Hong Kong as a centre of international and regional aviation". We shall have our own air service agreements and be able to negotiate our own air traffic rights with third countries within the limits laid down in the Joint Declaration. If we fail to have an international airport within the geographical limits of Hong Kong which is capable of meeting demand, we would in effect be giving up this autonomy in civil aviation which has been guaranteed for us in this way. Kai Tak is already the sixth busiest airport in the world in terms of international passengers and the fourth busiest in terms of international freight. It is significantly busier than any airport anywhere in China. Any suggestion that a replacement airport of such world and regional importance would be better sited over the border in Southern China or that we should rely on Shenzhen airport to absorb Hong Kong's forecast air traffic growth ignore all of these important considerations.

And why is it that we cannot simply struggle on using Kai Tak? Indeed, we are already doing everything we can to expand the capacity of Kai Tak, but that capacity is ultimately constrained by the fact that there is only one runway, which, because of its location, cannot even be used 24 hours a day. Although Kai Tak has served us well these past decades, its location is becoming increasingly difficult. Some 350 000 people live under the flight path and the noise impact of aircraft exceeds internationally accepted standards. Safety standards imposed by the physical constraints of the site are also less than ideal. Over the years, we have implemented a number of improvements to extend the life of Kai Tak. These works continue and will provide more parking bays for aircraft, improved air traffic control and improved road access to Kai Tak. Even once all this has been done, Kai Tak will be operating

at capacity well before the new airport can open. In the 12 months ending September this year, both passenger and aircraft movements had grown by 12%. If double-digit growth continues, capacity at Kai Tak will be reached as early as 1993.

There has been some misunderstanding as to what that will mean. It will not mean that an aircraft will be landing and taking off every minute of all the hours of operation of the airport. It means that the time-slots remaining for scheduling aircraft will be so unattractive to commercial airlines that they will be either unable or unwilling to expand their services to meet demand. They will then turn to other airports which can offer more attractive time slots that would enable them to make optimum use of their aircraft and provide a better interface with their route network. Thus when Kai Tak reaches capacity we would lose potentially new passenger traffic and experience growth only in charter flights and cargo operators willing to use non social time slots. The impact on our economy would be considerable.

Most experts agree that the Asia Pacific Region will experience higher levels of growth in air traffic than anywhere else in the world in the coming decade. Our neighbours and competitors are well aware of this; the second terminal at Changi airport in Singapore is about to open next month and the authorities are already planning for a third runway, a new airport is under construction at Osaka, a massive new international airport on an even larger scale than Chek Lap Kok is being planned to serve Seoul, extensive expansion of Bangkok airport is being planned and a second passenger terminal is to be completed in Jakarta by 1991.

We cannot afford to leave Kai Tak congested and operating at its ultimate capacity, because of the importance of an efficient airport to our economy. In 1989, 730 000 tonnes of air cargo passed through Kai Tak; that made up just under 30% of our domestic exports, 20% of our imports and over 16% of our re-exports by value. About 85% of our tourists arrive by air. In 1989, receipts from tourism amounted to nearly \$37 billion, an increase of 11% over 1988. We are the most popular tourist destination in Asia. The investment made by the hotel sector alone in this field is huge, with an additional 3 000 hotel rooms provided in 1989, and a further 6 500 rooms expected by the end of 1992. More difficult to quantify are the benefits derived from the ease with which businessmen can come and go. There is no doubt however that a constrained airport would severely limit our economic growth and make Hong Kong increasingly less attractive as a major centre for trade, finance and commerce.

I should now like to refer to suggestions that new airports in Macau and Shenzhen

will somehow mean that we will not need Chek Lap Kok as urgently as we claim. Dealing first with Macau, we do not see how Macau will, in the long term, draw away any significant traffic from Hong Kong. It will have a separate complementary role in the region of serving Macau and its adjacent Pearl River Delta hinterland. It cannot possibly be expected to attract traffic in any significant volume from an aviation hub the size of Hong Kong, with the convenience it offers in providing connections to a vast network of regional and international routes. The resistance to routing passengers to Hong Kong through Macau would be very high.

On the other hand, Huangtian airport in Shenzhen will undoubtedly have some effect on Hong Kong. It will potentially fulfil a helpful role in relieving pressure on Kai Tak when capacity has been reached there and until Chek Lap Kok opens. Once Kai Tak becomes severely congested, it is quite possible that mainland traffic coming to Hong Kong may find it more convenient to fly to Shenzhen in the first instance and to travel on into Hong Kong by road. This is, of course, assuming that an efficient road link can be introduced in time to provide for this. In the most optimistic scenario of all mainland air carriers opting to do this, we think Kai Tak would be relieved of 10% of its passengers and 17% of its aircraft movements. This would help us by delaying capacity at Kai Tak by 12 to 18 months, that is, until 1995, on the basis of current forecasts. Another optimistic scenario, which might also provide Kai Tak with some relief, would be the commencement of direct flights between China and Taiwan. This would relieve Kai Tak of possibly another 5% of its total passenger traffic. Taken together with the potential relief provided by Shenzhen, the timing for Kai Tak to reach capacity could be delayed through to the end of 1995. In other words, even taking into account these most optimistic of assumptions, there can be no doubt that we should be making every effort, as we are doing, to work towards the opening of Chek Lap Kok as early as possible. 1997 represents the earliest feasible target date.

In the longer term, we see the roles of Chek Lap Kok, Macau and Shenzhen airports as largely complementary. All three are needed to service adequately the dynamic area of the Pearl River Delta and Southern China generally. Each has its own particular function. It is not a unique situation, for example, both Washington and New York are served by three airports each all in close proximity to each other. The only technical problem which is, in our case, currently under discussion, is the need for airports in such close proximity to co-ordinate the management of the use of airspace as closely as possible to optimise the capacity of all the airports concerned.

Sir, Hong Kong's achievement as the world's eleventh largest trading entity has not come about by accident. One crucial element contributing to our success has been the fruitful partnership developed over many years between the Government and the private sector in ensuring that our transport and communication systems remain one of the best in the world. We have considerable experience and expertise in infrastructural development and our record is second to none. We do not have a reputation of tying up scarce resources in facilities that lie idle because the demand is not there. If anything we have sometimes been criticized for lagging behind demand. The airport project has been well researched over many years. We must not allow indecision or further studies to become part of the problem rather than help to bring about action. We have made a decision that Hong Kong needs a new airport and that this should be built at Chek Lap Kok. We believe that these decisions are generally supported by the community as being in the best overall interest of Hong Kong and the future Special Administrative Region. We have not taken upon ourselves an easy task but it must be done, and done well, if Hong Kong is to continue to prosper. We must now push ahead with the project.

Sir, with these remarks, I support the motion.

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Sir, a number of Members have commented on the Government's intention to apply statutory town planning measures to the rural parts of the New Territories. A Bill to amend the Town Planning Ordinance will be introduced into this Council on 7 November 1990. I would like to take this opportunity to address a few points of principle.

The Town Planning Ordinance was passed more than 50 years ago to provide a statutory machinery for preparing, publishing and approving zoning plans for urban and potential urban areas. It has undergone minor amendment to build in a rudimentary planning permission system to provide for some variation of the plans, but it still remains essentially a framework for planning urban areas.

So all control of what goes where in rural and village areas is done through lease conditions and administrative means. In the case of agricultural land held under the Block Crown leases -- that is the majority of flat and usable land in the rural areas -- building can be controlled under the terms of the lease, but changes of user,

apart from users which are offensive, noxious and so on, are entirely at the discretion of the owner. So any owner can effect, without seeking the agreement of anyone else, -- his neighbours, his local village head and least of all the Land Office, -- a change to any user which does not involve building construction and which is not offensive or noxious or otherwise illegal. A recent survey showed that some 380 hectares of land in the New Territories have been converted to open storage uses, of which 45% are for storage of construction materials and equipment, 23% for motor vehicles and 13% for containers.

Largely through conversions of agricultural land to open storage uses the character of the north-western New Territories has completely changed in the last five years; the changes are spreading into Tai Po and could in due course also affect Sai Kung, particularly along new village roads.

Change on this scale shows that the demand for storage is indeed very strong and needs to be met somehow. (Government itself is putting out more land on tenancies for this purpose, but demand has far exceeded supplies of Crown land.) But in the same time, the change of environment which takes place both at the local level when, say, a car stripper or a container store starts operation on the land next door to one's house, or on a wider scale when, say, 10 or more such operations line up along a village road, is often traumatic and is of a kind for which any responsible government must try to afford some rational means of control. The Town Planning (Amendment) Bill 1990 is about just that.

Government is already carrying out an overall revision of the Town Planning Ordinance and a consultation document will be published early in 1991 for public comment. Because it is a very complex area, we do not expect the revised Ordinance to be enacted before 1992. The provisions of the Town Planning (Amendment) Bill 1990 will of course be subsumed in or replaced by the revised Ordinance.

The (Amendment) Bill was gazetted at the end of July and at the same time a consultative document was published to guide the public. An ad hoc group of OMELCO has been formed and has already met twice. The Bill has aroused support in some quarters and opposition in others and it may be worthwhile to attempt to answer some of the main questions which have been raised about it.

The first is -- Given that Government was in any case revising the whole Ordinance, why could not it wait for enactment of the revised Ordinance before imposing control

in the New Territories rural areas? The answer is fairly simple. During 1986-7 the rate of change was such as to show the Administration that legal powers of control were necessary. During 1988-89 an addition of some 82 hectares of newly converted open storage in north-western New Territories alone convinced the Government that if it did not move faster to institute planning controls in the New Territories than it was in a position to move in respect of the revision of the whole Ordinance, the mixed pattern of land uses in many areas of the rural New Territories would be virtually incapable of future planning and order.

The second was -- Given that some form of control over change of use was necessary, would it not have been better and more acceptable to have proposed an administrative control system? The answer is that it could not have worked. In making a change of use in their land, owners are exercising rights which have been confirmed by the courts. So the only way in which these rights can be properly restrained, whether in the public interest or not, is by agreement or by Ordinance, and the Administration had no reason to expect landowners to agree to voluntary restraints against their own immediate interests.

So what about a statutory licensing system? I am afraid that would have been inappropriate. The kind of licensing system, to which those who propose it seem to refer, works best when the conditions of licence are precisely stated and standardized and applicants can be assured that a licence will be issued if and when these conditions are fulfilled. But controls to accommodate the relationships between land use and infrastructure and the local environment must be dealt with on their merits and in the context of the local environment; and this is what rural planning is for. At the end of the day, moreover, there must be the power to say "Yes" or "No" in the interests of the community and an appropriate body to say it. The Town Planning Ordinance procedure suitably amended and the Town Planning Board are far the best procedure and the most appropriate body we have in Hong Kong for these purposes.

The question concerning compensation for loss of leasehold interests has also been raised. The present Town Planning Ordinance contains no provision for compensation except when a resumption may be justified. Compensation in planning law is a very complicated issue involving a delicate balance between the protection of individual rights and the need to promote community interests. This is a subject requiring serious consideration and comprehensive debate, regarding the right to claim, whether or not to pay, and in what circumstances, and if so, how much. My

intention is to set up an expert group, with participation also from the non-government sector, to deliberate on the issues concerned as a part of the consultation process in the full review of the Town Planning Ordinance. We should not however delay the present Bill on that account, as I do not see this discussion reaching an early conclusion. Members may wish to note also that although compensation is provided for in the United Kingdom Town and Country Planning Act of 1971, the right to compensation is materially circumscribed by a long list of exclusions. In practice people very seldom get it.

Fourthly -- although it may be sufficiently obvious to many Members -- the need for Interim Development Permission Areas (IDPA) has been questioned. Sir, governments normally introduce legislation deemed to anticipate the date of enactment when they foresee that publication and discussion of the legislation will itself encourage the very action which the legislation is intended to control. This is fairly common in tax law in other countries and we have a precedent in Hong Kong of a building moratorium in the Pokfulam and in Mid Levels under the Temporary Restriction on Building Development (Pokfulam and Mid Levels) Ordinance 1973 which gave coverage to the Building Authority in refusing building plans in the specified areas before enactment of the Ordinance. It has been suggested that this provision in some way derogates from the decision making power of this Council, but as the Council must pass the Bill if the IDPAs are to be capable of enforcement, I cannot for the life of me see the force of this suggestion. I can also confirm that I am legally advised that these powers involve no infringement of the Bill of Rights.

Lastly, Sir, on this issue of the question of appeals. The Town Planning Ordinance has been criticized because it provides for the Board to hear objections to its own plans and to conduct its own reviews of its refusals of planning applications. These criticisms have also been applied to the Board's functions as extended under the amending Ordinance, and also to the Director of Planning's powers to refuse approvals under the IDPA system and his more permanent powers to attach conditions to notices of reinstatement. It seems to me that the question of the Board's function must, like the compensation issue, be dealt with in the overall review. An appeal against the Director's powers to attach conditions to notices under this Bill could, however, be considered, but his powers to approve or refuse permission under the IDPA system will disappear within six months of enactment of the Bill, and in any case his decisions, to become effective and enforceable, will have to be confirmed by the Board. So it may be unnecessary to consider appeal procedures against these powers which will be in force for so short a time.

Sir, let me finally stress that the Government's objective is not to freeze private rights. Indeed the legislation does not have this result. Its purpose is to introduce proper planning and land use management in the rural areas by extending statutory planning jurisdiction to cover the whole territory. We wish to ensure that development in the rural areas will proceed in the right place under the right conditions and to promote planned redevelopment of degraded areas. We need to do this early because of the pace of changes in the environment already happening. I am fully aware of, and appreciate, the worries that landowners in the rural areas have about these proposals though I believe them to be mistaken. For this reason I have held several discussions already with representatives of the Heung Yee Kuk and shall continue the dialogue. I do not imagine that statutory rural planning will be without its problems, and it will need a constructive approach if the development of the rural areas and the gradual improvement of its environment are to make any progress.

#### The Rural Planning and Improvement Strategy

Rural planning is an integral part of the Rural Planning and Improvement Programme, the other component of which is a programme of investment in rural infrastructure. Contrary to the fears of some, this programme, estimated in 1989 at around \$4 billion over 10 years, is funded to the extent of about \$1.5 billion in the current five-year resource allocation, comprising \$1.2 billion on flood prevention works and \$390 million on other infrastructural works in the rural areas. One of the issues which I would like to examine with the Heung Yee Kuk and other interested parties is the extent to which developers might contribute to infrastructure supporting suburban development schemes, as it is likely to be the speediest way forward in the development of many areas.

#### Private buildings

I would also like to say a few words about our older private buildings, the condition of which has been a matter of concern following two recent tragic incidents. These incidents, although occurring for apparently totally different reasons, appear to show that we have serious problems resulting both from lack of maintenance and from illegal construction. Tragic though the To Kwa Wan incident undoubtedly was, it is probable that maintenance or lack of it will turn out to be the more intractable problem. We have very little tradition of proper and sustained building maintenance

in Hong Kong, and the Buildings Ordinance Office's initial survey has shown just how large a task of remedial action awaits us.

For its part, the Government, through the Buildings Ordinance Office, will continue with its programme of building inspections to identify potential sources of danger and bring them to the attention of their owners for urgent remedial action to be taken. As a result of Sheung Wan, this programme is now concentrating on the remaining pre-war buildings. Further adjustments to priorities may be made in the light of To Kwa Wan. We will also be pressing on with action against unauthorized building works, including large scale removal exercises in target buildings in co-operation with district boards. But it will be clear to all that whatever resources it may provide, the Government cannot deal with these problems alone. Private building owners must now face up to their responsibility for ensuring that their buildings are properly maintained and repaired. Unauthorized building work must cease and alterations to buildings must not be carried out without proper planning and approval. Private architects, engineers and surveyors should be employed to advise on what should be done to minimize risks and to carry out regular inspections. No one need wait for Government to pinpoint problems for them.

Finally, it is becoming that the present combined efforts of the public and private sector are not ensuring to the public the protection from danger which it should get, and are not succeeding sufficiently in arresting the decline in the condition of private buildings. I have accordingly asked the Director of Buildings and Lands to consult widely both with Government and interested professionals and other members of the public and report to me by very early next year on how that combined effort could be strengthened. He will consider whether legislation should be strengthened to ensure that private buildings are properly maintained and repaired throughout their lives. But the duty on owners to keep the buildings safe already exists and amendments to the law, if found necessary, will take time and will not be a panacea. The time for private sector action in its own and the public interest is now.

#### Port and Airport Development Strategy (PADS)

Now to the PADS. Sir, my part will be to set the PADS study in its strategic context, with particular reference to the port, to explain briefly how Government set about the study and, now that it is complete, how it fits into future planning strategy. The Government has been engaged in strategic planning since 1972 when the

network of new towns in the New Territories was planned to provide opportunities for the public housing programme. Most of the then objectives were social, the economic expansion being partly catered for by the provision of land for industry on a fixed proportion to the population. As at 1985, strategic plans for the 1990s development showed the airport still in Kai Tak and port expansion mainly provided for on reclamations at Stonecutters and Tsing Yi and on a port island in the western harbour. By 1986, it was clear from the increased throughput in the port that a more systematic plan of action for the expansion of the port and especially for container handling was needed, and that time was not apparently on our side. At the same time the projection for air services revived planning for removal of the airport. Given the need to preserve the eastern part of the territory as far as possible for recreation (which was an integral part of the Territorial Development Strategy) and the importance of the Pearl River trade in the future development of the port, the natural expansion area was in the west, the same general area as Chek Lap Kok. So planning for the airport and port had to take account of each other's demands. This was graphically demonstrated in several combinations of port, airport and infrastructural formations put together by Hopewell Holdings and shown to Government in late 1986.

The PADS study, which began in 1987 and was completed in 1989, first built up a more detailed picture of the likely demand for port facilities as a basis for port planning. It then applied the results to the three main options for the airport -- that is Kai Tak retained, airport removed to Chek Lap Kok and airport removed to a site in the sea off Lamma Island; actually several variations were studied and had been subsequently studied as potential airport sites by specialist airport consultants. The narrowing down of the optional strategies from a total of over 40 formations to the recommended PADS proposals was a process of elimination, testing against agreed criteria -- as outlined by the Secretary for Economic Services earlier, the criteria included aspects of transport performance, environmental effects, overall contribution to the economy and certainty of scheduling as well as engineering feasibility and cost -- and finally shortlisting of the options by results. Throughout, sufficient engineering feasibility and other studies had been done to support the choices which had been made at each stage, and a thorough system of monitoring and testing the data was established through a series of committees at different levels, headed by a policy committee chaired by the Chief Secretary.

The final PADS strategy announced by you, Sir, last year now provides a framework within which Government is carrying out the detailed engineering studies on the

component port projects for progressive construction. Good examples are the detailed engineering and planning studies now being done on container complexes for Stonecutters and East Tsing Yi in the terminals and for the river trade at Tuen Mun and the major engineering studies now just starting for the Lantau Port Peninsula, the future heart of the port of Hong Kong. It also sets the pattern for the airport construction programme, into whose schedule of reclamations, roads and structures, port and other related development programmes are inevitably interwoven.

Sir, the world and particularly this exceptionally dynamic region have not stood still while we have been planning PADS. By and large 1986 projections of port and airport throughput are standing the test of experience, but in more qualitative terms too the changes which the PADS study will be making on the physical scene are also being reflected in the changes which are taking place in the economy overall. Since 1986, the growth of new factories in Hong Kong has continued to slow down, and this is reflected in a lower demand for conventional factory land, the terms of sale of which presuppose the construction of a flattened factory building. So expansion of port services helps to compensate for the reduced expansion of local manufacturing industry, and is in a wider sense critical to the expansion of the manufacturing capacity of the region. The other trend is pressure for development in the north and west of the territory. Tuen Mun has now become a very popular town, and Tin Shui Wai looks really promising as a residential area and there is a strong demand for accessible land throughout the whole of the north-west for open storage and industry-related uses. There is much evidence to show that for many years our economic survival will depend on the port and other services which can contribute to the region in which we operate and the PADS policy should be seen in this light. And the benefits are not just economic. On the opening day of Chek Lap Kok Airport, Kai Tak will close. Almost unbelievably on that day no aircraft will be roaring over Kowloon Tong, Sham Shui Po and much of the traffic on Chatham Road flyover and around the Kowloon City roundabout will be gone. This will, of course, be a wonderful opportunity for the restructuring of a quieter Kowloon, to the relief of overcrowding and for new economic opportunities. It is probably the single most important change from which the Metroplan will benefit.

Sir, with these remarks, I support the motion.

SECRETARY FOR TRANSPORT: Sir, I propose to deal first with general transport policy issues. I shall then move on to say a few words about the transport infrastructure

in support of our Port and Airport Development Strategy.

I am grateful to Miss Maria TAM for suggesting that we should look into the possibility of privatizing more government transport services. This accords very much with our own thinking on the subject. For example, in July this year, the Government decided to contract out the management of the Kowloon Bay Vehicle Examination Centre. In September, we decided to contract out the management of the Aberdeen Tunnel from mid-1991. We shall ensure that the successful tenderer is provided with the right business environment in which to develop his commercial initiatives, and that, in return, he provides a high standard of management service. Around the beginning of 1992, we propose to conduct a review based on the Aberdeen Tunnel experience, to see if privatizing of the management of other government tunnels should be pursued. I agree that the toll levels for all tunnels should remain under government control.

Other privatization possibilities are also under consideration, such as parking meters and the construction and management of the third cross-harbour tunnel known as the Western Harbour Crossing, and part of Route 3 in the New Territories.

As regards Miss TAM's suggestion on the proper allocation of road space, it is indeed government policy to encourage the use of mass carriers, especially the so-called off-street modes such as railway services provided by the Mass Transit Railway and the Kowloon-Canton Railway. Modern trains are not only energy efficient, but also environmentally more acceptable. At the same time, public buses still move a considerable number of people around -- 3.4 million passenger trips a day to be exact -- and occupy the least amount of road space. Consequently, they will continue to be accorded priority in road use through bus only lanes, bus priority schemes and so on, as a matter of policy.

The number of taxis will continue to be regulated by quota set by the Executive Council, on the advice of the Transport Advisory Committee. Since 1976, the number of public light buses has been stabilized at 4 350, including a sizeable fleet of "green minibuses" which enjoy popular support and good patronage. I do not propose any change to the present arrangements, which are working satisfactorily.

The rapid growth in private car ownership, however, is more worrying. After a period of consolidation between 1982 and 1987, the number of private cars has grown at the rate of approximately 9% per annum over the past three years: from 143 000

in September 1987, to 194 000 in September, this year. I shall be monitoring the situation very closely, to see what measures are necessary to ensure that adequate road space continues to be available for the 90% or so of our daily commuters who use public transport, and who, between them, make 10 million trips a day.

Sir, I now turn to the transport links in support of Port and Airport Development Strategy (PADS). I wish to begin by making a general point, and that is that the transport links we have in place for PADS also form an integral part of an overall transport strategy we have mapped out to meet the territorial traffic needs of Hong Kong in the next 10 to 20 years. I shall concentrate on two major road systems, one from south to north, and the other from east to west, to illustrate what I mean.

First, Route 3, which is the name we have given to a major south-north expressway, about 30 kilometres long, on the western part of the territory. It starts from the reclamation off Sai Ying Pun on Hong Kong Island, and goes across the Western Harbour Crossing to the new West Kowloon Reclamation. From there, an elevated Western Kowloon Expressway takes Route 3 up to Kwai Chung, Ting Kau, Yuen Long, and then across the Lok Ma Chau Bridge to Shenzhen, from where the proposed Shenzhen-Guangzhou Super Highway can take over all the way to Guangzhou. The strategic importance of Route 3, not only in terms of meeting the traffic demands of Hong Kong, but also in terms of moving people and goods across the China-Hong Kong border, need hardly any elaboration. It is a vital link for the economic well-being of Hong Kong as well as for Southern China, particularly if we bear in mind that some 2 million Chinese workers are at this moment helping Hong Kong manufacturers with outward processing activities in the Pearl River Delta.

But back to Hong Kong. At Tsing Yi Island there is a logical and convenient interchange for Route 3 to go westwards, across the waters, to Ma Wan and Lantau via the Lantau Fixed Crossing. The centrepiece of all these is of course the Tsing Ma Bridge, a suspension bridge with a centre span of some 1 377 metres across the Ma Wan Channel, with a vertical clearance of at least 62 metres to enable ocean-going ships to sail underneath it. But the Lantau Fixed Crossing is not just the Tsing Ma Bridge. It consists also of a shorter but equally important bridge across the Kap Shui Mun Channel, to connect Ma Wan Island with the North Lantau Expressway, and thence to the new airport at Chek Lap Kok. This is the east-west link I mentioned earlier. It provides the only land access to Lantau Island, and serves the new airport as well as the new port and community developments on Lantau. Without it, the new airport simply cannot function.

Several Honourable Members have commented on the timing of the announcement of the construction of the Lantau Fixed Crossing, some calling it a "sudden" decision. It might therefore be helpful if I explained the background to this decision. Sir, since you first announced the PADS in this Council a year ago, much detailed planning and work have been done to take that strategy forward. The Secretary for Economic Services has explained clearly why a new airport is needed. As far as the Lantau Fixed Crossing is concerned, a number of reputable and experienced international bridge engineers and builders have advised us authoritatively that to build a bridge of this complexity and magnitude, a construction period of five years is required, working to a very tight programme schedule. Allowing one year to draw up detailed tender documents, to evaluate the tenders, and then to award contracts, it is clearly necessary for the Government to make a firm decision on the Lantau Fixed Crossing, and to announce it as soon as possible to ensure that the roads and bridges are there by the time the airport is due to open. The timing was in fact envisaged when we called for Expression of Interest in the Lantau Fixed Crossing in February this year. Over 1 000 copies of the documents describing this project and stating quite clearly that we would call for tenders in September 1990 were distributed to interested parties. It is not difficult to imagine the newspaper headlines which would have greeted any decision to delay the announcement. Clearly, the Government's announcement was by no means a sudden decision, but previously scheduled and a timely one.

As regards the reasons for adopting the "Design and Construct" approach in preference to the "Build-Operate-and-Transfer" (BOT) approach, the full reasons have been given by the Chief Secretary at a press conference earlier this month. However, in view of the continuing interest shown by Honourable Members and the community, I believe they are worth repeating here. The advantages of building the Lantau Fixed Crossing as a publicly-funded project are firstly, programme certainty. That is to say, we can be much more certain that the roads and bridges will be completed on time, without the need for protracted negotiations with tenderers which would otherwise be necessary under the BOT arrangements for the greater part of next year. Secondly, given that the commercial world operates on the principle of "the higher the risk, the greater the reward", they would almost certainly demand a high level of government guarantees and financial support. In the circumstances, we believe the "Design and Construct" approach we have adopted would result in a better overall deal for Hong Kong taxpayers. The decision to announce the construction of the Lantau Fixed Crossing does not, of course, preclude the Government from considering offers of

finance or pledges of financial support at the tender stage. Looking ahead, we also retain the option to call for competitive bids from the private sector to operate the Lantau Fixed Crossing upon its completion, according to a franchise on terms to be agreed. Thus, the door to private sector participation remains wide open indeed.

As regards evaluation of tenders, I can assure Honourable Members that the most rigorous and objective assessments will be made. We intend to embark on a "prequalification" exercise shortly, with a view to screening in those tenderers judged to have the necessary experience, expertise, professional competence and financial backing to undertake a project of this magnitude. We also intend to split up the Lantau Fixed Crossing project into a number of self-contained contracts, so that interested parties, whether they be locally based or international consortia, will feel able to tender for those contracts in the field best suited to their expertise and ability. At the tender evaluation stage, cost consideration, or the tendered quotation, will of course be a very important factor to be taken into account.

Before concluding I wish to say a few words about the airport railway. All major airports of the world have good rail connections to their city centres -- Narita, Schipol, Frankfurt, Brussels, Gatwick, Heathrow -- to name just a few that come to mind. Hong Kong cannot be the exception. There is no doubt in our mind that in the long term an airport railway is needed to link up Hong Kong International Airport with the city centres. The question is how soon it is required, what the best railway alignment is, and what the financial arrangements should be. The position at the moment is that we have commissioned consultants to advise us on these important matters, and we expect to receive their assessments and final reports by the end of the year. We can then take a decision on the airport railway having regard to the expert advice we receive, and all relevant factors.

To sum up, if we accept that Hong Kong needs a new airport and new port facilities to sustain our economic growth -- as many Honourable Members have indicated that they do -- we must get on with building the essential transport infrastructure in support of PADS. We must have the courage to act on our conviction. We have no time to waste, for the future prosperity of Hong Kong is at stake.

Sir, with these remarks, I support the motion.

FINANCIAL SECRETARY: Sir, I shall start by saying a few words about the present state

of our economy.

## Hong Kong economy

Recently there have been some encouraging signs. Over the last few months we have witnessed strong growth in our re-exports. This to an extent has compensated for the somewhat slack performance of our domestic exports. We have also witnessed some recovery in relation to domestic demand. Retail sales recorded increases in both June and July, and we have also seen an increasing number of visitors to Hong Kong. I am happy to add that in relation to retained imports of capital goods, there were moderate increases in both July and August following zero growth in the first half of this year.

Reflecting confidence in Hong Kong's financial sector, the number of foreign banks setting up or upgrading their operations in Hong Kong continued to increase. In the 12 months after June last year, more major banks established themselves in the territory than in any comparable period since 1980. In addition, a considerable number of overseas securities companies and new regional headquarters have been established during this same period.

One dark cloud on the horizon is inflation. I remain as concerned about this as anyone in this Chamber. But there are two positive factors which I would like to mention. First, we are currently experiencing a cyclical slowdown following strong growth for the period from 1986 to 1988. As a consequence, our largely domestically generated inflation had been edging downwards since the latter part of last year, and this trend would have continued but for the surge in oil prices that we have experienced recently. Secondly, although the recent depreciation of the US dollar may well add pressures on import prices in due course, there could well be some relief flowing from the slowdown in the rate of inflation in China and the present relatively stable world commodity prices for non-oil products. I cannot this afternoon offer too much by way of comfort on the inflationary front beyond saying that if we are not hit by further adverse developments, it is likely, in my view, that the downward trend in inflation will be resumed next year.

On the labour front, we continue to experience a tight market, although some slight easing was evident in the unemployment and underemployment rates for June to August. Nevertheless, wages and earnings continue to show rapid increases. In our current circumstances, both the private and public sectors must exercise restraint

to avoid the damaging effects of rising costs and prices on the overall well-being of our community. The Government will continue to exercise tight control over the growth in public sector expanded expenditure to ensure that it does not compete for scarce resources required for private sector expanded activities and thus further fuel inflation. The recent schemes for importation of labour should help to relieve labour shortages and reduce wage pressure in certain critical areas in the labour market.

Sir, overall, our economic prospects in the medium to longer term remain good, but the Gulf crisis has, of course, injected new uncertainties, and these uncertainties could well have some impact on our economic performance.

#### Industry and science and technology

I shall now turn to our industrial policy. A number of Members have suggested that the Government should formulate a comprehensive strategy to guide Hong Kong's future industrial development. Some have argued in particular that the Government should take the lead in promoting technological development.

The Government's overall philosophy, which I have stated in this Council many times before, is to leave the private sector free to make its own decisions about markets, products and technologies. Our view is that civil servants should not determine the direction which industrial development should take. That is properly a matter for businessmen.

The Government, however, does accept responsibility for facilitating the efficient operation of business in Hong Kong. Over the years, we have put in place a range of policies and programmes which aim to remove obstacles to economic progress and to help companies in their drive to become more productive, more innovative and more quality-conscious -- in short, more competitive. And in drawing up each element in the overall picture, we have had full regard to the role technology has to play in determining competitive strength.

Let me illustrate the point with a few examples. Our industrial estates at Tai Po and Yuen Long aim to attract new industries and improved technologies to Hong Kong. A third industrial estate at Tseung Kwan O will come on stream in 1993. We are providing for a dramatic expansion in higher education, with many more places in science and technology subjects. We intend also to strengthen the research base in

the universities and polytechnics. Through the Hong Kong Productivity Council, we provide a host of services to assist manufacturers to improve productivity and adopt useful technologies. Intensive planning is now under way for the Industrial Technology Centre, which will encourage technological innovation. And our inward investment programme seeks to upgrade Hong Kong's manufacturing capability through technology transfer.

This approach has served Hong Kong well. The all too common perception that Hong Kong is "lagging behind" its neighbouring economies does not stand up to close inspection. Look at overall prosperity: our per capita GDP is the highest in Asia outside Japan. Look at technology: many Hong Kong companies can and do exploit state of the art technology. Look at investment: whether in manufacturing, financial services, real estate or retailing, investment is continuing to flow into Hong Kong from a wide range of sources.

Nevertheless, I do pay heed to what some Members have said in this debate in relation to upgrading our industry and our approach to technology. While I believe that our approach is fundamentally on the right lines, I would stress that the Administration is in no way complacent. We recognize that we must be responsive to industry's changing needs. We do keep our industrial support policies and activities under constant review, and we are engaged in one such review at this time. A particular concern is how the delivery of services can be better co-ordinated. The review is being carried out in close consultation with the Industry Development Board.

#### Regulation of securities markets

Sir, on the regulatory front, you referred to our progress in stepping up protection of the ordinary investor, and your belief that we now have the regulatory balance about right. I would like to echo that sentiment. Although we are aware of the dangers of over-regulation, we have experienced the effects of inadequate regulatory control over the pursuit of self-interest in the market. The importance of maintaining progress and balance in this field is no less now than it was in 1987.

There are those who have suggested that, as Hong Kong managed well in the past with few regulatory disciplines, it can continue to do so in the future. This view is out of step with the current realities of the securities market. Whether we like it or not, we are part of an increasingly inter-dependent world market in which international investors play a key role. Both they and our own increasingly

sophisticated community expect appropriate standards of business conduct and accountability. The Hong Kong market, more than most, depends for its future growth on developing its international dimension. Accordingly, we will continue to place a high priority on enhancing the fairness, transparency and efficiency of our markets.

We are conscious of the need to balance the interests of different groups of market players. In doing so, we shall not lose sight of the overall interest of the market and the Hong Kong community. We shall play this role with sensitivity and good common sense.

### Port and Airport Development Strategy

Sir, I shall now turn to the Port and Airport Development Strategy or PADS on which over 30 Members spoke. This reflects the importance of this strategy to Hong Kong. My impression is that the great majority of Members who spoke on the subject endorsed PADS, and in particular the provision of a replacement airport to meet the needs of our growing economy. But I also detected some lingering doubt as to whether we could afford such a considerable financial outlay over a relatively short period.

Clearly the construction of the replacement airport and the related transport infrastructure does involve a very substantial financial commitment. But I wish to underline the fact that investment in the airport programme is investment in Hong Kong's future. When completed, the airport and related facilities will bring to Hong Kong long-term economic and financial benefits far greater than the cost of the investment, and these benefits will be enjoyed well into the next century.

Sir, turning to the past, the key factor enabling us to decide to proceed with the airport programme was and is Hong Kong's financial strength. I have in mind, first, the very substantial reserves of over \$70 billion which we have built up in recent years through prudent management. This compares with reserves of only \$24 billion five years ago. Secondly, I have in mind the Special Administrative Region (SAR) Government Land Fund. While the SAR Government Land Fund will not be part of the reserves until July 1997, it consists of income from land sale premia which previously would have gone into the reserves. The Land Fund is clearly of relevance when assessing the long-term strength of Hong Kong's finances, and particularly the strength of the financial situation which the SAR Government will inherit on its establishment in 1997.

The balance transferred to the SAR Government Land Fund already stands at over \$17 billion at the end of fiscal year 1989-90. Even on fairly conservative assumptions about future land sales and interest, the Land Fund should be well over \$70 billion by March 1997 -- that is to say, more than our existing reserves. Our financial planning assumes that the Hong Kong Government does not draw at all on the Land Fund under the provisions of the relevant section of the Sino-British Joint Declaration. Thus, when the SAR Government comes into being, it should have an airport which will produce revenue, a greatly improved infrastructure, much of which will also be revenue-producing, and somewhat larger reserves than we presently enjoy.

We would not have proceeded with this package of projects if we did not believe that doing so was clearly within our financial capacity. I hope the figures I have just referred to, that is, our reserves, the SAR Government Land Fund together with the potential land sales revenue which you, Sir, have indicated in your address to be some \$40 billion at present-day prices, will demonstrate the strength of our position.

But there are other important aspects of our financial strategy for the airport programme. The first is the need to control the overall cost of the programme effectively.

The second relates to the need to keep public sector costs to the minimum by encouraging private sector participation where this makes financial sense. This strategy is founded on Hong Kong's successful experience in funding projects like the container terminals and various major tunnels, wholly or partly from the private sector.

Private sector participation not only reduces the requirement for public funds, it also introduces the commercial disciplines and efficiencies of the private sector. The exact mix of public and private sector funding will emerge gradually as refined cost estimates, revenue projections and financial analyses of the various projects become available in the coming months. This mix must ensure that we obtain the best overall results for Hong Kong in the longer term. I am confident that the original estimate that some 40% to 60% of the package of projects included in the total Port and Airport Development Strategy can be financed by the private sector remains true.

Another key part of our strategy is that we fully recognize the continuing importance of prudent management of public finances. This continues to be based on

the target of keeping overall public expenditure growth over a period broadly in line with the growth of GDP. The decision to build a new airport has not caused this strategy to be changed. But we must recognize that inevitably capital expenditure will peak during the three or four years leading up to the actual opening of the airport, and this will cause a temporary departure from our guidelines.

Some have argued that the airport programme is crowding out other desirable projects, and have tended to blame all tightening of control on public sector expenditure on the airport programme. This view is misguided for two principal reasons. First, even without a decision to build the new airport, lower growth in the economy and a high level of inflation would in any event require us to contain the increase in public expenditure more tightly.

Secondly, we must distinguish between recurrent and capital expenditure. The prime need, even without the decision to build the airport, is to keep recurrent expenditure growth to a reasonable level. This means controlling the size of the Civil Service, and increasing productivity. To provide a little reassurance I should add that it will nevertheless still be possible to make some provision for new or improved services, partly by carrying out some existing activities more cost-effectively.

On the capital expenditure front it is, of course, true that we are giving priority to airport core projects, and that we will have to be particularly prudent over new programmes with significant capital expenditure implications. But it is important to keep this in perspective. We have allowed for commitments in other areas too, such as education, social services, the environment, water supply and new town development. Capital expenditure on non-airport programme areas is projected to be a massive \$140 billion at 1990 prices in the period up to 1997.

What does all this mean for our public finances over the next six to seven years? Clearly we will, as capital expenditure builds up and peaks over this period, face a few years of budgetary deficits. This is to be expected, and is precisely one of the reasons why we have built up such considerable reserves. Drawing on these reserves to pay for infrastructural investments which will allow the continued growth of our economy and the continued prosperity of Hong Kong is to some extent inevitable.

But there is another option that we will need to consider further, and that is borrowing. Borrowing by statutory corporations such as the Mass Transit Railway

Corporation is already a well-established way of funding, and clearly one of the methods that the Airport Authority is likely to use. Also, we must not lose sight of the possibility of judicious borrowing by the Hong Kong Government itself, a well-tried method elsewhere for financing major capital projects and smoothing public sector cashflow. I have made no decision yet as to whether this is an option we should actually pursue, but I will revert to the issue in my Budget speech next year.

## Conclusion

Sir, our longer-term economic growth can only be secured by ensuring that our physical infrastructure remains adequate to facilitate the efficient movement of people and goods in and out of Hong Kong. This is crucial to maintaining our position as a major finance, trade and services centre for the Asia Pacific region. The new airport is an important part of that infrastructure. As my colleague, the Secretary for Economic Services has already pointed out, Kai Tak is expected to reach saturation as early as 1993. Thereafter, growth will be constrained because of limited capacity, and this could have an impact on our economic growth.

We have spoken of economic disbenefits. There are two kinds of economic disbenefit flowing from not meeting air transport demand. They are the quantifiable economic disbenefits arising from trips foregone by visitors and foregone air cargo movements. Airlines and various airport services as well as travel agents, hotels, restaurants, and shopping businesses will be directly affected. In addition, there are also the wider unquantifiable economic disbenefits arising from lost business opportunities in the manufacturing, trading and service sectors generally, and from the damage to Hong Kong's image as an international commercial and financial centre. Unless we take action, these intangible economic disbenefits could be substantial. Elsewhere in the world, investments in physical infrastructure generate substantial new business opportunities. Translated into financial terms, the benefits flowing to the community would far exceed the cost of the new airport project.

Sir, we remain convinced that it is in our longer-term interest to make this investment. Indeed, I am convinced that this investment is essential for generating the wealth which is necessary to meet the hopes and aspirations of our community.

Sir, with these remarks, I support the motion.

CHIEF SECRETARY: Sir, I have noted with interest, and indeed with a tinge of regret, that many Members have focussed narrowly on the 10 paragraphs dealing with the Port and Airport Development Strategy (PADS) in your 110-paragraph speech. There is so much more to your address than the port and airport strategy. But as this subject seems to be the flavour of the month I and my official colleagues felt we had to respond at some length and I too would revert to PADS after dealing with a number of other equally important issues.

Your speech, sir, reminded us of Hong Kong's growing affluence and our position among the leading economies of the world today. Underlining that affluence is our unwillingness to be content with a basic level of provision across the whole spectrum of community and social services. You referred particularly to the demand for better designed and more spacious living accommodation, for modern education systems, facilities and curriculum, and for improved medical services and social welfare. In formulating policies to meet this challenge of the 1990s, the Administration will indeed follow your lead and will not overlook the need to give our community a choice, a choice to add what can be directly provided for by the Government by making a contribution itself. The question of choice will be a recurring theme which this Council will need to address in the years ahead.

#### The Civil Service

Sir, many Members not surprisingly referred to the Civil Service. I say "not surprisingly" because in so doing Members were not only responding to points you had raised in your address, but were also recognizing the vital role that our Civil Service plays -- and will continue to play -- in the community.

I believe our community has been well served by its public service, notwithstanding occasional dramatic headlines and stories about individuals or small minorities. At a time when it has been suggested that the image of the Civil Service as a whole has been damaged by the few, it is as well to remember and to give credit to the vast majority of civil servants who day after day continue to prove that our public service is loyal, dedicated and efficient. And in saying this I am not simply relying on my own opinion but drawing on the many personal comments we receive from overseas politicians, academics and businessmen.

At this time of transition, it is inevitable that additional demands are placed on our public service. In many ways, surrounded as we are by change, we look

increasingly to the Civil Service to provide the continuity which will prove essential as we move through the 1990s and beyond.

Points raised by Members fall under a number of general headings: management in the Civil Service; pay and benefits and consultative machinery and I would like to deal with them in that order.

### Management

A number of Members suggested that there is a need for effective management to reduce bureaucracy and increase productivity of the service. I agree. With a workforce of some 190 000, more than 400 grades and some 60 government departments, effective management is essential. It is no longer possible -- if it ever were -- for management to be thought of as a responsibility exercised exclusively from the centre. In its widest sense, management is the responsibility of all those who play a supervisory role in the organization: in the Government, our focal point must be the departmental level. We are therefore in the process of devolving more responsibilities to heads of department. In turn this means that they will be held accountable for the management of their own resources. We have recently, for instance, delegated to heads of department or heads of grade the authority to approve appointments and promotions to all posts below directorate level, subject only to the advice of the Public Service Commission where appropriate. This covers 99% of the Civil Service. A start has also been made in delegating authority to heads of department to grant various payments and allowances provided for under civil service regulations. We are also delegating to departments responsibility for arranging their own professional training. I can assure Members that we do not allow the grass to grow under our feet as far as the management of the Civil Service is concerned and we are prepared to adapt to keep pace with modern developments and practices.

At the same time as we are giving more responsibility to managers, we are taking steps to develop their skills through management training. Training of staff at supervisory levels gives managers a better understanding of their leadership role and helps them to motivate their staff and set higher standards of achievement.

The development of managerial skills is a continuous and expanding programme. In 1987-88, some 9 500 staff were sent on a wide range of management training courses, while the total in 1989-90 had risen to 10 300.

Members spoke about the need for public sector wage restraint. It is the Government's firm and clear policy that civil service pay should follow, and not lead, the private sector. Civil service pay is adjusted annually, taking into account pay trends in the private sector over the previous 12 months, the economic situation and our budgetary position. We look, in the first place, at what the private sector is doing by way of pay increases. The annual Pay Trend Survey, which forms the basis for the civil service pay adjustment, is the method we use to find out what these increases have been. But we also pay careful attention to other considerations, such as whether a particular level of pay adjustment would add unduly to the inflationary pressure, and of course the exchequer's ability to pay. Where these considerations warrant, a smaller pay increase is made. That was the situation earlier this year, when the civil service pay adjustment was on average 2% less than the pay trend survey results. It is perhaps too early to discuss current pay trends in the private sector, but our economic and budgetary position dictates that we shall certainly have to be prudent on pay adjustments next year.

Some Members, no doubt reflecting public views on the matter, expressed concern that we should not get ourselves locked into an endless round of salary reviews for different grades. References in the media, and indeed by some of the affected grades themselves, may have given the impression that there is a non-stop process of salary awards to lucky civil servants. It is important therefore to set the recent awards in the context of the current comprehensive review of the salary structure, which began almost two years ago and was initiated against a background of increasing difficulties in recruiting and retaining staff. It is one exercise; but because of its comprehensiveness and the numbers involved, that is, some 400 grades, it had to be spread out over a period of time. The review is now drawing to a close. The Standing Commission on Civil Service Salaries and Conditions of Service will complete the final stage of its review of non-directorate salary structure in December, by which time the Standing Committee on Disciplined Services Salaries and Conditions of Service will also make recommendations on the salary of disciplined services officers. The end is therefore in sight, and I do not foresee another overall salary structure review for many years to come.

Sir, while dealing with civil service pay may I say a brief word on conditions of service. We are conscious of the need to ensure that conditions of service remain appropriate in presentday circumstances. This does not mean throwing more money into the package of civil service benefits, which is generally acknowledged to be good -- and which befits a good employer. The main aim is to ensure that resources are

used more cost-effectively, and that civil service benefits are structured in a way that best meet the changing aspirations of staff. The recently implemented new civil service housing package is a good example: while meeting the staff's wish for greater opportunities for home ownership, the scheme will also result in long-term savings of about HK\$3 billion. Its popularity is attested by the fact that, from its implementation on 1 October this year to the end of last week, some 5 500 civil servants have applied under the package to acquire their own homes.

We shall continue our efforts to ensure that civil service benefits, some of which are undoubtedly outdated, are modernized to keep up with changing aspirations. Our advisory bodies on pay and conditions of service will have an important role here.

One issue that has been aired publicly and mentioned by civil servants is their concern about security of their pensions. I must repeat the point you made in your address, Sir, that civil service pensions are secure. They are both a statutory right and a statutory charge on the general revenue of Hong Kong which includes the fiscal reserves. There are also firm commitments to their payment in both the Joint Declaration and the Basic Law. Despite this and recognizing the continuing worries of the service we are seeing if there are any other measures which we can take to ease staff concerns. I hope it goes without saying that any changes must be subject to the availability of resources.

#### Consultative machinery

Much has been said recently, both in this Chamber and elsewhere, about unrest in some sectors of the Civil Service. We would all like to see a totally contented Civil Service; none of us can feel comfortable with reports of dissatisfaction and industrial unrest, especially when it is given such public expression. But the problem should be seen in perspective. One of the difficulties of managing a civil service like ours is its size: the Government is the largest employer in Hong Kong, with almost 190 000 on its payroll. In my view, we should not be too surprised if, in such a large organization, there is at any one time one group or other with a complaint or a concern which they are prepared to express publicly. This is perhaps especially understandable at a time when their pay is under review.

It would be a mistake to conclude from this, however, that the whole of the Hong Kong Civil Service is seething with discontent. The vast majority, as recognized by some Members, are still putting in a hard and honest day's work. We still have

an efficient Civil Service. Indeed, this is often seen as one of Hong Kong's attractions as a place to invest and do business.

In cases where disputes do occur, the Administration believes in resolving them through frank and direct dialogue between management and staff. As I said earlier this year, the success of our system should be measured by the quiet consensus which ends the majority of disagreements; not by the noisy and unrepresentative few.

Since we do emphasize the importance of dialogue and consultation, it is obviously important that our system of internal communication is effective. The present consultative machinery is an elaborate one. There are plenty of avenues open to staff to air their grievances, or simply to express a view. They can either do so individually through one-to-one contact with departmental management; or collectively through their representatives on the 88 Departmental Consultative Committees throughout the service, as well as the four central consultative councils. We are, Sir, currently finalizing some proposals to improve the present machinery further.

The range and complexity of the services provided by the Government have grown. It falls on the Administration to meet these challenges and respond effectively to new demands. A dedicated and efficient Civil Service is the key to the continuance of sound administration. We need people who have the vision to set new goals for the community; and the integrity, courage and commitment to see them through.

Sir, the challenges of both the present and the future may well put additional strain on our Civil Service. We need to reassure the men and women who make up the service that management is alive to their concerns and is addressing these concerns constructively; is giving them both the tools to do the job and appropriate pay for the job; and is giving them every opportunity to play their part in shaping the Hong Kong of the future. In this, I am sure they can look to the understanding and support of this Council and the community at large.

#### Elections to Legislative Council in 1991

Sir, may I now deal with the comments made by Members on various issues relating to the 1991 elections to the Legislative Council. As you said in your address, Sir, 1991 will be an important year in terms of Hong Kong's constitutional and political development. Members of this Council and indeed the community as a whole look forward

to the success of our first direct elections to the legislature, and expect that these will serve as a foundation for developing our political system in the years ahead. In measuring the success of the elections, it would be easy to fall into the trap of restricting ourselves to such sterile references to the voter registration rate and the voter turn-out. I hesitate to use the word "prize", but I believe that the first prize is for this Council to continue to function smoothly and efficiently for the benefit of the community as a whole.

Some doubts have been expressed as to whether the electoral process will be conducted in a truly democratic manner. I explained the arrangements for conducting the 1991 elections in a statement to this Council in July this year. Our system of electoral laws and practices is in line with those adopted in democratic countries and they will ensure free and fair elections. The system we have proposed for the 1991 direct elections to the Legislative Council is not new. It is modeled on the statutory framework which has been used since 1982 for the direct elections to the district boards and municipal councils. The system has served us well and the public is familiar with it. We believe it would be irresponsible of us to cast it away and experiment with an untried new system at this stage of Hong Kong's political development.

Sir, I totally reject any accusation that we have been gerrymandering over electoral boundaries. In reaching decisions on boundaries, the Government took account of the number of directly elected seats available in 1991, present and future population distribution, geographical considerations and the existing electoral and administrative boundaries. Party politics was no part of our thinking and indeed it takes a Machiavellian mind to conjure up a conspiracy theory over the way we have drawn up the electoral boundaries.

It has been suggested that voter registration should be made automatic, based on the records of the Registration of Persons Office. The proposal does have its attractions and for this reason it has been carefully examined. However, there are major practical difficulties. These records would not, and do not establish whether a person was qualified to register as an elector. It is also unlikely that addresses are up-to-date, given the mobility of the population within Hong Kong.

Some Members have suggested changes in the way in which the Legislative Council operates. As you, Sir, have said in your address, the changes to be introduced in 1991 will have an impact on the workings of this Council and its relationship with

the Executive Council. We are already considering these broad questions but we also need to look again at some of our rules and procedures. A particular issue is the payment of allowances to Members. Two specific suggestions have been made: that Members should be regarded as full time politicians and paid accordingly, and that resources should be provided to enable Members to employ their own assistants. These suggestions and others will be carefully considered and decided well before the 1991 elections.

#### Overseas promotion

Sir, various Members have mentioned the promotion of Hong Kong overseas. I do not intend to deal with this subject at length today. But we do have a clear strategy implemented by a comprehensive programme covering sponsored visits by influential people from abroad, joint Hong Kong Inc. promotional activities, overseas visits by senior officials and sponsored speaking tours in which Members of OMELCO, amongst others, have played an active part.

While on this subject, it may be timely to mention the well-known and widely accepted convention that members of the legislature travelling abroad do not run down Hong Kong. I know many Members of this Council will share my regret that this convention is often flouted by a few of their colleagues. Harsh criticism and negative comments can always be assured of big newspaper headlines internationally but it runs totally against the continuing need, mentioned by many Members, to promote a positive image of Hong Kong overseas.

#### Relations with China

You mentioned, Sir, that the working atmosphere between ourselves and China has improved during the year. It is clear that Members attach great importance to the further development of our relations with the Mainland. One Member put it well when he said that this must be based on a combination of frankness and mutual respect and another invented the concept of the two "Rs", -- "respect and responsibility". There is wide consensus in this Council on the importance of creating better understanding on both sides, not least through greater contacts -- between civil servants, in the commercial field, and between this Council and China. I hope that this process can be a two-way one. At the same time, there is a strong feeling that an increasing exchange of information and a better dialogue with China should not be seen as giving the Chinese Government a veto over decisions which are properly for the Hong Kong

Government and the future Hong Kong Special Administrative Region (SAR) Government to take.

These views can be well applied to the specific case of the new port and airport. We would like the Chinese Government to feel comfortable with what we are planning and would welcome expressions of support from them for projects which are to the long-term benefit of Hong Kong. We have made it clear that we are willing to keep them informed as our plans develop, even though we are not of course seeking formal approval from them nor do we intend that these developments should place any burden on the Chinese Central Government now or in the future. The Chinese expert team which recently visited Hong Kong held candid and constructive talks with us in a friendly atmosphere. We found the talks useful. The Chinese team were particularly interested in the financial position which the SAR Government will inherit in 1997. We hope that the information which we have given them will reassure them. Our aim is to provide the SAR in 1997 not only with the infrastructure necessary for its continued economic development, but also with strong finances. We are confident that we can do both. We look forward to further talks on the matter with the Chinese side.

Port and airport development

Sir, this brings me back to the subject of our port and airport development. In rounding off the debate, I have a number of general observations to offer, in particular, on the question of consultation.

But first let me first clear the air on the question of the timetable for construction. There is nothing magic about the 1997 target date for building the airport and it has no political significance. The view that the airport must be built in the period of British administration forms no part of Government's thinking. Two factors led us to the target date: first we needed to build the airport as soon as practicable bearing in mind the growing congestion at Kai Tak; secondly our best advice at the time was that seven years was the shortest period necessary for completion of the core projects. That brought us to 1997.

Let me explain what I mean by the core projects. These are the projects which are essential to the opening of the airport by the target date. They include one runway of the Chek Lap Kok Airport, the North Lantau Expressway, the Lantau Fixed Crossing, and the West Kowloon Expressway. The first runway at Chek Lap Kok operating 24 hours a day, and without the constraint of the curfew at Kai Tak, would provide

ample capacity to meet air traffic demand by the mid-1990s. It follows that the completion date for the second runway is flexible. As the Secretary for Transport has explained, while the design of the Lantau Fixed Crossing and the expressways will provide for development of the airport railway, we do not need to make a decision on the timing of that railway for a few months yet. The further development of the port on Lantau will of course continue to be based on demand, it will therefore be incremental and it will also be largely financed by the private sector.

The point I would like to stress here is that whilst we have a programme for completion of the core projects it is not set in stone. As more information becomes available the programme is reviewed and refined to reflect the optimum time frame within which each project can be completed at a reasonable cost. I use the word "optimum" advisedly. Because time equals money in two ways: speedy completion can save money by avoiding the inflationary impact on costs, but on the other hand an unrealistic target date will result in contractors bidding higher prices to cover the costs involved in a tight schedule. Our prime concern in coming to a conclusion on programming therefore is to ensure speedy completion with optimum value for money.

Let me turn now to the question of consultation. I think we well understand that the Government cannot expect universal acclaim, but sometimes it seems we cannot win whichever way we go. I wonder if Members recall the criticism voiced in this Council in the media and in the community in 1988 and 1989 when we were considering the PADS. The painstaking way in which we insisted on studying every aspect of the strategy became a standing joke. The criticism most often heard then was "Not another consultancy. Why do you simply not get on, make a decision and start building?"

Two years on, the community seems suddenly to have forgotten its earlier impatience. Now we hear: "You really should have studied the proposals more thoroughly"; "there is far too little consultation with the people of Hong Kong, with engineers, with town planners, with university professors".

Let me go back a little way into history. The decision to build the new airport was not a sudden one. As a government, we do not take rash decisions on the infrastructure vital for Hong Kong's continued economic growth. As you have heard, our planning for Hong Kong's territorial development strategy began in 1972. The long-term need for port and airport development was defined in the early 1970s, and curiously enough, the sort of solution even then proposed was broadly similar to that we adopted last year.

Over the intervening period, the problem has been exhaustively reviewed from every angle: from forecast of demand, through location and environmental impact, to cost and the disbenefits of doing nothing.

The decision in October 1989 could hardly be described as a surprise. You, Sir, devoted nine paragraphs to PADS in your 1988 speech, almost as much as this year. At that time you gave a clear indication of our thinking on the project and signalled a firm decision in 1989. We fully briefed many eminent visitors to Hong Kong on the project long before the announcement to go ahead was made last year. Incidentally these visitors included a group of senior officials from the Mainland who were given a full presentation on PADS by me and policy Secretaries in March 1989.

And there has been a great deal of consultation. True, we did not issue a "PADS Green Paper" covering the whole of the project. But we made no secret of what we are doing; the media has been full of it for several years now and the various projects have all been put to the appropriate committees for consideration.

Throughout all the years of this project's gestation, the Aviation Advisory Board has been consulted. Several Members of this Council have served on that Board. On the transport front, there has been full consultation with the Transport Advisory Committee and with the district boards. Their comments on the Green Paper "Moving into the 21st Century" were taken into account in the White Paper issued in January this year. And, of course, serious consideration has always been given to the views and advice volunteered by individuals and professional bodies. We have attended numerous public seminars and are prepared to do more and there are plans for television programmes which will explain all aspects of the PADS to the people of Hong Kong.

That said, we do have to make a choice about our style of consultation for infrastructural projects; either we continue to do things the way we have done so far, the traditional Hong Kong way, or we make a drastic change and accept the consequences. The Hong Kong style of consultation for infrastructural projects is to take the best advice available, make a decision based on that advice and then ensure that everyone who is directly affected by the decision is fully consulted. For example, the Sham Shui Po District Board which has a keen interest in the West Kowloon Reclamation is already discussing the alignment and impact of the road on the community there. Many more district boards will be involved as this goes on. And of course the planning process is subject to the scrutiny of this Council and members

of the Finance Committee have to be satisfied with the funding.

There is an alternative method of consultation which is adopted in some other places around the world. It is to have a series of formal public enquiries open to the media and the public at which every element of the project is open for public debate. That may be a perfectly suitable course to follow in some countries but experience elsewhere leads us to believe there would be severe penalties if we applied the same approach in Hong Kong. For example a decision to go ahead with Munich Airport was made in 1969 and it is still not finished largely because of delays caused by public enquiries which together took over eight years to complete and Stansted Airport in the United Kingdom has been argued about since 1964. It is due to open next year. Somehow that style of doing things does not quite seem to fit into Hong Kong's "get up and go" image.

## Conclusion

Finally, Sir, I would like to say something more about the main theme of your speech -- our vision of the future.

There has been some criticism in this Chamber and in the media suggesting that the Government is drifting along, with no sense of vision or purpose waiting out time until, with a sigh of relief, it can hand over the administration of Hong Kong in 1997.

I must say it is difficult to see how such an opinion can be sustained if one examines our record of achievements and plans for the future dispassionately. The fact is that there can be few governments which have managed to maintain such consistent policy direction over wide areas of administration and for such long periods of time and has such a successful record of delivering the goods on its long-term promises and plans.

I am afraid we sometimes take for granted our achievements in such fields as housing, education and health and it takes visitors to remind us that no territory in the world has tackled, what one of my eminent predecessors called, "the problem of people" with such determination, imagination and success. Just look around the territory. We have over the past 20 years embarked on one of the world's most imaginative and successful new town building programmes. We have moved 2 million people into modern communities complete with schools, hospitals, clinics and

comprehensive welfare, cultural and recreational facilities. In addition and at the same time we built two new rapid transit systems, a second tunnel under the harbour and several others under our mountains. All these within budget and ahead of schedule. In education, we have achieved free education for nine years. In the field of health we have eradicated previously endemic diseases. We have reduced infant mortality rates to below the levels of everywhere apart from Japan and Scandinavia, and our people live longer on average than those in either the United Kingdom or the United States. And all this with no foreign aid programmes to help us and while keeping our public expenditure below 20% of GDP. Nothing "lame duckish" about that record of achievement, I think.

As to the future it would indeed have been much easier to take the low road, to forget about PADS, pollution, education and policy planning. Our lives would be much more simple and you and I, Sir, might have had fewer grey hairs and the occasional weekend to call our own. But all of us in the Government are committed to strive to do what is best for the people of Hong Kong regardless of the stresses and strains that may impose on us personally and indeed on the Administration as a whole. We believe it would be totally irresponsible of us to rest on our laurels and take the easy road to 1997 by doing the minimum needed to keep Hong Kong ticking over. We are firm believers in the Chinese saying "Unless we continue to make progress we lag behind -- ". So we have lifted our horizon well beyond 1997 and are making plans for the next century. In addition to building a new airport, we are now firmly on track in expanding our tertiary education sector on a massive scale by more than doubling the provision of first-degree places by 1995 among other things. Our third university is near completion. Our efforts to improve our physical environment by implementing the wide-ranging and detailed proposals in the White Paper on Pollution will continue to bear fruits in the coming decade. And we published in September this year a draft White Paper on Social Welfare into the 1990s and beyond.

Indeed as far as the vast majority of our planning decisions are concerned, which cover such areas as social services, environmental protection and industrial development, 1997 is not a significant date. When I sit down with the policy Secretaries and heads of departments I am often struck by how much is going on in each of their areas of activity. There is not one of them who does not have a comprehensive long-term plan for the future stretching well beyond the end of this century. And they are enthusiastically determined to see them through.

This consistency and determination is important for Hong Kong because in planning

for the future we must not allow ourselves to be distracted by immediate or short-term worries, such as those associated with 1997.

In particular it is vital that we do not create crisis where none exists by losing faith in our well-established ability not only to survive but to prosper. As several Members have pointed out, this community has a proven track record of being able to overcome any problem which confronts it. Those of us who lived through the dark days of 1967, and the oil crisis of the 1970s can testify to Hong Kong's ability to bounce back.

It is a sad reflection of the times that the international view of Hong Kong's future is sometimes more optimistic than that of our people here. There are considerable dangers in that, because the confidence of international investors will be affected by our own view of Hong Kong's future prospects. And indeed Hong Kong needs local and overseas investment if it is to continue to flourish as an international business and manufacturing centre.

You, Sir, in your quiet and determined way have set down far-sighted physical and social development plans which will dramatically improve the quality of life in Hong Kong in the next century. You have given the people of Hong Kong a vision of the future based on a confident but realistic assessment of what is possible in the years ahead. But to make that vision a reality we in the Government must carry through your plans with determination and enthusiasm. Sir, there is no lack of either of these qualities amongst my colleagues. We have no doubt that given the support of this Council and the community we can, in the time honoured Hong Kong way, deliver the goods on time and within budget.

Sir, with these remarks, I support the motion.

Question on the motion put and agreed to.

Adjournment and next sitting

HIS EXCELLENCY THE PRESIDENT: Now in accordance with Standing Orders I adjourn the Council until 2.30 pm on Wednesday, 7 November 1990.

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

Note: The short titles of the Bills/motions listed in the Hansard have been translated into Chinese for information and guidance only; they do not have authoritative effect in Chinese.