

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 29 January 1992

The Council met at half-past Two o'clock

PRESENT

THE DEPUTY PRESIDENT

THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., Q.C., J.P.

THE CHIEF SECRETARY

THE HONOURABLE GRAHAM BARNES, C.B.E., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE NATHANIEL WILLIAM HAMISH MACLEOD, C.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 MRS SELINA CHOW LIANG SHUK-YEE, O.B.E., J.P.

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

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

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

THE HONOURABLE EDWARD HO SING-TIN, O.B.E., J.P.

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

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

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, J.P.

THE HONOURABLE LAU WAH-SUM, O.B.E., J.P.

DR THE HONOURABLE LEONG CHE-HUNG

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

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

PROF THE HONOURABLE EDWARD CHEN KWAN-YIU

THE HONOURABLE VINCENT CHENG HOI-CHUEN

THE HONOURABLE MOSES CHENG MO-CHI

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, J.P.

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE TIMOTHY HA WING-HO, M.B.E., J.P.

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

THE HONOURABLE SIMON IP SIK-ON, J.P.

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE MISS EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

THE HONOURABLE GILBERT LEUNG KAM-HO

THE HONOURABLE ERIC LI KA-CHEUNG, J.P.

THE HONOURABLE FRED LI WAH-MING

PROF THE HONOURABLE FELICE LIEH MAK, O.B.E., J.P.

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE NG MING-YUM

THE HONOURABLE STEVEN POON KWOK-LIM

THE HONOURABLE HENRY TANG YING-YEN, J.P.

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

DR THE HONOURABLE SAMUEL WONG PING-WAI, M.B.E., J.P.

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG

THE HONOURABLE ZACHARY WONG WAI-YIN

ABSENT

DR THE HONOURABLE PHILIP WONG YU-HONG

IN ATTENDANCE

MR YEUNG KAI-YIN, J.P.  
SECRETARY FOR THE TREASURY

MR JOHN CHAN CHO-CHAK, L.V.O., O.B.E., J.P.  
SECRETARY FOR EDUCATION AND MANPOWER

MRS ELIZABETH WONG CHIEN CHI-LIEN, I.S.O., J.P.  
SECRETARY FOR HEALTH AND WELFARE

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

MR MICHAEL SZE CHO-CHEUNG, I.S.O., J.P.

SECRETARY FOR CONSTITUTIONAL AFFAIRS

MR BOWEN LEUNG PO-WING, J.P.  
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

MR STUART WREFORD HARBINSON, J.P.  
SECRETARY FOR TRADE AND INDUSTRY

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.

Public Order Curfew (Variation) Order 1992..... 10/92

Merchant Shipping (Safety) (Cargo Ship Safety  
Equipment Survey) Regulations (Amendment  
of Schedules) Notice 1992.....  
11/92

Merchant Shipping (Safety) (Navigational  
Warnings) Regulations (Amendment of  
Schedule) Notice 1992.....  
12/92

Oral answers to questions

Institutional service for the severely mentally handicapped

1. MR VINCENT CHENG asked: Will the Government inform this Council:

(a) how many severely mentally handicapped persons are awaiting admission into residential institutions for the handicapped;

(b) whether these residential institutions have the right to reject the more severely handicapped; if so, what alternatives are available to these persons; and

(c) what measures, if any, the Government will take to reduce the shortage of places in these residential institutions?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I would begin by referring to the currently accepted definition of the term "severely mentally handicapped persons". This is to avoid any confusion of terms. "Severely mentally handicapped persons" are those with an IQ below 25 and/or those with no basic self-care skills thereby requiring personalized care and training in residential hostels.

As regards part (a) of the question, of the total number of 1 469 persons awaiting residential placement, 735 are severely mentally handicapped persons.

As regards part (b) of the question, there are two main criteria for admission. First, the individual must be assessed by a clinical psychologist to be severely mentally handicapped. Secondly, the individual must have special social needs, for example, those who are homeless, or come from an unfavourable home environment and who cannot live independently. Barring cases requiring medical care, severely mentally handicapped persons are admitted as long as they satisfy the above criteria and as vacancies exist.

As regards part (c) of the question, the Administration has taken a number of measures to assist families to look after their severely mentally handicapped persons. Apart from increasing the number of residential places, for those who are not yet in these hostels, a higher disability allowance, presently at \$1,450 per month per individual, has been introduced since 1987 to help parents look after those who need special care at home. Any severely mentally handicapped person who requires constant attendance in his/her daily life but is not receiving such care in a government or subvented institution is eligible for the allowance. Additionally, of the whole range of services for mentally handicapped persons, for example, centre-based programme or community-based rehabilitative programme, there are specifically five home-based training teams. These teams provide training to 400 families at any one time, to

help families to look after their severely mentally handicapped relatives at home.

More importantly, the Administration will keep up the effort to build new hostels until the demand is fully met. Three new hostels, providing 318 additional places, will be completed in the current financial year. Indeed, soon after the Chinese New Year, the Po Leung Kuk Y. C. Cheng Centre, a specially designed hostel cum day activity centre with a capacity of 200 hostel places, will be officially opened. Three new hostels and two expansion projects with a total of 149 additional places will come on stream in the next financial year. We plan to provide a further 390 additional places, of which 340 places are expected to be available by 1994-95. Additionally, we have just completed a pilot scheme on Respite Service and we plan to introduce a new care and attention service. Three such homes providing a total of 120 places are expected to be completed by 1995-96.

The fact that there is, and will continue to be, a constant supply of additional hostel places testifies to the strenuous effort and hard work we have put into the planning process over the years. The Administration has endeavoured, and will continue to endeavour, to meet the full demand for residential services for severely mentally handicapped persons. However, much still needs to be done. Not only do we need to care for the handicapped persons themselves, but also to help the carers. To tackle the problem expeditiously and effectively requires not only the Government, but also non-governmental organizations, the community at large and the parents who are the natural resources for rehabilitative services, to work together. The value of a co-ordinated joint effort has been advanced by many leading authorities in this field and has been recognized in the Sixth Asian Conference on the subject of services for mentally handicapped persons and, indeed, has been practised in Hong Kong.

MR VINCENT CHENG: Mr Deputy President, would the Administration consider helping Hong Kong voluntary agencies to set up such facilities across the border in Shenzhen to provide residential services for the more severely handicapped and mentally handicapped people, given the fact that there is indeed a shortage and also the fact that our financial constraints would dictate the need for cheaper costs which is achievable if it is done across the border?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, it is certainly a novel idea and might be worth exploring. If such an innovative approach were formally put up,

I would wish to examine it very carefully, in consultation with the relevant authorities. If I might add, lest it should be misunderstood, the services we provide in Hong Kong are of the right standard and quite cost effective. It is not a Rolls Royce service; it is not even a Rolls Royce service at the price of a Ford; if anything, it might be a free Ford. If I might also say, Mr Deputy President, notwithstanding the slings and arrows of criticism regarding lack of progress or speed, there is no quick fix in the provision of residential services. The Government, the non-governmental organizations and the community, including the parents, are, I know, committed to the programme so that we can meet full demand as quickly as we can.

MR ERIC LI: Mr Deputy President, I am indeed pleased to hear about all this forward planning but I wonder, under the present environment of an austerity drive, whether these plans are shared by the Finance Branch. In particular, I understand that the Green Paper on rehabilitation is going to be a forum for such negotiation. In view of the reported delay in the release of this Green Paper, would the Administration inform this Council whether this would indicate that the Administration as a whole lacks the resources to actually implement these planned measures for already established needs?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, first of all, before a Green Paper turns White, it is a policy options paper; it is for wide consultation. It provides various options for certain policies to be changed or adopted. It provides a new agenda for the future; new attitudes, persuading the community to share the attitudes together in terms of removing discrimination, giving the right opportunities to people who are less fortunate than ourselves; but it is not a White Paper. In other words, it is not a government policy statement. It is certainly not a Finance Committee paper; so it does not provide funds for the provision of services. It is my intention very soon to lay the Green Paper before this Council to start the wide consultation as appropriate. As far as the services are concerned, whether or not we have the Green Paper is immaterial, because such services for the severely mentally handicapped people are already very high on our agenda. They are of high priority and will not be affected by the Green Paper or otherwise; so the speed of provision is not governed by the Green Paper. And we will do our best, as I said in my main reply, to keep on schedule with our programme, because for every project that we plan we need lead time. Purpose-built projects of a fair size will take about six to seven years. Projects in public housing take about two years. We are keeping



up with the plan. We are not tardy and it will not be held up by the publication or otherwise of any paper.

DEPUTY PRESIDENT: We have a large number of supplementaries awaiting answer and we have a very full agenda. I will not be taking any more supplementary questions on this main question.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, may I ask the Secretary how long is the normal waiting time for admission to residential institutions for the severely mentally handicapped? Just now the Secretary mentioned that the Administration had put in a lot of efforts in order that full demand could be met ultimately. Under the present financial constraint, and given the fact that distribution of resources in the public sector has all along been inequitable, when will the Administration expect to realize its desired if not almost fictitious goal mentioned by the Secretary?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, may I take on the last part of the criticism first. I certainly hope that we all share the common ideal and common dream; if we do not, who will? But I will not call that "castles in the air", "building empty dreams" or "making empty promises". So let us be absolutely truthful on the time and waiting time. The waiting time is to a large extent dependent on the lead time in planning for the setting up of a hostel. Hostels in public housing take about, as I earlier mentioned, two to three years to build and complete. Purpose-built hostels take about six to seven years because it involves three factors: find the land, find the people, find the money. And these factors are interlocked -- manpower resources, financial resources, premises suitable for such purpose. Because a lot of the severely mentally handicapped people are also physically handicapped, there is a need to provide access for the wheelchair. Some of the old hostels are not accessible to the wheelchair; so we have got to have all these factors taken into consideration.

Some facilities are completed faster than others because they are built with donation money and therefore it cuts short the processing time, but even then, that takes about 18 months. As regards the actual known figure of shortage, as I have said in my main reply, there is a long waiting list of over 700 people, and the list

is growing because for every single person who enters our list that person is allocated a slot for the future, if not for the present. And there is no turnover because once we are committed to caring for that person in a hostel, we must look after the person for the rest of his or her life. So the total known number of severely mentally handicapped people in Hong Kong at the moment is about 3 600. But out of this number, not all people require residential services; only slightly over 700 are really waiting for residential services. I must admit that I have this hope to overcome the problem in five years' time and to meet the full demand in 10 years' time. This is not too optimistic, but this is the goal which I and my colleagues are after and we are working very hard in that respect.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, may I ask if the Administration has any plan to help the families of these severely mentally handicapped persons?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, as I said in my main reply, we really try to help the carers because the carers' fatigue is a real problem. So we have completed the pilot scheme on Respite Service which really relieves the pressure on the family but the numbers are so small at the moment, because it is still at the experimental stage. If it is successful, we hope that will give the parents some leeway to manoeuvre. In other words, parents who constantly look after their children at home are under tremendous strain; I appreciate that. At the same time we also have training teams that go out to the families to teach the family how to look after the handicapped people in their own home surroundings. But I admit that residential service is very much needed for those who cannot be looked after at home.

But here, I would like to also put the other point of view which is a moral point of view, and that is that residential places in hostels are not the be all and end all because very often such service may be seen as separation of the severely mentally handicapped person from his or her family. Indeed, we have some leading scholars, even in Hong Kong, who say, if I might quote:

"Putting away a mentally handicapped person in a residential institution is not the right answer as it defeats our goal of integration. It also discourages the parents and siblings to meet the challenge of life."

And separately, another scholar said:

"More and more parents will regard residential service as the ultimate solution and refuse to keep their mentally handicapped children at home. Efforts should be made to explore other means as a community-based training programme through the formation of small groups."

Now as I said earlier, there is no quick fix to the problem; so collaborative, co-operative, collective response to resolve the problem will enable us to see the future needs of the mentally handicapped people.

PROF FELICE LIEH MAK: Mr Deputy President, will the Administration inform this Council of the progress made in opening the facilities for the severely mentally handicapped in Tuen Mun Hospital?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, if I understand it correctly the question is one which relates to severely mentally handicapped people who require medical care; so it is under the Hospital Authority rather than the social welfare network. We have 200 places in Tuen Mun but we are expanding to 300 places in the reprovisioned Siu Lam and that should be completed within 18 months, I think.

MR EDWARD HO: Mr Deputy President, I wonder whether the scholars the Secretary has quoted have ever suffered the anguish of having severely mentally retarded children at home. But anyway my question is relating to the Secretary's reply to Mr Vincent CHENG's question. With respect, I do not think she has replied to the (b) part of the question which asks whether these residential institutions have the right to reject. The reply given by the Secretary only sets out the criteria for admission. The problem is that many of these institutions reject severely mentally handicapped people who are also physically handicapped. Would the Secretary please reply to that?

SECRETARY FOR HEALTH AND WELFARE: I think I did reply in my main answer to part (b) of the question because the two basic criteria are the criteria for admission and as long as there are vacancies the institutions will accept the applicants. But I am aware that during the whole of last year, there were only 24 cases which might

possibly be called rejections. In fact they were not rejections in the strict sense because 14 cases related to those who needed medical care and so they were referred to hospitals; there were other cases which were blocked because of the problem of access. As some of the severely mentally handicapped people need to be in wheelchairs and some of the older hostels do not have appropriate access facilities, so they were referred separately. The new homes do not have this problem of access but generally there is a shortage of these homes with access facilities. On the question of access, I think of the 16 hostels, six have access problems. So we are going to think of ways of building ramps for the wheelchair-bound. Therefore it is not a question of rejection. I am not aware that agencies have rejected applicants by abusing the criteria. If I were, I would certainly look into this. But if any rejected person considers the rejection to be unjustified, please let me know and I will look into it.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, I am very pleased to learn from the Secretary the efforts made in this respect. My worry, however, is whether the services provided can keep up with the demand. First, will the Administration advise this Council what is the annual growth rate of the severely mentally handicapped population; and second, I am afraid that these "golden Rolls Royces" will not have four wheels, will they not? In other words, what kind of training is available to staff now working in hostels for the severely mentally handicapped? Will there be enough manpower when a number of new hostels are completed?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I do not have the details regarding the number of people working in the hostels. But I know of a fair-sized and purpose-built hostel requiring 29 people, including nurses, social workers, welfare workers and personal care people. In the whole environment of welfare services in Hong Kong there is currently less than full provision; there is still manpower shortage. So I suspect that manpower planning, in terms of future expansion, is equally high in our priority so as to make sure that the hostels are built and properly served. However, I do not have the figures to relate to the overall manpower planning for all the future hostels which are coming on stream, but I can reply in writing (Annex I). I do not think this is a matter which can be resolved by fear or worry; all it really needs is a dedication to build, to lay open our policy and to make sure that we keep to our schedule.

DR YEUNG SUM (in Cantonese): Mr Deputy President, I am glad to hear from the Secretary that six or seven hostels are going to be built. This would mean a lot to the disabled. However, I would like to draw the Secretary's particular attention to that group of disabled who, apart from being severely mentally handicapped, are also wheelchair-bound for life. They are aged between nine and 16, attend special schools and have to return home after graduation. Thereafter, they have to be carried by their parents wherever they go. I hope the Secretary will have special regard to the fact that some severely mentally handicapped persons have nowhere to go because they cannot be admitted due to access problems in some hostels mentioned earlier. Though Siu Lam Hospital can provide 200 places, there are over a thousand on the waiting list, and vacancies would arise only in the vent of death of inmates. I hope the Administration will provide residential services for this particular group of people.

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I should like to thank the Honourable YEUNG Sum for his statement which I will note.

MR FRED LI (in Cantonese): Mr Deputy President, in view of the large number of severely mentally handicapped persons awaiting admission in the next few years, especially in the case of the "multiple-handicapped" mentioned by Dr YEUNG, will the Administration consider catering to the urgent need of the severely mentally handicapped by buying places from private hostels, in a similar way that the Administration buys places fro homes for the elderly, so as to alleviate the heavy burden of these parents?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, this is a very interesting idea which needs pursuing and I will undertake to pursue that.

MR PETER WONG: Mr Deputy President, in addition to having to worry about their offspring while waiting in the queue, parents have a genuine fear that qualified workers will emigrate leaving them unserved in the future. So I am very pleased to note that there are now five training teams but they have to work at home. Would the Secretary advise what facilities there are to train the parents who are still

on the waiting list and, more importantly, whether there is provision for a place for the parents to meet so that they can engage in mutual help or self help in caring for their unfortunate offspring?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the teams I referred to in the main reply are specifically to help and train the parents in their home environment. In respect of the second part of the question which asks how we would help the parents to get together to engage in mutual or self help, I think that is indeed one of the innovative measures which we would want to pursue. We need, of course, additional funding and we are in fact joining hands with the parents and the Social Welfare Department to consider how speedily we can get the first pilot scheme off the ground. I cannot make any promises but I do think this is one of the options open. This is one of the new ideas which we are exploring. And as I said in the main reply, it is a collective response and a collaborative effort, and it is in that direction that I welcome all the new suggestions. But may I also touch upon the idea of innovation. Innovation can be easily misunderstood as the Government shirking its responsibility. Please do not consider that to be one of the ways the Government avoids commitment. Innovation is additional to the Government's commitment. It is one way of dealing with a problem imaginatively and involving a social and community effort which is worth pursuing.

Hospital Authority's control on medical supplies

2. DR CONRAD LAM asked (in Cantonese): Will the Government inform this Council how the Hospital Authority monitors and supervises the operation of the hospitals to prevent them from running short of drugs and other essential medical supplies?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the Hospital Authority monitors the usage of drugs and medical supplies in hospitals through a combination of budgetary management as well as inventory control.

In terms of budgetary management, ex-government hospitals channel their usage patterns of drugs and medical supplies to the Authority through the Ledger Accounting Financial Information System (LAFIS) whilst ex-subsidised hospitals maintaining their own accounting systems are required to submit monthly financial reports to the

Authority. Such information is then examined by the head office of the Authority to detect potential deficiencies and determine the need, if any, for redeployment of resources.

As regards inventory control, individual hospitals are charged with the responsibility to monitor their own supply and usage of drugs and to alert the Authority to the need for additional resources. This is effected in the main through Drug Monitoring Committees or Hospital Professional Committees comprising all key professional and management staff.

Furthermore, there is a fully computerized system for ordering and inventory control at the five major ex-government hospitals, namely, Queen Mary Hospital, Queen Elizabeth Hospital, Princess Margaret Hospital, Prince of Wales Hospital and Tuen Mun Hospital. This provides essential data on stock level, usage rates and trends and optimal ordering intervals.

The Chief Pharmacist at the Authority head office regularly monitors the overall situation of medical supplies among these five hospitals through on-line facilities. Consideration is being given to extending this system to other hospitals and specialist clinics in the longer term.

DR CONRAD LAM (in Cantonese): Mr Deputy President, recently a doctor of the Prince of Wales Hospital stated that the hospital would be running out of money to buy drugs because it was about to sue up all the funds it received from the Government and this had caused considerable alarm in the community. But a spokesman for the Hospital Authority said that was untrue. Will the Administration advise this Council whether the public should believe the statement of the Hospital Authority's spokesman or that of the doctor? What would the Administration do if the hospital concerned really uses up all its funds?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, in respect of the famous Prince of Wales Hospital saga, I do not think one needs a Secretary for Health and Welfare, one needs the King of the Solomon Islands or King Solomon better -- in the historical sense. I think the Hospital Authority has already made clear its view which is that there is no question of services to patients being reduced through a lack of drugs. The Prince of Wales Hospital saga regarding the lack of drugs was caused by a

misunderstanding. I have done some preliminary investigation into the whole saga and I am given to understand that early this month there was a balance of two months' supply of drugs as well as \$4.2 million in uncommitted funds for additional supplies. Furthermore, the Prince of Wales Hospital has been authorized to over-commit expenditure by 25% of its allocation for contingency services. The question of lack of cure through lack of drugs will not arise.

DEPUTY PRESIDENT: I will not be taking any additional supplementaries beyond the list I have already got.

MR ANDREW WONG: Mr Deputy President, from the Secretary's answer, particularly that part about LAFIS and about budgetary management, the impression I get is that those who waste, for example the Queen Mary Hospital, will be rewarded with more cash and more supplies, and those who economize, for example the Prince of Wales Hospital, will be penalized. Will the Secretary confirm that my interpretation is correct? If it is not correct, could I be given a second impression as to what the whole saga is all about?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I am no King Solomon but I do not think that Mr WONG's understanding is correct. I do not think there is imbalance or inequity in allocation of funds for drugs or other medical supplies. The amount of resources provided to each hospital is not based on its ability to scream but is determined in accordance with a number of interrelated factors such as utility, utilization of beds, case-mix, and past pattern of expenditure. I have every confidence that our medical professionals and other related professionals, dedicated to the service of the public as they are, will do their best to monitor, counter-check and be on the alert to ensure there are enough drugs in store. So for this reason, I do not think that the alarm which has been caused by certain reports is something we need to really worry about. But I am still looking into this; my preliminary conclusion is that there is no question of patients not being looked after properly in our hospitals in Hong Kong.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, recently there have been a lot of controversies over the allocation of resources between different hospitals. Will



the Administration inform this Council of the criteria and objective standards the Administration used in determining the allocation of resources? Is the Administration going to conduct a review on the existing allocation practice so as to explain to the public what has been happening?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I was trying to explain, perhaps not clearly enough, that there is no imbalance in the allocation of funds. Hong Kong is a society where a patient can go to any hospital. So the allocation of funds is not based on population in isolation; it is based, as I was saying in my previous supplementary reply, on a number of factors such as case-mix, population, pattern of expenditure, and the specialty of service existing in certain hospitals. The concept, therefore, of allocation of money really relates to the degree or pattern of utilization in the past. Now I can give figures to show that although the allocation may be large for some hospitals, there are very good reasons for that. I will, as an example, cite this year's revised estimates for four large hospitals. The Queen Mary Hospital's allocation this year for medical drugs is \$70.65 million and specialist supplies, including supplies of items such as dressing, chemicals, medical instruments, laboratory equipment, bedding and linen is \$69.57 million; these make up a total of \$140.22 million. For the Queen Elizabeth Hospital, it is \$69.25 and \$62.2 respectively, making a total of \$131.45 million. For the Princess Margaret Hospital, it is \$35.97 and \$39.49 respectively, making a total of \$75.46 million. For the Prince of Wales Hospital it is \$44.2 million and \$48.99 million respectively, making a total of \$93.19 million. From the figures one would know that the Queen Mary Hospital gets the most. But let us also recognize that the significantly higher provision for the Queen Mary Hospital is probably also due, among other factors, to its taking in more cancer and leukaemia patients, for whom the medication is very costly.

MR MICHAEL HO (in Cantonese): Mr Deputy President, the Secretary's reply just now has, I believe, put the heart of many of our colleagues at ease. I also think that the incident of the Prince of Wales Hospital has been clarified. However, concerning the control on the purchase of drugs, will the Administration inform this Council, if control is relaxed after this incident, whether this would lead to a significant increase in the cost of drugs because some controlling officers may be "over generous"?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I would also, on behalf of the Hospital Authority, say that the Hospital Authority and its professional staff through the various committees referred to in my main reply, that is to say the Drug Monitoring Committees and Hospital Professional Committees, will do their utmost to ensure there is cost containment and no wastage.

MISS EMILY LAU (in Cantonese): Mr Deputy President, I would like to follow up the issue concerning the Prince of Wales Hospital in Shatin. I understand that the Secretary is no King Solomon. However, she will discover from this incident that there may be disputes between doctors or problems between the professors and the Hospital Authority. Can the Secretary clarify whether certain mechanisms will be introduced to facilitate good communication between the professors and the Hospital Authority, thus preventing disputes from arising? Since many people will panic if there is an announcement that hospitals are running short of drugs, and it takes time for the Administration to clarify, so if communication problems do exist, would the Secretary try to find a way to avoid misunderstandings?

SECRETARY FOR HEALTH AND WELFARE: I am very grateful for this point raised. I cannot speculate on how and why such reports came about. I read probably the same magazines and papers that the Honourable Miss Emily LAU read, but I do not comment on anything I do not understand or any motivation behind it which I cannot feel. But I do think there is probably a need for improving the communication network, and I am happy to report that both the Hospital Authority senior management and the professors of different universities have shown goodwill and dedication to communicate so that they can forestall any misunderstanding before the misunderstanding actually arises. I am comforted by their goodwill and their collaborative effort in seeking a good communication channel with each other, and I will do my best to help if my help is needed.

DR LEONG CHE-HUNG: Mr Deputy President, I am thankful to the Secretary for clearing part of the worry in the air. As regards budgetary management, the current outcry in the media has highlighted the discrepancy in provision of funds in a certain hospital which has led to delay in patients' treatment, or to patients being sent to another hospital for treatment. Could the Secretary confirm to this Council the

validity of this allegation, explain why this has happened, and assure the public that the sick will get proper care in any hospital anywhere in Hong Kong?

SECRETARY FOR HEALTH AND WELFARE: I really cannot comment, Mr Deputy President, on a case which I have not looked into and therefore I cannot comment on this alleged case. However, through my consultations with the Hospital Authority and the University Hospital professors, I can assure the Hong Kong public that patients in Hong Kong are given every good and dedicated care that they can hope for. We cannot have better professional people anywhere else in the world than in Hong Kong. They are professionals of whom Hong Kong people should be proud, and I do not think our faith should be shaken by a few isolated cases which might, after all, have perfectly legitimate reasons -- but which are unknown to me because I do not know the case. But if Dr LEONG could speak to me afterwards to give me the details, I can provide a written answer to that.

MR MAN SAI-CHEONG (in Cantonese): Mr Deputy President, the Secretary has been acclaimed as "a prudent housewife", but "even a prudent housewife cannot cook without rice". I am worried by recent reports that the Administration had requested the Hospital Authority to cut its expenses by 1% to 2%. Is such report true and will the cut lead to shortage in drugs and other supplies in hospitals?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, first of all may I say, with respect, that the question has meandered outside the scope of the original question. I am not aware of any so-called cuts. The Hospital Authority will be given a large budget the rationale for which was debated when the Hospital Authority Bill came before this Council last year.

PROF FELICE LIEH MAK: Mr Deputy President, will the Administration inform this Council whether there is any attempt to ensure a more equitable distribution of resources? It is evident that a small number of people, mainly organ transplant patients and cancer patients, receive the most expensive drugs. In the face of limited resources, how will the Administration ensure that patients in the General Outpatient Department will not be deprived of the appropriate level of medication?

SECRETARY FOR HEALTH AND WELFARE: May I answer the question in two parts, Mr Deputy President. As regards the first part, the Hospital Authority, I understand, is now in the process of conducting a review of the overall provision of medical services in the territory; in the course of the review they will be looking at the resource allocation on an equitable and balanced basis. I cannot pre-empt the outcome of the review but I think the aspirations of this Council will be taken into account.

As to the wider question of financing medical and health services, I will be setting up a study group on the waiver and fee-charging system, not only for the health side but also the hospital and welfare side. I intend to gather all the strands of thought and put them in a Green Paper, which is an option paper, for discussion and tabling in this Council some time this year.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, it is known that different drugs can be used in the treatment of the same disease. At present, some hospitals prefer using more expensive drugs while others prefer less expensive ones. Is this situation true? Has the Administration issued a guideline for hospitals on the purchase of drugs?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, the question of what drugs to give to patients is not an area where a humble Administrative Officer like me would dare to venture into. I will defer entirely to the judgment of the professionals in dispensing drugs.

MR PETER WONG: Mr Deputy President, the drug controller is the Chief Pharmacist and he sits and looks from on high in his office but he cannot control the quantity nor the quality of drugs which are prescribed by doctors at a hospital -- which point has just been explained. And the doctor's only prescribed occupation is to cure his patients quickly and effectively and he has no knowledge of costs, nor does he need to care about economy. So my question is: in these circumstances how can the Chief Pharmacist be accountable?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, that is a very difficult

question because the control of money, although it is theoretically in the hands of one person, is in fact through a whole network of controls, such as management control, budgetary control and inventory control. I think the philosophy of cost containment in fact is a culture which needs to be cultivated and understood. In a way I tend to agree with the question itself in my reply in that the culture is not yet fully understood in Hong Kong and the more it is discussed in the open the better it will be, so that people will realize that drugs really should be dispensed when absolutely needed, based on professional judgment. In answering this question I am in no way saying that there is any waste at the moment but I do think there should be much more awareness, that is to say a culture, to be cultivated in Hong Kong regarding cost containment; and it was indeed largely for this that the Hospital Authority was set up.

#### River training schemes

3. MR TIK CHI-YUEN asked (in Cantonese): Regarding the river training schemes designed to address the flooding problem in northern New Territories, will the Administration inform this Council:

(a) whether the training of Shenzhen River can only be carried out with the co-operation of the Chinese Authorities;

(b) if so, which department is responsible for negotiating with the Chinese authorities, and for carrying out the works, and what progress has been made so far; and

(c) what measures will be taken before the completion of the works in order to avoid or reduce the impact of flooding on the residents of North District?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the training of Shenzhen River was first conceived as a joint project between the Hong Kong and Shenzhen authorities and hence the involvement and co-operation of both parties are required. On the side of the Hong Kong Government, the Drainage Services Department is responsible for the project. Discussions had been held with the Shenzhen authorities over the past few years but there is no final conclusion on the commencement of the project.

With regard to the third part of the question, a number of measures are being introduced as recommended under the Territorial Land Drainage and Flood Control Strategy Study.

On structural measures, the Drainage Services Department is clearing up all the cross road drains and culverts to enable the drainage network to operate at maximum capacity. Drainage improvement works at Tai Hang, Ganges River, Kwu Tung and Muk Wu, costing \$6.4 million, will be completed by mid-1994. Furthermore, a road embankment to protect Sheung Shui Tsuen from flood water and a pump storage system to drain the low lying areas were completed in 1990 at a cost of \$25 million. The total area protected by the scheme is 26 hectares. Long-term plans to introduce major channel improvements works at River Indus and other streamcourses in the North District are also being drawn up.

In addition, the Drainage Services Department is designing a comprehensive package of drainage management and development control measures for the benefit of the New Territories as a whole. These measures include a flood siren and a real-time flood forecasting system which will be implemented in May this year and February 1993 respectively. New legislation is being prepared for introduction to this Council towards the end of this year to empower government departments to gain access to private land to maintain watercourses. Finally, Drainage Impact Assessments have, since December 1990, been required of all new developments and development permission will not be given unless such developments will not aggravate the flooding problem in areas within drainage basins.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, it was pointed out in the first paragraph of the Administration's reply that there were discussions with the Chinese authorities on the training of Shenzhen River but no final conclusion on the commencement of the project had been reached. Could the Administration inform this Council when a decision will be made? Will the training of Shenzhen River bring about any change or indistinctness to the existing boundary? If so, how will the problem be resolved? If the boundary is changed, who are those residents that will be affected and how will the Administration deal with this?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): We have not agreed on

a date for the commencement of the project because of a number of reasons, such as that of financial arrangements and fund allocation. We had in fact conducted a cost-effectiveness study and found that the fund required for the flood control project far exceeded the benefits to be gained. Of course, on the environmental side, we will also have to conduct an impact assessment.

As regards the second part of the question concerning the boundary, Shenzhen River forms a boundary between Hong Kong and Shenzhen. Any change in the river course must be looked at in the light of consequential change to the boundary and this is an issue that must be discussed. No date has hitherto been fixed for the commencement of the project.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, it was reported that Mr ZHU Shenlin, the newly appointed Guangdong Governor, had mentioned that the Shenzhen and Hong Kong authorities would join hands to train rivers and this had been included in the agenda for final approval by the State Council. Could the Administration inform this Council if the authorities concerned were aware of that? If so, will the Administration join forces with the Guangdong authorities to work out the projects, so that the above problems can be solved?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): I cannot comment on what a Chinese official said in a newspaper.

MR GILBERT LEUNG (in Cantonese): Mr Deputy President, we all know that flooding in the North District is a very serious problem. In the past three years, there had been very serious flooding and large amounts of crops were damaged. Could the Administration inform this Council of the main causes of flooding in the North District and the remedial measures the Administration can take to bring the flooding problem under control?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): Mr Deputy President, in a written reply I tabled before this Council on 18 December 1991 concerning the causes of flooding in Tuen Mun and Yuen Long, the causes mentioned then are also applicable to that of the North District. These include blockage of river courses

by plants and silt and filling of fishponds and the laying of unauthorized sewage systems. Furthermore, the dumping of crops into rivers had also caused blockage. In general, most of the floodings can be controlled by way of prevention projects or legislation. And improvements can also be made through development projects.

DR SAMUEL WONG: Mr Deputy President, would the package of drainage management and development control measures, as mentioned in the last paragraph of the Policy Secretary's reply, require additional resources? If yes, could these be provided, even though most government departments are having zero growth in the coming years?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Yes, Mr Deputy President, we have in fact, as I mentioned in the last paragraph of my main reply, funds to introduce a real-time flood forecasting system as well as a flood siren, and this will be implemented as indicated in my reply. I believe Dr WONG actually may be referring to the third paragraph of my main reply although he said the last paragraph, because the project covered in the last paragraph does not really require much money. I mentioned several projects in the third paragraph of my reply, namely, improvement works at Tai Hang, Ganges River, Kwu Tung and Muk Wu. Funds are provided and the projects should be completed on time. Actually, two of the projects were started last year. We do not have funds for the major channel improvement works at River Indus and the streamcourses in the North District for two reasons: the first one is that these improvement works are still being designed and therefore we are not yet in a position to correctly estimate the funds required; and the second reason is that we are still working on the planned start dates for these projects. However, I should issue a word of warning and that is that the present indications show that the major channel improvement works in those areas are likely to cost a very huge sum, to the tune of over \$2 billion.

MR ALBERT CHAN (in Cantonese): Mr Deputy President, will the river training project affect the ecology and the farmland nearby; if so, what measures will be taken to adequately protect the natural environment and will compensation be given to those farmers whose land has been affected by the project?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): Mr Deputy President,



regarding the ecological effects of the training of Shenzhen River the most seriously affected area will perhaps be Mai Po nature preserve. Moreover, with the widening of the river the interflow of river water will be slowed down. Since a proper assessment has yet to be made, we can only say at the present moment that they should have certainly need to have a detailed assessment on the environmental impact first. This is also one of the reasons for the delay in the commissioning of the project.

MR LEE WING-TAT (in Cantonese): Mr Deputy President, in the last paragraph of his main reply, Mr LEUNG has mentioned that "Drainage Impact Assessments have, since December 1990, been required of all new developments". But in last few years, with developments of flyovers and roadworks in the New Territories, flooding occurs very frequently during the rainy summer season. Could I ask the Administration whether the effectiveness of these assessments have been reviewed and which departments will be responsible for seeing to it that the rivers or drains will be duly cleared by the developers concerned if flooding occurs as a result of these development?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): Mr Deputy President, the flooding in the North District was in fact not very serious in the last few years. I believe Members still remember that there have not been many rainstorms or typhoons in the last couple of years. As of today we have only recorded 21 cases of minor flooding, the most serious being the one in 1989 when Typhoon Brenda visited Hong Kong; the rest are of a much smaller scale. In general, whenever a report of flooding is received, staff of the Drainage Services Department will be sent to the affected areas to clear the drains nearby. The Highways Department will also examine whether the contractor should be responsible for the clearing work at the site. In most cases the Administration will very quickly arrange clearing and follow-up works to be done once a report of flooding is received.

REV FUNG CHI-WOOD (in Cantonese): Mr Deputy President, part of my question has already been answered; but may I ask whether the frequency of flooding in the North District has been increasing or otherwise in the last five years?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): Mr Deputy President, as I have said just now, the scale and frequency of flooding depend very much on the

amount of rainfall in the territory. The last two years have been relatively dry in Hong Kong. Flooding was therefore less common in terms of numbers of floods occurred. If we look at the matter purely from statistical point of view the trend is that flooding is indeed decreasing in the last five years, but certainly its occurrence depends on the amount of rainfall in the territory. In 1988 and 1989 we had each year a typhoon which had brought about serious flooding in the northern part of the New Territories. Nevertheless rainfall became less in the last two years and there was an absence of typhoons, so complaints on flooding decreased drastically.

MR WONG WAI-YIN (in Cantonese): Mr Deputy President, part of my question has in fact been asked by Mr CHEUNG Man-kwong but the Secretary did not provide an answer. In the first paragraph of his main reply, Mr LEUNG said, "Discussions had been held with the Shenzhen authorities over the past few years but there is no final conclusion on the commencement of the project." Since discussions have been held for several years, could Mr LEUNG inform this Council in detail of the actual or specific difficulties encountered in these years and the plans the Administration has to tackle these problems?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): Mr Deputy President, there are several important points to which we must give consideration. The first is the funds required for the project; we have not enough financial resources to carry out the whole project at our present budget. Secondly, regarding the exchange of geotechnical and meteorological information, ample time should be allowed for the collection of information and necessary co-operation to take place. Moreover, staff deployment for the two sides in the course of the project, arrangement for works contractors and preparation for the project are also factors for consideration.

But the most important which I have mentioned just now is that we have examined the cost-effectiveness of the project and discovered that the fund required far exceeds the benefits to be gained. So as far as fund allocation is concerned, this project is rather low on the priority list.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, I am also very concerned about the progress of the training of Shenzhen River. Mr WONG Wai-yin has just now raised several points of doubt and from the official reply it seems that the Administration

also has a lot of questions in mind in respect of this project. Could I be enlightened as to whether these problems will lead to the shelving of the project; if not, whether the Administration will design a specific programme or schedule for this project, setting out in particular the discussions with the Chinese side on the project which, for instance, may include the date and agenda of the next meeting with the Chinese authorities?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS (in Cantonese): Mr Deputy President, in fact we have not fixed a date for the project; nor have we arranged a date for talks on the project to be resumed with the Chinese side. As a matter of fact the sums required for this project have not been made available in the vote, so it would appear premature to discuss the commencement of works at this stage. But the most important reason is that in consideration of this project we have other studies to make, one being the cost-effectiveness study and the other the environmental impact assessment. We have to be sure that the environment will not be seriously degraded before discussing the commencement of the project.

Written answers to questions

Control of high-powered speedboats

4. MRS RITA FAN asked: High-powered speedboats are key to smugglers' operations and Hong Kong has outlawed the construction and use of such vessels. To stop the large number of vessels from continuing to intrude into Hong Kong waters, will the Government inform this Council what action has been taken to seek the co-operation of the relevant Chinese authorities to prohibit the construction, maintenance and repair of such vessels in Chinese territory and what progress has been achieved so far?

SECRETARY FOR SECURITY: Mr Deputy President, in 1991 the police held 10 formal meetings with the Chinese authorities. Smuggling and measures to control smuggling, including action against high-powered speedboats, were two of the principal concerns raised at these meetings. These concerns were also raised when the Director of the Guangdong Provincial Public Security Bureau visited Hong Kong and when the Commissioner of Police made a return visit. They have also been raised through border

liaison channels, most recently at the Annual Border Liaison Review meeting which took place on 27 January 1992.

We have passed to the Chinese authorities details of the locations from which we believe the speedboats are operating. We have also provided details of our legislation against the construction and use of speedboats designed for smuggling purposes.

The Chinese authorities have consistently affirmed their resolve to take action against smuggling activity, and have done so. We understand that about 200 speedboats were seized in crackdowns against smuggling in May to July and November 1991. We also understand that some districts on the Mainland are drawing up regulations to forbid the construction of speedboats used for smuggling.

We are continuing to press the Chinese to take further action against smuggling. We are pleased that there is increased co-operation between us in this regard.

#### Traffic situation at Man Kam To Border Crossing

5. MRS RITA FAN asked: Will the Government inform this Council whether it is satisfied with the traffic situation at the Man Kam To Border Crossing following the full opening of the Lok Ma Chau Border Crossing on 8 August 1991, and if the answer is negative, what actions will be taken to improve the situation at the former crossing?

SECRETARY FOR TRANSPORT: Mr Deputy President, starting on 8 August last year, the operating period of the Lok Ma Chau border crossing was extended from eight to 12 hours per day, and the crossing was open to passengers as well as goods vehicles. Since then, the number of vehicle crossings has increased from under 5 000 to more than 5 500 per day. This increased utilization has resulted mainly from the continued diversion of vehicles from the Man Kam To crossing to Lok Ma Chau. For a while, this seemed to have eased the congestion problem at Man Kam To. However, taking advantage of the reduced traffic, drivers of goods vehicles with permits to use Man Kam To have been making additional trips through that crossing, thereby maintaining throughput close to its practical capacity of 9 700 vehicles a day. Peak hour congestion has therefore remained a problem.

To further reduce congestion at Man Kam To, the following measures have since been introduced or are being actively pursued:

(a) Issue of new cross-border vehicle permits

These will continue to be issued only for the Lok Ma Chau crossing.

(b) Speeding up the processing time for vehicles

Since 19 November 1991, officials on both sides have been processing vehicles at Man Kam To at the rate of about 200 to 250 per half hour. This improved rate has significantly reduced queue lengths and the associated waiting time. The new arrangement has now become permanent.

(c) Further diversion of vehicles to Lok Ma Chau

Over 2 900 vehicles originally authorized to use Man Kam To have been diverted to Lok Ma Chau since the latter's opening in December 1989. This number will soon increase to 3 170. In addition, we are discussing with the Chinese side the possibility of further vehicle diversions.

Safety of the new airport

6. DR SAMUEL WONG asked: Will the Government inform this Council:

(a) whether, to provide for the safe operation of aircraft using Chek Lap Kok airport, consideration is still being given to removing certain topographical features and, for the 1525 metres runway separation, to effecting a cut of up to 2.08 million cubic metres over 11 hectares of land in both Tai Lam Country Park and Lantau; and

(b) whether the new airport will be a safe and modern one capable of serving Hong Kong for the next 30 to 50 years?

SECRETARY FOR ECONOMIC SERVICES: Mr Deputy President, in the initial years of the

new airport operation, specific procedures for handling the movement of aircraft have been developed in such a way as to limit the need for terrain cuts to the Brothers Islands, without compromising safety. Based on the current forecasts of air traffic growth and present technology, it is estimated that further terrain cuts on North Lantau and Tai Tam Country Park are unlikely to be required until 2005 and 2015 respectively.

No factor is more important than safety in the planning and operation of an airport. The new airport has been planned to operate in accordance with the standards and recommended practices of the International Civil Aviation Organization (ICAO). It is designed to meet the forecast demand up to the year 2040. Recognizing that the aviation industry is a dynamic industry in terms of technological change, new aircraft types and sizes, and demand for new services, very close attention has been paid and will continue to be paid to designing an airport capable of adapting to future circumstances.

#### Driving offences on expressways

7. MR SIMON IP asked: With the introduction of the Road Traffic (Expressways) Regulations on 1 October 1991 will Government inform this Council:

(a) what resources have been allocated and what measures are being taken by the police to monitor adherence to the new driving rules on the Tolo Highway;

(b) what has been the incidence of users of the Tolo Highway, especially heavy goods vehicles drivers, breaching the new rules; and

(c) what steps are being taken to ensure the speed limit along the Tolo Highway is not exceeded and whether such steps can be further improved?

SECRETARY FOR TRANSPORT: Mr Deputy President,

(a) In recent years the police have been provided with 35 additional posts and 10 extra vehicles to maintain traffic discipline on those new trunk roads in the New Territories which are now known as expressways. This has allowed increased patrolling of these roads to enforce the new legislation effectively. In addition,

special police operations are mounted on the Tolo Highway and other New Territories expressways from time to time, targeted at specific traffic offences including those committed under the expressways legislation.

(b) For a one-week period following the enactment of the new legislation, the police only warned and advised motorists who were in breach of the regulations. Thereafter, offenders have been prosecuted. Separate statistics are not maintained by the police for offences committed on the Tolo Highway, or for offences by heavy goods vehicle drivers against the new regulations. However, in the New Territories as a whole, there have so far been 520 prosecutions for expressway offences, including 412 cases of unauthorized use of the offside lane and 44 cases of overtaking in the nearside lane.

(c) The police use radar and other speed detection equipment to identify vehicles exceeding the speed limits on the Tolo Highway. In the past three months, the police have acted on 10 567 speeding offences committed on New Territories expressways. The current level of law enforcement on the Tolo Highway in respect of this offence is considered adequate by the police.

Fresh water flushing

8. MR GILBERT LEUNG asked: Will the Government inform this Council:

(a) of the areas in the territory which use fresh water for flushing purposes and the reasons for it;

(b) of the volume of fresh water used for flushing, separately as a percentage of the total consumption of flushing water and as a percentage of the total consumption of potable water; and

(c) whether consideration will be given to reducing the use of fresh water for such purposes so as to save as much potable water as possible?

SECRETARY FOR WORKS: Mr Deputy President,

(a) The areas using fresh water for flushing purposes and the reasons for this are

given below:

#### Wan Chai

About 20% of the flushing water consumption in this area is salt water. The other 80% is fresh water, to be replaced with salt water gradually upon extension of the salt water reticulation network. Constraints in opening up roads for mainlaying, and in financial resources, limit the speed of converting fresh water to sea water.

#### Shau Kei Wan

The salt water supply system being implemented is expected to be completed in early 1994.

#### Ap Lei Chau

A new salt water pumping station has just been commissioned. Conversion from fresh water to salt water for flushing will soon commence, and it is expected that within a few months about 50% of the flushing water in this area will be sea water. The remaining 50% will be converted gradually upon extension of the distribution system.

#### Pok Fu Lam

A salt water supply scheme is being planned. Subject to availability of funds, the scheme will be implemented in a few years' time.

#### Sha Tin and Ma On Shan New Town

The proposal to use treated sewage effluent for flushing was dropped in 1988, and the proposed salt water system is presently in the design stage. The scheduled completion date of the salt water system is by the end of 1994.

#### Tseung Kwan O New Town

The salt water pumping station will be built in conjunction with reclamation work in Area 86. The programmed completion date for this salt water system is presently mid-1995.



## Tai Po New Town

The proposal to use treated sewage effluent for flushing was dropped in 1988, and planning of the salt water system is nearing completion. The scheduled completion date of the salt water system is by the end of 1995.

## Yuen Long, Sheung Shui and Fanling

It is both impractical and uneconomical to provide salt water for flushing to these areas on account of their remoteness from the sea.

## Sai Kung and Outlying Islands

The flushing demands of these areas are presently so small that it is uneconomical to provide salt water to these areas for flushing.

(b) The amount of fresh water used for flushing is currently 33.3% of the total consumption of flushing water. The amount of fresh water used for flushing is 6.9% of the total consumption of potable water.

(c) When the proposed salt water systems are progressively completed, by 1995, the percentage of territory's population using salt water for flushing will be about 90%. In the present circumstances, it is impractical and uneconomical to provide salt water for flushing for the remaining 10% of the population. Nevertheless, the situation will be closely monitored and reviews made whenever there are new circumstances.

## Expansion of class size

9. MR NG MING-YUM asked: With regard to the recent announcement of the Education Department about its plan to expand the size of Primary I, Form I and Form IV classes with effect from the next school year, will the Government inform this Council:

(a) whether the appropriate education bodies, parents' organizations and the general public were consulted prior to the formulation of this plan if so, what was the outcome of these consultations; if not, what are the reasons for not conducting such exercises;

(b) what are the policy objectives, justifications and rationale of this plan;

(c) what savings this plan is expected to have in the first three consecutive years of its implementation; whether the financial resources thus saved are to be deployed for use in specified areas of education services; if so, what are the areas of these services; if not, on what policy areas such savings will be spent; and

(d) whether any Government action has been taken to assess the possible implications of this plan on the students, parents and teachers concerned; if so, what are the findings of the assessment; if not, what are the reasons for not making such an assessment?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, at this stage, the Government is consulting educational bodies on a plan to abolish the repeater allowance in the places allocation systems for schools, the effect of which would be to increase class size marginally. The final details of the measure itself and a decision on its introduction await the outcome of this consultation.

The answers to the specific questions raised by Mr NG are as follows:

(a) The Government has consulted schools councils, teachers unions, the OMELCO Education Panel and the Board of Education on the plan. It is not seen as a positive step but there is also general acceptance that it is a realistic and probably unavoidable measure in the circumstances. Following initial discussions with interested parties, the original plan has been modified to cater for the special needs of pupils most in need of teacher support. These discussions are still on-going.

Parent associations and the general public have not been consulted specifically. This is partly because the proposed changes involve technical adjustments to the places allocation systems which may or may not affect them individually. The other reason is that schools and other representative bodies consulted by the Government already provide ample channels for parental views on the general thrust of the proposal to be aired.

(b) The justification for introducing the measure under consideration is budgetary. The fundamental principle governing the planning and control of public expenditure is that, over a period of time, the growth rate should be no greater than

the trend growth rate of the economy. We are now facing a period of relatively low economic growth. This in turn has imposed constraints on the rate at which government spending can increase. Against this background, the Government as a whole must produce savings of 2.6% of projected recurrent expenditure by 1994-95. In line with this government directive which applies across the board, the Education Department has been asked to produce savings of about \$400 million over three years from 1992-93 to 1994-95.

The rationale of the plan is to increase the number of pupils allocated to a class from 38 to 40, thereby reducing the number of classes (and the costs involved) to be provided through the publicly funded school system. Schools wishing to accommodate repeaters will have to exercise the option of increasing class size up to 42. This plan has been proposed after exhaustive examination of alternatives and is considered the only realistic and least disruptive way to produce the necessary savings, while minimizing any adverse effects on the quality of education provided.

Although the repeater allowance of two pupils per class has been available to schools for years, it has never been taken up in full. In 1991, only 29%, 49% and 54% of the allowance was taken up by repeaters at Primary 1, Secondary 1 and Secondary 4 respectively. Moreover, the average class size in schools has been declining over the past decade and now averages 34.68 for primary schools and 36.7 for secondary schools. Of all classes in primary and secondary schools receiving students under the places allocation systems now, a significant proportion has less than 40 pupils(1).

Note (1)

#### Class Distribution

Primary 1    Secondary 1    Secondary 4

Class Size

38 or less	40%)	20%)	28%)
	) 53%	) 33%	) 42%
39	13%)	13%)	14%)
40	23%	30%	24%
Over 40	24%	37%	34%

Against this background, the Government considers that it would be acceptable, as

a short-term measure, to dispense with the present repeater allowance. In addition to achieving the necessary savings, this measure would make it possible to reduce the number of floating classes in over-crowded secondary schools as well as free classrooms and teachers to meet the current policy target of providing Secondary 6 places for one-third of the relevant Secondary 4 enrolment.

(c) The estimated savings arising from the plan are:

	1992-93	1993-94	1994-95	Total
(\$ million)	51.4	141.0	214.0	406.4

These savings, as stated in (b) above, are aimed at scaling back the projected growth in recurrent expenditure and would not be available for redeployment within the education area or to other areas. In this connection, they are separate and different from earlier baseline savings which have already been redeployed on improving education.

(d) An assessment of the possible implications of this measure has been made. There would be no implications for parents or classes with a high proportion of Band 5 pupils. There would be little effect on classes with an enrolment of 38 or less (see note (1)) and some effect on the other classes. In the latter case, the undesirable effect of a larger class of 42 would be marginal and can be expected to be reduced over time.

Individual teachers' workload may or may not increase depending on the size of classes taught. Any increase will, however, be slight. The Education Department estimates that about 860 teachers would be affected by the proposed reduction in the number of classes, but no redundancies will occur because they can be absorbed by the overall demand for teachers. The ranking of primary school heads will not be affected as a direct result of this measure.

Sea passages for civil servants

10. MR NG MING-YUM asked: Will the Government inform this Council:

(a) of the criteria for granting sea passages to civil servants and their family members;

(b) of the current minimum cost per passage;

(c) of the financial involvement; the number of civil servants and the number of their family members benefited under the scheme in the past five years;

(d) of the total number of eligible civil servants who can claim sea passages before 30 June 1997; and the estimated expenditure involved;

(e) whether it has any plans to discontinue the grant of sea passages; if so, what are the details and progress made; and

(f) whether this Council would be consulted prior to the implementation of these plans?

SECRETARY FOR THE CIVIL SERVICE: Mr Deputy President,

(a) Overseas officers appointed before 1 December 1984 are eligible for a sea passage to their country of origin when they leave the service in accordance with the following criteria:

(i) pensionable officers who retire at the age of 50 or over; and

(ii) agreement officers aged 50 or over on satisfactory completion of not less than 15 years of public service in Hong Kong or another dependent territory.

An officer's spouse and dependent children under the age of 19 are also eligible for a sea passage, subject to a maximum of five full-fare passages. At present, sea passages are only available between Hong Kong and the United Kingdom on the Canberra, which sails from Hong Kong once a year.

(b) The cost of a sea passage varies according to the route which may vary from year to year and the grade of passage to which the officer is entitled. In 1992, the cost of a sea passage on the Canberra ranges from \$39,200 to \$68,502.

(c) Over the last five years, sea passages were granted to 98 civil servants and 92 dependents. The total expenditure, based on prevailing prices at the time, was \$9.79 million.

(d) There are 1 639 overseas officers who were appointed before 1 December 1984, of whom about 780 would have reached the age of 50 and completed 15 or more years of service by 30 June 1997. We estimate that at current prices, the cost up to 30 June 1997 would be about \$29.5 million. The increase compared with the last five years is largely due to the increase in the number of eligible officers.

(e) There are plans to withdraw the provision of sea passages which is no longer justified in present-day circumstances. We propose to grant an ex-gratia payment to eligible officers who could otherwise have enjoyed a sea passage at the time they leave the service. The total cost of ex-gratia payment will not exceed the cost of maintaining the present scheme. We have consulted the staff associations concerned, and will be seeking the advice of the Standing Commission on Civil Service Salaries and Conditions of Service and the other advisory committees on civil service pay and conditions of service. We hope to reach a decision within the next two months.

(f) The Council will be approached for funds to finance a scheme of ex-gratia payment which will replace sea passages.

#### Visa for former Soviet Bloc citizens

11. MR MARTIN BARROW asked: Will the Government inform this Council whether it has completed its consideration of visa procedures for citizens of the former Soviet Bloc and what steps it plans to take?

SECRETARY FOR SECURITY: Mr Deputy President, we have completed a review of our visa requirements for nationals of the former Soviet Bloc countries. Changes to simplify the procedures and reduce processing time will be introduced from 1 February.

We concluded last year a visa waiver agreement with Poland. Polish nationals may now enter Hong Kong for business or tourist visits of up to seven days without visas; Hong Kong residents with BDTC or BN(O) passports may similarly visit Poland without visas.

We are discussing reciprocal visa waiver arrangements with Czechoslovakia and Hungary; pending conclusion of such agreements, visas to visit Hong Kong for business or tourist visits can be issued to nationals of Czechoslovakia and Hungary within three working days.

Nationals of Afghanistan, Albania, Bulgaria, Cuba and Mongolia may also obtain both business and tourist visas for Hong Kong within three working days. Nationals of Cambodia, Laos, Romania, the former Soviet Union (including the Baltic states) and Vietnam can also come to Hong Kong for both business and tourist visits; the visa issuing time will in future be seven working days.

We have maintained our previous requirements for nationals of North Korea. Visas will be issued only for business visits; the time taken to issue such visas is normally six weeks.

#### Protection for foreign workers

12. MR LAU CHI-SHEK asked: Will the Government inform this Council:

(a) whether there is any policy or legislation to protect the rights of foreign workers, and if so, which government department is responsible for ensuring compliance; and

(b) what are the channels through which foreign workers can seek verification when suspecting a discrepancy between the contract given to them by the employer and the one submitted to the Immigration Department for application purposes; whether the Immigration Department has prosecuted any employers for supplying such false information in the past two years, and if so, how many prosecutions have been instituted?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, foreign workers are entitled to the same protection as local workers under the laws of Hong Kong. Both the Labour Department and the Immigration Department are responsible to ensure compliance with the provisions of the relevant labour or immigration legislation as well as specific conditions in the employment contract entered between the foreign

worker and the employer. The Labour Department offers its conciliation services when there is a dispute on conditions of employment between the foreign worker and his employer. The worker will be assisted to pursue his claim through the appropriate legal channels if both parties fail to reach settlement. Suspected breaches of the conditions set by the Immigration Department and suspected cases of provision of false information by the employing firm in its application to employ foreign workers are either taken up by the Immigration Department direct or through referral by the Labour Department.

The policy for protection of the rights of foreign workers is under constant review and adjustments are made to existing provisions and administrative measures as necessary. For example, an amendment Bill for increasing the maximum penalties for unlawful deduction and underpayment of wages from \$10,000 and \$20,000 to \$100,000 and \$200,000 respectively, plus a custodial sentence of one year, is expected to be introduced into this Council shortly. Additional resources are deployed for enforcement of the conditions of the importation of labour schemes.

As regards the second part of Mr LAU's question, workers are advised to approach either the Labour Department or the Immigration Department should they wish to seek verification in case of labour disputes or suspected abuse. The Labour Relations Division of the Labour Department will provide assistance as required. As far as foreign domestic workers are concerned, 46 employers have been investigated for furnishing false information in the past two years and 19 were prosecuted. In addition, the Immigration Department has prosecuted one construction company for furnishing false information in connection with the importation of workers from outside Hong Kong. The defendant was however acquitted due to insufficient evidence. Several cases are currently under investigation and additional measures have been taken with a view to securing successful prosecution.

#### Provision of one-person and two-person flats

13. MR HUI YIN-FAT asked: In view of the Housing Department's current practice to increase the supply of one-person and two-person flats by converting existing flats in public housing estates, will the Government inform this Council of:

(a) the number of "converted flats" that will be completed in 1992-95;



(b) the number of such flats now available in each public housing estate and the date of their completion; and

(c) the vacancy rate of these flats and the reasons, and whether the Administration is satisfied with the situation?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the current conversion programme is a temporary measure to produce additional small flats to meet urgent operational requirements such as redevelopment and clearance. Under this programme, a total of 1 142 small flats will be produced between 1992 and 1995. All of these will provide self-contained facilities.

A total of 7 213 converted flats with shared facilities had been produced in the past on an ad hoc basis. Of which, 2 907 flats were produced in the last 12 months and a breakdown showing their location, number and date of completion is at the annex. In the short time available, it has not been possible to go back further to extrapolate information on those flats converted earlier.

Assuming that flats unlet after three months of handover are regarded as vacant, the average vacancy rate in respect of the converted flats is 25%. The main reason for the vacancy is that many prospective tenants are reluctant to accept accommodation without self-contained facilities. In addition, they have their locational preference. The first concern is being met as all the new conversions will have separate toilets and cooking facilities. Locational preference has been accommodated as far as possible but it has not been possible to meet all the requests due to timing and resource constraints. For the longer term, the Housing Authority has recently approved a number of measures to address the overall supply and demand of small flats on a district basis. There will thus be no need for any further conversions beyond what is already included in the current programme.

#### Annex

Distribution of one-person flats by location and completion date  
under conversion programme

District	Estate	Number	Date of completion
----------	--------	--------	--------------------

Hong Kong West	Wah Kwai	250	9/91
	Ap Lei Chau	18	6/91
	Lei Tung	4	7/91

Kowloon East	Tsui Ping	54	8/91
	Lok Wah South	82	8/91

Kowloon Central	Tung Tau	58	10/91
	Lower Wong Tai Sin	50	10/91
	Chuk Yuen South	30	1/91

Kowloon West	Chak On	68	9/91
	Lai Kok	12	2/91
	Shep Kip Mei	10	7/91

Tseung Kwan O	King Lam	225	5/91
---------------	----------	-----	------

Tsuen Wan	Cheung Hang	510	8/91
	Tsing Yi	21	8/91
	Cheung Hong	248	8/91

Sha Tin Kwong Yuen		180	10/91
	Lung Hang	34	5/91
	Mei Lam	104	7/91
	Sun Tin Wai	34	7/91

Tai Po	Tai Wo	255	10/91
--------	--------	-----	-------

Sheung Shui Wah Ming		660	2/91
----------------------	--	-----	------

Total 2 907

Discretion exercised by the Attorney General

14. MR JAMES TO asked: Will the Government inform this Council, during the period of tenure of office of the recent three Attorney Generals (including the incumbent):

(a) how many prima facie cases have been referred by the law enforcement agencies to the Attorney General to consider whether charges should be laid against the suspect; n how many of these cases did the Attorney General exercise his discretion not the charge the suspect; what is the nature of these cases;

(b) how many criminal cases committed or transferred to the High Court have been discontinued at the instruction of the Attorney General; what is the nature of these cases;

(c) what were the Attorney General's reasons for deciding either not to lay charges or to discontinue proceedings in these cases; and

(d) when the Attorney General exercised his discretion, who had he consulted and what procedures had been followed in exercising this discretion?

ATTORNEY GENERAL:

(a) Statistics are not kept on such matters and the information could only be obtained at disproportionate cost.

(b) Criminal cases in the High Court can be discontinued by or on the instruction of the Attorney General in two ways. These are the offering of no evidence so that an acquittal will follow, and the entry of a nolle prosequi. No statistics are kept of the former. Statistics for the entry of a nolle prosequi have been kept since 1986. These show that in the period from 1 January 1986 to date, a nolle prosequi was entered in 26 cases in the High Court as follows:

Dangerous drug charges 10  
Murder 1  
Murder/wounding with intent 1  
Murder/rape 1  
Attempted murder/robbery/rape 1  
Rape 1  
Incest/indecent assault 1

Robbery 2  
Robbery/handling stolen goods 1  
Conspiracy to rob 1  
Conspiracy to rob/possession of firearm 1  
Attempted robbery/possession of firearm 1  
Wounding with intent 1  
Conspiracy to kidnap 1  
Obtaining property by deception/false imprisonment 1  
Possession of forged documents 1

---

26

==

The yearly breakdown of the figures is as follows:

1986 14  
1987 4  
1988 3  
1989 1  
1990 1  
1991 3  
1992 to date 0

---

26

==

(c) The factors that are taken into account when deciding whether or not to prosecute in a particular case were given by my predecessor in this Council on 25 March 1987 (Hansard 1987 pages 1270-1271). They still apply today.

The circumstances in which a nolle prosequi may be entered were described by me in this Council on 18 January 1989 (Hansard 1989, pages 848-849).

(d) In deciding whether or not to commence proceedings or to discontinue particular proceedings that have already been commenced, the Attorney General, or his prosecuting counsel where relevant, may consult the appropriate authorities to seek their views but the decision remains that of the Attorney General. Until 1989, a

nolle prosequi could be signed by the Crown Prosecutor or one of his deputies under delegated authority, but the current practice is for the Attorney General personally to decide whether or not to enter a nolle prosequi.

#### Resisting arrest and assaulting police officers

15. REV FUNG CHI-WOOD asked: With regard to allegations against members of the public for resisting arrest or assaulting police officers, will the Government inform this Council:

(a) how many prosecutions were preferred by the police against members of the public for resisting arrest or assaulting police officers during the past three years; how many prosecutions eventually led to conviction; what penalties were imposed in general upon conviction; and

(b) under what circumstances members of the public will be charged by the police for such offences?

SECRETARY FOR SECURITY: Mr Deputy President, during the past three years, the police have instituted prosecutions of 3 413 cases for resisting arrest and 2 602 cases for assaults on police officers. The following is the annual breakdown:

	1989	1990	1991
Resisting arrest	1 030	1 178	1 205
Assault on police	807	842	953

Details of conviction, acquittal and penalties for these offences are available only in cases where one of these offences is the principal charge, not in cases where it is subsidiary to a charge for a more serious offence. In such cases, details of conviction, acquittal and sentence have been as follows:

#### Resisting Arrest

1989	1990	1991 (Jan-June)
------	------	-----------------

Acquitted	97	117	53
Imprisonment	62	84	58
Training Centre/Detention Centre	2	4	3
Drug Addiction Treatment Centre	8	10	8
Probation	3	10	5
Suspended Imprisonment	8	28	13
Bound Over/Conditional Discharge	12	28	14
Fine	89	121	53
Cautioned/Absolute Discharge	4	5	3
Others	4	6	7
Total	289	413	217

#### Assault on Police Officers

	1989	1990	1991 (Jan-June)
Acquitted	186	292	105
Imprisonment	80	99	42
Training Centre/Detention Centre	8	11	-
Drug Addiction Treatment Centre	38	21	9
Probation	21	14	14
Suspended Imprisonment	8	4	2

Bound Over/Conditional Discharge 49 32 33

Fine 198 216 73

Cautioned/Absolute Discharge 4 5 1

Others 5 7 7

Total 597 701 286

The circumstances in which members of the public will be charged by the police for the offences of resisting arrest or assaulting the police vary from case to case. The essential element in the offence of resisting arrest is a forcible attempt to avoid arrest; in the offence of assaulting a police officer it is the intentional offer of violence to a police officer.

#### Application for sponsorship of schools

16. MR CHEUNG MAN-KWONG asked: With regard to the sponsoring bodies' applications to run primary and secondary schools, will the Government inform this Council of the following:

(a) what criteria are being adopted by the Administration in approving such applications;

(b) the number of applications approved in the past five years with a breakdown of their respective years of approval, and the years in which these applications were made, and

(c) the number of primary and second schools now being run by each sponsoring body?

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, the answers to Mr CHEUNG's questions are as follows:

(a) The criteria for approving sponsoring bodies' applications to run primary and secondary schools are that the applicant must be properly incorporated as a non-profit-making body and be exempted from taxes under section 88 of the Inland Revenue Ordinance. Its Memorandum and Articles of Association should include standard clauses and articles specified by the Director of Education. When these basic requirements are met and new schools are available for allocation to sponsors, selection is made on the merits of individual applicants, having regard to each organization's experience in education, financial condition (that is capability to contribute towards the funds required to set up the school, including furniture and equipment) and the number and locality of schools it is already operating. Other factors are also taken into account, such as the religious affiliation of the applicant, the need to re-provision its existing schools, as well as any special linkage between the organization and the district concerned.

(b) A total of 39 schools have been allocated to 28 sponsors in the past five years. Of these applications 13 were approved in one year, 14 in less than five, eight in less than ten and four took 10 or more years. Details are shown in Appendix A.

(c) As at the 1991-92 school year, there are 287 sponsoring bodies running a total of 449 secondary and 553 primary schools. A list of these sponsoring bodies with the numbers of schools run by each is at Appendix B.

## Appendix A

Schools allocated and accepted  
by sponsors since 1 January 1987

### A. Secondary Schools

Name of sponsors	Number of		allocated
	Year of application	Year of schools approval	
1. Bishop of the Roman Catholic Church in Hong Kong, Inc.	1986	1987	1
2. Church Body of the Chinese Anglican Church in Hong Kong	1980	1988	1



- |    |   |      |      |   |
|----|---|------|------|---|
| 3. | Education Foundation of the<br>CUHK Alumni Association, The | 1986 | 1990 | 1 |
| 4. | Hong Kong Taoist Association                                | 1981 | 1987 | 1 |
| 5. | Law's Foundation Limited                                    | 1988 | 1990 | 1 |
| 6. | Lok Sin Tong Benevolent<br>Society, Kowloon, The            | 1989 | 1989 | 1 |
| 7. | Pok Oi Hospital   | 1987 | 1989 | 1 |

---

7

==

#### B. Primary Schools

- |    | Name of sponsors   | Year of application          | Year of approval             | Number of schools allocated |
|----|--|------------------------------|------------------------------|-----------------------------|
| 1. | Bishop of the Roman Catholic<br>Church in Hong Kong, Inc.            | 1979<br>1984<br>1987<br>1988 | 1988<br>1989<br>1990<br>1990 | 4                           |
| 2. | Chinese Artist Association of<br>Hong Kong Primary School<br>Limited | 1989                         | 1990                         | 1                           |
| 3. | Chiu Yang Residents'<br>Association of<br>Hong Kong Limited          | 1981                         | 1991                         | 1                           |
| 4. | Church Body of the Chinese   | 1987                         | 1987                         | 2                           |

	Anglican Church in Hong Kong	1985	1988	
5.	Church of Christ in China, Hong Kong Council	1986 1986	1988 1988	3
		1991	1991	
6.	Five Districts Business Welfare Association	1986	1990	1
7.	Fong Shu Fook Tong Foundation	1989	1989	1
8.	Hong Kong and Macau Lutheran Church Limited	1989	1989	1
9.	Hong Kong Buddhist Association, The	1983	1988	1
10.	Hong Kong Eng Clansmen Association School Limited	1971	1988	1
11.	Lutheran Church - Hong Kong Synod Limited	1989	1989	1
12.	Methodist Church, Hong Kong, The	1982 1990)	1987 1991	2
		1991)		
13.	Po Leung Kuk	1985	1987	2
		1989	1990	
14.	Queen Elizabeth School Old Students' Association Primary School Limited	1987	1991	1
15.	Sik Sik Yuen	1989	1991	1
16.	Sir Robert Black College of	1978	1988	1

Education Past Students'  
Association Limited

17. Stewards' Company (Hong Kong) Limited	1977 1989	1988 1990	2	
18. Tai Pak Memorial School Company		1985 1989	1	
19. Tung Wah Group of Hospitals	1983 1989 1991	1987	3	
20. Yan Chai Hospital	1987	1987	1	
21. Yuen Long Public Middle School Alumni Association		1988 1988	1	

-----

32

==

Total A + B: 39

Appendix B

List of sponsoring bodies operating  
secondary and primary schools  
(1991-92)

Serial	No. of Name of Sponsor	No. of Secondary Schools	No. of Primary Schools
1.	Aberdeen Baptist Church	1	0
2.	All Saints' Church	2	1
3.	Aplichau Kaifong Welfare Association	0	1
4.	Assemblies of God Mission (H.K. and Macao District)	0	1

5. Association of the Directors and Fomer Directors of 1 2  
Pok Oi Hospital Limited
6. Baptist Convention of Hong Kong 3 4
7. Bethel Mission of China, Inc. 1 1
8. Bishop of the Roman Catholic Church in Hong Kong, Incorporation 30 58
9. Board of Trustees of True Light Middle School 1 0
10. Buddhist To Chi Fat She Limited 1 1
11. Building Contractors' Association 0 1
12. Canadian International School Foundation Limited 0 1
13. Canossian Mission 1 1
14. Caritas - Hong Kong 13 3
15. Castle Peak Buddhist School Limited 0 1
16. Catholic Foreign Mission Society of America Marynoll 3 2
17. Catholic Mission, Catholic Diocese of Hong Kong 1 0
18. Cham Shan Monastery Limited 1 0
19. Chan's Educational Organization 1 0
20. Cheng Chek Chee Secondary School of Sai Kung and Hang Hou 1 0
21. Cheung Chau Church 0 1
22. Chi Hong Ching Yuen Limited 0 1
23. Chi Kit School (USD Employees Association) 0 1
24. Chi Lin Nunnery 0 1
25. China Free Methodist Mission 0 1
26. China Holiness Church 1 0
27. Chinese Artists Association of Hong Kong Primary School Limited 0 2
28. Chinese Christian Church of Amoy, Kowloon, Hong Kong 1 0
29. Chinese International School Foundation Limited 1 1
30. Chinese Manufacturers' Association 2 0
31. Chinese Muslim Cultural and Fraternal Association 1 1
32. Chinese Rhenish Church Hong Kong Synod 2 3
33. Chinese Sisters of the Immaculate Conception 1 2
34. Chinese Young Men's Christian Association 2 0
35. Ching Chung Taoist Association of Hong Kong Limited 0 1
36. Chiu Chow Association Building (Property Holding) Limited 1 0
37. Chiu Chow Residents' Public Association 3 0
38. Chow Clansmen Association 0 1
39. Christ Church 1 1
40. Christian and Missionary Alliance 0 1
41. Christian Education Carmel Association Limited 1 0

42. Christian Missions in Many Lands (Stewards') Company, Hong Kong Limited	1	1
43. Christian National's Evangelism Commission (Hong Kong) Limited	2	2
44. Christian Tin Yau Association Limited	0	1
45. Chung Sang Educational Organization Limited	2	0
46. Chung Sing Benevolent Society	1	0
47. Church Body of the Chinese Anglican Church in Hong Kong	25	31
48. Church of Christ in China Mongkok Church	1	1
49. Church of Christ in China Wanchai Church	0	1
50. Church of the Good Shepherd	0	2
51. Cognito College (1979) Limited	2	0
52. Confucian Academy	3	2
53. Confucius Hall of Hong Kong	1	1
54. Congregation of the Immaculate Heart of Mary (Scheut M.C.)	1	1
55. Congregation of the Marist Brothers of the Schools	1	0
56. Conservatives Baptist Foreign Mission Society	0	2
57. Council of St. Paul's Co-Educational College	1	2
58. Daughters of Charity of the Canossian Institute, Incorporation	6	10
59. Daughters of Mary Help of Christians Hong Kong Incorporation	2	1
60. Diocesan Boy's School	1	0
61. Diocesan Girls' School	1	1
62. Diocesan Preparatory School Council	0	1
63. Director in Hong Kong of St. Joseph's College	5	3
64. Divine Word Missionaries	1	0
65. Dominican Missions	1	1
66. ED Foundation of the Frederation of the CUHK	1	1
67. Emmanuel Church	0	2
68. Encouragement of Character Training for the Youths of Hong Kong Limited	0	1
69. Endeavourers, Hong Kong	0	1
70. English Schools Foundation	3	5
71. Evangelical Lutheran Church of Hong Kong	3	7
72. Evangelical School Development Incorporation Limited	4	2
73. Evangelize China Fellowship	2	2
74. Fish Marketing Orgaisation	1	8
75. Five Districts Business Welfare Association	2	6
76. Fong Shu Fook Tong Foundation	0	1
77. Franciscan Fathers of Hong Kong	1	2

78.	Franciscan Missionaries of Mary (Franciscan Sisters)	1	2
79.	Franciscan Missionary Sisters of Our Lady of Sorrows	1	1
80.	French International School Association Limited	1	1
81.	Fukien Chamber of Commerce	1	1
82.	Fung Kai Public School	2	2
83.	General Chambers of Commerce and Industry of Tung Koon District	1	1
84.	Geman Swiss International School Association Hong Kong	1	1
85.	Gettons Investment Limited	1	0
86.	Godspeed Limited	2	0
87.	Gold and Silver Exchange Society	0	1
88.	Good Shepherd Sisters	2	1
89.	Grantham College of Education Past Student Association	0	3
90.	Hong Kong and Kowloon Chiu Chow Public Association	1	0
91.	Hong Kong and Kowloon Joint Kaifong Education Committee Limited	1	1
92.	Hong Kong Association for the Mentally Handicapped	13	13
93.	Hong Kong Baptist Church	1	0
94.	Hong Kong Christian Service	1	1
95.	Hong Kong Eng Clansmen Association School Limited	0	1
96.	Hong Kong Harbour Mission Church	0	1
97.	Hong Kong Juvenile Care Centre	0	1
98.	Hong Kong Resort Company Limited	0	1
99.	Hong Kong School for the Deaf	1	2
100.	Hong Kong Student Aid Society	0	1
101.	Hong Kong - Macao Conference of Seventh Day Adventists	5	2
102.	Heep Yunn School	1	1
103.	Heung Hoi Ching Kok Lin Association	2	4
104.	Heung To Middle School Limited	2	1
105.	Hildesheim Mission Germany	2	2
106.	Hong Kong and Kowloon Fresh Fish Trade General Association	0	1
107.	Hong Kong and Kowloon Kaifong Women's Association Limited	0	1
108.	Hong Kong and Kowloon Schools for Workers' Children Limited	1	1
109.	Hong Kong and Kowloon Restaurant and Teahouse Employees' Guild	0	1
110.	Hong Kong Chinese Women's Club	2	1
111.	Hong Kong Chiu Chow Chamber of Commerce	0	1
112.	Hong Kong Japanese School Limited	1	1
113.	Hong Kong Szeto Clan's Association	0	1

114.	Hong Kong Vernacular Normal Schools Alumni Association School Limited	0	1
115.	Hong Kong Weaving Mills Association Education Fund	2	1
116.	HKUSD Staff General Association	0	1
117.	Hoi Ping Chamber of Commerce of Hong Kong	1	1
118.	Holy Carpenter Church	0	1
119.	Holy Trinity Church	0	1
120.	Hong Kong Buddhist Association	13	10
121.	Hong Kong and Macau Lutheran Church Limited	0	3
122.	Hong Kong Buddhist Sangha Association Limited	2	0
123.	Hong Kong Cotton Spinners Association Prevocational School Trust	1	0
124.	Hong Kong Council of the Church of Christ in China	27	26
125.	Hong Kong Hok Shan Association Limited	0	1
126.	Hong Kong Institute of Language and Translation	2	0
127.	Hong Kong Red Cross	6	14
128.	Hong Kong Red Swastika Society	2	2
129.	Hong Kong Sea School	1	1
130.	Hong Kong Student Association Limited	2	0
131.	Hong Kong Sze Yap Comm and Ind Association Education Organisation Limited	3	3
132.	Hong Kong Taoist Association	4	6
133.	Hong Kong Wong Clan Association	0	2
134.	Hong Kong Young Women's Christian Association	1	0
135.	Hong Lok Yuen School International Association Limited	0	1
136.	Hop Yat Church, Church of Christ in China	0	1
137.	Hung Hum (Three Districts) Kaifong Association	0	1
138.	Indonesian Government	1	1
139.	Institute of the Marist Brothers	1	0
140.	International Church of the Foursquare Gospel - Hong Kong	1	0
	District Limited		
141.	Ju Ching Chu English College Limited	3	0
142.	Junk Bay English College Limited	1	1
143.	Kiangsu and Chekiang Residents (Hong Kong) Association	3	1
144.	King's College Old Boy's Association School Limited	0	2
145.	Kowloon City District Kaifong Welfare Association	0	1
146.	Kowloon Pentecostal Church Limited	2	1
147.	Kowloon Women's Welfare Club	0	1

148.	Kochow and Luichow Residents (Hong Kong) Association Limited	1	0
149.	Kow Kong Commercial Association	0	1
150.	Kowloon City Baptist Church	0	1
151.	Kowloon City Christians' Church	1	0
152.	Kowloon Tong Church of the Chinese Christian and Missionary Alliance	3	5
153.	Kowloon Tong School	1	1
154.	Kwong Yuet Tong, Hong Kong	0	1
155.	Lai Chack Middle School Limited	1	1
156.	Law's Foundation Limited	1	0
157.	Ling Liang World-wide Evangelistic Mission	1	1
158.	Lingnan Educatrrion Organization Limited	3	1
159.	Lingnan University Alumni Association	0	1
160.	Local Church of Assembly of God	0	1
161.	Lock Tao Secondary School Limited	1	0
162.	Lok Sin Tong Benevolent Society, Kowloon	8	6
163.	Lotus Association of Hong Kong	2	2
164.	Lung Kong World Federation School (Hong Kong) Limited	1	3
165.	Lutheran Church - Hong Kong Synod Limited	10	9
166.	Man Kiu Association Limited	1	2
167.	Man Sun School Management Committee	0	1
168.	Management Committee of Hang Hau Central	0	1
	Shing Hang Fong Men Primary School Limited		
169.	Maryknoll Sisters of St. Dominic Incorporation in Hong Kong	1	1
170.	Mental Health Association of Hong Kong	1	1
171.	Methodist Church, Hong Kong	6	7
172.	Mission Covenant Church of Norway (Hong Kong Field) Limited	1	0
173.	Missionary Sisters of Our Lady of the Angels - Hong Kong Limited	1	1
174.	Missionary Sisters of St. Columban	2	2
175.	Missionary Sisters of the Immaculate Conception	2	2
176.	Missionary Sisters of the Immaculate Heart of Mary	0	1
177.	Miu Fat uddhist Monastery	2	0
178.	Mu Kuang School Limited	1	1
179.	Mulit-ed Limited	3	1
180.	Munsang College	1	1
181.	NCE Past Students Association School	0	1



182.	New Asia Educational and Cultural Association Limited	1	0
183.	New Life School Incorporation Limited	1	0
184.	Ng Clan's Association Tai Pak Memorial School Company Limited	0	1
185.	Ng Sing Tat Tso	0	1
186.	Ng Yuk Secondary School Limited	1	0
187.	Nim Wan Public Primary School Committee	0	1
188.	Ning Po Residents Association (Hong Kong) Limited	2	0
189.	North Point Kaifong Welfare Advancement Association	0	1
190.	Norwegian Lutheran Mission	2	2
191.	Norwegian Missionary Society	0	1
192.	NT Women and Juveniles Welfare Association Limited	0	1
193.	Oblates of Mary Immaculate	1	1
194.	Peng Chau Veget Farmers' Guild (Choi Yuen Hong)	0	1
195.	Pentecostal Assemblies of Canada (South East Asia District) Limited	1	0
196.	Pentecostal Church of Hong Kong Limited	1	0
197.	Pentecostal Holiness Church Incorporation	1	1
198.	Po Leung Kuk	13	18
199.	Po On Commercial Association Non-profit Making Schools Limited	1	2
200.	Pok Oi Hospital	2	0
201.	Portugese Commuity Education and Welfare Foundation Incorporation	0	1
202.	Precious Blood Congregation	3	6
203.	Pui Ying Middle School of Hong Kong	1	0
204.	Pun U District Association	0	1
205.	Queen's College Old Boy's Secondary School, Limited	2	0
206.	Rural Training College Alumni Association	0	1
207.	S.K.H. Primary Schools Council	0	2
208.	Salesian Society Incorporation, Salesians of Don Bosco	1	2
209.	Salvation Army - Hong Kong and Taiwan Command	1	2
210.	Salvation Army - Hong Kong Command	0	3
211.	San Shui Natives Association School Fund Limited	1	3
212.	San Wui Commercial Association of Hong Kong	2	2
	Education Organisation Limited		
213.	Scheut Mission Congregation	1	0
214.	Sha Tau Kok Central Primary School Limited	0	1

215.	Shamshuipo Kaifong Welfare Advancement Association	0	1
216.	Shamshuipo Schools Limited	1	0
217.	Shatin Public School Association Limited	1	2
218.	Shaukiwan Tsung Tsin Church	1	0
219.	Shek Wu Public School Limited	0	1
220.	Shue Yan College Limited	2	0
221.	Shue Tak Fraternal Association	4	3
222.	Sik Sik Yuen	4	3
223.	Singapore International School Foundation Limited	0	1
224.	Sino Nippon Cultural Centre Limited	1	0
225.	Sisters Announcers of the Lord	2	1
226.	Sisters of the Immaculate Heart of Mary	1	1
227.	Sisters of the Precious Blood Congregation	0	1
228.	Society of Boys' Centres	2	3
229.	Society of Jesus in Hong Kong	2	0
230.	Society of Natives of Chiu Len	0	1
231.	Society of St. Francis of Sales	6	7
232.	South Asian Lutheran Evangelical Mission Limited	1	0
233.	Spastics Association of Hong Kong	2	3
234.	SRBCE Past Students Association	0	2
235.	St. Basil's Technical Secondary School Council	0	1
236.	St. Paul's College Council	2	1
237.	St. Paul's Institution	3	2
238.	St. Stephen's Girls' College	1	1
239.	St. Stephen's Church	0	1
240.	St. Stephen's College	1	1
241.	Stewards' Company (Hong Kong) Limited	0	3
242.	Sun Wui Ku-Cheng Native's Association	0	1
243.	Sung Lan Middle School	1	0
244.	Swire Pacific Limited	0	1
245.	Tai Hang Residents' Welfare Association	0	1
246.	Tai Kwong Yeung Incorporation	1	1
247.	Tai Lam Chung Education Organisation Limited	0	1
248.	Tai Po Lam Tsuen Heung Education Development Company Limited		0
		1	
249.	Tai Po Old Market Public School Limited	0	1
250.	Tai Po Public School Limited	0	1
251.	Tai Po Shung Tak School Limited	0	2

252.	Tata Buddhist Association	0	1
253.	Textile Institute Section In Hong Kong (Education) Limited	1	0
254.	Ti-I Education Foundation Limited	1	0
255.	Tim Sum Valley United Village Office Limited	0	1
256.	Toi Shan Association Education Organisation Limited	1	1
257.	Toshin International School Limited	1	1
258.	True Light Middle School of Hong Kong	1	1
259.	Tsang Shing District Citizen's Association	0	1
260.	Tsing Yi Trade Association (School) Limited	0	1
261.	Tsuen Wan Chiu Chow Welfare Association	0	1
262.	Tsuen Wan Public School (Incorporated Body)	1	1
263.	Tsuen Wan Trade Association Education Foundation Limited	0	1
264.	Tsung Tsim Mission of Hong Kong	4	4
265.	Tsz Wan Shan Kaifong Welfare Association	1	1
266.	Tung Koon District General Association	0	4
267.	Tung Lin Kok Yuen	2	2
268.	Tung Wah Group of Hospitals	16	14
269.	United Christian College Limited	1	0
270.	University of Shanghai Alumni Association of Hong Kong Limited	0	1
271.	Wai Chow Clansmen General Association of Hong Kong	0	1
272.	Wai Chow Sheung Shui Clansman Association Limited	0	1
273.	Wanchai Kifong Welfare Association (Hong Kong) Limited	0	1
274.	Wellwisher Foundation Limited	0	1
275.	Women's Welfare Club Western District, Hong Kong	0	1
276.	Woolrich Investment Company Limited	0	1
277.	Yan Chai Hospital	2	3
278.	Yan Oi Tong Limited	2	1
279.	Yan Ping Industrial and Commercial Association School Limited	0	1
280.	Yau Kung School	0	1
281.	Yau Yat Chuen School	0	1
282.	Yaumati Kaifong Welfare Advancement Association Limited	0	1
283.	Yuen Kong School Limited	0	1
284.	Yuen Long Chamber of Commerce	1	2
285.	Yuen Long Public Middle School Alumni Association Limited	0	1
286.	Yuen Long Tung Koon School, Limited	0	1
287.	Yuen Long Wai Chow School Limited	0	1

-----  
-----  
Total 449 553

Services available for the needy in "Big Chills"

17. WONG WAI-YIN asked: In view of the recent cold spelling in Hong Kong in which the temperature suddenly fell to below 10 degrees Celsius and claimed the lives of a few people, will the Government inform this Council:

(a) what services will be provided by the concerned departments to those people indeed during the cold weather, and what emergency measure will be taken should the temperature plummet in the middle of the night;

(b) how the departments concerned co-ordinate their services and liaise with the Royal Observatory;

(c) whether the departments concerned will consider distributing warm clothing and blankets and opening community halls to the needy in advance when the temperature is expected to drop sharply; and

(d) whether the Administration has investigated complaints that the blankets handed out to street-sleepers by the Social Welfare Department are ineffective in keeping them warm?

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, when it is forecast that the temperature will fall to 10 degrees Celsius or below during cold weather, the Social Welfare Department will distribute blankets and sleeping bags to street sleepers. The City and New Territories Administration will open shelters in community centres and estate community centres for persons who need shelter from the cold.

The Royal Observatory issues weather forecast bulletins twice a day (around noon and 4 pm) on weekdays to the Social Welfare Department. The City and New Territories Administration telephones the Observatory around 4.15 pm for a temperature forecast for the night when necessary. On Saturdays, Sundays and public holidays, the two

departments will contact the Royal Observatory by telephone for weather forecasts. If the weather changes unexpectedly, the Royal Observatory will contact the two departments.

There is very little demand for warm clothing. Accordingly, only blankets and sleeping bags are distributed during a cold spell. The present arrangements for distributing blankets and sleeping bags and opening shelters when it is forecast that the temperature will drop to 10 degrees Celsius or below are considered satisfactory.

The Social Welfare Department has received no complaints about the quality of its blankets and sleeping bags. Street sleepers can ask for more than one blanket if there is a need. They will be given adequate blankets to keep them warm. Additionally, persons who need shelter from the cold can go to the shelters in community centres.

#### Public housing rent increases

18. MR LEE WING-TAT asked: Regarding the rent increase for public housing estates announced by the Housing Authority on 16 January, will Government inform this Council of the following:

- (a) the rates of increase for the estates in various districts;
- (b) the reason(s) for the increase; and
- (c) the additional revenue that the increase will bring to the Housing Authority?

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Deputy President, the maximum amounts of rent increase in various districts are:

- \* \$6.0/sq m for Urban Areas/Shatin/Tsuen Wan/Kwai Chung
- \* \$5.0/sq m for Tsing Yi/Tai Po/Tseung Kwan O/Ma On Shan
- \* \$5.0/sq m for converted blocks

- \* \$4.5/sq m for Fanling/Sheung Shui
- \* \$4.0/sq m for Yuen Long/Tuen Mun
- \* \$2.5/sq m for Outlying Islands

With the increase, the rent levels of the estates in the above districts will be revised from \$14.38 to \$24.21/sq m to \$16.88 to \$30.21/sq m; 83% of the affected households will be required to pay between 12% and 26% more than their existing rent.

It is the Housing Authority's policy to charge domestic rents not exceeding a median rent-to-income ratio of 15% to 18.5%. The Authority reviews its rents every two years in order to bring them to more realistic levels. In all rent reviews, the Housing Authority gives regard to the value of the estate in terms of its location, amenities, environment, schools, employment opportunities, transportation and other facilities available on or in the vicinity of the estate, as compared with other estates. This is to ensure that rents for comparable estates are consistent.

As part of the regular rent review process, rents in 69 post-1973 estates were examined in May 1991. In deciding on the present rate of increase, the Authority took into account the following factors since the previous review in 1989:

(a) rents were inclusive of rates, with increases in rates being recovered retrospectively. Rates had increased by a uniform 25% in April 1990 and on average by a further 19% following the 1991-92 general revaluation;

(b) the existing rent levels in these estates were only 23% of market rents;

(c) the average market rent of comparable flats in the private sector had increased from \$76/sq m to \$100/sq m, representing an increase of 32%;

(d) the nominal wage index had risen by 28%;

(e) inflation had been 22%; and

(f) the estate working expenses had increased by 40%, mainly due to rising costs in management, maintenance, security and cleansing.

The median rent-to-income ratio would be 10.5% after the next increase.

The recently announced rent increase was originally scheduled to take effect on 1 September 1991. However, the Housing Authority decided to defer the implementation date to 1 March 1992, having regard to the moratorium on increases in departmental fees and charges imposed by the Government as part of its efforts to curb inflation. The level of rent increase have nevertheless not been adjusted to take account of increases in costs and other factors which have taken place since the review.

The additional revenue generated by the increase will be \$491 million for the period up to 31 August 1993. After the rates payment of \$298 million to the Government, the net gain to the Authority will be \$193 million.

#### New type of lottery

19. MR HUI YIN-FAT asked: In view of the Lotteries Board's plan to launch a new type of lottery offering handsome prize money, which runs counter to the Government's consistent policy of not encouraging gambling, will the Administration inform this Council:

(a) of the specific details of the proposal (including the objective and timing of its implementation, sales plans and distribution of the proceeds etc.) and the progress made so far;

(b) what factors will be taken into account by the Government before deciding on whether to endorse the Lotteries Board's application; and

(c) whether the views of the public will be widely sought before a decision on the plan is taken, just as the Government did when launching a pilot scheme on expanding the Mark Six sales network?

SECRETARY FOR HOME AFFAIRS: Mr Deputy President, the Hong Kong Lotteries Board has approached the Government with a proposal that they be permitted to conduct an instant lottery in Hong Kong.

I should like to explain the reason behind this proposal in simple terms. The

Board is concerned over the proliferation of instant lotteries offering non-cash prizes. These lotteries are mainly used for trade promotion purposes and are licensed by the Commissioner for Television and Entertainment Licensing under the Gambling Ordinance. In view of their popularity and in line with similar developments overseas, the Lotteries Board has suggested the establishment of a major instant lottery which would be able to channel funds into projects currently outside the ambit of the Lotteries Fund.

Turning to the other questions asked by the Honourable Member, my answers are as follows:

(a) The Board proposes that they be allowed to conduct the lottery during the racing closed season, possibly in the summer of 1993. We have received only a preliminary proposal. Further details would have to be provided by the Board before proper consideration could be given to it.

In broad terms; the lottery would be organized over a fixed period with various levels of cash prizes being available. Tickets could cost about \$10. Proceeds would be split between prize money, welfare and community agencies, betting duty and administrative costs. Exactly how the funds raised would be used has yet to be worked out in detail.

(b) At this stage in our assessment, we are concentrating on the broad principles of the proposal. Factors which are likely to affect our view include the Government's established policy on gambling. This has always been to restrict opportunities for gambling but to allow controlled outlets for such gambling activities as exist where a cogent need is established. The instant lottery proposal is being considered in this context. Other factors will include the likely effect of an instant lottery organized by the Lotteries Board on the Mark Six Lottery and the anticipated level of income which might be derived from this source.

(c) If, at the end of our initial assessment of the proposal, the Government allows the Lotteries Board to develop their plans further, I would expect the Board to take into account public opinion on this matter. I can also assure Members that the Government will carry out a full assessment of public opinion before a final decision is taken on this or any similar proposal.



## False allegations made by police officers

20. REV FUNG CHI-WOOD asked: Will the Administration inform this Council of the number of cases in the past three years in which police officers have been found to have or suspected to have wilfully made false allegations; how the police dealt with those police officers who have made such false allegations and whether any internal disciplinary actions have been taken?

SECRETARY FOR SECURITY: Mr Deputy President, each case involving a complaint that a police officer has made a false allegation of a criminal offence against a person is thoroughly investigated. If there is evidence to show that an officer has indeed made such a false allegation, he is liable to criminal charges. In the past three years, 107 complaints against the police of fabrication of evidence were investigated. None of these complaints has been substantiated, though 15 remain under investigation.

## First Reading of Bills

STAMP DUTY (AMENDMENT) BILL 1992

INLAND REVENUE (AMENDMENT) BILL 1992

STAMP DUTY (AMENDMENT) (NO. 2) BILL 1992

MEDICAL REGISTRATION (AMENDMENT) BILL 1992

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

## Second Reading of Bills

STAMP DUTY (AMENDMENT) BILL 1992

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

He said: Mr Deputy President, I move that the Stamp Duty (Amendment) Bill 1992 be read the Second time.

The main aim of this Bill is to exempt instruments of transfer in respect of shares registered or deposited in a recognized clearing house from having to be endorsed and from payment of stamp duty on transfer.

The Bill contains two main provisions. First, it would remove the need for a broker, when making a sale or purchase of stock held by a recognized clearing house, to endorse the instrument of transfer to the effect that stamp duty has been paid on the relevant contract note. Secondly, by exempting such transfer deeds from duty, the Bill would provide an incentive for settlements to be effected through a recognized clearing house.

Separately, the Bill seeks to clarify existing provisions of the Stamp Duty Ordinance, which exempt from stamp duty persons buying properties on behalf of the Chinese members of the Joint Liaison Group and the Land Commission, the International Committee of the Red Cross, and the Chinese Visa Office.

Finally, the Bill would extend the period for submitting reports to the Collector of Stamp Revenue by users of licensed franking machines from once a week to once a month.

The Bill has no staffing implications for the Government. The exemption from stamp duty of transfers registered in a recognized clearing house would involve a notional revenue loss of between \$6 million and \$20 million a year.

Mr Deputy President, I move that the debate on this motion be now adjourned.

Question on the adjournment proposed, put and agreed to.

INLAND REVENUE (AMENDMENT) BILL 1992

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

He said: Mr Deputy President, I move that the Inland Revenue (Amendment) Bill 1992 be read the Second time.

At present, yields from Hong Kong dollar denominated debt instruments, with the exception of Exchange Fund Bills and Government Bonds, are liable both to profits tax and stamp duty. The aim of the Bill before Members is to exempt from profits tax interest and profits arising from Hong Kong dollar denominated debt instruments issued by credit-worthy multilateral agencies. Later this afternoon, I shall be moving the Second Reading of the Stamp Duty (Amendment) (No. 2) Bill 1992, which would exempt the same instruments from stamp duty.

The Bill confines the exemptions to four multilateral agencies, namely, the Asian Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation and the European Investment Bank. The Bill also provides that additions may be made to the list of exempted agencies by resolution of this Council.

Of the four exempted agencies, only one, the International Bank for Reconstruction and Development, has previously issued Hong Kong dollar bonds in the Territory. The introduction of this Bill now before Members is particularly timely, because the Asian Development Bank has scheduled the signing ceremony for its first Hong Kong dollar bond issue at the Bank's Annual Meeting in Hong Kong in May. A successful launch may attract more first class issues by multilateral agencies in Hong Kong. This will in turn help towards the expansion of the Hong Kong dollar capital markets, and so further promote Hong Kong's development as an international financial centre.

The Bill has no staffing implications for the Government. The cost to general revenue is estimated at less than \$10 million per year.

Mr Deputy President, I move that the debate on this motion be now adjourned.

Question on the adjournment proposed, put and agreed to.

STAMP DUTY (AMENDMENT) (NO. 2) BILL 1992

THE SECRETARY FOR THE TREASURY moved the Second Reading of: "A Bill to amend the Stamp

Duty Ordinance."

He said: Mr Deputy President, I move that the Stamp Duty (Amendment) (No. 2) Bill 1992 be read the Second time.

A short while ago, I moved the Second Reading of the Inland Revenue (Amendment) Bill 1992. The purpose of that Bill was to exempt from profit tax liability Hong Kong dollar debt instruments issued by certain multilateral agencies. The purpose of the Bill now before Members is to exempt these same instruments from stamp duty.

The Bill confines the exemptions to four multilateral agencies: the Asian Development Bank, the International Bank for Reconstruction and Development, the International Finance Corporation and the European Investment Bank. The Bill also provides that additions may be made to the list of exempted agencies by resolution of this Council.

Mr Deputy President, I move that the debate on this motion be now adjourned.

Question on the adjournment proposed, put and agreed to.

#### MEDICAL REGISTRATION (AMENDMENT) BILL 1992

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

She said: Mr Deputy President, I move that the Medical Registration (Amendment) Bill 1992 be read the Second time.

At present, the Medical Registration Ordinance provides that only a holder of a Hong Kong diploma, a holder of a United Kingdom, Irish or recognized Commonwealth diploma or a Licentiate may be registered to practise medicine in Hong Kong. In addition, a person who is in the full-time service of the Government or the Hospital Authority or for the purpose of teaching or hospital work in the Department of Medicine of the University of Hong Kong or The Chinese University of Hong Kong may be deemed to be registered.

While the law is intended to serve the community as a whole, it has become apparent

that there are certain groups whose needs should be served but those needs are either being met at the expense of other services or not being met adequately. One such group is the well over 50 000 Vietnamese migrants confined to remote camps and centres currently served by the Department of Health staff. Another are the various non-English and non-Chinese-speaking ethnic groups in our community who live and work here and contribute to our society. In this connection, the Administration has received representations from the international business community through the International Business Committee, and from the Japanese Consul, to allow foreign doctors with currently unregistrable qualifications to serve foreign communities in Hong Kong.

Hong Kong, being a caring community, would surely not wish to ignore the need of these people for medical care. If locally registrable doctors cannot properly serve some groups, the Medical Council should be given suitable powers to ensure that such medical needs are met. For my part, I do not wish to fetter the Medical Council's ability to respond to the needs of all sectors of our community.

The Medical Registration (Amendment) Bill 1992 seeks to provide for limited registration and to give the Medical Council discretion to permit doctors with acceptable overseas qualifications to practise here to meet specific community needs on specified conditions. Applications will be considered on the merits of each case individually. Limited registration will be granted for such purpose and period as the Council specifies.

The decision on whom to admit, and on what conditions, will rest entirely with the Medical Council. So as to maintain professional standards, the Council will be responsible for ensuring that limited registration is granted only to properly trained and duly qualified foreign doctors.

This amendment will not affect standards. It does not open the door to any quack or self-professed expert who wants to practise here. It will, however, enable us to admit those qualified practitioners whose special skills and experience can benefit our community.

Mr Deputy President, I move that the debate on this motion be now adjourned.

Question on the adjournment proposed, put and agreed to.

NOISE CONTROL (AMENDMENT) BILL 1991

Resumption of debate on Second Reading which was moved on 11 December 1991

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).

ROAD TRAFFIC (AMENDMENT) (NO. 5) BILL 1991

Resumption of debate on Second Reading which was moved on 15 January 1992

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).

STAMP DUTY (AMENDMENT) (NO. 4) BILL 1991

Resumption of debate on Second Reading which was moved on 4 December 1991

Question on Second Reading proposed.

MR EDWARD HO: Mr Deputy President, on 22 May last year, this Council carried a motion to take note of the public concern expressed over the speculation of pre-completed domestic units. Many Members have spoken on the prevalence of speculative activities in the uncompleted property market and asked the Government to put in place measures that would ensure that genuine home buyers would be able to buy a flat at a fair price and in a fair manner.

On 6 November following, the Financial Secretary announced in this Council the Government's intention to impose stamp duty on sale and purchase agreements of

property transactions as one of the measures to curb speculation. A Legislative Council ad hoc group was formed soon after to study the proposal having regard to the fact that timing would be of the essence in the legislative process. The ad hoc group was subsequently assigned the duty to scrutinize the Stamp Duty (Amendment) (No.4) Bill which was introduced into this Council on 4 December 1991.

The ad hoc group held a total of six meetings, including one before the publication of the Bill. It also set up a technical sub-group to study the technical aspects of the Bill and this sub-group held a total of four meetings. The ad hoc group invited submissions from various professional bodies and considered other representations received. Clarifications from the Administration on points of query and concern were also sought. I will not deal in detail with the views of individual organizations but I wish to record that their opinions have greatly facilitated the deliberations of the ad hoc group.

The Bill, as presently drafted, contains basically two sets of proposals, that is, anti-speculation measures dealing with sale and purchase agreements of property transactions, and anti-avoidance measures to catch transfers of shares of landholding companies which are, in essence, property transactions. In relation to its anti-speculation objective, the Bill requires both vendor and purchaser to pay stamp duty, on an ad valorem sliding scale, on all sale and purchase agreements for residential property. This means that, in the case of a series of agreements in respect of the same property, the amount of duty payable will multiply. This will provide a disincentive for speculators. The Bill also takes the opportunity to close an existing tax avoidance loophole. In this respect, the landholding companies provisions seek to catch transfers of shares which are in essence property transactions, thus ensuring the proper level of duty. In view of the complexity and technicality of these latter provisions, the ad hoc group suggested at an early stage that the two sets of proposals be dealt with separately. I will leave it to my colleague the Honourable Marvin CHEUNG to give an account of how the conclusion to separate such provisions from the present Bill came about, but, very briefly, the ad hoc group is conscious of the need for a prompt decision on the Bill to make it a timely and effective instrument to combat speculative activities and does not wish to see it unnecessarily held up by technical details.

Mr Deputy President, I now turn to the other major issues which the ad hoc group has considered. These are the scope of the anti-speculation measures, the potential hardship that may be caused to the parties to a transaction by the imposition of stamp

duty on sale and purchase agreements and possible means of relief, the effect of unwritten sale agreements and agreements subject to contract, and the duration of the Bill.

#### Scope of anti-speculation measures

At its first meeting held in November 1991 prior to the publication of the Bill, the ad hoc group put to the Administration that the scope of anti-speculation measures to be introduced under the Stamp Duty Ordinance should be limited to the residential property sector where speculation was seen to be the most predominant. I am pleased that this point has been accepted by the Administration -- the present Bill provides that the liability to pay stamp duty on sale and purchase agreements is applicable only to residential properties.

The anti-speculation measures in the Bill seek to cover all residential properties. There is strong support within the ad hoc group for the imposition of stamp duty on sale and purchase agreements of uncompleted residential units. It is widely accepted that the speculative activities in this sector have distorted the market and measures are necessary to bring it to order.

The ad hoc group has considered with great care the case of coverage of completed residential units. Although there are no statistics to show the extent of speculation in completed properties, the Administration has provided a representative sample of developments showing that about 13% of assignments were sold through confirmors. In many cases, there were two or more confirmors which suggests that the property went through two or more speculators before being bought by the end-users. Furthermore, the ad hoc group took into account the Administration's view that in the absence of any regulation, speculators would quickly turn their attention to completed flats if that was where quick profits lay.

The group's main concern in regard to bringing completed flats within the Bill is the possible hardship which the parties to a transaction may encounter in case of a rescission of contract on valid grounds. The Bill provides for a refund of stamp duty on the ground of defective title but the group noted that there are many other reasons for a contract failing, such as the vendor holding imperfect but not defective title. To relieve such potential hardship to the parties concerned, the ad hoc group proposes that an escape clause be provided in the Bill to enable refund of stamp duty in fair and reasonable circumstances. My colleague the Honourable Moses CHENG will



elaborate on this when he moves the relevant Committee stage amendments.

The Administration has agreed to this proposal and has assured the ad hoc group that requests for remission or refund of stamp duty in cases of genuine abortive or aborted contracts will be handled speedily, efficiently and sympathetically to mitigate undue hardship to the parties involved. It has further clarified the position of parties buying a completed flat that the Bill in effect allows 14 days for completion of formal sale and purchase agreement and 30 days thereafter for completion of the assignment. This would in total give the parties 44 days to sort out potential problems. Furthermore, after discussion with the Administration, the ad hoc group is also satisfied that section 9 of the Ordinance which empowers the Commissioner of Inland Revenue to remit the whole or part of the penalty on late payment of stamp duty, would further alleviate possible difficulties for the parties involved.

#### Definition of residential and non-residential properties

The ad hoc group has sought clarification on the definition of "non-residential property" under clause 4 of the Bill and the classification of a composite building or a piece of land of unrestricted user for that purpose. According to the Administration, properties of which any part may be used for residential purposes, irrespective of whether they are actually used for those purposes, will be regarded as residential. The Administration further confirms that residential units and non-residential units of the same property can be covered in separate agreements. The group is satisfied with the explanation and assurance so given in this respect.

To summarize the position of the ad hoc group, I would say that having regard to the assurance given by the Administration and the inclusion of an escape clause to accommodate genuine abortive or aborted contracts, the majority of the ad hoc group supports the inclusion of completed residential properties within the Bill.

#### Unwritten sale agreements and agreements subject to contract

Under the proposed section 29B of clause 8 of the Bill, unwritten sale agreements are required to be reduced to writing so that they become chargeable to stamp duty. The ad hoc group was concerned that this may be contrary to the long and well accepted principle of English Law that agreements concerning immovable property should be in writing and signed before they become enforceable.

The Administration has clarified that the intention is not to force people to reduce oral agreements to writing to make them enforceable. It would only be an offence to fail to reduce the agreement to writing for the purpose of defrauding the Government. Thus an oral agreement for sale of land can remain in oral form as long as the appropriate stamp duty is paid on it. In such a form, it is not enforceable by legal action but it is effective in law.

The Administration also confirms that the provisions of the Bill will not be applicable to agreements which are subject to contract because they are not contracts per se.

#### Exemption from the Bill

The ad hoc group is concerned that the Bill requires stamp duty to be paid in situations where a buyer nominates a close relation, for example, spouse, parent/children, whose name has not been included in the sale and purchase agreement, to become a party to the transaction at the completion stage. After discussion, the Administration accepts that such nominations should not be taken as a chargeable agreement. My colleague the Honourable Mrs Miriam LAU will deal with this point in her Committee Stage amendments.

#### Duration of the Bill

At the meeting of the ad hoc group prior to the publication of the Bill, the group made the point that the onus should be on the Government to justify continuation of the new measures beyond a temporary period. I am pleased to note that this concern is reflected in the Bill. The proposed section 29I of clause 8 provides that the anti-speculation measures shall expire at midnight on 31 December 1993 unless the Legislative Council, by resolution, amends that date.

In conclusion, Mr Deputy President, the Bill is a very technical one which has required dedication, expert knowledge, sensitivity to the possible hardship to genuine home-buyers and a practical approach to make it effective with reference to its purpose and intention. I believe that the group has conscientiously fulfilled its duties in all these respects on behalf of the people of Hong Kong.

Finally, I have been given to understand that in his speech this afternoon, the

Secretary for the Treasury will, on behalf of the Administration, positively respond to the ad hoc group's points which I have outlined, including in particular the rescission of contracts on valid grounds. With these remarks, I support the Bill subject to the amendments which will later be moved.

MR RONALD ARCULLI: Mr Deputy President, it is relevant and interesting to note that in a survey done very recently in Hong Kong one of the key concerns of the people today is our economy, or put another way, the continued economic success and growth. In countries like the United Kingdom and the United States their governments are at their wit's end trying to resuscitate economic growth, or perhaps even more to the point, to revive confidence in their housing markets. Interest rates in the United States are virtually at an all time low. The British Government has introduced stamp duty relief in an attempt to revive the dismal state of the housing market. President BUSH in his State of the Union Address today announced a proposal in an attempt to do the same. Retailers are having an extremely tough time, bankruptcies have almost become a way of life; what does this all mean? Just really two words: consumer confidence, or should I say, the lack of it. Confidence once shaken cannot be revived easily; yet today we are tampering with that very confidence.

By purchasing their home, whether acquiring a new one or upgrading their existing one or making a new or additional investment in a flat, the people of Hong Kong have given their vote of confidence, not just at the time of purchase but, much more importantly, a tremendous vote of confidence in Hong Kong's future. Yet what are we doing here today? We are intervening in our basic and successful free market economy by trying to dampen speculation. The Administration has blamed speculation on high property prices. How can that be so, when inflation has been falling and property prices rising? Is it not much more plausible that it is because of inflation that residential property prices have been rising?

We are told that the measures under the Bill are to dampen speculation; but is it more likely that they are to dampen confidence? Mr Deputy President, as we all know, confidence is a fragile creature and it is impossible to tell where confidence ends and despair begins. And it is for this reason, amongst others, that we should not interfere but should let market forces play their traditional role.

Mr Deputy President, my comments apply not just to the residential property market but also to all areas of our economy. I would therefore like to put on record that

I would have much preferred that none of the measures should have been introduced. The Administration has nevertheless shown some flexibility and I hope it will continue to do so by having a second look at the landholding company concept and to reconsider whether it should go any further.

Mr Deputy President, for the reasons I have referred to I find I am unable to support the Bill and I shall abstain from voting.

MR PETER WONG: Mr Deputy President, I rise to speak on the resumption of the Second Reading of the Stamp Duty (Amendment) (No. 4) Bill 1991.

I approve of the charging of stamp duty at the contract stage as being a good revenue raiser, particularly at a time when the Government is seeking additional sources of revenue. However, as a matter of principle, stamp duty should apply to the transfers of beneficial interests of all immovable property situated in Hong Kong, and not only to residential properties. This charge should therefore be a long-term feature and not one that should expire in December 1993.

Tax legislation should be designed simply to raise revenue and not to achieve the short-term social engineering objective such as curbing inflation and I am opposed to the use of complex tax legislation for righting what is perceived to be social ills.

On the other hand, I strongly believe that the legislation, to be effective in catching all beneficial transfers of Hong Kong real property, should apply to the transfer of shares in both Hong Kong and offshore landholding companies. However, the quarter-cooked draft legislation can only achieve a limited purpose of collecting duty where shares are transferred in Hong Kong companies.

The legislation with respect to landholding companies had been drafted too simplistically to achieve its purpose and is wide open to avoidance. If properties are transferred more readily and cheaply in the names of offshore companies rather than Hong Kong companies, then the Government is at risk of not only failing to collect significant amounts of duty under these new provisions, but also losing ancillary revenue as a result of a reduction in the number of Hong Kong companies which would need to be formed and maintained.

I take some comfort that the landholding provisions of the Bill have been excised but am troubled that the Government avows that this will be reintroduced at a later date. Apart from the more academic problem of whether this legislature can legislate for non-Hong Kong companies, experience elsewhere has shown that exceedingly lengthy and complex provisions are necessary to stand any chance of success. This will then run counter to Hong Kong's simple taxation policy.

So it is with great reluctance that I support this Bill as it is about to be amended and strongly urge the Government to heed the technical advice of the Joint Liaison Committee on Taxation before embarking on the problems of the landholding companies.

MR MARVIN CHEUNG: Mr Deputy President, as mentioned in the speech of the Honourable Edward HO, the Bill contains basically two sets of proposals. Mr HO has given a very detailed account of the ad hoc group's deliberations on the anti-speculation measures. Here, I shall concentrate on the landholding companies provisions and how the ad hoc group's recommendation to defer these provisions came about.

The landholding companies provisions seek to close an existing tax avoidance loophole. That is for one party to set up a company, the main or only asset of which is immovable property, and then to transfer part or all of his interest in that property by selling shares in his company to another person or company. To discourage this form of avoidance, the Bill fixes the stamp duty to be paid on the sale or purchase of such shares at the higher conveyancing rate. This means that parties using this "landholding company" device would be liable to pay \$27.50 for every \$1,000 of the consideration, as opposed to the present level of \$5.

The ad hoc group reached a preliminary view at an early stage that given the complex, technical and potentially controversial nature of these provisions, this part of the Bill would require very careful study. The possibility was suggested to the Administration in November 1991 of taking these provisions out of the Bill for separate study. Most of the professional bodies, in their submissions to the ad hoc group, also advocated this approach. The Administration was however concerned that the prevailing tendency to use private companies as a vehicle to transfer interests in property, thus avoiding the levels of stamp duty payable on assignments, would be widely exploited by speculators to avoid duty on sale and purchase agreements. It was felt that failure to tackle this problem at the same time might leave open such a large potential loophole that it would render the Bill ineffective. Whilst

Members of the ad hoc group did not entirely agree that the anti-speculation measures would lead to a proliferation of landholding companies as purchasers would be cautious to buy properties through such companies in view of hidden liabilities that might be involved, the group appreciated the Administration's concern and proceeded to consider the Bill as a package. However, having considered the landholding companies provisions in greater detail in the light of technical queries raised by the professional bodies, the ad hoc group is convinced that there is a strong case for separating these provisions from the Bill so that the anti-speculation measures would not be unnecessarily held up.

As a member of the accountancy profession, I am of the opinion and I have pointed out to the Administration in definitive terms that the anti-avoidance measures, as presently drafted, will have many implementation problems. To name just a few examples, under the Bill, stamp duty will only be levied on the net asset value of a company rather than the value of the property being transferred, and there is the possibility of circumvention by using foreign shelf companies. These and other technical problems will require very detailed study and, unless satisfactorily addressed, will render the legislation ineffective.

In view of the urgent need to have measures in place to tackle property speculation, the ad hoc group proposes that landholding company provisions be deleted from the present Bill. I must emphasize, however, that it is not the recommendation of the ad hoc group to dispense with the anti-avoidance measures altogether. The suggestion is that they be revived as a subject of a separate Bill which, I would urge, should be introduced into this Council as soon as practicable for in-depth study.

With these remarks and subject to the amendments I am going to move at the Committee stage to delete the landholding companies provisions, I support the Bill.

MR TIK CHI-YUEN (in Cantonese): Mr Deputy President, in recent years the soaring rate of inflation has been a cause for concern to the general public. Inflation has added to the burden, more than anybody else, of the grassroots people. Although inflation has shown some signs of abating in recent days, it is still hovering at a double digit level. Therefore the Administration and this Council should continue in their efforts to halt inflation.

Soaring property prices and rentals have been one of the principal causes of

inflation. Frenetic speculative buying and selling of property not only worsens inflation but it has also put domestic units beyond the reach of most intending home buyers, not to mention that it will cause long-term adverse effects on the overall economy in general and property developers in particular. Therefore there is a pressing need to curb speculative buying and selling of property. In this regard the Administration has shown a positive attitude. We should therefore support the Administration in its effort to curb speculation in property. Although the banks have reduced the lending ratio on mortgages which will go some way towards dampening speculation, the present amendments to the Stamp Duty Ordinance will have a further cooling effect. The original Bill provided for levying of stamp duty at an early stage on property transactions involving uncompleted flats, completed flats and property holding companies. Meeting Point is of the view that since speculative activities are focused on uncompleted flats and completed flats alike and either kind of flats can substitute the other as the sole target for speculators, restrictions on resale of uncompleted flats would encourage speculators to turn to the spot market. Therefore the restrictions as are proposed in the Bill to apply to uncompleted and completed flats are fitting and reasonable. As regards the proposal to plug a tax avoidance loophole by making property holding companies, upon a transfer of shares therein, liable to the full rate of stamp duty as if it was property transfer transaction, a number of professional bodies have given valuable views on it highlighting certain technical problems. Meeting Point agrees that these technical problems do require some time to look into and sort out. Yet Meeting Point would like to stress that technical problems relating to details should not be taken as a reason for giving up the proposed amendment. We would like to ask the Administration to grasp the technical problems involved and to devise a set of foolproof anti-avoidance measures to tackle them, which should be submitted as soon as possible to this Council for scrutiny and endorsement so that speculation in property could be effectively halted.

Finally, I would call upon property developers and the Law Society to co-operate with the Consumer Council in monitoring and investigating complaints made after this amendment Bill has taken effect. To ensure the effective and healthy operation of the property market, we would suggest that the Administration should consider legislating to regulate the role, the responsibility and the quality of service of estate brokers.

Mr Deputy President, with these remarks, I support the Stamp Duty (Amendment) Bill.

MR JAMES TO (in Cantonese): Mr Deputy President, the purpose of introducing the Stamp Duty (Amendment) (No. 4) Bill 1991 seems to be two fold:

Firstly, it seeks to curb speculative activities in the property market, thus helping the genuine home buyers to buy flats;

Secondly, it serves as a measure to curb inflation.

At present, stamp duty is payable only when an assignment deed is signed but not on a sale and purchase agreement. Speculators therefore care little about stamp duty. A property is often sold and resold many times before an actual assignment is concluded. As a result, the price of residential flats has been pushed up to a very great extent.

On the other hand, the sharp increase of property prices is directly associated with the problem of inflation. Inflation is measured on the Consumer Price Index A in which housing (mainly rental) takes up 20% of the weighted total. Sharp rise of property prices will result in an increase of rent, which in turn will accelerate the rate of inflation.

The Bill seeks to increase immediately the costs of engaging in speculative activities. It also reduces the capital of speculators by the immediate imposition of stamp duty.

The Government thinks that the Bill will "reduce the possible profit of speculators but not affect the real demand for residential units". We the United Democrats believe the initial result of the Bill is only to increase the costs borne by the speculators. But we doubt whether it will cut down the profit of speculators because it really depends on the supply and demand of the market to determine whether the accumulative stamp duty will eventually fall on the end-users after many transactions.

According to some analyses, the rising market trend in the past year is mainly attribute to speculative activities. We have reason to believe this Bill will increase the costs of the speculators to a certain extent and cut down the speculative activities in the property market.



On the other hand, if the Bill did achieve the desired result of deterring people from speculative activities, it would mean that a warning has been sounded by the Government as the first step to show its determination (hopefully it will have) in curbing such activities. The United Democrats urge the Government to continue to face up squarely to the speculative activities in the property market and consider whether there is need to further suppress such activities.

Some people say that after banks cut down the mortgage rate, speculative activities have dropped drastically and it proves that even without government intervention, the market can adjust itself. The response of the United Democrats is that bank mortgage rate is not entirely under the influence of the Government, banks themselves take into consideration the risks in making their own profits and the development of their business, and make adjustments accordingly. As reported recently in newspapers and periodicals, banks are thinking of relaxing the mortgage rate when projecting their property mortgage business for the coming year. Transactions of properties become active again. So, it is necessary to pass this Bill in time.

With regard to the provision that seeks to catch transfers of shares of land holding companies, it may give rise to some technical problems. We must look at them squarely. However, it does not mean that we will not pursue this matter or that we will be less determined to close this loophole. Apart from conveying views to the Government, the Legislative Council's ad hoc group will continue to examine this part of the Bill in depth with the Government. The United Democrats hope that the Government will draft and submit to the Legislative Council new provisions as early as possible (hopefully in two months' time) in order to demonstrate the Government's determination to plug this loophole. Of course, the Government should monitor the market activities after the Bill is passed to find out if there is an increasing trend of exploiting this tax loophole. Though we would like to pass the provisions on tax avoidance simultaneously, after taking the actual conditions into consideration, we only wish to accept passing the main part of the Bill first.

Regarding the potential hardship that may be caused to the vendors and the purchasers as pointed out by commentators and professionals, the problems have been generally settled. After detailed study by the ad hoc group and the technical sub-group, appropriate clauses have been included to enable the Governor to exercise discretion, under special circumstances, to remit or refund the stamp duty. The Government can, through the Commissioner of Inland Revenue, issues guidelines on the

definition on special circumstances so as to reduce to minimum the difficulties experienced by people.

Lastly, the United Democrats wish to make known that what the Government is doing through this Bill to curb speculative activities is very little. We also wish to point out that although the Bill may have some effect, the people should not place too much hope or expect the passing of the Bill to be a solution to all problems.

Spiraling property prices have put genuine home-buyers in a difficult situation. Is there likely to be any other factor than speculation? Is it to do with land supply? Is it to do with the oligopoly by leading conglomerates? Do we need to change completely our policy of supply in public housing? The eyes of the people are sharp and clear. Time will tell and judge whether the Government is determined to prescribe the right medicine and help people to get a place to settle.

As to the theory of Mr ARCULLI that the Bill may adversely affect the confidence of investors in Hong Kong, my view is that it is the confidence of speculators who fish for colossal profits that receives the blow.

With these remarks and subject to the amendments moved at Committee stage by other colleagues, I support the Bill.

SECRETARY FOR THE TREASURY: Mr Deputy President, I would like to place on record my gratitude for the ad hoc group's efforts. Mr Edward HO and his colleagues of the ad hoc group have been able to formulate a number of useful amendments to the Bill, as well as to discuss with us on the government team the technicalities of implementation.

The principal aim of the Bill remains the curbing of speculative activity in the residential property market, by making stamp duty payable on sale and purchase agreements. There is in my view nothing exceptionable or even objectionable or even inappropriate in tackling a major social problem through amendments to tax legislation and to this extent I find myself in a position of disagreement with the remarks Mr Peter WONG has made. Under this Bill, where there is a series of agreements in respect of the same property, the amount of duty payable will multiply. The Bill will thus provide a major disincentive for speculators. It will benefit genuine home-buyers by restoring the balance of market forces which has seriously been

distorted by a speculative activity. If I may be permitted to digress a little at this point, I should like to respond to a point that Mr ARCULLI has made. He has found it difficult to vote for this Bill because he believes that we should not, as a government, intervene in the market place. While I agree with Mr ARCULLI that the Hong Kong Government has by and large not intervened in the workings of the market because we espouse the free market mechanism, the fact is that the Government does intervene in the market when it is clear in its mind that it is in the long-term interests of the economy to do so. In this case we are clear in our minds that it is in the long-term interests of both the economy and the property market to do so. But we have conceded the point that in the case of the speculative activity that we have seen we should intervene for a limited period and that is why we have put a time limit on this measure. All this said, I should perhaps point out at this stage that counter-inflationary measures tend to be blunt instruments, and provision must at least be considered for justifiable exceptions.

For example, I understand that Mrs Miriam LAU will soon move amendments to the Bill, the main effect of which will be to make it clear that the requirement to pay stamp duty will not apply to an agreement for sale under which a purchaser transfers his or her interest in property to a parent, spouse or child. Mr Deputy President, these are acceptable to the Government.

I also understand that other amendments are going to be proposed by Mr Moses CHENG. A significant technical amendment relates to chargeable agreements for sale involving an exchange or partition of property, in addition to a monetary consideration. We agree that, in these circumstances, stamp duty should only be payable on the monetary consideration involved.

But perhaps the most important of Mr CHENG's proposed amendments is the strengthening of the provisions of the Bill relating to relief from stamp duty. The Bill already expressly provided for exemption in cases involving defects in title. To draft into the legislation too wide an exemption could create a major avoidance loophole but we accept, on balance, that genuine cases of hardship not expressly provided for in the law could arise. Accordingly, the revised clause 9 would now allow the Governor or his delegate to remit or refund any stamp duty paid or payable under the Ordinance. The circumstances under which this discretion to remit or refund stamp duty might be exercised will be spelled out in a Practice Note to be issued by the Commissioner of Inland Revenue.

I turn finally to the amendments proposed by Mr Marvin CHEUNG. These will have the effect of excising from the Bill the provisions relating to landholding companies. The original intention of these provisions was to close an existing avoidance loophole. This loophole is exploited when a person sets up a company, the main or only asset of which is immovable property, and then transfers part or all of his interest in that property by selling his company's shares. These transactions now attract stamp duty at the contract note rate, which is much lower than that payable on property conveyance. To discourage this form of tax avoidance, the Bill originally fixed the stamp duty to be paid on the sale or purchase of such shares at the higher, conveyancing rate.

I can understand the concern expressed by some Members that these provisions, as now drafted, could affect both transactions between genuine property development companies and speculative sales of domestic flats. I also understand and appreciate the sense of unease amongst members of the ad hoc group regarding the workability of this relatively simple Bill. But there is no escaping the fact that the use of shelf companies to transfer interests in property is widespread. Such companies can easily be purchased for a few thousand dollars. The Government remains concerned that, unless this loophole is closed, the impact of the present Bill could be limited. We are also concerned that, if people are not discouraged from using shelf companies, purchasers could be acquiring companies with hidden liabilities, however good their legal advice may be.

For this reason, we can support the amendments being proposed by Mr CHEUNG only on the understanding that we will move forward quickly to find an acceptable and effective way of closing this avoidance loophole and I for one welcome the continuation of the ad hoc group in its examination of any proposals that the Government may put forward. For our part, the Government certainly intends to bring forward new proposals as soon as possible for discussion with the ad hoc group in the first instance.

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

Bill read the Second time.

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

## SMOKING (PUBLIC HEALTH) (AMENDMENT) BILL 1991

Resumption of debate on Second Reading which was moved on 23 October 1991

Question on Second Reading proposed.

MRS ELSIE TU: Mr Deputy President, as convenor for the Legislative Council ad hoc group to study the Smoking (Public Health) (Amendment) Bill 1991, I would like first of all to declare my interest as a non-smoker. I would also like to say a few words about the deliberations of the ad hoc group and the suggestions it has made. In examining the Bill the ad hoc group has met with various interested parties, including the Administration, the Council on Smoking and Health, the tobacco industry, and some ferry worker representatives. It has also received a number of written representations.

Members of the ad hoc group generally welcome the introduction of further anti-smoking measures to ban smoking in enclosed public places and public transport, and to generate an increased awareness of the dangers of smoking for both smokers and non-smokers. There are however a few areas in the Bill in which members do not agree entirely with the Administration.

The first concerns ferry workers. Although the proposal to impose a total ban on smoking in public transport carriers was supported without hesitation by the ad hoc group, members noted sympathetically that ferry crews have to work long hours on board, including 24-hour shifts, and those who smoke would find it difficult to refrain from smoking throughout their long duty hours. Having met with the ferry worker representatives, and after detailed discussions, members decided that an amendment to the present Bill should be proposed to allow ferry workers to smoke in areas of ferries to which the public would have no access.

The second area of disagreement was the health warning requirement. While members welcomed the introduction of stronger and more specific warnings as proposed in the Bill, they disagreed with the Administration on two aspects. First, it was felt that for packages and containers, as well as printed and display advertisements, the size of the health warning message should be at least 75% of the total area of the warning panel instead of 40% as proposed by the Administration. This would be in line with the original recommendation made by the Council on Smoking and Health. Second, members were unable to accept the Administration's argument that because pipe tobacco

and cigars were consumed by only a very small proportion of the adult population in Hong Kong, there was no need to impose health warnings on such products. Members felt that the same health warning requirements for cigarettes should be extended to cigars and pipe tobacco. Nevertheless, given the need to consult the industry on this proposal and in order to avoid any delay on the present Bill, members finally agreed to defer this proposal on condition that full consultations be carried out by the end of 1992.

The third area of disagreement with the Administration contains the level of penalties. Members were of the view that the proposed maximum penalties for offences under sections 5(a), 5(b) and 8(a) were inadequate. They proposed an amendment be made to increase them to \$5,000, \$10,000 and \$20,000 respectively.

Finally, there is the controversial proposal to ban the sale and advertising by giving of cigarettes to minors. The Administration does not accept this proposal although it is one recommended by the Council on Smoking and Health. Instead, the Administration prefers education and publicity as the means to discourage young people from smoking because it believes that:

(a) The ban will be difficult to enforce particularly given the large number of retail outlets in Hong Kong.

(b) The introduction of unenforceable laws, or non-enforcement of laws introduced, would call into question not only those laws but also the credibility of the general institution of laws.

(c) It would arouse the curiosity and rebellious nature of young people and might put a relatively cheap tool into the hands of the triads.

(d) The proposal to advise advertising by giving of cigarettes has not been previously addressed in any consultation exercise. If it were to be introduced, the public should first be consulted.

Members were not convinced by these arguments of the Administration. They maintain that our young people must be given a clear message about smoking and the Government's commitment to preventing them from picking up this unhealthy habit. Notwithstanding this view, members however accepted that there would be merit in consulting the public again on this subject. With this in mind, and in order not

to delay passage of the Bill, it was agreed that this particular proposal be deferred on condition that full consultations on the proposal would be carried out by the Administration by the end of 1992.

In addition, the ad hoc group made two other suggestions regarding advertising of tobacco products in the print media, and requiring restaurants to display a sign stating whether or not they provide a designated area for non-smokers. These proposals have been passed to the Administration separately and I hope they will be dealt with promptly.

Mr Deputy President, most of the members of the ad hoc group would in fact like to see much stricter anti-smoking measures, and the inclusion of all such measures in one single Bill. But we realize that this is extremely difficult given the need to consult the public on the various controversial proposals which would delay the Bill for at least a few months more. We want to avoid further delay. There are many good proposals in the present Bill and we all agree that it should go forward as quickly as possible in the interest of public health.

Before closing, I must thank my colleagues for their time and hard work in the scrutiny of this Bill. I also wish to thank the Administration for their frank and co-operative attitude in discussions with the ad hoc group.

Mr Deputy President, with these remarks and subject to the suggestions made, I commend the Bill.

REV FUNG CHI-WOOD (in Cantonese): Mr Deputy President, I am a member of the Legislative Council ad hoc group to study the Smoking (Public Health) (Amendment) Bill. I support further restrictions by the Government on the use, sale and advertising of tobacco products. I also fully endorse all proposals of the ad hoc group.

Originally, the ad hoc group wanted to add clauses for the restriction of sale of tobacco products to persons under the age of 18 when the Bill goes through its second reading. For fear that this may delay the passage of the Bill, we now hope to introduce amendments at the end of the year.

The Council on Smoking and Health conducted an opinion poll by telephone in March 1988 in which 2 267 people were interviewed. 92.1% supported the enactment of

legislation to ban the selling of cigarettes to persons below the age of 18. Afterwards, the Council received 1 594 written representations, over 90% of which supported the ban on the sale of cigarettes to persons below 18. As revealed in another survey conducted by the Council in April 1990, 47.1% of youths below the age of 16 had tried smoking, 15.6% smoked at least once a week and 11% smoked regularly. The Council thus pointed out that there was a growing trend for young persons to smoke.

To bring home to people the hazards of smoking, legislation is necessary in addition to education and publicity. In Hong Kong, we have a society that respects human rights and I myself have continuously fought for more human rights and freedom for our people. However, since smoking is harmful to the health of second-hand smokers and smokers themselves to the extent of losing their lives, smokers should take into consideration the health of the public and smoke as little as possible, particularly in public places. From the human rights point of view, non-smokers have a right to be free from the hazards and pestering of cigarettes.

In China, legislation was introduced on 1 January this year to prohibit smoking among middle and primary school children. In Hong Kong, we do not have any legislation to guide youths on their attitude toward smoking. There is a need for us in Hong Kong to enact legislation for prohibiting the sale of cigarettes to young persons below the age of 18 so that they will know society considers smoking a bad habit. This way, when they make the choice to smoke or not to, they will be aware of the stand of members of the community and the Government and will exercise the option not to smoke.

I am aware that prohibiting the sale of cigarettes to persons below 18 has practical difficulties in enforcement in view of the numerous retailers in the territory. However, these are technical difficulties that should not be difficult to overcome. At present we have legislation banning the sale of alcohol and obscene and objectionable publications to persons under 18. Enforcing legislation to ban the selling of cigarettes to persons below 18 should not pose special problems. In any case, people of Hong Kong are required to carry their Identity Cards with them and it should not be difficult to learn of the age of people buying cigarettes. I am well aware that the ban on the sale of cigarettes to young persons may arouse their curiosity for cigarettes. Having weighed the pros and cons, I believe legislation to ban it will result in the fall in the number of young smokers. Of course, we need education and publicity to complement.



Furthermore, the ad hoc group thinks non-smoking areas should be designated in eating places so that those who do not wish to be bothered by second-hand smoking can have a comfortable and healthy environment to eat. Tea-houses and restaurants are public places; people have right not to be harmed and bothered by the hazards of smoking. I sincerely hope that the Government will enforce the designation of non-smoking areas in eating places as soon as possible. From the angle of environmental protection, the public need a healthy and comfortable environment with fresh air. Smoking should not be allowed in public places or at least, non-smoking areas should be designated. I support this Bill because it is one that proceeds in the right direction. However, I still feel that the steps proposed to be taken are not fast enough. I believe more measures should be adopted, including educating the public, incorporating the health hazards of smoking into school curriculum, stepping up publicity efforts and introducing legislation, and so on.

Mr Deputy President, I do wish to propose any amendment for fear that it would delay the passage of this Bill. With these remarks, I support the Bill.

SECRETARY FOR HEALTH AND WELFARE: Mr Deputy President, I would like to thank the Honourable Mrs Elsie TU, the Reverend FUNG Chi-wood and members of the ad hoc group for their meticulous scrutiny of our proposals and for their detailed comments. Their support for the Bill is also evidenced by their proposed introduction of further anti-smoking measures and such other amendments as I shall highlight below.

The ad hoc group has proposed an amendment to allow ferry workers to smoke in areas of ferries to which the public has no access. It seems odd that these workers should be allowed to smoke when the Bill seeks a total ban on smoking in public transport carriers. However, as so admirably put by Mrs Tu, the argument that ferry workers have a working environment unique among transport operators is not without merit. They work long shifts and are unable to take a break at the end of their journey like other transport workers. They cannot leave the ship and go out for a walk for instance. They may eat, live, sleep, on board their vessel in an area physically separated from the passenger compartments. Permitting them to smoke in areas where the public has no access can be achieved without causing disturbance to passengers and without compromising the overall objectives of our anti-smoking policy. I thus agree with the proposed amendment. However I should add, no matter how jarring it may be to the unwilling ear of smokers, that while the proposed amendment may allow ferry workers to smoke, it should not, I think, be regarded as encouragement to do

so. For the sake of their own health and for the sake of those colleagues who do not smoke and who work with them, here, I would still urge them not to smoke, and follow -- might I add -- the shining good example set by the Honourable Mrs TU of being a non-smoker.

I now turn to the question of the size of the health warning message to be printed within the warning panel on cigarette packages and in advertisements. Our proposal for 40% coverage was based on the outcome of consultations in 1989-90. Members' proposed requirement of 75% coverage instead will mean a more visible message. This is in line with the Government's objective of enhancing awareness of the dangers of smoking. I will certainly bear this in mind when making the relevant Order.

As for the ad hoc group's proposal to raise yet further the penalties for offences under the Ordinance, it will certainly, I think, increase the deterrent effect of the legislation and reinforce our anti-smoking efforts. I welcome this proposed amendment to the Bill.

As regards the ad hoc group's view that health warnings should also apply to pipe tobacco and cigars, now this is a new proposal on which further consultation will be necessary. Given the small market for these products in Hong Kong, and having regard to shelf-life and stock of the products in hand, the requirement for health warnings may make some brands commercially unviable and lead to their being withdrawn from the market altogether. The implications for this on consumers will obviously need careful consideration. The industry will also need to be consulted about the lead time required for any such proposal to be implemented. Accordingly, I will take steps to initiate the necessary consultations.

The ad hoc group considers that the sale of cigarettes to minors, that is anyone below 18, should be banned. Associated with this, any offer or gift of cigarettes to minors for the purpose of advertising, should also be banned. It would appear that many in our society want this banned. Certainly, some Honourable Members want it. Even the tobacco industry says it wants this ban. A ban on the sale of cigarettes to minors may well give the right message to some as to the Hong Kong Government's earnest in discouraging smoking, particularly amongst the young. However to others, an unenforceable ban might send quite the opposite message. We must therefore consult carefully, particularly on the aspect of enforcement.

I must here reaffirm, Mr Deputy President, the Government's commitment to

anti-smoking. We must tackle the problem at its root, not simply trim the branches, in our three-pronged approach, that is through prevention, legislation and education. Education, both formal through schools and informal through friends, is an important co-factor in discouraging smoking, particularly amongst the young. By the young, perhaps I should include all those who think they are young and imagine they are immortal.

Following discussions with the ad hoc group, I shall also examine two other suggestions made, earlier mentioned by Mrs TU. These are, whether tobacco advertising in the print media should be prohibited and whether restaurants should be required to display a sign to say they provide a non-smoking area or not. I will, of course, consult the relevant parties concerned.

It has been the Government's declared policy to discourage smoking. In achieving our objectives we have adopted a progressive and pragmatic approach and a realistic and reasonable attitude; we try to strike a healthy balance. Our initiatives are reviewed from time to time in the light of the attitudes in our community. The Smoking (Public Health) (Amendment) Bill is a step in this direction. We will continue to press on; there will be bigger and better things to come.

Mr Deputy President, I commend the Bill and all the ad hoc group's proposals for passage.

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

Bill read the Second time.

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

#### BROADCASTING AUTHORITY (AMENDMENT) BILL 1991

Resumption of debate on Second Reading which was moved on 27 November 1991

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).

#### COPYRIGHT (AMENDMENT) BILL 1991

Resumption of debate on Second Reading which was moved on 27 November 1991

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.

#### NOISE CONTROL (AMENDMENT) BILL 1991

Clauses 1 and 3 to 6 were agreed to.

Clause 2

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr Chairman, I move that clause 2 be amended as set out under my name in the paper circulated to Members.

The minor amendment under clause 2 is a drafting amendment for clarity. It is the Administration's intention that existing noise control provisions in sections 4 and 5 should only not be applied to noise generated by vehicles travelling in a normal manner on public roads. Noise generated by vehicles in other manners should still be subject to control. The amendment to clause 2 clarifies that such exemptions under section 5A(c) are provided for noise generated by vehicles travelling in a public place only.

Mr Chairman, I beg to move.

Proposed amendment

Clause 2

That clause 2 be amended, in proposed section 5A(c), by adding "travelling in a public place" after "vehicle".

Question on the amendment proposed, put and agreed to.

Question on clause 2, as amended, proposed, put and agreed to.

ROAD TRAFFIC (AMENDMENT) (NO. 5) BILL 1991

Clauses 1 to 6 were agreed to.

STAMP DUTY (AMENDMENT) (NO. 4) BILL 1991

Clauses 1, 3 and 4 were agreed to.

Clauses 2, 5, 6 and 7

MR MARVIN CHEUNG: Mr Chairman, for the reasons I gave at the Second Reading debate, I move that the clauses specified be deleted.

Mr Chairman, I beg to move.

Proposed amendment

Clauses 2, 5, 6 and 7

That the Bill be amended, by deleting clauses 2, 5, 6 and 7.

Question on the deletion proposed, put and agreed to.

## Clause 8

MRS MIRIAM LAU: Mr Chairman, I move that the proposed section 29A(1), 29B(2), 29D(6)(c) and (d) under clause 8 be amended as set out in my name in the paper circulated to Members.

The Bill, as drafted, requires stamp duty to be paid when a conveyance on sale is not executed in favour of the person or all persons named in the sale and purchase agreement as purchaser or purchasers.

In ordinary conveyancing transactions it is not unusual for a person to enter into a sale and purchase agreement to buy property with the intention that the subsequent assignment shall be taken up by him jointly with a close relation, for example, a spouse, parent or child or just by one or more of such close relations. This is usually done by way of a nomination made before completion which, if this Bill as drafted is passed, would constitute a new stampable sale and purchase agreement. The purpose of the Bill is to counter speculation and not to cause undue hardship to innocent purchasers. In nominations of the type I have just mentioned there is no element of speculation involved at all and it would not be right to constitute them as chargeable instruments. The amendments proposed therefore seek to exempt such nominations from stamp duty.

Mr Chairman, I beg to move.

### Proposed amendments

## Clause 8

That clause 8 be amended --

(a) In the proposed section 29A(1), in paragraph (h) of the definition of "agreement for sale", by adding after "in respect of the property" -

", or in favour of one, or more than one, person who is a parent, spouse or child of the purchaser (whether or not also in favour of the purchaser)";

(b) in the proposed section 29B(2), by deleting "it" and substituting "the unwritten sale agreement or agreement for sale";

(c) by deleting the proposed section 29D(6)(c) and substituting -

"(c) a conveyance on sale is not executed in conformity with an agreement for sale unless the conveyance on sale -

(i) is of the whole or part of the immovable property subject to the agreement for sale; and

(ii) is in favour of the person or all persons named in the agreement for sale as the purchaser or purchasers and no other person; but, for the purpose of this paragraph, a person and a parent, spouse or child of that person shall be treated as the same person;"

(d) in the proposed section 29D(6)(d), by adding before the semicolon -

"and is not executed in conformity with the agreement for sale".

Question on the amendments proposed, put and agreed to.

MR MOSES CHENG: Mr Chairman, I move that clause 8 be further amended as set out in the paper under my name circulated to Members.

A total of four amendments are proposed. These are technical amendments to further clarify or exemplify, as the case may be, the original meaning in the respective proposed sections of the Bill. The proposed amendments are made in response to points raised by the ad hoc group in its scrutiny of the Bill as well as the helpful views of the various professional bodies, and they have been accepted by the Administration.

Mr Chairman, I beg to move.

Proposed amendments

Clause 8

That clause 8 be further amended --

(a) by adding after the proposed section 29C(9) -

"(10) Where under a chargeable agreement for sale -

(a) the exchange of any immovable property for any other immovable property; or

(b) the partition of an immovable property,

is agreed to, and any consideration is paid or given, or agreed to be paid or given, for equality, the agreement for sale shall, subject to section 29F, be charged with the same stamp duty as a chargeable agreement for sale for the consideration, and with that stamp duty only.";

(b) in the proposed section 29D(3)(a), by adding "or assessed to be payable" after "paid";

(c) in the proposed section 29D(3)(b), by adding after "section 9" -

", less the total amount of stamp duty paid or assessed to be payable in respect of any of the other chargeable agreements for sale";

(d) in the proposed section 29D(3)(c), by deleting all that follows "agreements for sale is" and substituting -

"duly stamped, any unstamped chargeable agreement for sale is chargeable with stamp duty of \$100, any chargeable agreement for sale that has been assessed remains chargeable with the amount of the stamp duty assessed, and any chargeable agreement for sale that has been stamped under section 13(2) but not assessed ceases to be chargeable with any further stamp duty.".

Question on the amendments proposed, put and agreed to.

MR MARVIN CHEUNG: Mr Chairman, I move that clause 8 be further amended as set out in the paper circulated to Members under my name.



I beg to move.

Proposed amendments

Clause 8

That clause 8 be further amended, in the proposed section 29I(3), by deleting paragraphs (a) and (b) and substituting -

"(a) in section 15(3)(a), the words ", or is an agreement for sale that contains a statement to the effect that it relates to non-residential property within the meaning of section 29A(1)";

(b) in the First Schedule, in the square brackets alongside "FIRST SCHEDULE", the section numbers "29A, 29C, 29D, 29G, 29H, 29I, ";".

Question on the amendments proposed, put and agreed to.

Question on clause 8, as amended, proposed, put and agreed to.

Clause 9

MR MOSES CHENG: Mr Chairman, I move that clause 9 be amended as set out in the paper circulated to Members.

The proposed amendments seek to provide the Governor with the added power to refund stamp duty paid. Under the existing legislation, the power for refund of stamp duty paid, either wholly or in part is not provided for.

While refund in cases of rescission due to defective title is provided for in another clause of the Bill, there is no provision for refund in other genuine abortive situations which render completion impossible.

The amendments, as now proposed, would empower the Governor, or his delegated representative, to exercise discretion to refund paid stamp duty in fair and acceptable circumstances, thereby providing an escape clause to alleviate hardship

in cases of genuine rescission rather than rescission in connection with speculation.

Mr Chairman, I beg to move.

Proposed amendments

Clause 9

That clause 9 be amended, by deleting clause 9 and substituting --

"9. Remission of stamp duty

(1) Section 52(1) is repealed and the following substituted -

"(1) The Governor may -

(a) remit, wholly or in part, the stamp duty payable;

or

(b) refund, wholly or in part, the stamp duty paid,

in respect of any instrument chargeable with stamp duty."

(2) Section 52(2) is amended by adding "or refunded" after "remitted".

Question on the amendments proposed, put and agreed to.

Question on clause 9, as amended, proposed, put and agreed to.

Clause 10

MR MARVIN CHEUNG: Mr Chairman, I move that clause 10 be amended as set out under my name in the paper circulated to Members.

Mr Chairman, I beg to move.

Proposed amendments

Clause 10

That clause 10 be amended --

(a) by deleting clause 10(1)(a)(i);

(b) by deleting clause 10(4).

Question on the amendments proposed, put and agreed to.

MRS MIRIAM LAU: Mr Deputy President, I move that clause 10 be further amended as set out under my name in the paper circulated to Members.

The purpose of the amendment is to add in a note to make it clear that the person and his relation, that is, parent, spouse or child, shall be treated as one and the same person.

Mr Chairman, I beg to move.

Proposed amendments

Clause 10

That clause 10 be further amended, in clause 10(2), by deleting Note 4 to the proposed head 1(1A) in the First Schedule and substituting --

"Note 4

Where 2 agreements for sale are made in respect of the same, or part of the same, property and involve a common purchaser (but are not made between the same parties), this sub-head is subject to section 29C(5)

Note 5

For the purposes of Notes 2, 3 and 4, a person and a parent, spouse or child of that person shall be treated as the same person".

Question on the amendments proposed, put and agreed to.

Question on clause 10, as amended, proposed, put and agreed to.

#### SMOKING (PUBLIC HEALTH) (AMENDMENT) BILL 1991

Clauses 1 to 4, 6, 7, 9 to 15 were agreed to.

Clauses 5 and 8

MRS PEGGY LAM (in Cantonese): Mr Chairman, I move that clauses 5 and 8 be amended as set out in the paper circulated to Members. Both of the amendments relate to the quantum of fines. The amendment to clause 5(a)(ii) deals with smoking in non-smoking areas. The Government proposes to increase the fine to \$2,000. However, the ad hoc group believes \$2,000 is insufficient and proposes that the fine be raised to \$5,000. The amendment to clause 5(b)(ii) relates to the giving of false or incomplete names and addresses. The Government proposes to increase the fine to \$6,000. But the ad hoc group believes the giving of false or incomplete names or addresses is a serious offence and \$6,000 is insufficient. Therefore, it proposes that the fine be raised to \$10,000.

The amendment to clause 8(a) relates to the sale of cigarettes which fails to comply with the health warning requirement. The Government proposes to raise the fine to \$15,000. But the ad hoc group believes \$15,000 is insufficient and proposes that the fine be raised to \$20,000.

Mr Chairman, I beg to move.

Proposed amendments

Clause 5

That clause 5(a)(ii) be amended, by deleting "\$2,000" and substituting "\$5,000".

That clause 5(b)(ii) be amended, by deleting "\$6,000" and substituting "\$10,000".

Clause 8

That clause 8(a) be amended, by deleting "\$15,000" and substituting "\$20,000".

Question on the amendments proposed, put and agreed to.

Question on clauses 5 and 8, as amended, proposed, put and agreed to.

Clause 16

MR ERIC LI: Mr Chairman, I move that clause 16 be amended as set out in the paper circulated to Members.

The amendment seeks to allow ferry workers to smoke in their work place. This is no different from allowing perhaps people working in cinema to smoke in their work place. Our convener, the Honourable Elsie TU, had already explained the reasons for this amendment, so I shall not make a long speech. But I would sure like to respond quickly to the remarks made by the Secretary for Health and Welfare. I would like to declare very clearly that the ad hoc group had no intention whatsoever of encouraging ferry workers to smoke. In fact, we have considered very carefully the very special circumstances that the Secretary had outlined. It is precisely for that reason we supported the amendment. But I would like to assure honourable colleagues that we have not let the occasion pass by speaking to their representatives, giving them some piece of our advice about anti-smoking, and also reminding them very strongly the right of their non-smoking peers.

With these remarks, Mr Chairman, I beg to move.

Proposed amendment

Clause 16

That clause 16 be amended, in proposed Schedule 1, by deleting item 10 and substituting --

"10. Those parts of a ferry vessel operated under a franchise or a licence granted

under the Ferry Services Ordinance (Cap. 104) opened, kept or used for or in connection with the carriage of passengers or to which the passengers have or are permitted to have access.".

Question on the amendment proposed, put and agreed to.

Question on clause 16, as amended, proposed, put and agreed to.

#### BROADCASTING AUTHORITY (AMENDMENT) BILL 1991

Clauses 1 to 7 were agreed to.

#### COPYRIGHT (AMENDMENT) BILL 1991

Clauses 1 and 2 were agreed to.

Council then resumed.

Member's motion

#### APPOINTMENT OF A SELECT COMMITTEE

MRS SELINA CHOW moved the following motion:

"That a select committee be appointed to review the arrangements for the 1991 Legislative Council elections and to report its recommendations on the arrangements for future Legislative Council elections; and that in the performance of its duties the committee be authorized under section 9(2) of the Legislative Council (Powers and Privileges) Ordinance (Cap. 382) to exercise the powers conferred by section 9(1) of that Ordinance."

MRS SELINA CHOW: Mr Deputy President, I rise to move the motion standing in my name on the Order Paper. At the resumption of the debate on the Second Reading of the Electoral Provisions (Amendment) Bill 1991, Private Members Bill, at the last Legislative Council sitting of the previous Session, I suggested that a select

committee be set up to conduct a review of the Legislative Council elections through extensive consultation in as open a forum as possible to deliberate and to draw conclusions as to the arrangements for future elections of the Legislative Council. I am grateful for the support that fellow Members of this Council have given to my proposal.

A Legislative Council working group has been formed to prepare for the setting up of the proposed select committee. The working group has held four meetings including one with the Administration, to work out a tentative work programme and to discuss procedural matters relating to the establishment of the select committee. The working group recommends that the select committee be tasked, and I quote:

"To review the arrangements for the 1991 Legislative Council elections and to report its recommendations on the arrangements for future Legislative Council elections."

In order that the recommendations regarding the Legislative Council elections could be taken on board by the Administration for the 1995 elections, it is hoped that the select committee once appointed would start work as soon as possible. In fact subject to the passage of this motion and the necessary administrative arrangements that follow, the first meeting will be held on the afternoon of 31 January, that is two days from now.

Mr Deputy President, with these remarks, I beg to move.

Question on the motion proposed.

MR MARTIN LEE: Mr Deputy President, I rise in support of the motion. I am very happy to see that a committee of this Council will be able to have a wide-ranging examination of our electoral laws and will make recommendations as to how to improve them. Such an examination is long overdue, in that it has already been four years since the Hong Kong Government first announced that there would be democratic elections to this Council, and several Members have for some time been seeking to reform our outdated and inadequate electoral laws. Although the select committee is dominated by those belonging to a particular political entity, most of whom have never faced a competitive election of any type and none of whom was returned by democratic election to this Council, I hope these Members will keep an open mind and listen closely to the ideas of the few democratically elected Members of the committee.

At this point it is clearly not appropriate to debate the various issues to be discussed by the select committee; yet I would like to touch on one important issue: the number of democratically elected seats in this Council in 1995. I am happy to see that this subject is on the agenda for the committee, although I would think the discussion would be a very short one indeed. The OMELCO consensus on democratization was agreed by all Members of the last Session of this Council after long and arduous debates. In that consensus, we agreed that at least 30 seats of this Council would be democratically elected by 1995. Though several Members, including myself, wished to see a more democratic model, all of us agreed on the OMELCO compromise.

Although new Members are of course not bound by the consensus, the current Council has not sought in any way to repudiate our consensus reached in the last Session. As such, there can be no question but that the OMELCO consensus still stands. And, I think that many people in Hong Kong would be extremely disappointed if those Members of the select committee who had worked so hard to achieve the OMELCO consensus in 1989 were now to turn around and abandon their commitment. Having listened to the speeches of Members in last week's debate, and the speech of the Honourable Mrs Rita FAN in particular, I am very concerned about such a prospect.

Some Members may argue that, with the passage of the Basic Law, the OMELCO consensus is no longer valid. I strongly disagree. When we reached the consensus, we knew it would be very difficult to persuade the British and Chinese Governments to agree with our proposal, but we committed ourselves to do our utmost to see that consensus model realized. When the British and Chinese Governments reached their secret deal in February 1990 to reject the consensus, the Council then expressed its strong regret in a motion moved by the Honourable Allen LEE. And, when the Basic Law was passed on 4 April 1990, the same Council similarly passed my motion calling on the People's Republic of China to amend the Basic Law in line with OMELCO's recommendations, which included the OMELCO consensus.

Now that the 1991 elections have been such a success and the people of Hong Kong have so overwhelmingly voted for pro-democracy candidates, we must redouble our efforts to convince both the British and Chinese Governments to respect the wishes of the people of Hong Kong for more democracy. For its part, in February 1990, the British Government formally pledged after reaching its secret deal with China to negotiate with the People's Republic of China for a greater number of democratically elected seats in 1995 if the 1991 elections should prove to be a success. After last



September's elections, the British Government has said it will indeed negotiate with China for amendments to the Basic Law. We must give our full support to these negotiations. For Members of this Council to undercut these negotiations by backing down on our consensus now would be an act of betrayal in the eyes of many people in Hong Kong.

At this point, when certain Members of this Council may be thinking of backing away from the OMELCO consensus, it would be helpful to recall the statement made by a fellow Member in the autumn of 1989, when likewise it was feared that some Members then might be backing down from it. At that time, that Member said: "The OMELCO consensus was arrived at after the most lengthy discussion by our colleagues and came together before and after 4 June. It reflected the spirit of caution, unity and compromise of our membership. Some of us had preferred a more liberal or conservative approach, but in the end we all voted for it. What change in circumstance has caused the aboutturn of a few of our colleagues? Could the change of heart be due to statements by some Chinese officials that the OMELCO consensus would not be considered because it was a pro-British manoeuvre? Could it be that they are afraid supporters of free election could be taken to be subversive elements in the eyes of the Chinese leadership? Or could it simply be that they have lost faith in the judgment of the Hong Kong people to choose their own representatives? They owe Hong Kong an explanation." I think all Members would do well to recall this advice given by the Honourable Mrs Selina CHOW who has moved the motion before this Council today.

Finally, I would like to voice my strong support for the mechanism by which this Council will examine our electoral laws, namely, by a select committee of this Council. I believe that the structured, open meetings of the committee should facilitate a constructive discussion of the issues involved and will enable the public both to contribute to and learn from the legislative process. I urge all members of our community to take advantage of the public nature of the process and come forward with their ideas and comments, thus ensuring that the committee appreciates the full range of public concern before its Members deliberate on these very important issues.

With these remarks and on behalf of the United Democrats of Hong Kong, I support the motion.

DR LEONG CHE-HUNG: Mr Deputy President, I rise to support the appointment of a select committee to review the arrangement for the 1991 Legislative Council elections. In

doing so, this committee must report also on its deliberation and recommendations on the arrangement for future Legislative Council elections. It is on the hopeful scope of work of this committee that I would like to say a few words.

Mr Deputy President, to be meaningful, this select committee must look at all aspects of the Legislative Council elections, ranging from the pace of democratization in Hong Kong, the fallacy of the electoral procedures of some of the functional constituencies, the proper division of election boundaries, funding for electioneering, methods of voting and the need, the formation and the composition of an independent election commission.

Mr Deputy President, over the years, senior and junior members of Her Majesty's Government have made repeated promises to stand by Hong Kong to have a faster pace of democracy. The people of Hong Kong, with voices from both inside and outside this Council have called repeatedly for and supported the OMELCO consensus. I would like to urge the select committee so appointed to stand by this and to call on at least the senior Members of this Council to give this, our own consensus, the strongest support.

Mr Deputy President, the Hong Kong Democratic Foundation (HKDF) has earlier last year commissioned the Electoral Reform Society (ERS), an independent and a political body from the United Kingdom, to study the Hong Kong electoral system.

In their final report they have made some 51 recommendations. The Hong Kong Democratic Foundation has thoroughly reviewed these recommendations and in the light of Hong Kong's need and special circumstances made some 46 proposals. All these recommendations, Mr Deputy President, contained these two reports I am now holding were submitted to the Secretary for Constitutional Affairs last summer. I must add that requests for copies of these reports are most welcome.

I would urge the select committee when appointed to take into account some of these ideas and build into it what Hong Kong needs.

Amongst the 51 recommendations, the Electoral Reform Society strongly recommended the setting up of an independent election commission with an independent election board and an independent boundary commission. To this end they recommended that a 10% variance in size should be maintained for geographical constituencies.

Recommendations also extend to lowering of voting age to 18. Special recommendations are also made for functional constituencies especially those with corporate membership as voting basis to ensure that their electoral procedures are made as democratic as possible.

Mr Deputy President, with these remarks, I support the motion.

MR JIMMY MCGREGOR: Mr Deputy President, there has been a good deal of media speculation about the reasons for my opposition to consideration of the election or appointment of the Honourable Selina CHOW to the chairmanship of this select committee. I wish to make the reason clear so that there will be no feeling that I have been motivated by any thought that Mrs CHOW lacks the qualities of a good chairman. She has chaired other committees of this Council with dedication and distinction, and I have served as a member on some of them. The reason I oppose Mrs CHOW for the chairmanship of this particular committee is that the select committee has a very special function, that of examining and advising on the Hong Kong electoral system.

This comes at a time of constitutional change, at a time when Hong Kong is struggling to adjust to the new political realities, when 18 of our Councillors have been elected by the people of Hong Kong, and in the last legislature to have appointed members. There is a charged atmosphere when this Council discusses constitutional and electoral reform, and it is hard to separate one from the other. The select committee has a most difficult job to do and it should, in my view, not contain members who have not submitted themselves to the views and verdicts of the voters, whether directly elected or in functional constituencies. Those who have not run in a contested election cannot begin to understand the strains and worries of a candidate, how the electoral system treats him or her, and what changes might be appropriate and necessary. At the very least, Councillors should speak from personal knowledge. No appointed Member is qualified to do so. No functional constituency Council Member is as qualified to speak on the electoral system as a Councillor elected by universal suffrage in a contested election. That is my personal view.

The composition of the select committee is the result of the composition of this Council itself and there is little to be done about that at present. It is all the more important, therefore, that the chairman of the select committee should be a person seen to be open-minded in support of constitutional and electoral reform, and integrity, and dedicated to the further enhancement of democracy in Hong Kong.

The Honourable Selina CHOW, on the 30 October 1991 said in this Council:

"I watched with horror some of the tactics used by so-called liberals to throw doubt and suspicion on the integrity of candidates who were labelled pro-China. I watched with even more horror when voters fell prey to such tactics."

These are not the views of an elected Member; they are not the views of a Councillor who can be expected to be even-handed in dealing with the concerns of so-called liberals on the select committee if she were elected as the chairman; that is why I oppose her chairmanship.

As an elected Member on the select committee, I will be prepared to work constructively with Mrs Selina CHOW in seeking the best arrangements for Hong Kong. If, on the other hand, a majority of Members of this Council feel that I should stand down as a member of the select committee and submit myself to a further election, I am quite prepared to do so.

Mr Deputy President, I support the motion.

MR FREDERICK FUNG (in Cantonese): Mr Deputy President, I rise to speak in support of the motion. However, despite supporting it, I would like to state several points of view. First, I feel that, in conducting its review, we should cover two electoral systems, namely direct elections in geographic constituencies and elections within functional constituencies. In respect of direct elections, I hope the committee to be formed can review all the procedures. Secondly, on the number of directly elected seats, I hope the committee will follow the recommendations of the last Legislative Council that half of the seats be directly elected within geographic constituencies before 1997. Although this is the view of the last Council, I hope the new select committee to review the matter will make it one of its areas of study. Also, I feel it is an important principle for this Council to stick to past decisions.

On another front, I would like to discuss the subject of elections within functional constituencies. I feel that elections in functional constituencies in their present form are a total mess and totally unacceptable. The first point is that I can see certain problems such as some people having more than one vote. I fail to understand how it can be argued that elections in functional constituencies

do not contradict the Bill of Rights. The second point is that the smallest functional constituency comprises only 40 people. In other words, 40 people can return one representative to the Legislative Council. The largest constituency is made up of 40 000 people. The contrast in terms of ratio is 1 to 1 000. I have difficulty appreciating a difference as big as this. The third point is that, according to the relevant Ordinance, a resident of Hong Kong eligible for the vote must have been resident here for sever years and be over the age of 18. I beg your pardon, I mean the age of 21; 18 as the voting age is what I have been wanting to get introduced. However, for functional constituency elections, a foreigner who arrived here only yesterday and who has the money to set up and register a limited company today is eligible to vote despite being only 18 and having been in Hong Kong for less than a week as long as that limited company falls within a functional constituency and he registers his eligibility at once. The fourth point is that apart from voting in the functional constituency, some people can vote in another constituency as well (by virtue of their being members of another constituency). For example, a teacher can vote in the education constituency and also in the teachers' union through his influence there. Therefore, I feel there is at present no standard of, if at all, multi-standards for functional constituency elections. There is no rationale behind it. What we hope the committee will do, in addition to reviewing Hong Kong's electoral system and related matters, is to open review process to the public. Apart from discussion of matters among the 12 members of the committee, I hope the committee will have sufficient time for consultation with the public and with this Council. That way, the findings of the review will be more representative and will enjoy more support from the public.

Finally, I would like to say that I hold a different view from what Mr McGREGOR has said in his speech. I believe, or one may say I agree, that the problem lies in whether an appointed Member would be suitable for the post of chairman of the committee. I, for one, would have hoped the chairman was not an appointed Member; I for one would have hope the chairman was a directly elected Member. However, in view of the fact that the present composition of this Council consists of an appointed element, if the one elected democratically within this Council to the chairmanship of the committee happens to be (fortunately this is not so now) an appointed Member, I feel we have to accept this internal democracy. I disagree the more with the way some people express their dissent by writing to the Governor in the hope that he will not appoint a certain person to be the chairman of a certain committee. To me, such a step would be grossly regressive. It is regressive because it is our wish that it would be best if the Governor would not meddle with Legislative Council affairs.

We want this Council to attend to its business and make its own decisions. The process of Legislative Council Members making decisions is a democratic one. If we reverse this process and ask the Governor to appoint or not to appoint a certain person, we are drawing back the internal democracy of this Council one big step. I do not subscribe to it. The third point about my objection is whether we need to decide what qualities the committee's chairman should possess. If we do, I hope Members will raise them first in our In-House meeting, not during or after the election; otherwise it would not be in order. If we raise the quality requirements at the wrong time there may just be problems for Members or members on any committee because we may end up barring directly elected Members from the chairmanship. I believe if quality requirements are to be set out, they should be given in advance within the committee internally. I hope in saying so does not constitute any allegation against democratic groups. I hope democratic groups and democratic people who believe in democracy will apply this democratic awareness and democratic procedure not only where their own interests are at stake but also where their interests are not involved. With these remarks, I support the motion. Thank you, Mr Deputy President.

MISS EMILY LAU (in Cantonese): Mr Deputy President, in principle, I support the establishment of a select committee to review the 1991 Legislative Council elections because I feel it is a correct and appropriate way to collect public opinion before making proposals to this Council and the Government. However, I am worried about the formation of this select committee through election among non-government Members of this Council. There are 12 members to this committee. Miraculously, or should I say with the manipulation of an unseen hand behind the scenes, it so happens that one-third of its members come from the directly elected camp, one-third from the appointed camp and one-third from the functional constituencies. Half of the members of the committee belong to the political entity, the Co-operative Resources Centre (CRC). It is therefore hard to shrug the impression that it is under the influence of, or even monopolized by, the CRC. Lastly Friday, I joined Mr McGREGOR and Dr LEONG Che-hung in writing to the Governor about our worries over this set-up. We also indicated that we were worried that the committee might be chaired by someone who had never taken part in an election and who had doubts about democratic elections.

Mr Deputy President, during my trip to London in the middle of the month, I reflected my worries to Members of Parliament of both the Conservative and Labour Parties in Britain. I told them such a situation would arise because not all Legislative Council Members were elected by the one-man-one-vote process.

Fortunately, they did not employ the pretext taken up by Mr Frederick FUNG that we should accept the rule of the so-called democracy game because the select committee had been elected among Legislative Council Members. In fact, Mr Deputy President, the answer given to me by British officials and Members of Parliament was very frank indeed. They said, "Emily, what is there to say? There is no democracy in Hong Kong. In the absence of democracy, these strange things happen." they added that the British had not allowed democratic elections to be held in Hong Kong because if they had, China would have said Hong Kong wanted to become independent.

Mr Deputy President, the aspiration of our people for a democratic political system has been clearly expressed in numerous debates within the last few years. The success of the Legislative Council elections last September is another concrete proof of the preference of the public. My calling into question of the Legislative Council select committee today may be labelled an act which will cast a shadow on the future work of the committee. But Mr Deputy President, those are words and worries from my heart. I have to make them known, I hope the committee will know that those of us not it and also the general public will observe the way it operates. I also hope that under the leadership of Mr ARCULLI, the committee will be able to make a comprehensive and fair review of the Legislative Council election system.

MR STEVEN POON (in Cantonese): Mr Deputy President, when the Governor told me last year that he wanted to invite me to join the Legislative Council, we both knew full well it was going to be the last of the appointed membership. Although the Governor did not say that I was to be a second rate or third rate Member, I knew clearly that in the four years ahead, I would feel pressure from all sides and the jeers, sometimes intentional sometimes not, from some Council Members.

Appointed Members are still willing to accept their appointment at this time mainly because they have an ardent love for Hong Kong. They are full of hope for Hong Kong's future and they have genuine zeal and fervour to serve the community. among the appointed Members, most are professionals who have achieved considerable success in their respective careers. Because of their work in the Legislative Council and because they have promised the Governor to serve the public with their professional abilities, they have given up a substantial part of their business, a large portion of their time with their families and many opportunities to earn more money. They work studiously, they aim to serve and they do not ask to see the results.

Take me for an example. It could be said that I had some success in the management of enterprises. China Light and Power is a company with \$40 billion in assets. In the eight years that I served as a senior executive there, the rate of electricity charges remained unchanged and there was considerable growth in company profits each year. On my appointment to this Council, I resigned from the post of General Manager of China Light in order that I could use my experience in enterprise management to serve Hong Kong further.

It was in this frame of mind that we, the appointed Members, accepted our appointment. It is in this same frame of mind that we serve the community. When I received a copy of the letter written by three Members of this Council to the Governor relating to the select committee to review Legislative Council elections in which the writers sought to reject the appointed members, trample on their dignity and deprive them of their rights, I felt deeply hurt and aggrieved. I record here my strong objection to their action.

Mr Deputy President, I was elected to the select committee through a democratic election in the Legislative Council In-House meeting. I got 28 votes and was the third among the 12 Members in terms of votes gotten. Twenty-eight votes represented more than half of the votes from the 48 Members present. I hope Members will refrain from evaluating democracy in their own ways. Instead, democracy is to be evaluated in a way endorsed by everyone. I notice that members of the United Democrats of Hong Kong and Meeting Point did not sign the letter. Apparently, they have a stronger sense of democracy. I take this opportunity to thank and commend them here.

Members joined this Council through several avenues. They have expertise in different fields. In the past three or four months, I have learnt a lot of wisdom from many Members, which has helped me serve the Hong Kong public more effectively. I believe other Members have also learnt some of the experience I have had. As colleagues, we should co-operate and join efforts in working for Hong Kong people, reject each other or walk over each other.

I would now go back to the letter to the Governor from three Members who stated that the select committee should comprise mostly elected Members, especially directly elected Members. In fact, this is already the way the committee is made up of: eight elected Members and four appointed Members. If the proposal of the three Members who wrote the letter was aimed at barring appointed Members from joining the committee, I would object.



Directly or indirectly elected Members in the 1991 elections defeated other contenders before joining this Council. Naturally, they want the election system of 1995 to be advantageous to them so that they will find it easier to defeat other contenders. Their joining the select committee would in fact be a serious conflict of interests. Everyone knows there were internal disputes within the Hong Kong General Chamber of Commerce related to the election system of 1991. Another example would be a candidate who had been living and serving in a district or a long time suddenly turning up in another district to run for a directly elected seat; the candidacy as questioned. How to make the 1995 election system fair and reasonable is the main concern of the select committee. Appointed Members with no conflict of interests whatsoever will be in a better position to give fair and unbiased views.

Having said so, I am not proposing to bar directly and indirectly elected Members from joining the committee. I believe they too, like us, are fully of conscience and a sense of responsibility. Even in case of conflict of interests, I am sure they will lay aside their private interest for the common good of Hong Kong.

Mr Deputy President, I support the motion and urge Members to co-operate in sincerity, avoid political confrontation and work for the good of the people of Hong Kong.

DEPUTY PRESIDENT: Mr CHIM Pui-chung has given indication that he wishes to speak. I think, before more Members indicate a similar wish, the scope of this debate is really departing beyond the terms of the original motion.

MR CHIM PUI-CHUNG (in Cantonese): Thank you, Mr Deputy President, I had not intended to speak but to defend your position I have now to rise to speak. You, Mr Deputy President, are also appointed by the Governor: what Miss Emily LAU, Dr LEONG Che-hung and Mr Jimmy MCGREGOR are challenging is your position. In my response to the Governor's address, I spoke of this Council being made up of three categories of Members: they add up to 56 non-government Members, three ex officio Members and one Deputy President, which is the composition of the Legislative Council. We should with one mind and in concerted effort work for and serve the people of Hong Kong, doing what our duty bids us to do. We should not, taking advantage of each other's weak points, attack or cavil at each other. The work of this select committee has

been expressly spelt out even before its members are elected to it. Its work is to review the 1991 elections and to make preparations for the 1995 elections. Now even before this select committee buckles down to work, there is already such a conflicting profusion of opinions expressed by Members of this Council. These views are unfair and unreasonable. Moreover, strictly speaking, the position of the Deputy President is also being challenged. I am a Member returned by the Financial Services Constituency. There were six candidates contesting the election and I defeated the other five. There were 54 so-called democrats contesting the 1991 elections of whom 18 got elected. In average terms, one elected democrat defeated two others. Therefore, in comparison with them I had greater electoral clout and that was why when I stood for election in the Financial Services Constituency I absolutely refused to accept the gimmick of pitting democracy against democracy and of imposing bogus democracy on other members. This is what has promoted me to rise to speak. But anyway I support the motion, Mr Deputy President.

MRS SELINA CHOW (in Cantonese): Mr Deputy President, I had not intended to respond. But since Mr MCGREGOR has brought up the subject of election of the chairman and since a lot of public concern has been expressed over this in the last few days, I think I have a duty to respond. Mr MCGREGOR thinks I am not eligible for the chairmanship because of what I said in a speech in this forum last October. Like Miss Emily LAU, I have to speak my mind, and here in this Chamber too. What I said last October was not my one and only view on the matter throughout my 10-plus years of service in this Council. I thank Mr Martin LEE for giving a detailed account of what I had said in this forum about the development of a democratic system. Over the years, we did achieve quite a lot in promoting democracy. The fact that there are elected Members among us today is the result of the joint efforts of us in the unelected camp. That is why I believe that though I am not claiming credit, yet to a greater or lesser degree I have made some contributions. I feel that to run for and be elected to the chairmanship, one must most important of all be considered to be fully qualified, to hold a fair attitude, to have high efficiency, to know what needs to be done and to be responsible. Eligibility is not to be based on a person having said something highly controversial, on other colleagues disagreeing with his views or on a whole multitude of people outside this Council disagreeing with his views. These are not valid reasons for attacking someone and alleging that someone is not qualified to be chairman. I feel if this is done, no one will in future dare speak frankly here. To put it more bluntly, it would be like settling accounts after the event. I feel that we, as Members of the Legislative Council, have the duty to speak from our

conscience. I hope this is true today and will always be so. I will not change because I have been attacked this time.

Some people ask me whether it is because I could take the pressure no longer that I refrain from running. My answer is in the negative. "No, not because of pressure; I can handle that, or else I will not be sitting here. As mentioned by Mr Steven POON just now, as appointed Members, we are often jeered at as third rate Members. Some people often resort to saying things that hurt. We have heard a lot and we can handle it. However, I felt that when a colleague had been elected to a certain position within this Council through a democratic process, it should be taken as an election result agreed by all of the Members. If such a colleague could be attacked and questioned as to why he held a seat on the committee, then I would not be surprised if on successfully running for and be elected chairman, I would be subjected to attacks for as long as the committee existed. I felt I could not function under such circumstances because I would not be able to do a good job and the committee would not be well run. So I felt I should not be chairman. When I decided not to run for the chairmanship no one nominated any directly elected Member to be chairman. Mr MCGREGOR just sat there. He did not nominate anyone. Really, I found it strange. A moment ago I heard Mr MCGREGOR saying, "If Members think I should not be on the committee, then I won't." I do not know what the procedure is, and I do not know if Mr MCGREGOR means to resign from the position he has been picked to fill within the committee. If yes, he could do so through appropriate channels. Let me assure Members that once they have picked me, I shall stay. This is a review I suggested in the first place as something this Council should do. I brought it up because I knew the Government was prepared to carry out a review but not to make it public. I brought it up because I felt my colleagues should take part in the review in the open forum of this Council. At that time, I thought that the Legislative Council should not make the decision; rather that it should be left to this current Council. When we started work in October, we endorsed with enthusiasm the need for a review, and the direction it was taking then. That is why we have this committee now. I can assure you that having been elected a member of the committee, I will try my utmost to do the job I am charged with to contribute to the development of this Council and democratic policies.

Question on the motion put and agreed to.

5.47 pm

DEPUTY PRESIDENT: We will take a short break before the next item of business and resume in 20 minutes.

6.12 pm

DEPUTY PRESIDENT: Council will now resume.

#### IMPORTATION OF LABOUR

MR PANG CHUN-HOI moved the following motion:

"That this Council notes with concern the changes which will be brought about by further labour importation to the supply and demand in our labour market and, in view of the structural changes in the economy and industrial transformation and the Government's inability to fully prepare for these changes by assisting local workers to change their employment, urges the Government to conduct a comprehensive review of the 'general labour importation scheme' and to shelve the scheme for the time being."

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, today, I am delighted to have an opportunity to speak on the labour importation issue in this Council. My motion reads as follows: "That this Council notes with concern the changes to be brought about by further labour importation to the supply and demand in our labour market and, in view of the structural changes in the economy and industrial transformation, and the Government's inability to make fully preparations to assist local workers to change their employment, urges the Government to conduct a comprehensive review of the "general labour importation scheme" and to shelve the scheme for the time being."

Mr Deputy President, first of all, I shall talk about two underlying principles: First, the dignity of the working class. Hong Kong owes its prosperity and stability to the community at large and there is no denying that the working classes who have been working arduously and quietly over the past few decades have contributed to the prosperity of Hong Kong. Therefore, in formulating any policies and plans affecting the working classes, the Government should uphold the principles of equity and

fairness and handle the matter with impartiality. The working classes have no intention to bargain with the Government. Nor do they have the least thought of trying to be confrontational. What they want is to uphold the dignity of the working classes.

Secondly, cheap labour is no longer the pride of Hong Kong. When Hong Kong has become a leading international city, should we still cherish the memory of exploitation of cheap labour as in the past or even go to the extreme of forcing wages down at all costs, Hong Kong's image will be tarnished and we will certainly stand to lose under these circumstances.

The working classes are the most precious manpower resources in our society. As human beings are no tools, they have thoughts and feelings and are subject to changing moods. It is only natural that people have expectation of a bright future as well as an improved way of living. Following years of economic growth in Hong Kong, it is by no means unrealistic in demanding that the working classes should also enjoy better living and working conditions. I believe that a good working environment is conducive to enhancing the workers' performance as well as their quality of work. today, while we are all anxious to improve the workers' quality of living, we should not be content with having just enough to eat. Nor should we look upon cheap labour as some sort of charity. In view of these two underlying principles, I oppose the Government's general labour importation scheme.

My view is that not only are there insufficient justifications for this scheme, the Government has also been arbitrary and domineering in the decision-making process. This is regrettable and is likely to cause resentment.

The argument put forward by the Government in the further importation of labour is: "Further labour importation will help to relieve bottle-necks in the labour market, thus providing the economy with greater scope for growth. In relieving shortages in bottle-necks areas, labour importation can also help remove some of the wage pressures in the labour market, thereby contributing to restraining inflation".

From this, we can clearly see that the case for further labour importation is to "help remove some of the wage pressures in the labour market" and to "restrain inflation".

Mr Deputy President, I think that wages should be determined by labour supply

and demand. To conform with the principle of a free economy in Hong Kong, wage should be adjusted or increased according to market forces. The Government's interference with the labour market has no doubt shifted the inflationary burden onto the working classes. According to the wage index published by the Census and Statistics Department on January 24, while the overall nominal wage index between September 1990 and September 1991 increased by 10.6%, the overall wage index in real terms, after allowing for inflation over the same period, showed a minus growth of 0.8%, with real wages in the manufacturing sector declining by 1.1%. It is indeed a double burden for the working classes to bear responsibility for the consequences arising from any attempt to counter inflation while suffering from the woes of high inflation themselves.

In delivering his Policy Address last year, the Governor urged the private sector to restrain wage increases to below the inflation rate. When the business sector responded by forcing wages down, the labour sector did not strongly oppose this move as they were anxious to help others in trouble in order to combat inflation. However, experience in the past year showed that bringing down workers' wages alone not only failed to restrain inflation, but also helped widen the gap between the rich and the poor and lower the quality of life for the ordinary citizens. Any move to combat inflation will require the concerted efforts from labour and business sectors alike as well as from the Government. To shift this responsibility onto the working classes is not only unfair, but will also lead to social instability.

In the past, the Government imported labour from overseas as a temporary measure to relieve a shortage of manpower. However, after the 1989 and 1990 schemes were implemented, there has apparently been no improvement to the labour shortage situation, and the Government has decided to increase the quota of imported labour to 25 000 and to allow the two-year contract to be twice renewable for a further two-year period each time. Obviously, it is the Government's intention to turn this programme into a permanent, long-term policy. In this regard, I would like to make the following observations:

(1) Both the business sector and the Government have always claimed that the shortage of labour really exists in certain sectors. Should that be the case, efforts must first be made by either the Government or the management to help improve the wage and benefit levels, working conditions, job security and other problems affecting these sectors, which might well be regarded as the "unprotected" occupations, before more workers can be encouraged to stay or join these trades.

Importation of labour as a measure to meet the shortfall can only treat the symptoms but not the disease. Therefore, it may not serve as a long-term measure to completely remove the labour shortage problem from certain sectors.

(2) Press reports have quoted an Executive Council Member as saying that with an annual shortfall of 60 000 to 100 000 workers, the quota for this further labour importation scheme still very much falls short of actual demand. In fact, while the labour sector are surely concerned about the further importation of labour, the point at issue is the purpose and intention of this scheme rather than the number of workers to be imported. We must realize that once this policy is relaxed, it may become unmanageable. Today, the Government has fixed a quota of 25 000, but one cannot say for sure that this figure will not be further increased. Importation of labour is not simply increasing the workforce, but involves the question of resources for the community as a whole, which will pose a threat to local workers' employment as well as the local people's housing, medical care, and so on.

According to expert analysis, with the structural changes in the economy, Hong Kong will become more dependent on the tertiary services sectors. With the gradual decline of some sectors, over 100 000 workers have become unemployed or underemployed. And more workers will certainly be affected by such development as industrial transformation. In the face of these wide-ranging and complicated economic and social problems, the Government has hastily come up with the general labour importation scheme. It is quite evident that the scheme has not been carefully thought out. It is also unconvincing that this programme should be turned into a permanent policy.

The business sector had indicated in the press that they supported the general labour importation scheme under the following circumstances: (1) the scheme would not affect the local workforce; (2) it was not intended to be a source of cheap labour; and (3) conditional and restrained importation of labour will have little effect on the market.

Nevertheless, is that really the case? First, with regard to the point that "the scheme will not affect the local workforce", I have already mentioned the profound and lasting impact of the scheme because not only the working classes, but also the interests of the broad masses will be affected. Regarding the second point that "it is not intended to be a source of cheap labour", the fact that imported workers' pay

will be fixed at a level below the median wage and that they will not be entitled to long service payment, pensions or other welfare benefits would make it very difficult for someone not to believe that it is cheap labour in disguised form. As a matter of fact, local workers will have no bargaining power unless the labour market is tight, but imported labour has disrupted this mechanism. As it is, this is apparently the intention of the Government and employers to force local wages down. As regards the third point that "there should be no unconditional and unrestrained importation of labour", the Administration has indicated in the review paper that "the Administration's approach should remain selective by targetting areas where the skills and capabilities of the workers concerned are known to be in shortage in Hong Kong. It is not the intention to seek massive indiscriminate labour importation". Such is the government defence. However, the Government has also decided not to set any fixed quotas for individual sectors under the pretext of flexibility. Now that the Governor has made known the intention to review the scheme at any time and workers' contracts will be renewed every two years, how can we be expected to believe that the Government has the capability to take the overall manpower situation into account and plan accordingly when it does not even have a good grasp of the manpower requirements for the next two years? When there is inadequate protection for imported workers, the Government's refusal to disclose the names of employers recruiting workers from overseas has further undermined the public's confidence in the Government's monitoring ability.

Mr Deputy President, while it is understandable that businessmen are profit oriented and think in terms of costs, the Government should base its thinking on the overall situation of Hong Kong and look after the interests of all sectors. People of the working class are also members of the community of Hong Kong. As they have worked hard for the prosperity of the territory in the past, they have every right to enjoy the fruits of success today. I have stress once again that the workers are not begging for mercy. They are asking for what is deservedly theirs -- the human dignity that there should be in a rich and civilized society. It would otherwise be meaningless having a seat on the Legislative Council representing the workers.

Mr Deputy President, changes in the economic structure of Hong Kong have led to the transformation of local industries and a series of problems especially unusual changes in the supply and demand situation of the labour market. The two schemes of importation of labour in 1989 and 1990 respectively have brought about drastic changes in the labour market of Hong Kong, making it extremely difficult for local workers to find jobs or move to new trades. So far, the Government has failed to



come up with effective measures to help local workers in placement or moving into new trades. Therefore I suggest that the Government should conduct a comprehensive review of the general importation of labour scheme and shelf the scheme for the time being. Mr Deputy President, finally I should like to call upon my colleagues to look after the overall interest of Hong Kong and social justice and support my motion.

Question on the motion proposed.

MR MARTIN LEE (in Cantonese): Mr Deputy President, ever since the Government made the decision to import workers from abroad, the United Democrats of Hong Kong have been opposed to the Government expanding the number of workers to be imported without fully consulting the labour sector and without substantive figures to support it. At the same time, the United Democrats have urged the Government to step up employment protection for local workers and assist them to change over to other trades suffering labour shortage during the economic restructuring of Hong Kong. We are therefore dissatisfied with the Government's sudden announcement of the decision to implement the 1992 general labour importation scheme.

In fact new changes began to bear on the economy of Hong Kong in the early 1980s. Along with China's open door policy and the encouragement for foreign enterprises (including those from Hong Kong) to set up factories in China, our manufacturers moved their production lines to China to make full use of the cheap labour there. Such relocation of the manufacturing trade resulted in rapid rise in demand for and tight supply of workers in the service sector. On the other hand, many workers originally working in the manufacturing trade suffered from underemployment.

Unfortunately, when this was happening in Hong Kong, the Government did not take up a positive role to assist workers to overcome their difficulties. It showed that for a long time, the Government did not have an overall set of labour policies.

In fact for trades with labour shortage problems, the long-term effective solution should be to assist workers of the manufacturing sector, which is having a surplus in labour supply, to change their jobs. Ways to do so should include the provision of retraining and the giving of allowances. As for those who are underemployed and yet could not take up retraining for various reasons, in particular those more advanced in age and of lower education standards, the Government should consider their lot from the angle of labour protection and help them solve the

difficulties they face. Unfortunately, the above two suggested solutions have long been the "blind spots" in the labour policy of our Government. No due emphasis has been placed on them.

When the Government bowed to the lobbying and pressure of employers and chambers of commerce in 1989 and changed its attitude by deciding to import workers from abroad, there was strong opposition from the labour sector. Now that the Government had decided on a new labour import scheme, it is like adding fuel to fire. Voices of objection are becoming louder and louder, not just because workers are afraid of losing their jobs; more important is the fact that the new scheme has triggered the latent problems and discontent within the labour sector and at the same time, has sown the seed for social unrest to come.

The Government's rash decision this time indeed amounts to putting the cart before the horse. In fact the Government made the decision before notifying the labour sector but put it about as having "consulted" the labour sector. On one hand, the Government in its decision making process disregarded the worried and sufferings of the labour force; on the other, after the decision has been made, it expresses the hope that the labour force will not react too drastically. It seems that the Government is exhorting the labour force to self-sacrifice and to a resigned acceptance of the bitter results of labour importation. This would only lead to greater discontent of the labour force. Many social problems may arise because of it and these problems are not those within the competence of Hong Kong to handle during the transitional period. Therefore, to bring about a long-term basic cure to the labour problems of Hong Kong during the economic restructuring process, the Government should first start with training and job protection, rather than by enlarging the quota for imported workers in haste before any long-term plan is formulated.

Under present circumstances, the Government, by implementing the proposed labour importation scheme, is not only hitting the labour force where it hurts, but will fail to realize its aspired policy aims.

Based on statistics supplied by the Census and Statistics Department, the gap between the rich and the poor in Hong Kong is daily worsening. It is worse than in South Korea, Taiwan and Singapore and is the worst among the four "little dragons" of Asia. Our inflation rate has notched two digits and will stay that way. Worse still, in order to pay for large infrastructure works, various public expenditures

will have to be cut, including a squeeze on the growth of social welfare services. The working population at large is already facing economic hard times. Even those with work are suffering. Workers in the manufacturing trade are facing a reduction in real wages, or even the threat of unemployment. Aged workers of the textile trade in particular will be hardest hit by labour importation.

The Governor in his policy address pointed out that labour importation is to curb inflation. The Secretary for Education and Manpower is also of the view that labour importation would help curb inflation. In fact, growth in wages is not the main cause of inflation. There are still other feasible ways to effectively combat inflation. Why does the Government have to make the labour force scapegoats? If we look at the problem from the point of view of the lower working class, how can we blame them? The misconception promoted by the Government that labour importation will help inflation is in fact a shallow falsehood.

The Government has also pointed out that implementation of the 1992 labour importation scheme is aimed at solving the manpower shortage of some bottleneck trades. In his policy address, the Governor pointed out "the scheme to import workers will be limited to the economic sector suffering most severely from labour shortage". Why is it that under the new scheme, quotas for designated trades have been cancelled? The Government is allowing employers of any trade to apply for taking on workers from abroad when the Labour Department does not have enough manpower and statutory powers to supervise and prevent abuse of the new scheme. It proves that the new scheme itself has quite a lot of loopholes. After me, other Members from the United Democrats will make a detailed analysis of the new scheme. I just wish to point out specifically that the scheme in its present proposed form will not attain the Government's expected policy goals.

For a long time, local workers have not been in any position to bargain or negotiate because of Hong Kong's business ownership structure and the supply situation on the labour market. The role to afford protection to workers has always lain with the Government. However, the Government is not positively discharging its function in respect of workers' retirement, retraining and job protection. While the working class have to face various social and economic problems, they also have to bear the adverse effects of the labour importation. Workers are being doubly victimized.

In fact, the formulation of any social policy invariably involves the question

of identification and espousal of certain social values. The choice of and decision to adopt a social policy carries with it such an espousal. No doubt economic growth is important for Hong Kong, particularly when we are facing 1997. Economic growth will add to our confidence in the future of Hong Kong. Yet we cannot trade the principle of social equity simply for economic prosperity. If the gap between the rich and the poor in Hong Kong widens and social conflicts intensify, it will not be to the advantage of our long-term economic growth. Conversely, it is only when we are pursuing economic prosperity and at the same time upholding social equity that every one of us, whatever his/her position in society, can have a share in the fruit of economic growth. Only then will there be real stability within our society and hence prosperity.

I think that before deciding on importing workers, the Government must ensure that there is sufficient protection of the rights and interests as well as the employment of local workers so that the adverse effect of labour importation on local workers can be reduced to a minimum. This is not a suitable time to introduce the new scheme of 1992. The United Democrats of Hong Kong fully support the motion moved by Mr PANG Chun-hoi.

Thank you.

MR DAVID LI: Mr Deputy President, persistently high inflation is undermining the livelihood of everyone in Hong Kong. It is eroding the territory's commercial competitiveness.

A strong macroeconomic case has been put forward linking labour shortage with inflation. Macroeconomic analysis also supports the position that labour shortage is holding back local economic growth.

From this perspective, many of us in this Council have supported the introduction of a carefully controlled, tightly monitored scheme for the importation of labour.

It should be emphasized that this scheme is a temporary programme. It is designed to tide us over a specific aspect of economic restructuring.

The Administration recently expanded the quota. Relative to Hong Kong's total workforce the new number may appear small. But it represents a significant increase

in the scale of the scheme. This will place a much heavier burden on those responsible for supervising and policing its operation.

Thus, it is all the more essential that the Administration strives to ensure first, that no Hong Kong workers are displaced by imported labour; and second, that companies do not use the scheme as a means to avoid introducing labour-saving techniques and equipment.

Failure to meet these basic but all-important criteria would render the scheme both socially and economically unacceptable.

Keeping Hong Kong competitive is more than a numbers game. Quality counts. We must therefore do our utmost to enhance the productivity of our own workforce. This means strong investment both in automation and in worker retraining.

As regards the latter, it is encouraging that the Administration is proposing to add as part of the scheme a levy on companies importing labour which would be used to finance a statutory retraining fund.

In facing the challenges of the 21st century, helping local workers to adapt to restructuring of the territory's economy is just as important to our infrastructure as building the new airport at Chek Lap Kok.

I would therefore urge the Administration to bring to this Council as soon as possible its formal proposal for the establishment of the worker retraining fund.

With these remarks, Mr Deputy President, I respectfully oppose the motion.

MR LAU CHIN-SHEK (in Cantonese): Mr Deputy President, I think it is unnecessary for me to reiterate my stance on the importation of labour. Since the Executive Council approved the further extension of the labour importation scheme at the beginning of this month, there have been protest actions one after another. Even today, labour union representatives and workers are staging a sit-in outside to express their strong dissatisfaction and indignation at the importation of foreign labour.

Some people say that the labour sector should take in interests of the whole community into account and should not stage any drastic actions which will undermine

the stability of our society. But I would like to ask: who started this fire? Who has insisted on importing foreign labour without regard to the interests of the local employees? Who has appealed to employers to suppress the growth of wages and led to a negative growth in real wage last year? Who has broken the rice bowls of local workers? Today, when the labour sector feel that they cannot tolerate any more and ally in protest, the Government and employers ask them to think about the public good. But may I ask who is the one that has not thought about the public good.

I would like to relate an incident which took place during the "Guangdong -- Hong Kong strike" in 1922. At that time, the seamen initiated a strike and the Government asked some businessmen to act as mediators. These businessmen said to the workers, "Hong Kong will soon become a dead town. Could you not be considerate and think about the public good?" The workers responded sternly, "Yes indeed, Hong Kong will soon become a dead city. Hong Kong people will run out of food. We have been worrying about this for a long time. We care about the Hong Kong people, but you have not shown the slightest concern for us. The seamen are now starving, but they still have to bear the chill and hunger to take part in this strike. Has anyone ever extended a single work of sympathy and concern to them and their families?"

Honourable colleagues, has the Government ever really listened to the views of the workers hard hit by the labour importation? Does the Government have any sympathy on the plight of our local workers and their families.

The discontent of the labour sector is not caused by the general labour importation scheme alone. What is more unacceptable is the fact that over the years, the Government has implemented policies which go against the interests of the workers, but has kept on defending itself by saying that such policies are in the interests of the whole community, and asked the labour sector to "tolerate" for the public good.

All along, workers in Hong Kong have not been able to share the fruits of our economic prosperity. Statistics reveal that the real growth in economy over the past 10 years is more than 80% but the real growth in wages for the same period is less than 20%. This shows that what the workers are getting is not in proportion with our economic growth. According to the latest census results, the Gini Coefficient in Hong Kong has risen to 0.48 this year. This is the highest in the past 35 years and also the highest among the four small dragons in Asia. This indicates that the difference in the wage level of Hong Kong employees is getting bigger and bigger and the gap between the rich and the poor is widening. Has the Government made any effort

to narrow this gap so that the workers can get their reasonable share of the fruits of our economic success?

In his 1988 Policy Address, the Governor has made the following remarks on labour shortage: "..... The long-term solution lies in increased automation, greater productivity and improved wages and working conditions which attract more people to seek employment". He also said that "It has been argued that such measures will not relieve the immediate problem in the construction industry. There have been calls for the Government to change its policy to allow contractors to import workers for specific projects. But there are also strong arguments against such a scheme. It would interfere with the normal adjustment process within the economy. It would also conflict with our aim of allowing the workforce to share the benefits in good years as they share the difficulties in lean years. We do not at present, therefore, plan to change existing policy and allow the import of substantial numbers of workers from outside Hong Kong."

Mr Deputy President, as well all know, the Government soon announced in 1989 that it would allow the importation of 3 000 skilled foreign workers into the territory. However, it also stressed that the scheme was only meant to be a temporary measure. Besides, it was stated in the Legislative Council Brief that operatives and clerks in all industries and service trades would not be included in the scheme as these posts could be filled by Form V graduates after given some training (no more than six months), and it was felt that the job opportunities of these people should not be affected by the labour importation scheme. But in 1990, the Government again decided that an additional 2 700 skilled workers and 10 000 experienced operatives would be imported and that the restriction on the percentage of foreign workers in a factory be removed.

Today, we are faced with an enlarged scheme to import the third batch of foreign workers. The Government is turning labour importation into a permanent policy. There is no restriction on the quota and the 25 000 workers projects. I do not know whether it is a trait of a sunset Government to say one thing and do another. I do not know whether these false promises are plots or blatant lies. But I know very well that these lies have made the labour sector very disappointed.

The Government said as it introduced the previous labour importation schemes that it would provide training to upgrade the skill of local workers. However, no concrete action has been taken so far. Under the new general labour importation scheme,

employers of foreign labour are required to contribute a certain sum of money to be used in the provision of training or retraining for local workers. This is a typical "farce" which tells us very clearly that the Government is totally insincere in its promises to the workers.

Looking at what the Government is doing in training local workers and helping them change job, we cannot but doubt the Government's sincerity in setting up a fund to augment the provision of training and retraining for local workers. Let me quote one example from the many complaint cases we received recently. A worker complained that only one out of eight workers who have completed a three-month training programme organized by the Construction Industry Training Authority was able to find an employment. He was paid a monthly wage of \$2,000 against a median wage of \$9,000.

According to the wage index released recently, the real wages of Hong Kong employees have decreased by 0.8% while the real wages for workers in the clothing industry have dropped by as much as 2.7%. So we can imagine what a difficult situation our workers are faced with. Do you have the well-being of the workers in mind when you talk about the "interests of the whole community".

After I have spoken the views of the workers, I hope we will put our heads together and work out a solution to the problem we are debating today.

The Government asserts that the importation of foreign labour can ease the wage pressure on the labour market, thereby suppressing inflation. In fact, even if we do not do anything, such a measure has already led to a negative growth in the real wage. We cannot put all the blame on the shortage of labour and disregard other possibility of a cost-pushed inflation, such as a rise in unit cost resulting from low productivity and price-hike caused by higher profit rates. In fact, we can see from the rising Gini Coefficient that the "high wages" argument does not hold water. On the contrary, the ever widening gap between the rich and the poor proves that the capitalists or the suppliers are continuously pushing up their profit margin.

No doubt, the employment structure in Hong Kong is changing. The number of workers employed by the manufacturing industries is decreasing while demand in the service trades is going up. The present predicament is a result of the lack of a long-term policy on labour and manpower and Government's failure to inject adequate resources to provide retraining for local workers. In the last six months, the number of unemployed and underemployed workers has risen to over 100 000. This bears



evidence of an inadequate manpower policy. The further importation of foreign workers will only break the rice bowls of local workers, prolong their "saline-dripping" and deprive them of the chances to change job. If such a situation is allowed to go on, this "time bomb" will eventually explode even though the workers do not rise up to protest.

The employees have already paid the price for the structural transformation of our economy. They have to abandon their seniority and skill in their original trade changing to a new job. To lower labour cost in the short term by importing foreign labour will not be conducive to the effective transformation of our labour market. Moreover, it is extremely unfair to make the labour sector pay the price for the industrial transformation. This is to lay the fuse line to social instability.

It is therefore imperative that the Government should shelve the new labour importation scheme. As a long-term solution to the problems facing our economy and labour market, the following measures should be taken:

- (1) the Government should formulate a comprehensive labour and manpower policy;
- (2) the Government and the employers should provide funds for the provision of retraining to local workers;
- (3) existing labour legislations should be reviewed to enhance the various benefits and protection afforded to the employees; and
- (4) labour union's right to collective bargaining should be recognized so that employers and employees can discuss labour problems on equal footing. This can help reduce the possibility of severe labour disputes.

In the short term, the following steps should be taken to supply the manpower needed by different industries.

First, the existing legislation on "prolonged under-provision of work" should be amended to provide that an employee should be taken as laid off and be entitled to severance pay if the number of days in which work is provided within four consecutive weeks is less than 2/3 of his normal working days. According to the present law, a worker is subjected to "prolonged under-provision of work" if he has only worked for less than half of his normal working days in four consecutive weeks

or less than 2/3 of the normal working days within a period of 26 consecutive weeks. In other words, a worker maybe under-employed for 17 out of 26 weeks and fully-employed for only nine weeks but still be unable to receive severance pay. We can imagine how miserable their lives are. The suggested legislation amendment can enable the workers not provided with work to receive severance pay and take up employment in industries with a greater demand for manpower. This will provide a way out for the large number of workers who are now underemployed. Trade unions in the clothing industry have long been fighting for such a change in the law. However, their repeated requests have been rejected by the employers on the grounds that there are high and low seasons in the clothing industry. But are these employers not contradicting themselves to offer two-year contracts to foreign workers and be prepared to pay them normal wages even in low seasons?

Second, the three kinds of discrimination facing employees, namely age discrimination, sex discrimination and discrimination against the handicapped, should be done away with. More detailed discussions may be needed on this point. I am confident that job opportunities for our workers will be significantly increased if this can be achieved.

Third, short retraining courses should be organized to train up workers for trades with special needs. Relevant business associations should be asked to give their full-operation by guaranteeing that jobs will be offered to the workers upon their completion of the training.

Fourth, the Labour Department should inform relevant trade unions of any employer applying for the importation of foreign labour so that arrangements can be made for local workers to apply for the vacant posts. Employers should be prevented from rejecting the applications of local workers unfairly. Any local worker thus employed should be offered terms and conditions no less favourable than these offered to foreign workers, that is, minimum wage, monthly salary and a two-year contracts.

Lastly, I would like to appeal to all the employees in Hong Kong to step forward to fight for their own interests. Whatever the result of this debate, and no matter how many workers are participating in the protest outside, there will still be problems which need to be solved. We have to fight for our rights. I hope the workers will not be reluctant to come out and take an active part in actions organized by their unions. If we should decide to take any form of action or stage a strike which is our last resort and most powerful weapon, it will all be for the same objective,

that is, to fight for the shelving of the labour importation scheme and fairness and democracy in labour relations.

Mr Deputy President, I shall walk out in protest against the expansion of the labour importation scheme after I finish my speech. I think I should join the workers outside. I shall return later to cast my vote to support the Honourable PANG Chun-hoi's motion.

Mr Deputy President, with these remarks, I oppose strongly the importation of foreign labour.

MR NGAI SHIU-KIT (in Cantonese): Mr Deputy President, as we all know, economic growth is a guaranty to the sustained prosperity of our community. It creates increasing employment opportunities for the people and upgrades the quality of living. Though our land is barren and Hong Kong is poor in mineral resources, we have an industrious population, talented and experienced. With the help of a free market economy, manpower becomes one of the most essential elements that support our economic growth. In turn, full employment of the population is maintained and our economy continues to thrive.

It is also the very reason, though a simple one, that members of the commercial and industrial sectors are in favour of the policy to import foreign workers. In short, it is a measure to increase the supply of workers to ease the labour shortage and to bring about a breakthrough to the existing doldrums of our economic situation. What the commercial and industrial sectors advocate is in the overall and long-term interests of Hong Kong. Though the Honourable LAU Chin-shek said just now that the commercial and industrial sectors are bent on interests of their own instead of the overall and long-term interests of Hong Kong, I insist that my argument is correct because Hong Kong survives on economic activities without which the territory will be lifeless.

The position that the labour sector has taken against this policy is understandable. Yet, it is regretful that some representatives of the labour sector have had this simple economic issue politicized. The policy to import foreign labour has been misinterpreted to mean collaboration between the Government and the businessmen, a tactic to deprive the labour sector of their interests, or even a plot to break the rice bowl of the workers. An objective analysis of the issue will expose

the lop-sided viewpoint of the accusation and, for some part of it, the apparent fallaciousness.

Mr Deputy President, some economists have cautiously pointed in their research reports that we have to import 23 000 or 26 000 foreign workers if we want to achieve a respective 5% or 6% economic growth. It appears the Government has adopted the policy to answer certain economic demands and it is only a pragmatic move of the Government to do so. To enable a more smooth implementation of the policy, the whole package has been reviewed and revised over and over again to ensure that the interests of both parties, that this, the employers and the workers, have been looked after.

Mr Deputy President, in the course of structural change in our economy, it is unavoidable that some of our workers may have difficulties in finding employment. They need the help of our society, but at the same time, they have to help themselves by improving their skills in making a living. The right approach is to enroll themselves in vocational training programmes and gear themselves towards the demand of society; and it is certainly a mistake to resort to strikes, which will further defer improvement to their skill in making a living. Everyone will suffer in a strike. Neither side will gain. As a matter of fact, I feel sorry on learning the intention of some labour groups to set up a strikes fund. Why do not these labour groups make good use of their organization power and resources to get the useful work done, for instance, to render assistance in the registration of the unemployed, to co-operate with employers in seeking solution to the problem, and to help establish funds to finance vocational training and retraining programmes? We will be able to accommodate the needs of both parties if all of us are willing to co-operate in the implementation of this policy. Organizing strikes and advocating unconstructive actions are against the interests of both employers and workers. More than that, such actions deepen the existing conflict, which is to the disadvantage of the whole community. Members of the commercial and industrial sectors do not want to see any damage to our labour relationship. We are looking forward to help the labour sector in this respect.

Let us take another look at the issue. Are the difficulties encountered by local workers in changing their employment extremely grave? So far the labour sector has only confine its argument to the continuing decrease in job opportunities in the manufacturing sector to illustrate the gravity of the so-called difficulties in changing their trade. The employment figures published by the Census and Statistics Department show that the increase in jobs in the service sector in the past two years

can completely absorb the surplus labour from the manufacturing sector. Thus, it has yet to decide whether the difficulties of changing employment are extremely great. In fact, I hope the labour sector will respond to the effort of the Government and work out as soon as possible the number of workers who have to change their trades so that the "Retraining Fund Board" which will be set up in the near future can meet the demand and draw up its training objectives and plans. I must stress here that both employers and workers have to recognize that for the overall interest of the community, the problem can only be assessed and solved through concerted efforts.

Mr Deputy President, for the labour importation scheme recently announced, it is commendable of the Government to have introduced (on the one hand) a mechanism in the form of a retraining fund to retrain the labour force, and imposed (on the other hand) severe penalties on the black sheep -- the unlawful employers.

I have to point out here that organizing strikes is an act aiming at disintegrating the community. It will lead to acute confrontation between employees and employers, and deepens their misunderstanding. In the view that our past success was entirely the result of the joint efforts of both the employers and the employees, I would like to appeal to all workers and ask them to remain rational and level-headed to give the matter a second thought. There is no need for them to go on strike or take other radical actions. I would also like to appeal to union leaders and ask them to take into account the interests of the whole community. Though the Honourable LAU Chin-shek said we need not take into account the interest of the whole community, I still urge you to look after the interest of the whole community. They should devote themselves to the work of the "Labour Advisory Board", the "Retraining Fund Board" and other groups involving both employers and workers, co-operate with employers and the Government, and lead out labour force to contribute to the prosperity and stability of Hong Kong.

I oppose Honourable PANG Chun-hoi's motion, because his motion, cannot help ease the existing labour shortage. Nor can it solve the workers' problem of finding new employment. It does not serve the interests of those workers who are in need of assistance. The proposals are negative in nature.

Mr Deputy President, I oppose the motion.

MR SZETO WAH (in Cantonese): Mr Deputy President, during the last meeting of the

previous Session of the Legislative Council when we discussed the Bill on allowing the relocation of the linking and looping process northwards to Mainland China which might affect the rice bowls of tens of thousands of Hong Kong workers, I had mentioned that at an In-House Meeting, the chairman had, without taking a vote, decided against postponing the discussion of the Bill because he was afraid that the Bill would not be passed once the voice of opposition was getting louder in this Council after direct election. I had also urged the electors to see clearly for themselves each Member's stance on this Bill, get to know who were really upholding the interests of the workers and the people at the grassroots, and make their own decisions in the forthcoming direct election exercise.

What I said had caused the then Senior Member of this Council and the chairman of the In-House Meeting, the Honourable Allen LEE, to lessen his respect for me. Even to this day, I still find it quite puzzling, but certainly I do not care about it at all. It is a fact that the matter was not put to the vote at the In-House Meeting and it is also one's duty to urge electors to know how to cast their votes. So why did they get anything to do with the lowering of respect? I have never sold, and will never sell my dignity as a human being, therefore I have never cared about, and will never care about other people's respect for me.

Why would I like to talk about these things of the past today? It is because we are going to discuss again matters relating to the interests of the workers.

With a bit of hindsight, I think I made a wrong judgement at the time. Even today after direct election has taken place, the Bill on the linking and looping process would have been passed just as the motion the importation of foreign labour will be opposed today. It is because there are only 18 directly elected seats in the Legislative Council, less than 1/3 of the seats here. However, if some calculations are made on the number of voters represented by the Councillors who oppose the motion and those who agree with the motion, people will know which side really has the majority and what really is being vetoed.

The significance of moving this motion when knowing that it will probably be vetoed in this Council is to let the people know whose interest each Councillor is standing for and to disclose the fact that undemocratic and unreasonable political system still exists nowadays.

Recently, the Honourable Stephen CHEONG said in London that "(the United

Democrats') determination to frustrate government policy proposals not in line with their own platform has also reduced the administrative efficiency of the Hong Kong Government." "The Co-operative Resources Centre can within the Legislative Council minimize the destabilizing effects caused by the United Democrats."

Every political party has its own platform and it is only natural and right for it to implement its platform after winning an election. Otherwise, does it mean it is right for it to say one thing in the platform and do another after winning an election and is it not a total disregard of political ethics? Thus, it is only natural for the United Democrat to oppose which are in contradiction with its platform. What is so surprising and alarming about this? So today all 14 Members from the United Democrats will unanimously support the motion. Has the administrative efficiency of the Hong Kong Government been reduced because of this? Has Hong Kong been landed into "the beginning of a period of anarchy"? Certainly not. The earth still moves and the sun rises in the morning tomorrow as usual. So please stop spreading horror stories!

Following their logic of "minimizing the destabilizing effects caused by the United Democrats", I believe all 20 Co-operative Resources Centre members will oppose the motion today. Actually, the motion is not moved by the United Democrats. So, it is not eh United Democrats alone they are opposing, but also the workers and the people at the grassroots at large. And may I ask them not to take up "the always opposing stand", that is, to say no to whatever the United Democrats agree and vice versa.

Mr Deputy President, with these remarks, I support the motion and I would like to request for a division in advance.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, I feel there is no need for me to go into the adverse effects of imported labour on the local workforce. Any one with a discerning eye will know that importing workers is aimed at lowering wages and displacing middle and old aged workers with poorer productivity. Young and energetic workers from abroad who readily listen to and follow instructions and take lower wages are chosen instead. As for "median wage" ad "protection of the interests of local and foreign workers", we only need to switch on our radio and listen to the tales of grievance delivered by workers; we only need to switch on our television set and watch the newscast and listen to those queuing up for application forms to employ imported workers. Listen also the promises given by staff of job placement

companies to reporters posing as employers. We will know clearly that the many so-called "anti-exploitation" mechanisms are no more than a fig leaf for the Government.

The Government is now saying that the quota for imported labour should be enlarged to curb inflation and promote economic growth. This move exacts a heavy price from the common working class and that includes the lowering of wages, jobs falling under threat, lowering of living standards and so on. I would like to ask the Government and the industrial/commercial sector what kind of responsibility they have committed themselves to take on and what price they have paid. The answer is "none". When large companies, groups or consortia which own market monopolies hike up the prices of their products, the Government says that no control is possible because it is part of activities within the free market system. The Government can, however, interfere with labour prices (wages) in the labour market. What is the reason for this? What kind of logic? What kind of a society is this that the wage level of our workers has been held down to the point of actual negative growth whereas corporation profits have been snowballing so much so that economic monopoly and centralization of wealth has reached alarming proportion? The Government is turning a blind eye to this. It insists on maintaining a low tax policy and does not dare to ask the industrial/commercial sector to give back some of the profits towards social development. Employers are not even paying one single cent into the training fund to allay discontent of the labour force. Instead, they turn to labour importation. The working population of Hong Kong on one hand cannot enjoy any reasonable share of the fruits of prosperity brought about by our economic growth in the past ten years. This can be seen clearly from the Gini Coefficient for 1991 which stood at 0.48. On the other hand, they have to make major sacrifices for the further development of our economy so that the industrial/commercial sector can sit back and enjoy. Are such policies fair on the working population? How can the working population not feel aggrieved? I hope the Government will realize how economically and socially hard-pressed the working population has been in recent years. A bomb has been laid in our society because of the ever widening gap between the rich and the poor. If the Government continues to heighten this social tension without considering the risks involved, the bomb will go off one day.

Mr Deputy President, I have been asked by the Federation of Trade Unions to present a couplet to the Secretary for Education and Manpower. The couplet reads, "Labour importation breaks our rice bowls and the community is full of grievance;" and the second part reads .....



DEPUTY PRESIDENT: Sorry, Mr TAM. I must call on you not to raise the temperature in this Chamber during the debate and while it is permissible to use diagrams or charts to illustrate points in your speech, you must not introduce material of an inflammatory nature which would be contrary to conventions of this Chamber.

MR TAM YIU-CHUNG (in Cantonese): Mr Deputy President, I am sorry if I have breached Standing Order and I do apologize for it. Today's debate has filled me with regret and indignation. I feel I am unable to convey my feelings fully in my speech; s I am putting in a nutshell the discontent expressed in the couplet as follows: "Labour importation breaks the workers' rice bowls and the community is full of grievance; sticking to an erroneous policy will lead to public disaffection and the Government should rein in at the edge of the precipice." I hope the Secretary for Education and Manpower will seriously consider the plight of the labour sector during the Spring Festival holidays.

With these remarks, I support Mr PANG Chun-hoi's motion.

MR ANDREW WONG (in Cantonese): Mr Deputy President, I rise to speak in support of the Government's decision to implement its labour importation scheme and against the motion moved by Mr PANG Chun-hoi.

Here I would like to recount a few facts about this scheme. Of these facts, some may have been fleeting referred to by speakers before me, while some others may not have been mentioned at all.

1. This is not a new scheme but the continuation of a current scheme. This scheme started in 1989 and the upper limit was raised each year. So the increase this times is not a sudden turn of events.

2. The upper limit for 1989 was 3 000; for 1990 there were increases of 2 700 and 10 000, namely, a total increase of 12 700. In other words, the last upper limit was 15 700. The present decision now is for the upper limit to be raised to 25 000 representing an increase of 9 700 over the past.

3. The Government's present decision was made after a review. The review was completed at the end of last year. Before the Executive Council made the decision, reference had been taken from the report of that review. Copies of the report had been circulated to Members of this Council. I am referring to Appendix I to the Legislative Council brief on imported labour.

4. Raising the upper limit for imposed workers from 15 700 to 25 000 is mainly aimed at easing labour shortages in certain bottle-neck areas of the labour market; it is aimed at promoting economic growth and not, as some would allege its principal objective to be, at curbing inflation. We can look at this matter from two aspects. First, approximately 82 000 vacancies were reported in the labour market in September 1991 and the present decision is whether or not to raise the upper limit by 9 700 (increase in actual numbers is 11 200 because there are not as many as 15 700 in employment, only 13 800). Furthermore, as pointed out by Prof Edward CHEN in the policy debate before this Council, an increase of imported workers to an upper limit of 50 000 to 100 000 would be necessary if inflation was to be curbed.

5. The annual expenditure of the Vocational Training Council is around \$700 million, \$200 million of which is for industrial training. The Construction Industry Training Council and the Garment Industry Training Council are also offering training from within their respective trades. These two training councils spend a total of around \$100 million, although they mainly offer training to young people entering the trades and workers in their prime age wishing to change their jobs. The retraining fund now being proposed will be \$100 million to \$120 million for the first year and will be increased to \$240 million for the second year. It will help a great deal in retraining from now on, especially the retraining of older workers.

6. During a period of restructuring of the industrial economy, elimination of job types, loss of posts and loss of work will happen whether or not there are imported workers around. The retraining programme will enable local workers to continue to work. Faced with labour shortage, if we do not import workers, we will speed up the relocation of factories to neighbouring regions and aggravate unemployment in certain trades.

7. As pointed out by Mr LAU Chin-shek a moment ago, growth of wages here is the slowest among the four little dragons of Asia. Could it be that the other three dragons already have or will have plans to import workers? I will not speak of Taiwan and South Korea because I do not have figures in hand. The situation with Singapore is

similar to Hong Kong. The current number of imported workers in Singapore is 120 000 representing 12% of the whole labour force. The 25 000 workers planned for Hong Kong represent 0.9%, not even 1% of our workforce. Even if we count in the Filipina maids and other domestic helpers, the numbers still do not make up as much as 4% of the labour force.

Mr Deputy President, I appreciate that there are great difficulties to be encountered by those over 40 when switching to another trade during a period of economic and industrial restructuring. I myself am in that category. If I cannot teach, I do not know what to do. Maybe I shall continue to be a Councillor. I would like to urge the Government and the Provisional Training Fund Committee as well as the Training Fund Committee to be established in the future to face this matter squarely. This is something we need to solve.

Mr Deputy President, decision making is a rational, not emotional, process. The Government's decision and my support for this decision in the Executive Council are in the long-term interest of Hong Kong. This interest includes the interest of the working class. I firmly believe the decision will have the effect of benefitting the community as a whole (including the workers).

Mr Deputy President, with these remarks, I oppose the motion.

MR RONALD ARCULLI: Mr Deputy President, there are understandably many speakers on the motion proposed by the Honourable PANG Chun-hoi, and I shall therefore limit my observations to one or two points.

Under the latest scheme announced several weeks ago there will be a levy of some \$400 per month per worker on the employer. As of 27 January, applications have been filed by 715 employers for 10 824 vacant positions.

Secondly, we are told that the Administration expects to collect some \$120 million per annum from the levy to be imposed. It seems to me that there is, for all practical purposes, no likelihood that this amount will not be collected, and it therefore seems to me that there is no reason why the Administration should not make available an amount equal to that which is likely to be collected as soon as it is needed to initiate retraining schemes rather than to wait until after the levy has been collected before commencing retraining schemes. The Treasury can thereafter recoup any funds so

advanced from the levy. This suggestion was put forward to the Administration during an OMELCO Manpower Panel meeting on 9 January and I hope the Administration can give us a reply as soon as possible.

The other point that I would like to touch on is the allocation of quotas. At another Manpower Panel meeting held yesterday, the Secretary for Education and Manpower handed to us a detailed table setting out different sectors in respect of which prospective employers have declared that there are vacancies. The Secretary has agreed to let the Manpower Panel have a weekly update of this information. The main purpose of obtaining such information is to enable the labour sector to put forward their case before quotas are allocated. Indeed, the Secretary has agreed to meet with the Manpower Panel on 10 March so that Members can have an input before quota allocations are decided.

I believe that the agreement by the Administration to proceed in this manner that I have outlined should go a long way in allaying concerns that have been voiced over the apparent failure to allocate quotas when the present scheme was announced.

Mr Deputy President, I have some sympathy for some of the concerns that have been expressed by labour representatives. What we need to do however, is to be vigilant so as to try our best to avoid abuses of the scheme and to ensure as best we can that the labour imported is in sectors that really need it. We need to do this just as much as we need to ensure that the procedures should be simple and effective, for there is little purpose to have a scheme if it is bogged down in red tape. Despite being sympathetic however, I believe it would be wrong to shelve the scheme.

Mr Deputy President, with these remarks I am afraid I cannot support Mr PANG's motion.

MR LAU WAH-SUM (in Cantonese): Mr Deputy President, more than ten years ago, a Chief Secretary with vision said, "Although we do not have natural resources in Hong Kong, we have good human resources. This, coupled with our geographic location and excellent harbour, will endow Hong Kong with good potentials to develop into one of the world's foremost industrial nations." Indeed, ten-plus years, on, his prediction has been realized, thanks to the efforts of our diligent labour force and our far-sighted capitalists. We have now become one of the "four little dragons" of Asia. Human resources is therefore an important element of our development.

Growing affluence and the promotion of family planning from the 1970s onwards have resulted in a persistent drop in our annual birth rates. On the other hand, the average family in Hong Kong follows the traditional concept and makes greater investment in the education of their children. Young people make the pursuit of higher education their ideal goal so that on completion of their studies they will be able to take up management or professional work. These two factors have led to the decrease in the number of young people entering the labour market. The trend is not temporary, but rather long-standing. Fortunately before the touch base policy was cancelled, the number of mainland youths who made it to Hong Kong -- though there are no statistics to support my estimate -- was some tens of thousands. This "new blood" swelled the labour force which just about met our manpower demand to carry on with economic development. Labour shortage started to appear in the 1980s so that costs for the manufacturing industry rose. It sapped the competitiveness of Hong Kong export products on international markets and became one of the reasons of inflation. Labour importation is therefore a matter which will brook no delay.

In the last ten-plus years, the economy of Hong Kong began to restructure and the service industry and other new industries began to flourish. A large number of workers are therefore required. Some labour-intensive industries are moving north to take advantage of the cheap labour within China. As a result, the distribution of labour in Hong Kong has become very uneven. Workers of some industries are underemployed whereas some new industries suffer gravely from labour shortage. Labour importation, assistance to local workers to switch to other trades and the provision of retraining are equally important. Back in 1988, I supported the expansion of the labour importation scheme. Later I also proposed various measures to make up for the long-term shortage of local workers. Unfortunately, my proposals have not met with an appropriate response from the authorities.

Our population is gradually aging and young workers are becoming scarce. I think we have the capacity to accept selectively some mainland youths to come and stay here on a permanent basis so as to remedy the labour shortage situation here. The present labour importation policy and the retraining programme are, I believe, the best remedies. Unfortunately, many organizations are resorting to drastic actions in opposition to the importation of workers. This is indeed regrettable. If we can implement properly the labour importation scheme and the retraining programme, we will, so far from aggravating unemployment, enable workers suffering from underemployment to switch to trades that need them. This arrangement will also help to solve the problem of illegal immigrant workers.

To maintain economic growth, the only feasible way is to import workers in a situation of labour shortage. Any country or territory, when the state of its economy so requires, will import and has indeed imported workers. We are not the first to do so. Just image: had it not been for the tens of thousands of Filipina maids here as domestic helpers, tens of thousands of capable women would not have left home to join the workforce with such peace of mind as they are now enjoying. The import of Filipina maids is in fact a great contribution to our society.

With these remarks, I oppose the motion before Council.

MR JIMMY MCGREGOR: Mr Deputy President, let me say immediately that I understand completely the concern of Hong Kong workers that, in one way or another, their livelihood will be adversely affected by substantial imports of labour, especially labour from China. It is natural that the workforce will fear that large-scale immigration will keep their wages down, make some workers redundant, require old workers to retire for good and benefit only the employers.

Every country that arranges for the immigration or importation of contract labour, including Singapore, France, Germany and the United States has had to face very strong union and labour opposition to such policies. The stronger the unions the greater the outcry. This is a normal and predictable reaction for workers to take. So we should not be surprised that Hong Kong workers are similarly concerned.

I think, however, that the Government not only recognizes this concern but is determined to ensure that a proper balance is struck between the economic need for more labour to be made available in sectors where the shortage is endemic and has little chance of improving in the near future and the need to protect the workforce against exploitation. The limited scheme for labour importation seeks this balance. The scheme has been expanded following the relative success of the initial scheme and will now provide a new ceiling for imported workers of about 25 000. We have around 3 million economically active people in Hong Kong; so 25 000 is not a significant figure in macro-economic terms. Nevertheless these workers will shore up enterprises that have long suffered from a lack of labour.

I will not repeat the figures that have been quoted on unemployment and underemployment in Hong Kong nor dwell on the continuing expansion and

diversification of the Hong Kong economy, creating more and more job opportunities for our increasingly talented workforce. It is sufficient to say that this expansion has been quite phenomenal by any standard during the last 10 to 15 years and owes much to China's own economic metamorphosis. The result has been a continual improvement in Hong Kong's real wages, a continual improvement in the educational levels of our young people and an understandable unwillingness by most families to see their children go into low skill jobs such as construction. There have been plenty of other better quality jobs available. Thus, a labour shortage has occurred and in my view will continue to occur in such industries as construction and manufacturing. With manufacturing, employers can expand into China and have done so massively. We are now employing over 2 million industrial workers in China more than twice as many as were employed in Hong Kong at the highest point. This means that our employers are producing many times Hong Kong's total industrial capacity by using labour in China and other countries. Hong Kong benefits enormously from this process because a high proportion of the services involved in this production and export business is carried out in Hong Kong. This has also exacerbated an already difficult labour supply, with wage increases in the service sector consistently above inflation levels causing inflationary pressures.

Whilst manufacturers have found additional labour that is not the case with home-oriented industries such as construction. Hong Kong's rapid infrastructural development has maintained a strong demand for construction labour. We have seen tens of thousands of labourers from China caught and either returned to their homeland or jailed for 15 months to deter them from coming back to Hong Kong. I have spoken in this Council many times about the apparent anomaly of putting Chinese labourers into jail at our own expense who are badly needed to help us build our essential economic infrastructure.

The economic case for selective importation of labour would seem to me to be very strong, not to depress labour wages but to provide labour that is otherwise not available. Immigrant contract labour will help us to maintain our economic expansion and our ability to fund the parallel expansion and improvement of our social system. That is what we have been doing actually for the past 30 or 40 years. During that time, we have had waves of immigration from China. Remember that in the early 1970s we estimated almost 400 000 immigrants had "touched base" in Hong Kong over a period of four years and were permitted to stay. At least 2.5 million of our present population have come to us from China and most have not regretted that decision in economic terms. There will never again be immigration into Hong Kong in such numbers.

I mention them only to provide some comparison with the present labour importation scheme for 25 000 workers who will not, of course, be allowed to stay and whose contracts will not be renewed if the Hong Kong economy suffers a downturn.

I therefore agree with the scheme as now being operated. I also think that it must be monitored carefully to prevent abuse and to punish those who do abuse it. It should not be expanded unless there is overwhelming reason to do so. In the final analysis, the scheme must be judged as between economic expansion and social justice. I am sure that this Council will consider it fairly on that basis. It will certainly be under intensive public and government scrutiny as long as it exists.

Mr Deputy President, I respect Mr PANG Chun-hoi and the intention of his motion but I cannot support it.

MRS ELSIE TU: Mr Deputy President, I will not make a speech because other colleagues will give the arguments on both sides. I take no political stand but speak only from my conscience.

Mr Deputy President, I support the substance of Mr PANG's motion and urge the Government to review the Labour Importation Scheme and to shelve the scheme for the time being until the needs of our own local workers are resolved.

MR PETER WONG: Mr Deputy President, the subject of today's motion has sparked off such strong reaction that it is promising to throw the one pressing social issue of even greater magnitude -- inflation, into oblivion.

An overwhelming majority of the members of the accountancy profession whom I have contacted have given full support to the Government's extended importation of labour scheme which they consider to be sound, both in concept and practice. We believe that the advantages of the scheme greatly exceed its disadvantages.

Selective importation of labour offers a short-term relief to the rising inflationary pressures brought about mainly by Hong Kong's structural transformation. Hong Kong's service and industrial sectors are facing serious labour shortages aggravated by the economic boom in South China and continuous demand for non-tradables. A survey conducted by the Business and Professionals Federation of Hong Kong concluded



that our human resource strategy should be aimed at slowing down the rate of increase in unit labour cost in the economy in general, and in the service sector in particular, thereby dampening the inflationary impact of economic restructuring. The new airport project is also likely to fuel inflation; and unfortunately, the Government has limited options to combat Hong Kong's number one enemy.

Hong Kong's low unemployment rate recorded at 1.8% makes a strong case for the controlled importation of labour. While the difficulties confronting displaced workers from the sunset industries are well appreciated, there are few insurmountable problems for workers from the textile, knitting and manufacturing industries to acquire re-training and to find employment in the service sector now constrained by a very tight labour supply. Objections put forth by the labour groups should be largely accommodated by carefully planned administrative measures embodied in the scheme. Any difficulties brought to light must be dealt with sympathetically and swiftly.

Therefore, we ought to look at the importation of labour from the broad perspective of the current workforce situation and the Hong Kong economy as a whole. True, the scheme may prove unpopular with some labour groups. However, as legislators, we must be able to draw public attention to the long-term economic benefits to Hong Kong as a whole rather than to succumb to the demands of some particular sectors. As Legislative Council Members, we are expected to guide public opinion, and this is one occasion that calls for such leadership.

Having said that, and in view of the uncertainty hanging over China's Most Favoured Nation status, it remains for me to caution the Administration on the need to exercise flexibility in the number of imported workers which must be maintained at the minimum level and in response to the changing manpower situation. Further, the employment situation needs to be constantly monitored, publicized periodically and be subject to regular review. We have been assured by the Administration about the organization of the much-needed training courses; but it must also ensure that these courses will be geared to the practical needs of our workers and that in this aspect, they shall not be denied retraining for the lack of provision by the Government.

Mr Deputy President, since the importation of labour scheme is a necessary, short-term measure to combat inflation, I disagree with the Honourable PANG Chun-hoi's call for the scheme to be shelved.

MR ALBERT CHAN (in Cantonese): Mr Deputy President, in 1989, the Hong Kong Government decided to import workers on a quota basis and fixed the number of imported workers for various trades so that employers could apply accordingly. In 1990, the Government issued the quota for the second batch of imported workers. At present, the total number of approval imported workers has reached 14 000. On 9 January this year, the Government announced its new and expanded labour importation scheme. The main difference between the current scheme and the past schemes lies in the absence of separate quota for each trade in the current scheme -- unlike what Mr Andrew WONG has described as only an increase in the upper limit of the number of imported workers. The total number of imported workers to be allowed under the new scheme is 25 000.

In fact, whether we in Hong Kong need imported labour is a controversial question. The recent announcement by the Government on expanding the number of imported workers has sparked off criticism from various circles. The reasons given by the Government -- namely, to curb inflation and ease labour shortage -- for expanding the labour importation scheme are not well argued and hardly convincing. Members of the United Democrats of Hong Kong have responded or will respond to this from the point of view of central policies. As a directly elected Member of this Council returned from a geographical constituency, I am drawing upon my contacts and experience in my constituency in coming to my assessment that the Government's decision is a wrong one.

Take the New Territories South Constituency for example. People there voiced their discontent numerous times after the decision in 1989 to import workers had been made. On many occasions last year, I mounted signature campaigns within the constituency against labour importation and the response was very good. In general, people are opposed to the policy of importing workers. As to the labour shortage situation described by the Government, I have observed several phenomena in my constituency, which would serve to contradict the arguments advanced by the Government. I set out below some of these for reference:

(1) Tsuen Wan and Kwai Chung are our main industrial districts. In recent years, the occupancy rate of factory buildings has been dropping and many factories have been turned into offices or shortage places. Tai Lin Pai Road and Ma Tau Pa Road which used to be very crowded during lunch time are now quieter.

(2) Many experienced workers of the manufacturing trade have been sent to China to teach and train workers there.

(3) Upon dismissal by their employers, workers above the age of 40 have difficulty in finding suitable jobs.

(4) Workers with lower education standards and little skill are finding it difficult to get suitable jobs. It is even more difficult for them to switch to another trade.

(5) Many manufacturers within the district are not having sufficient work for their workers and are operating on an on-and-off basis -- in worker's parlance "on saline drip". In the past, workers worked right up to the last few days before Chinese New Year Day. However, for the last couple of years, some factories only worked until the end of the eleventh lunar month. They closed for the year at the beginning of the twelfth lunar month. One can see how serious the situation of underemployment has been.

(6) In the past, women living in the new towns found whole day or half day jobs in their neighbourhoods. Now these women are finding it hard to get similar jobs.

I believe the above are not only happening in New Territories South. I am sure people familiar with district affairs will feel the same way. The rapid growth of our economy has led to double digit inflation. People are finding it harder to make a living. The gap between the rich and the poor is ever widening. The Government and the industrial/commercial sector often talk of the benefits of economic growth. But the present situation is that great difficulties in finding employment are being experienced by the elderly workers, part-time working women and workers of the manufacturing trade. Not only is the Government failing to provide suitable care for them, but it is also unwilling to face up to the problem. I am indignant at the Government's move to expand the labour importation scheme on the pretext of curbing inflation. At times of economic downturns in the past, the Government never interfered with the drop in wages. Now that wages are rising, the Government is intervening in the labour market through relaxation of labour importation. This way of bending over backwards to serve the interests of the industrial/commercial sector should be condemned. I must warn here that the policy of expanding labour importation has sparked disaffection within the labour community. This, together with the 30% rent increases announced by the Housing Authority recently, hefty increases in utility charges, unreasonable cutbacks in social service expenditure and the

anticipated heavier medical costs people will have to bear, is leading to a situation where social discontent is fast approaching the flash point. The Government as well as the industrial/commercial sector have advised workers not to react too drastically to the policy of labour importation so as not to affect social stability and prosperity. Some members of the industrial/commercial sector are saying that strikes would accentuate the confrontation between employers and workers. The responsibility is being put on workers. I wish to point out that the industrial/commercial sector have declared war on the labour sector when they ask the Government to expand the labour importation scheme. They themselves are the ones who have brought about this tense relationship; the Government is only an accomplice. I must point out too that policy makers are the ones who are causing discontent among the workers, and policy makers include capitalists who deprive workers of their benefits and suppress their wages, the technocrats controlled by large business groups and Members of the Executive Council, I am duty-bound to point out change the decision to import labour. However, if the Government refuses to make any changes, it should be held wholly responsible for all adverse results in the future.

My speech today also represents the views of Mr LEE Wing-tat, the other elected Member from the New Territories South Constituency.

Mr Deputy President, with these remarks, I support the motion.

MR MARTIN BARROW: Mr Deputy President, Hong Kong's labour shortage has been a recurring theme not only in the Legislative Council since 1987 but also in the community at large.

The ending of the touch base policy in 1980 has combined with the rapid expansion of the service sector to create the severe labour shortage of the past five years. Emigration, lower labour participation rates and the low birth rate also exacerbate the problem. Although some people argue that there is no shortage, the community as a whole recognizes that there is a problem. However there is disagreement about the solutions.

Economic growth

In his 1991 policy address, the Governor argued that Hong Kong must "go for growth". I agree and the Government should explain why it is that a high economic growth rate

will bring long-term benefits to all the people of Hong Kong. We must ease the bottlenecks, including the major constraint to the shortage of labour. Growth means higher incomes for all; growth will provide resources for the better public services that people want. Wealth cannot be distributed in the form of better public services unless it is created first, and that will only happen when the constraints to growth are removed.

In addition to ensuring that we expand the economic pie in the interest of the entire community, we must recognize that Hong Kong can only remain competitive in the service sector if there is labour available. For example, take tourism. In 1991, spending by tourists was around HK\$40 billion and was a major contributor to the economy. To maintain service standards, the reality is that we need an expanded workforce in hotels, restaurants, and in the retail trade. We are competing for the tourist dollar with markets such as Singapore and Thailand where there is an adequate supply of labour. Indeed, Singapore has a much more flexible policy and about 15% of their total workforce is imported.

It is equally important that Hong Kong should retain its competitive edge as a centre for international business. If we want overseas companies to continue to use Hong Kong as their regional headquarters, we must show they can staff their operations at competitive rates at all levels.

#### The statistics

Our problem, Mr Deputy President, is an absolute shortage of labour which cannot be overcome by automation and additional training alone. In mid-1991, unemployment peaked at 2.5% but has subsequently fallen to 1.8%, despite the importation of additional labour in 1991. Almost everywhere in the world, that would be regarded in practice as full employment.

The effect of the movement of industry to China has been underestimated. At first, we all thought that this would relieve the pressures in Hong Kong, but what has actually happened is that there has been an enormous stimulation of the service economy. This has much more than offset the decrease in people employed in the manufacturing sector. For example, the employment in the wholesale, retail, restaurant and hotel sector has risen from 600 000 in 1985 to 900 000 today. At the same time there has been a rapid expansion in the financial and other sectors. The problem has also been aggravated by the number of Hong Kong people now working in

China in joint ventures in manufacturing and in the hotel and restaurant trade.

Given that 53 000 people are now described as unemployed, there are some who argue that priority should be given to them. This overlooks the fact that this unemployment is partly fictional as people move between jobs or have opted out of the labour market. Only a minority of the unemployed have been without a job for more than two months. The consensus among economists worldwide is that unemployment should not be a matter of concern until it rises to 3.5% or 4%. Mobility of labour is a worldwide phenomenon, with people moving from country to country, when and where there is demand. Some of our neighbours get around the problem by turning a blind eye to illegal labour, particularly in Japan and Taiwan.

The vacancies of 82 000 are high enough but there are also hidden vacancies. Businesses are not expanding as much as they could because of the labour shortage and new companies may not be entering Hong Kong.

The concerns of opponents to the scheme

I can understand why there are opponents to the scheme. However, I believe that their fears are unjustified for the following reasons:

- (a) This new scheme is a continuation of the previous scheme. The additional 12 000 constitutes only 0.42% of the Hong Kong workforce. This is less than that proposed by the business community.
- (b) The Government is firmly committed to keeping the scheme under review and to making changes if there is any downturn in the economy. It has been stipulated that imported workers should be the first to be laid off if an employer is reducing the workforce.
- (c) The median wage levels, even after the deduction of HK\$400, plus the other "add ons" of housing and transportation and so on, make the total cost to employers more than that of local workers. Thus, there is no question of employing people to undercut local workers.
- (d) The retraining scheme is welcomed by employers who are determined to work with the Government and labour entities to make it effective.

(e) The higher penalties are welcome. Employers are as keen as anybody that there should be no abuses. Interestingly, the level of penalties proposed by the Government, that is \$100,000 to \$200,000, is less than the \$250,000 that has been proposed by business groups. It is surprising that a recent abuser was fined only \$1,000!

(f) Opponents of the scheme say that there is no control on the allocation of different categories. This is incorrect. The Government will be comparing the applications with the latest available vacancies before deciding on the allocation.

(g) We should not forget that the Government has been providing new safeguards for the workforce in recent legislation. Additionally a mandatory retirement protection scheme is under active consideration.

#### The hidden costs of the shortage

Let me turn now to the hidden costs of the labour shortage. For example, the recruitment difficulties in the police force have been clearly exacerbated by the overall shortage. Although there has been some recent improvement in recruitment, it may get difficult again in 1992 as the labour market tightens. Also, there is a huge cost to society in the imprisonment of all the illegal immigrants caught on building sites. Furthermore, there is the problem of service standards in our hospitals, caused by the desperate shortage of nurses so eloquently described by the Secretary for Health and Welfare recently in this Council.

Before I conclude, I would just like to refer to one point made by Mr PANG Chun-hoi in his opening remarks. He suggested that there should be an arrangement whereby the details and the list of those companies who apply to bring in labour should be made public. This, I think, would be abrogating the confidentiality of immigration arrangements and I would oppose any such release of the list of names.

#### Conclusion

In conclusion, the importation of labour is not the only answer to the labour shortage. The business community supports other initiatives which will help productivity. Automation must continue to be a priority, particularly in manufacturing, but in the service sector there are limitations to what can be done. The labour participation rate which has fallen from a peak of 65.1% to around 63.5%

should be increased. Can we encourage more females to participate? We could, for example, eliminate the requirement in the manufacturing sector for permission to be sought for females to work overtime.

I also agree with suggestions by some unions that the Government should draw up strategic long-term plans for manpower, including vocational, tertiary and retraining programmes. In due course these will help. Perhaps when more progress has been made, we can review the need to continue with the current scheme.

In the meantime, I hope the whole community can recognize that economic growth is priority and only that will ensure rising living standards. We should, therefore, be in support of the Government's new scheme.

With these words, Mr Deputy President, I oppose the motion.

8.00 pm

DEPUTY PRESIDENT: It is just past 8 o'clock and under Standing Order 8(2) this Council should adjourn.

CHIEF SECRETARY: Mr Deputy President, with your consent, I move that Standing Order 8(2) should be suspended so as to allow the Council's business this afternoon to be concluded.

Question proposed, put and agreed to.

PROF EDWARD CHEN (in Cantonese): Mr Deputy President, from the point of view of the workers and the workers unions, it is understandable that they will object to the labour importation scheme. But we have to understand that under the existing system a limited importation of labour of 25 000 workers representing less than 1% of our workforce will cause little damage to the individual workers. This scheme will bring major benefits to the entire economic system. This time there is not going to be any quota system. I think this is a progressive step because even though we can update the figures with the help of detailed studies and latest manpower surveys, it is difficult to reflect market demands. So it is appropriate to let market demand decide



as to the needs of different employers. This is the better way of going about the scheme. I have all along criticized the Government for disregarding the gap between the rich and the poor and the uneven distribution of income. If this scheme brings a lot of hardship to workers, I will not support it. But we have to think over it very carefully. What effects this scheme proposed by the Government will have on the workers? Perhaps, I will raise three questions to advance my arguments.

Firstly, why do we have to import labour? We import labour not simply because we want to curb inflation. The objectives of labour importation are many. Apart from containing inflation, another more important objective is to facilitate the smooth restructuring of our economy, which, I think, will do good to the long-term productivity of Hong Kong. Concerning anti-inflationary measures, if 25 000 workers are imported, then roughly speaking the inflation rate will go down by 1%. If we import 50 000 workers, then we will be able to push the rate down by 2.5%.

Inflation is caused by rapid economic structural changes. Wages in the service sector have been increasing very rapidly. Of course, there are many factors behind inflation. We cannot deny the fact that for some sectors the wages do not increase while for other sectors the wages increase rapidly. So there is a structural problem leading to inflation. According to my research, in 1989 increase in unit labour cost accounted for 77% of inflation; in 1990 the same factor accounted for 78% of the total inflation rate. That is to say, most of the inflation in Hong Kong is caused by increase in unit labour cost. Wages have increased at different rates. For service industries such as the tourist, catering and hotel industries, wages have increased rapidly; for traditional industries and trades, in order to maintain a competitive edge many have to move production to other places or to struggle for survival in Hong Kong, which is the reason why wage increases are very low in these areas.

Many speakers before me have referred to the rise in the territory's Gini Coefficient which is an indicator of the gap between the rich and the poor. One of the reasons for the rise may be the structural transformation leading to greater difference in wage increase in different industries. As many of my colleagues have pointed out and as is similarly pointed out in the motion, the Government while supporting retraining instead of importation of labour and to expect natural adjustment in the market would be too costly and would not be too practical.

Secondly, we have to ask whether there would be any effect on employment under the existing labour importation policy. I think the effect is minimal. It is true

that in many manufacturing industries, there are redundant workers and there are underemployment situations. But let us examine this very carefully. If the Government suddenly shelves the labour importation scheme, will this mean that the underemployment situation will improve? The answer is in the negative. In fact, labour importation has nothing to do with the loss of competitive edge of our manufacturing industries. Given that there are redundant workers in the manufacturing industries, labour importation will not be practised by these employers as, under the existing policy, they have to pay the imported workers the median wage and to face greater management problem while the productivity of the imported workers is lower than that of local workers. So employers of the manufacturing industries will not import foreign labour. Given that the above is true, it will mean that the competitive edge of the manufacturing industries has blunted and they will sooner or later move out of Hong Kong. The service sector is different. They cannot move out of Hong Kong. If the labour market is tight, they will have to push up the wages. If they still cannot recruit workers, the growth of the service sector will be stifled and as a result the structural change of the territory's economy will be hindered. In the long run this would severely damage the economic development of Hong Kong. At present, many vacancies for the imported workers are those that employers simply cannot find local workers to fill. Many unemployed or underemployed workers are either unwilling or unable to do the job. So the present importation scheme has only minimal effect on the employment of local workers.

It will not be the right way to go if it is because of technical problems like unlawful deduction of wages that this basically economically advantageous policy is shelved.

Paradoxically, if we do not import workers now, inflation will run high, the structural change of our economy will be hindered and the overall economic growth will be checked. Costs will go up and many industries will move their production out of the territory. More and more workers will lose their jobs and the unemployment situation will become more and more serious. Therefore in the long run, importing labour now will provide more opportunities in the future. Importing labour can relieve labour shortage and help solve structural problems in the service sector. Through linkage effects, many new posts will be created and as a result many jobs will be available to workers.

The third question is whether importing labour will have any effect on increase in wages. In fact, the effect will only be minimal and depend on which trade a worker

is engaged in. In certain sectors, wages will be adjusted. In the service sector where shortage of labour has been acute in the past two years, wages have increased very rapidly. Through importation of labour wage increases in this sector will be curbed. This is the way to curb inflation and to speed up the structural change in our economy. For industries where there are redundant workers and underemployment situations, even if we do not import labour the situation will remain unchanged. As a matter of fact, employers of these industries will not import workers and hence the importation scheme will not affect the job market or wage increases in these industries. With structural change in our economy, a whole nexus of effects will ensue. In areas where wage increases used to be low, due to linkage effects, the wages will increase higher.

According to my research, if the government plan is pursued and 25 000 workers are imported in 1992 then real wage growth will only be reduced from 1.5% to 1.4%. So the effect will be only 0.1% which is negligible.

Mr Deputy President, in view of the above, I cannot support the motion. Yet the Government, in importing labour, should pay attention to two issues. Firstly, retraining should be implemented as soon as possible. As many of my colleagues have pointed out, the Government should make advance provisions and plan forward to promote training and retraining; and if necessary, subsidies should be taken from the General Revenue for this purpose. It is because from the economic point of view training and retraining have substantial externalities and if we can allocate money from the General Revenue to subsidize training and retraining programmes so as to benefit the community, I think there are economic grounds to support this move. Concerning training and retraining, we should also maintain close co-operation with the employers to ensure that those who complete the courses will be able to meet the economic needs of Hong Kong. As some of my colleagues have pointed out, for those over 40, for those who are not so well educated and for those who cannot receive retraining for some reason or another, we should take into consideration their special needs and their difficulties.

Secondly, in importing labour, the Government should encourage private investment. According to the research done by me, if we import 25 000 workers in 1992, labour productivity growth will decrease from 3.7% to 2.8%. That is to say, upon importation of labour, labour productivity growth will drop by 0.9%. The reason is simple. In the short run, imported workers will, to a certain extent, replace other factors of production, particularly, capital. This means that importation of

labour will have certain economic effect in the sense that labour will replace capital and labour productivity will drop significantly. In order to remedy the situation, I think the most important point is that the Government will have to encourage private sector investment because effectiveness of private sector investment is higher. And according to the same research, if we encourage 10% increase of private sector investment, then our GDP will increase by 0.5% and real wage will increase by 0.6%. Thus I hope the Government will seriously consider measures to encourage private investment, including tax incentives, greater depreciation allowances to encourage greater investment in plant by private enterprises so as to offset the lowering of productivity growth due to the importation of labour. If the Government can do this, then in the long run inflation can be curbed and our economic growth can be further promoted.

Mr Deputy President, I oppose the motion.

MR VINCENT CHENG: Mr Deputy President, labour importation is not a new policy in Hong Kong; indeed we always have had a very liberal policy on foreign workers, part by design and part by default. We have minimal restrictions on granting work permits to skilled labour which is evidenced by the large number of expatriate managers in Hong Kong; we have no restrictions on employing Filipinas to assist in domestic work, thereby allowing more housewives, who would otherwise have to stay home, to work. We have also in the past implicitly allowed an unlimited number of Chinese workers to work in Hong Kong through our touch-base policy which the Government scrapped without realizing the impact on Hong Kong's labour supply. Despite this large number of foreign workers, there is no indication that jobs for local people have been threatened, nor have real wages declined.

Between 1977 and 1984 Hong Kong's labour force increased at an average annual rate of 5% per annum. A large proportion of this increase was due to a large influx of foreign workers. If we look at Hong Kong's economic performance in the 1980s we can justifiably argue that these foreign workers, and those who arrived later, have allowed Hong Kong to expand and prosper. Despite this increase in labour supply, real wages continued to increase.

Between 1983 and 1990, overall real wages went up by 19%. Manufacturing workers, because of migration of manufacturing activities to China, saw a drop in real wages in 1991. However for most of the time in the 1980s real manufacturing wages rose.

Furthermore, the shrinkage of the manufacturing labour force is the result of Hong Kong's economic restructuring dictated by world market forces to which our economy must respond and this has nothing to do with our labour importation programme.

Based on the number of vacancies and the findings of the research conducted by the Government and the private sector, including the academia, there is no doubt that Hong Kong has an absolute shortage of labour which has not only hampered our ability to respond to world demand but also resulted in a wage-cost pushed inflation. Just to illustrate my point, if we want to maintain a 7% growth rate for our economy, our labour force will have to grow at around 2% to 3% given our current labour productivity. And that would also mean that we will continue to face high inflationary pressure because we will be operating at full capacity.

Another figure to illustrate my point: my research team's research result shows that the increase in the number of workers under the current scheme will increase total output by 0.5% and reduce inflation by 1%. Hence the scheme is beneficial to the whole of Hong Kong. I do not want to go further into technical details; I just want to remind my colleagues that allowing foreign workers in Hong Kong in a selective and controlled manner would help us to raise economic growth, dampen inflation, and facilitate the economic transformation.

This Council has repeatedly asked the Administration to provide better and more social services and medical services. Unless we can find ways to boost our economy and hence the tax base, our aspirations for a better society will be frustrated by slow economic growth and high inflation.

The present scheme is an improved version. More flexibility has been introduced to allow for changes in the labour market, the penalty for employers has been sharply raised to deter abuses, and a retraining programme for local workers will be instituted to help workers to change jobs. Only a limited number of foreign workers will be imported under this scheme to allow a good number of vacancies so that employers will continue to employ local workers.

Nevertheless, there remain a number of issues. First, the Government should set up the retraining scheme as soon as possible. Rather than waiting for the \$400 levy to come in, the Government should set aside a sum to start the programme as soon as possible. Second, for those workers who cannot be retrained, either because of age or lack of educational qualifications, the Government should consider ways of helping

them.

That having been said, I do not agree that labour importation would have this side-effect: the possibility of redundancy is more the result of economic structuring than labour importation.

Third, the Government must ensure that the policy is not abused by employers. We have to expand the economy. The large number of foreign workers in Hong Kong, whether managers or domestic helpers, is a strong indication of Hong Kong's demand for labour. Indeed, there is a case for increasing the number further but politics dictates that we have to be cautious. The new scheme is a much better designed and a balanced scheme. I therefore oppose the shelving of this scheme. Thank you.

MR CHEUNG MAN-KWONG (in Cantonese): Mr Deputy President, today, the Honourable PANG Chun-hoi has moved a motion calling on the Government to shelve the labour importation scheme for the time being. This motion, which has my full support and that of the Professional Teachers' Union which I represent, reflects the aspirations of the great majority of our population, that is, the working classes. The local workforce, especially those in the manufacturing sector, have been suffering great privations for the past few years under the impact of high inflation, declining real wages and rising unemployment and underemployment. Now, the Government's decision to further import labour in disregard of the workers' livelihood has added to the burden of the working classes, just like adding to the misfortunes of a man who is already unfortunate.

While United Democrats members who wish to speak today will put forward a host of arguments against further labour importation, I shall concentrate on talking about the plight of aged workers who, living at the bottom of society and having no one to depend on, are suffering great hardships under the effect of the labour importation policy.

The Hong Kong Christian Concern for the Homeless Association recently published a survey report on street sleepers in Hong Kong. Several findings in the report give us much food for thought. One findings is: since the importation of labour in 1989, the number of street sleepers has increased by 30%, with more than half aged between 50 and 70. Another finding is: more than half of all the street sleepers have become unemployed in the past two years since workers were imported from overseas in 1989.

From these figures, we have come to the conclusion that the policy on importation of labour has rendered some elderly workers unemployed. These workers, living at the bottom of society and having no one to depend on, are thus forced to roam the streets and become street sleepers.

With the assistance of some enthusiastic social workers, I paid a visit to this group of aged and jobless workers several days ago. Most of them have been in Hong Kong since the 1950s. With most of them either illiterate or semi-illiterate and having little or no education, they have devoted their prime to doing manual or construction site work. When we look at the towering buildings and a criss-cross network of flyovers, have we ever thought of the contributions and endeavours of these aged workers who, as a result of the importation of labour, might be forced to sleep beside flyovers and buildings constructed by themselves, and of other workers who meet the same fate. How ironical this state of affairs would be!

I have learned that since the importation of labour, these aged workers have been working for just a few days in one month, and spending the remaining time on collecting junk in the streets as a means of livelihood. As more people are becoming unemployed, junk collectors are recently on the increase and fights often break out in the scramble for what appears to be useless things. Having no one to depend on, these jobless workers who cannot afford to pay rents are thus forced to become new street sleepers. They have to put up with the cold and the stink, noise and dirt, as well as other appalling living conditions over a long period of time. What is preposterous is that even though they sleep in the streets, they have to pay protection money to the triad gangs and may be vulnerable to being framed. Mr Deputy President, may I urge Honourable Members to think it over. If we endorse the further labour importation scheme, it will mean that more aged workers with a similar plight will get the axe and more will be turned into new street sleepers or even come to blows with one another over a heap of useless things.

In the paper setting out the case for further labour importation, the Government has emphasized the need to provide unemployed local workers with training so as to enable them to change their jobs. However, without any knowledge, vigour and energy, what else can they do away from construction sites when they can no longer work as coolies or do odd jobs? What is more, the Government's new policy on labour importation will not set any fixed quotas for individual sectors. It is expected that more young workers will be imported from the Mainland to fill jobs at the bottom

and local workers who are getting old will be the first to be eliminated. These workers will be facing a hopeless situation and destined for even greater hardships.

It is these aged workers who propelled our society forward with their own hands, vigour and hard work in the economically deprived 1950s and they are the people to whom Hong Kong owes its affluence and prosperity today. Nevertheless, they cannot share the fruits of prosperity and have also become the useless discard of our society, living in agony in their remaining years and destined to run their own course in an environment where they are deprived of dignity and where they can see no hope or tomorrow.

If we broaden our horizon through the bitter experience of these aged construction workers, we can be made aware of the destiny of elderly workers in the manufacturing sector and other trades. The policy on further labour importation will continuously eliminate more unskilled workers and drive them and their families to an impasse. While rates of unemployment and underemployment are only some statistics for the Government, they affect the livelihood of families of the affected workers. As "everything is distressful to a poverty-stricken family", many sufferings, misfortunes and tragedies will emerge as a result. Has the Government ever given any thought to these unfortunate workers and their children before importing labour from overseas?

Mr Deputy President, and honourable colleagues, I do not know whether this motion debate today will endorse the Honourable PANG Chun-hoi's motion which calls for shelving the expanded labour importation scheme. But I shall like to show you a picture here so that the community will show concern for the fate of aged workers who are rendered jobless as a result of the importation of labour. Please do not forget them, and do not forget their job opportunities, means of livelihood and human dignity to which they are entitled. Mr Deputy President, although I am no Christian, I was brought up in a church school and may I quote from the Bible: "As you did it to one of the least of my brethren, you did it to me." To the Christians, the words "my" and "me" in this quote are attributed to "Jesus Christ", but to those who are not Christians, they should be taken to mean "society". Our society has indeed an obligation to protect the livelihood of the least of our brothers who are at the bottom of society. Therefore, I hold that when there is still unemployment and when the unemployed are still not being looked after, we must not import workers from overseas. Mr Deputy President, with these remarks, I support the Honourable PANG Chun-hoi's motion.



MR FREDERICK FUNG (in Cantonese): Mr Deputy President, I am one of the seconders of the motion before us. It is a very rational motion in that it is not looking at the issue of whether labour should be imported at all. Indeed, we are faced with the problem today of both labour shortage and unemployment at the same time. How are we going to manage the allocation of manpower, and according to what priority? This motion very clearly suggests a priority of allocating manpower resources. It says at the end, "the Government's inability to fully prepare for these changes by assisting local workers to change their employment, urges the Government to conduct a comprehensive review of the general labour importation scheme and to shelve the scheme for the time being." Labour shortage and unemployment should be addressed according to priority. Most of the speeches we have heard so far today, with the exception of one or two, are mainly devoted to the arguments for and against labour importation. In particular, Members who spoke for the importation scheme have not mentioned why priority should not be given to helping local workers to find jobs and why arrangement has not been made earlier for this purpose.

On 8 January, 1992, when the Government announced the proposed increase of labour importation, the labour sector was overwhelmingly against it but despite the strong objection voiced, the increase proposal was forcibly passed and adopted as an (allegedly) permanent policy. Although the Secretary for Education and Manpower denied that it was a permanent policy, it is so written in the papers which we received. I believe that the Government decision has been made without regard to the interests of workers. Hong Kong does not have a comprehensive plan for developing economy, let alone a manpower policy to co-ordinate it. In the past, we have been fortunate enough to enjoy economic development, thanks to our favourable location, political situation and human resources, but with the potential problems which have surfaced today, it seems that we are unable to reconcile our internal conflicts, for lack of a good policy to manage manpower allocation, and this has led in turn to the paradoxical problem of labour shortage and unemployment which we are faced with now. This actually calls to mind a line from the famous Chinese poet TU Fu, which goes, "The poor are dying from cold on the street while the rich revellers let their food rot." The information paper supplied by the Education and Manpower Branch stresses that the number of vacancies as at September 1991 were up 3% on the figure recorded in June of the same year. It would seem that the Government wants to convince us that labour shortage is more serious than unemployment with more jobs than people looking for them. However, let us look at other statistics. While unemployment was

between 2.2% and 2.4% for the first half of 1991, underemployment for the same period actually shot up to between 15% and 19%, representing an increase of 36% over 1990. This shows that unemployment is the more serious problem on our hands. The Government's view that labour importation will solve our labour shortage does not stand to reason. Imported labour will help to the extent that it provides relief to labour shortage. I feel that the Government is not only doing nothing about the unemployment is the more serious problem but it is actually aggravating it. Letting the food rot is certainly wasteful, and it is all the more deplorable that this should be happening while people are dying from cold on the street.

The manpower problem which we are faced with is the result of our economic transformation, but the adaptation of manpower resources has been slow in coping with it. The fault lies squarely with the Government which has evidently not acted promptly enough. Labour importation will not help in terms of helping our industry adapt to the technological challenge, neither will it encourage employers to help workers to change occupation. It will, however, offer unscrupulous employers an opportunity to keep wages down. The bureaucrats will of course defend themselves with the training fund policy, but I think that this is indeed a ludicrous solution. It is because the funds for helping workers switch jobs are actually deducted from the wages of foreign workers. The deduction actually puts the responsibility on the foreign workers and it is nothing but a reflection that the Government is the expert practitioner of robbing Peter to pay Paul.

I feel very strongly that robbing the beggar is a very contemptuous act indeed bearing in mind that it is deplorable enough to leave the poor to die from cold on the street. The Government line of defence is that higher wages will reduce the competitiveness of Hong Kong products. I would like to remind the Government in the meantime that the importation of cheap labour, far from revitalizing the industries which lack competitiveness, will actually cause them to die a more miserable death. In some cases, it will not only fail to meet the technological challenge but it will actually hinder the free play of supply and demand on our labour market. Such intervention, or interference, will only bring about negative consequences.

Society will pay a dear price for increasing the importation of labour, the first problem which will arise being the damage done to labour management relations. Unions with different political inclinations have joined the chorus of protest; the deterioration of labour management relations will affect the prosperity and stability of Hong Kong. It is for this reason that I feel that the Government should be held

responsible for this unusual and unwise policy (of labour importation). I think that there are at least five loopholes in the present policy which we cannot accept.

The first loophole is with the training fund. While the Government requires the employer to pay into the fund \$400 a month for each foreign worker he hires, it has also set the minimum wage of the imported worker at \$400 below the median income. This practice is tantamount of imposing a head tax on the foreign workers through their employers and using that to set up the fund. Responsibility is shifted to the foreign workers from the employers and the Government, while neither taking what should be their responsibility of helping workers change occupation. Let me emphasize here that the Government should not shirk its responsibility of manpower planning for otherwise, without a long term analysis of manpower resources, there is no way to start even with the training fund in place, because the labour shortage affecting a certain industry today may become an over-supply of labour tomorrow. Training resources may very easily be wasted. I believe that the new proposed training programme is nothing more than a ploy used by the Government to shut its opponents up. The new programme gives neither direction nor detail; there is no mention even of which party should be responsible. The Vocational Training Council has already indicated that it is not interested and one is led to query, therefore, the sincerity of the Government. Meanwhile, the Vocational Training council has made it known publicly that they have not been contacted by the Government in connection with the training programme which, if it is left to be set up by the Vocational Training Council at all, will take three or more years. One cannot help ask what kind of a policy is this, or for that matter, what kind of a government is this that is committed to immediately expanding labour importation without any prior arrangement being made with regard to the question of training.

Secondly, the adoption of the median income as the minimum wage for imported workers is to me an encouragement to the employers to hire foreign workers. I recall that, following the Government announcement of the labour importation policy, the media conducted a series of interviews with employers, asking why they wanted to hire foreign workers. Their answer was invariably that their wages are low, but why? I believe that if indeed foreign workers have to be employed, their wages should be set at 20% or 30% above the media income, in order to encourage employers to give priority to local workers.

Thirdly, the Government's view is that the new policy is more flexible and consequently no quota has been set for each trade. This is not only contrary to the

Governor's earlier commitment that foreign workers would be carefully scrutinized but in practice, I believe it will give rise to consequences which are both undesirable and incalculable, for it is entirely a policy which has been conceived mainly for the sake of administrative convenience. If the employers make use of this means of channel their relations to Hong Kong, there is no way for the public to check on the Government. The fact is that there are employers who wish to apply for foreign workers to keep wages down, even though they may not be affected by labour shortage at all. This flexible policy is unfair to local workers and will lead to even greater suppression of their wages. Indeed, real wages already experienced a negative growth of 1.34% last year; wage increase fell behind inflation. The new policy will only lead to continued downward adjustment of real wages. Let me quote an example here. Statistics relating to labour importation indicate that many trades may have to import foreign workers. When I checked with the Secretary for Education and Manpower, I was told by him that there was no way to monitor the situation. For example, wages for an imported trainee waiter and an imported waiter are \$4,200 and \$5,400, respectively. I believe that the employer will hire a trainee waiter. There is basically not much difference between the trainee waiter and the waiter in terms of work performed. There is not much difference in terms of nature and amount of work. The employer may use the imported trainee waiter to perform the work of a waiter and there is no way the Government may check, let alone monitor, the situation when this actually happens. The question which arises then is whether the waiter post should be replaced by the trainee waiter post altogether.

Fourthly, the employer may renew the contract of the imported worker twice. In other words, the imported worker may stay in Hong Kong for up to six years. In the event of Hong Kong going into recession with the factories laying off workers, will the foreign workers, or rather the local workers, be laid off in the first instance? Is there any legislation in place to protect local workers? Although, according to previous labour importation schemes, in the event of lay-off, foreign workers will be the first to go, the document also admits that it is very difficult to prove whether the employer has in fact fired foreign workers before he does local workers. If that is the case, we are all the more concerned about whether the Government has enough manpower to monitor the situation of over tens of thousands of foreign workers.

Fifthly, punishment for unscrupulous employers is too light, I believe, to have any deterrent effect. The present Government proposal is for the highest sentence to include a fine which has been raised from \$100,000 to \$200,000, and a prison term of one year. But I would like to remind Members of our earlier discussion on the

issue of members of the public watching unlawful pornographic video-tapes, and that the offender is liable to a maximum fine of \$1 million and a prison term of three years. I feel that the unscrupulous employer has a far better deal than the pornographic video fan and I was wondering if the Government is over-zealous regarding its punishment of the pornographic viewer .....

MR ANDREW WONG (in Cantonese): Mr Deputy President, I would like to ask Mr FUNG .....

DEPUTY PRESIDENT: Would you please address your remarks to me, Mr WONG?

MR ANDREW WONG: It is not a point of order, Mr Deputy President.

DEPUTY PRESIDENT: Yes, Mr WONG, but you would still have to address your remarks to me.

MR ANDREW WONG (in Cantonese): I wish to clarify that the fine has actually been raised from \$10,000 to \$100,000 and from \$20,000 to \$200,000, rather than from \$100,000 to \$200,000, as he was saying just now.

MR FREDERICK FUNG (in Cantonese): I say here that maximum penalty is \$200,000 fine and one year in prison but this, compared with the maximum penalty for watching pornographic video which is \$1 million and three years in prison, has led me to believe that the unscrupulous employer is allowed to get away with his offence far more easily than the chap caught watching pornographic video. One is led to ask whether such penalty is too light and its deterrence inadequate, and whether we are more keen to deter people from watching pornographic video than becoming unscrupulous employers. The other problem is that at present, in a lot of trades, employers have resorted to blaming the factory manager or the personnel department for their malpractice. In the event of this happening, should blame go to the employer, the factory manager or the personnel department? I understand that in the building industry the chief contractor will be held responsible for the employment of illegal workers. I wonder if the same will apply with regard to the employment of imported workers. I am opposed

to the Government decision to further conducted on the past labour policy because it is the responsibility of the Government to widely consult the labour sector before making any decision. The proliferation of problems resulting from the labour importation scheme suggests that the introduction of any new scheme at all before an effective monitoring mechanism is in place will only lead to the aggravation of existing problems on the one hand, and the further deterioration of relationship between the business community and the local unions and their affiliated workers on the other.

Lastly, I have three requests which I would like the Government to consider:

- (1) Training and retraining programmes for local workers should be immediately launched to help them switch occupation;
- (2) The labour importation scheme should be put on hold immediately, I mean the new labour importation scheme;
- (3) Recognition should be given to the unions' right of collective bargaining.

With these remarks, I support the motion. Thank you, Mr Deputy President.

MR MICHAEL HO (In Cantonese): Mr Deputy President, the United Democrats are very disappointed in, and indeed we regret, the government decision to import a third batch of foreign workers. This policy decision will undoubtedly affect the employment and livelihood of local workers. It has drawn a lot of resentment of opposition from many labour organizations and I believe we could actually have a feeling of the extent of public outcry when we entered the Legislative Council Building today.

My UDHK colleagues met at the approach to the Legislative Council Building today a group of Sham Shui Po District Board members who presented them with a petition with 3 200 signatures opposing the labour importation scheme. I will later forward the signatures to the Secretary for Education and Manpower.

The present exercise is fundamentally different from the previous two exercises of labour importation which decided on certain quotas according to the shortage situation, publicized them and then invited employers to apply. We do not see any quota by trade in this exercise which only fixes the maximum number of foreign workers.

It will effectively allow the importation of 25 000 workers at any one time and, more importantly, institutionalize temporary measures in the past which have been subjected to annual review, making it very much part of a long-term policy. And this policy will not easily and flexibly adapt to a slowdown in economic growth and a rise in unemployment. The only advantage I can see in such institutionalization is that the Government is saved the trouble of answering queries by this Council, time after time, regarding further importation exercises and this of course makes for administrative convenience.

In the past, labour importation has in fact been subject to the condition that the number of foreign workers should be contained within 20% of the workforce employed. Now, with this condition waived, it is theoretically possible for a local factory to employ all and only foreign workers. The relaxation of the scheme will enable the employers to systematically change their workers once every given number of years. Consequently, the employer is quite free not to pay the existing long service award and the soon-to-be-implemented compulsory retirement protection scheme.

The absence of a quota-by-trade, which is another feature of this scheme, has led us to believe that, in the absence of a set of clearly defined allocation and vetting criteria, the public have no way of knowing whether the government arrangements are completely in line with the interests of local workers. Although the Government requires that the employers register first with the Labour Department, the procedure nevertheless is not foolproof. Employers can always very easily hire foreign workers on the pretext that there have been no applicants or that the applicants are not suitably qualified. I would like to stress here that there are only 12 labour inspectors, and indeed at our interview with the Secretary for Education and Manpower yesterday, we received only the undertaking that the number will be increased to 18. One is led to ask whether we have enough capability to monitor the labour importation scheme.

Meanwhile, although there were many requests made by Members following the Policy Debate for a comprehensive review, it is unfortunate that the Government has not taken heed and, before any public review has been conducted, has actually seen fit to expand the importation scheme, much to the jeopardy of its own credibility.

Although it is the view of the Government and many businessmen that the labour market is tight, a close look at the real situation would reveal that this is not quite the case. Figures show that there has been an increase in underemployment,

particularly insofar as the manufacturing and building industries are concerned. Underemployment in the manufacturing industry has risen from 12 700 in the third quarter of 1990 to 17 000 in the same quarter of 1991. In the building industry, vacancies fell by over 50% while underemployment has risen from 8 000 in the third quarter of 1990 to 21 000 in the same quarter of 1991. These figures show that building workers are in fact faced with the problem of underemployment, and that labour supply in the building industry is not tight in the least. Although the Government has reiterated its promise that the labour importation will be limited to those trades and industries which have a labour shortage problem, for lack of clear allocation criteria, there is no way we can find out, as I have said just now, how the Government is going to deal with this quota of 25 000 foreign workers.

Another argument given for the scheme is that it will help in combatting the increasingly serious inflation in Hong Kong. We understand, however, that inflation is caused by many factors, not exclusively by increased wages, and in some instances, inflation results in illusory wage increases. Indeed, wages in the manufacturing industry have experienced negative growth. According to the pay index announced last week by the Census and Statistics Department, manufacturing wages have in fact fallen by 1.1% in real terms, that is, deducting inflation. It can be seen therefore that fighting inflation with labour importation is not going to get us anywhere.

The labour importation scheme reveals that the Government has not given enough thought to a comprehensive manpower resources policy since it should be the responsibility of the Government to provide training programme for the workers to help them change occupation in order to ensure that the economy of Hong Kong can transform structurally to meet the technological challenge.

As a result of the long-standing laissez-faire policy adopted by the Government with regard to the development of the economic structure of Hong Kong, there is now not enough trained manpower to meet the demand of the ever-expanding service industry for trained staff. On the issue of retraining, though the Government has already decided to set up a training fund, I wish to make the point that the Government should have the responsibility of providing the retraining in the first place, and that it is disgraceful of the Government to portray the training fund as a concession to local workers that goes with the labour importation scheme. If I may quote Mr TAM Yiu-chung here, the concession is nothing more than a piece of cloth to cover up the shame of the Government, and cloth cut from the clothes of foreign workers at that. The fund taps the wages of foreign workers; we are literally using the wages of arrangement



under which neither the Government nor the employers need to have any financial commitment at all.

It is the view of the United Democrats that, while our industry is undergoing the technological transformation, it is up to us to help and train our workers to change occupation. Indeed, we should make good use of our local workers before considering the hiring of foreign workers. The Government has got its priorities wrong by importing workers first before retraining our workers. A closer look at the training fund will show that it is actually not sufficient. According to this scheme, we have an intake for any one year of 25 000 foreign workers from each of whom we will get \$4,800 annually, or a total of \$120 million collectively. Assuming that each local worker takes half a year to retrain, during which time he or she will draw an allowance of \$2,800 for switching occupation, this means that only 7 143 local workers, or 6.7% of the unemployed or underemployed in the third quarter of 1991, will be able to enjoy this allowance for any one year. These figures make us all the more sceptical about the sincerity of the Government in offering retraining to local workers. To sum up, the United Democrats urge the Government to conduct a comprehensive review of the labour importation scheme, while suspending it for the time being. More importantly, to get to the core of the problem, a long-term policy should be devised with regard to comprehensive manpower resources, and urgent retraining facilities should be provided meanwhile to local workers.

Mr Deputy President, with these remarks, I support the motion of Mr PANG Chun-hoi.

MISS EMILY LAU (in Cantonese): Mr Deputy President, I speak in support of the motion standing in Mr PANG Chun-hoi's name. I agree with Members who have spoken just now regarding the phenomenon of both unemployment and labour shortage. I believe this is caused in fact by the Government's inattention over the years to the trend of our economic transformation, and its failure consequently to implement measures to cope with it. Indeed, it would seem that the Government has not bothered to look at information at its own disposal, or if it has, it has certainly not done anything about it. According to government figures, the manufacturing sector's contribution to the Gross Domestic Product has dropped from 24% in 1984 to 19% in 1989 while the contribution of the service sector, including the hotel industry and the transportation industry, has risen from 22% to 24% over the same period, and indeed the financial and insurance industry's contribution has risen even more dramatically, by four percentage points. I would like to ask what the Government has done with

regard to the warning signal given by these figures.

Meanwhile, according to the employment statistics of the Government, employment in the manufacturing sector has dropped from 755 000 in the second quarter of 1990 to 680 000 in 1991 as employment in the hotel and transportation industries has risen from 800 000 to 870 000 over the same period. One cannot help asking, looking at the fluctuating figures, where the 73 000 manufacturing workers have gone. I believe that the younger and the more energetic, the smarter and the more skilled among them may have moved on to the industries which have become more flourishing, but the rest have become victims of our economic transformation.

I would like to ask what plans and arrangements the Government has made over the past six, seven and eight years with regard to the changing manpower needs brought about by the economic transformation. We all know that the Vocational Training Council was set up in 1982 whose objective it is to propose to the Government on the one hand a comprehensive technical education and training system to meet the needs of our economic development, and to establish and manage technical schools and industrial training centres on the other. However, a scrutiny of the various courses offered by the dozen reveal that they only aim to admit students who are either young people who are looking for a job or workers who are sponsored by their employers. We doubt very much whether these courses should also cater to the people who are affected by our economic transformation, people who incidentally have become the subject of our discussion today. I would also like to ask the Government whether the Vocational Training Council has ever, since its inception, reached out to the people we are talking about today, to promote to them the courses which may benefit them, and whether the admission criteria are really in line with the circumstances of these people.

The Government has always boasted of the manpower training which it has provided for the business sector and the service industry but it seems that it has failed to make an estimate of the overall economic trend. I agree with the point made by many colleagues that the Government has neglected to make the necessary adjustment and allocation regarding the basic manpower ratio. According to an estimate of a survey conducted by the Government last year, by the year 1996, Hong Kong will have a shortfall of 84 000 workers with senior secondary education or above, but a surplus of 84 000 workers with an education up to Form Three or below. The surplus workers will become redundant, as a result of their age and lack of training. This scenario, when it materializes, will point to the fact that the Government does not have a

long-term plan regarding economic development and allocation of manpower resources, that it is only keen to design, in a piecemeal manner, training courses which meet the requirements of the business community, without taking the initiative to adopt corresponding measures to anticipate the gradually shifting manpower requirements. When the problem surfaces, it is rectified in a short-sighted manner by labour importation, in order to maintain our competitiveness on the world market by keeping the wages down. Not only has the Government failed to address the issue, it has also even sought to make local workers a scapegoat of its mistaken policy.

Since the implementation of the initial labour importation scheme in May 1989, I have not seen the Government taking the courage to admit its mistaken policy. On the contrary, it has now called for the importation of more workers. This is an attitude which I find regrettable and disappointing. What is more ridiculous, the Government has proposed this retraining programme in the belief that it will solve the problem of unemployment caused by our economic transformation. In fact, the programme will only benefit the younger workers. As many colleagues have said, the majority of the workers who are losing out are middle aged or older. I appeal to the authorities concerned that these people should not be written off as hopeless cases. I believe that the first priority now is for the Employment Services Division of the Labour Department to play an active role in terms of stepping up the flow of information to both employers and job-seekers. It is up to the Government to explore a labour market for the middle aged people who are out of a job due to age or lack of suitable training. In the long run, the Government should set up a mechanism with representation of the Government, labour and management to map out a long-term and comprehensive technical and manpower development plan. This organization should also watch out for the trend of development of our economy so as to project technical and manpower needs and provide training courses. It is my belief that it is only through this means that the Government may be able to achieve the objective of larger economic growth which it has set for itself, that it is the only responsible way to show the Government's concern for our local workers. The present practice of increasing the importation of foreign workers is only a piecemeal, contingent solution.

Mr Deputy President, with these remarks, I support Mr PANG Chun-hoi's motion.

MR GILBERT LEUNG (in Cantonese): Mr Deputy president, the importation of foreign labour is essentially an economic consideration, but this subject has recently been

mixed up with other irrelevant considerations which have confused the members of the public. I therefore would like to take this opportunity to reflect the actual situation by setting out the relevant considerations.

Importation of foreign labour is in essence an economic consideration

Hong Kong is always a place for business. A good economy will benefit the public at large. Therefore the workers in Hong Kong never complain that their bosses are making too much money as they all know it is advantageous to improving their wage situation. Land, manpower, capital and entrepreneurship are the four fundamental elements for production. These elements are freely adjusted in our society where free market competition is allowed. Hong Kong has been far more open than other new economic zones in East Asia or even some western countries. This is what makes Hong Kong the success. In Hong Kong, enormous sums of money can be transferred in or out in no time through advanced communication system and the Government has never imposed any restriction on this. It is because we understand that capital transferred out will be transferred back through another channel as long as the market is kept free. It is this free flow of capital that enables Hong Kong withstand the keen competition from Tokyo, Taipei and Singapore and to maintain its status as a financial centre in East Asia. Land price has always been high in Hong Kong but it has never been heard that there are any landowners or property owners who oppose to increase land supply. This shows that how deeply ingrained in the mind of Hong Kong people the idea of free market force. By extension, as far as the importation of foreign labour is concerned, all we need to consider is the supply and demand of labour force in the market which is essentially an economic consideration. The essence of the issue should not be mixed up with the "human" element just because it is one of the considerations for production.

Elements for consideration

The fact before us is that firstly our economy has continued to grow over the past decade and the growth of labour force has failed to catch up with it. The labour market has been overstretched for a long time. Secondly, Hong Kong is undergoing an economic transformation which has resulted in a substantial demand for skilled and service labour. Such disharmony between supply and demand has led to vacancies without takers and sometimes takers without vacancies.

The long-term solution to root out the problem is to increase training and

education resources to assist workers to change employment and to improve production technology in enterprises so as to reduce demand for non-skilled workers. However, retraining workers and improving technology will take time and require a lot of technical personnel for backing up. Economic development cannot wait. If we insist on adopting the policy of protectionism in the labour market, then we will have to pay the price of a lower production and undermined economy, and reversing economic growth. This will affect the overall labour market.

The Government should review its training objective and assist workers in changing employment

To provide proper retraining for workers who need to change their jobs and to offer relevant education and skills training for young people will be a fundamental measure for Hong Kong to take at this time of economic transformation. The Government cannot shed its responsibility for this. Although it has been offering training opportunities to workers, it fails to address the imbalance of supply and demand of labour. This shows that there is a need for the Government to carefully review the objectives of its existing policy on training for workers, including the nature of courses, the target trainees and the course format, so that those who need to change their jobs may be taken care of. A glaring example is the ivory workers who have to receive retraining. The Government has recently made public the retraining programme and announced that subsistence allowance would be granted to workers who undertake retraining so as to ensure that those who have the need will join the programme. I most welcome such an arrangement. The requirement of employers applying for foreign labour to pay a certain amount of levy for the retraining fund is not such a bad idea as certain bodies have thought. This not only can directly increase the amount of the fund but more importantly, remind the employers of the importance of local workers. Businessmen will not waste their money. Since they have already paid a sum of money to save the trouble of making such application and simply employ the trained local workers when they are available in future?

Debarring the trades or posts of high unemployment rate from using foreign workers

I have noticed that there have been situations of high unemployment and underemployment in some manufacturing industries and certain posts. The allocation of quota has been removed under the labour importation scheme recently announced by the Government. Some employers may refuse to take highly paid local workers in favour of low-paid foreign workers. Besides, the quota allocation system has been found

inflexible and undesirable. However, to remove the doubts of local workers, I propose that the Government should conduct a thorough survey on the employment situation of various sectors of trade and major posts and then come up with a list of trades and posts of high unemployment and underemployment. Such trades or posts should be refrained quota restriction imposed on those other than the above trades or posts as decided under the scheme.

### Strengthening the monitoring system to safeguard the interests of foreign workers

Another major concern of local workers is that some employers may abuse the scheme introduced by the Government. They may replace local workers with foreign workers or exploit the foreign workers under the scheme. Their worries are justified. I therefore propose that the Government should strengthen its monitoring by setting up a monitoring committee comprising representatives from employers, employees, economists and government officials to check the implementation of the scheme and to make recommendations and advise on the training fund and vocational retraining programmes. Furthermore, an ad hoc division should be set up under the Labour Department to co-ordinate matters relating to the scheme, such as imposing tighter control on employers taking foreign workers and dealing with cases of foreign workers involving underpayment of wages or overtime without pay. It may also entertain complaints from local workers and keep the employment situation of various sectors under review. In other words, much greater efforts should be made to minimize human errors and the adverse impacts produced by the scheme as far as possible.

### Conclusion

As conclusion, importation of foreign labour in a proper manner is a vital requisite for ensuring a constant growth of Hong Kong economy. Manpower is one of the four ingredients of production and has to be replenished whenever a shortage arises, otherwise the production may be affected. To address the shortage problem and the imbalance of demand and supply of labour, the fundamental measure is to help local workers find another job through the training of skills. The Government has to take blame for the present unfavourable situation in the labour market as it has failed to fully anticipate the impacts of economic transformation on the demand and supply of workers. The Government should make up for this by making greater efforts in providing vocational retraining for local workers. While workers cannot attain the skill overnight, our economic growth must continue. Importation of foreign labour should therefore serve as an expedient measure for the time being. Of course,

the Government should keep this scheme under constant review and amend it whenever needs rise so as to keep its policy in line with the economic environment. As a legislator, it is our responsibility to see this properly done by the Government. We should not overrule the whole scheme just because of our worries that there may be loopholes or shortcomings in the scheme. We should not "give up eating for fear of choking". For this reason, I agree to the former part of Mr PANG Chun-hoi's motion which reads, ".....the Government's inability to make fully preparations for these changes by assisting local workers to change their employments." But I cannot agree to the clamour for shelving the expanded labour importation scheme.

With these remarks, Mr Deputy President, I oppose the motion.

MR FRED LI (in Cantonese): Mr Deputy President, regarding the Executive Council decision in January this year to expand the scheme for the importation of foreign workers, I and two other colleagues in this Council who are also Meeting Point members (Mr TIK Chi-yuen and Mr WONG Wai-yin) find it regrettable. First of all, the Executive Council decision was taken without consulting the opinions of the labour organizations which are directly affected by this decision. Views of the labour sector have never been adequately represented in the policy making process. While the Government defends the labour importation scheme on the pretexts of fighting inflation and alleviating the labour shortage, we nevertheless feel that wage increase is not the cause of high inflation. More importantly, the over-heated property market has led to costly rent, which has no direct relationship with the labour market. Wages have in fact experienced negative growth. I think Mr PANG Chun-hoi and other Members have quoted facts and figures from the Census and Statistics Department; so it is not my intention here to go into the details. I would like to comment, though, on the information supplied to us by the Government on the issue of job vacancies. According to paragraph 7 on page 3 of the information paper, which compares the figures recorded in September 1991 with those grown by 3%. But when I looked at this booklet of quarterly figures, I found that vacancy increases in September and June were respectively 3.2% and 3.1%. The actual rise has been 0.1%, instead of 3%. I have no idea how these figures have been arrived at, but I hope that the Secretary for Education and Manpower will clarify the discrepancy. There is one other point about job vacancies which I would like to share with Members. The quarterly report compares the job vacancies which existed in September 1990 with those which existed in September 1991. The result is that there has been a drop of 17.3% across the board, with the building industry losing a dramatic 59% of the job

vacancies, and the manufacturing industry 35.6%. The reason why the Government presents a comparison of figures which existed in September of 1991 and in June, instead of a comparison of figures in September 1990 and in September of the following year is, I believe, that the chosen figures mark a less dramatic fall, that although there has been a fall in job vacancies, it is not as serious as compared to the previous year. Even in respect of the wholesale, retail, restaurant and hotel sectors, which the Government frequently quote as the businesses which have the largest numbers of vacancies, vacancies have also fallen by 5.9% compared to the previous year. I therefore wish to say here that the number of vacancies has in fact been falling gradually and it is absolutely not a suitable time to take the decision to expand the general quota for imported foreign workers.

The pursuit of economic growth has always been the first priority in the philosophy behind government policy making. While I am not opposed to going after economic growth, I do not think that it should be our only goal. One of the aims of economic growth is to improve people's quality of life. However, if the blind pursuance of economic growth should hit people's livelihood, then I will have reservations on economic growth. Many colleagues have observed that the Gini Coefficient has peaked in 1991; I do not want to repeat what they have said here. Since my turn to speak came rather late, a lot of the points I wished to make have already been made by other colleagues. I think that it is up to the Government to have a long-term strategy for the development of manpower resources in Hong Kong and a specific implementation plan to go with it. Importation of foreign workers is a very contingent and short-sighted solution. In order to find a solution to the labour shortage problems which have existed in individual trades and industries, it is more important that labour, management and the Government should have an honest dialogue with each other in order to reach a solution which is acceptable to the three parties concerned. The vote we are casting today is not only on the issue of whether or not to import foreign workers, but also on the issue of whether we have taken heed of the real plight of our workers. I hope colleagues will seriously think about these issues. I appeal to my colleagues who are also Members of the Executive Council to abstain from voting, if at all possible.

PROF FELICE LIEH MAK: Mr Deputy President, as many of my honourable colleagues here have mentioned, Hong Kong's most important, if not only resource, is her people. Our economic success and high quality of life are based upon the competitiveness of our industries and the quality of our services. We have created this, but today that



resource is threatened by a number of factors, namely, emigration, a declining population growth rate, an ageing society, an expanded service sector due to the development of new towns, increased intake of students by the tertiary institutions, and furthermore economic growth in China which will also cause more Hong Kong workers to be employed across the border.

The growth of our economy and the development of our services are constrained by the shortage of human resources. These human resources are our only strength and economic development, our only passport to a secure future. We must not maintain a protectionist stance on the issue of importation, nor should we politicize a policy that makes good economic sense.

A protectionist policy has been demonstrated to be unworkable in all countries and at all times. It will only make our labour force less competitive. I can cite many anecdotes about the declining work attitude and worth ethics of our human resource in Hong Kong, but I shall not go into that since it is rather late.

A comparison of our economic development and our labour requirement over the past decade reveals that a labour shortage has helped impede economic growth since 1988. Hong Kong's economy grew over 25% between 1986 and 1987. As companies sought to increase and expand their business, they recruited more employees. But in 1988 the number of reported vacancies reached a decade high while the economy slowed down. Since then the reported vacancies have remained high despite a little economic growth.

If one looks at 1980, the Gross Domestic Product has grown 90% in real terms in the past decade, from 1980 to 1990. We enjoyed an average yearly growth rate of 8%. That growth has provided the Government with funds to increase spending in social services, housing, education and health care. Now these expenditures disproportionately benefit the low income people who generally pay little or no income tax. To regain that success in this decade we must, as well as the labour force, adapt to a shifting economy.

The Government's previous immigration policy -- and it was mentioned by a number of speakers -- limited Hong Kong's potential labour supply. Before 1983, workers from China crossed the border under the touch-base policy. Economic growth of the early 1980s spurred employment and the immigration of over 73 000 Chinese people to Hong Kong in 1981 and 1982 alone. That policy ended after the worldwide recession

in 1982 due to fears of increasing demand for services, a perceived breakdown of law and order, and competition for jobs. In the eight years since then the number of Chinese immigrants has averaged 18 000 each year, slightly less than half of the number of immigrants in 1981 or 1982. The absence of these people is now reflected in the high number of reported vacancies. Now that Chinese workers no longer immigrate in large numbers, many companies are emigrating to them.

Hong Kong companies have built factories across the border where they can take advantage of the cheap labour as well as land. This corporate emigration takes potential growth from Hong Kong, as well as jobs from our local labour force. It will be shortsighted of our workers to try and stop the importation of labour for this will only accelerate the shift of manufacturing and other industries from Hong Kong to China and other countries in the region who are most willing to take up our investments.

Individual emigration has greatly aggravated our manpower shortages. While emigration has always been a Hong Kong phenomenon, apprehensions of forthcoming Chinese rule spurred 62 000 people to leave in 1990. Now the estimates predict that the total number of emigrants by 1997 will be between 550 000 and 700 000 people. One half of them in 1988 and 1989 are professional technical workers and administrative staff but gradually we are also seeing more of the skilled and semi-skilled people also leaving through family connections in Canada, Australia or the United States. This means that we will be losing at least 16 000 in these important positions every year. This depletion will not only jeopardize our economy but it also poses a serious threat to the maintenance of adequate services.

Unlike Prof Edward CHEN or Mr Vicent CHENG, I have not done any research on the economic implications, but from personal experience I have encountered great difficulty in recruiting secretarial and technical staff. This has resulted not only in our not being able to make full use of expensive equipment that we have intended to serve the public with -- we have two laboratories now laying idle because we do not have the staff. The shortage of ward aides have also led to our inability to open up more wards in an otherwise new and modern facility.

Singapore's example is instructive; after declaring itself independent from Malaysia in 1965, Singapore faced a labour shortage in technically-skilled positions as well as other sectors. Resorting to importation, Singapore controlled the foreign labour by making employers responsible. If there was no need, the foreign labourers

would not be hired, but in the case of shortage the foreign labour would be used to continue with economic growth. Foreign labour can be used to remove the economic obstacle, allowing for 160% growth in Hong Kong's GDP over the ensuing decade.

Now if we look at specific labour shortages in Hong Kong which have been filled, we can see that no adverse effect on Hong Kong's labour force has been produced. One example is the Filipina maids; they occupy an important position in our society that other Hong Kong workers will not and cannot fill. Unfortunately, our Filipina maids are easy targets for abuse by their employers. Foreign labour must therefore have legal safeguards against this abuse, and direct channels for reporting mistreatment.

Undoubtedly, and unfortunately, there is a segment of our workforce that will be displaced by either structural or technological changes. To help these individuals the Administration needs to set up as soon as possible retraining programmes in co-operation with the private sector and the training institutions.

The Social Welfare Department and the Labour Department must jointly co-ordinate and provide counselling and job placement services. Companies applying for the importation of labour must try to give preference to those local workers who have registered with the Labour Department.

Mr Deputy President, with these words, I do not support the motion.

DR SAMUEL WONG (in Cantonese): Mr Deputy President, we understand very well that the labour sector's position on the labour importation policy has always been very clear. Personally, I would like to salute Mr PANG Chun-hoi for his devoted service to the labour cause over the past couple of decades.

I think that, before the implementation of any policy, it is up to the Government to conduct a comprehensive study and then come to a feasible way to go about it, taking into account the interests of various parties. On the issue of the importation of foreign workers, I do not recall the Government ever releasing to the public the review results of the first and second phases of the labour importation scheme. And it seems that the third phase of this scheme which we are looking at today has not been designed after taking the views of the labour sector into careful consideration either.

On the other hand, the labour sector is not able to effectively monitor the

importation scheme and its implementation, with regard to matters such as employer categories, company names, numbers and types of jobs involved, and so on, because they have not been able to get hold of sufficient information. What we need to know urgently is the vacancy situation which exists in the various trades and industries, and whether the Labour Department is able to reallocate jobs to our workers through providing them with information on job vacancies. Both the labour and other sectors have repeatedly pointed out the imperfections of the government policy. I hope that the departments concerned will provide to this Council a more specific and effective answer to the questions raised.

With Hong Kong experiencing its first economic transformation, we have seen some industries going into decline as other, new industries are beginning to emerge. There has been change happening consistently to our economic structure as well as the demands our labour force. This may be a good sign which marks perhaps the evident improvement of the quality of life of Hong Kong people.

I appreciate the Government's implementation of the occupational retraining programme. Indeed, the provision of such retraining has been started in many western countries for a long time and I think the Singaporean experience is particularly worth studying. Whether or not the labour importation scheme is to continue or even expanded, the Government should have provided in-service training and retraining for local workers. The programme which has been a little late in coming is worth our full support because it is important to every walk or sector of life. We hope that the programme will contribute to the level of skill of our workers such that the labour shortfall which may exist now will be partly overcome and this will in turn have a positive impact on our economic system as a whole.

The question though is whether, with the implementation of the labour importation scheme and a levy of \$400 imposed on the employer for each foreign worker he hires, the training fund so set up with these employer contributions will be adequate to help the workers who have opted to take the training courses to help them change jobs and who are genuinely in need of financial assistance. And there is the other question, also a matter of great concern, of how retraining courses are to be run for workers who are over 40 years of age and need to find a new job.

I suggest that these questions should be discussed by the various labour organizations and that retraining should be regarded as a matter of first priority. The real plight of our workers should be reflected such that the departments concerned

may be able to design a realistic training programme to solve the present labour problem. Drastic actions, such as strike, will do only harm, and no good at all, to either our workers, or their employers or the community as a whole. I would encourage workers to report the small minority of unscrupulous employers. I suggest the Government should step up the prosecution of employers found to be hiring foreign workers in order to arbitrarily fire local workers and stiffen the penalties for such malpractice.

The engineering professionals whom I have consulted on this issue of further relaxing the importation of foreign workers have indicated invariably that there is genuine need for a measured number of foreign workers to be imported. It may be the case that labour intensive posts in unattractive work places are very difficult to fill given factors such as our successively low birth rate over the years, our rising expectations and educational standard, and so on. But they are also saying that the Government should specify how many vacancies exist in which industry and import foreign workers accordingly so that workers in other sectors will not be affected by the foreign threat.

In view of the fact that there is a genuine labour shortage in certain sectors I have to reluctantly support the present practice of importing foreign workers to provide relief to those industries which are worst hit by labour shortage. However, when our local workers have completed their training courses and the labour market becomes less tight, then the importation scheme should be revised accordingly.

Mr Deputy President, with these remarks, I oppose the motion.

MR HOWARD YOUNG (In Cantonese): Mr Deputy President, some Members said in their speeches just now that this debate might actually develop into a feud between different political parties. It was said in some cases that since a certain political party took a certain view on the issue and therefore voting had to be consistent among party members. One must wonder how the other side would react to this. Mr LAU Chin-shek made the point that all employees should stand up and be counted; so I for one have stood up now, but I am not speaking for any political party, or for that matter, any political organization. A colleague said a while ago that since their platform was against labour importation he would have to vote against it. I would like to respond here by saying that when I was elected after contesting intensely with two other candidates for the Tourism Constituency in the election held in

September last year, I made it very clear in my platform that I would strive as hard as I could for the hotel industry to be able to import foreign workers. Whatever one may say about it, I think I need to be accountable to my constituents regarding where I stand on this issue.

We should not forget that our manpower resources have been diminishing in the past years due to two factors which I will enumerate as follows. Firstly, our labour market has been hard put to it to replenish itself with the abolition of the touch base policy in the early 1980s. Meanwhile, the tens of thousands of local people emigrating annually over the past years have also contributed to a brain drain. Indeed, the steady economic growth of Hong Kong has provided many jobs at the same time as new jobs are created by new industries which have emerged; the question is where are we going to find people for these jobs? If the right people cannot be found, economic growth may not continue. Will imported labour really take away or even break the rice bowls of some people? Or will the rice bowl from which we all eat be made even larger, such that there will be more to go around for everybody?

The tourist industry employs a total of 180 000 people, of whom the most sizeable group is in the hotel industry, numbering approximately 36 000. The airliner companies, each employing over 10 000 people. These trades and industries are all complementary to one another. For example, if there are no airliners bringing in the tourists, the hotels will have no guests, and this in turn will hit the retail industry as well as the restaurant business. And indeed, if there are no hotels or airliner will bother to bring in the tourists either. We have more people visiting Hong Kong per year, 6 million in all, than those living in the territory; they spend \$40 billion while in Hong Kong, half of which on hotel accommodation. If we are unable to provide adequate services in this regard, I think the tourist industry will be hit, and so will the other related trades and industries. Insofar as the hotel industry is concerned, this year alone will see the completion of 10 new hotels, with each employing about 400 staff. That is to say, in one year alone, the industry has created a total of 4 000 jobs. The Administration was queried just now by a colleague regarding the contribution of the Vocational Training Council over the years. What has the Government done? I can say here that the Vocational Training Council has done a lot for our hotel industry, but however much the good work done by the Vocational Training Council, there is no way it can produce in one year 4 000 trained personnel to work in the hotels. It is for this reason that there are many people in the hotel industry, which forms part of the Tourism Constituency, is in favour of importing foreign workers.

How about the aviation industry? I understand after consulting people in the industry over the past few weeks that in recent years Hong Kong has lost to Singapore and Australia between 100 and 200 mechanics and technicians in the field of aircraft maintenance. Where can we find replenishment? These are people who have over ten years of experience and they cannot be found in Hong Kong. I understand that of the new technical and mechanical staff, 220 are from Mainland China who have experience in heavy industry and firm grounding in aircraft maintenance. It seems that the employers are not concerned about where their staff come from, nor indeed are they critical about age. People in their forties are also recruited. The first priority is availability, and there are staff employed from the Philippines. And there are over 100 vacancies which will come into being and which the company concerned is happy enough to fill locally, but it is going to be difficult to find so many suitable candidates in such a short time. I also understand that company concerned was forced to turn away many foreign contracts last year and the year before due to a shortage of staff. It is certainly good for the local economy that so many aviation companies want to have their aircraft maintained in Hong Kong. Regrettably, this cannot be done because we do not happen to have enough people to do the work.

The restaurant business within the tourist industry is also faced with the problem of labour shortage. Let me respond here to the question raised by a number of colleagues about the possibility of employers deliberately employing foreign workers and profiting by keeping the wages down. I asked the operator of a large restaurant chain only yesterday if he was looking for workers. He said yes. I went on to ask if he would employ foreign workers. He said no. But why? The reason is that foreign workers are more costly to hire than local workers. I therefore think that it does not stand to reason that all employers will take advantage of the scheme to keep wages down by employing foreign workers. I would also like to add here that last week I happened to receive a telephone call from a tourist agency operator. He said he wanted two foreign staff, one of whom must be able to speak French and the other German, because tourist guides are needed with these linguistic abilities to serve tourists coming into Hong Kong. I therefore think that the issue should in fact be one of what industry we are talking about. I went during the recess to meet with some of our friends from the labour sector who are demonstrating outside the Council Chamber, including Mr LI Cheuk-yan. I asked them what occupations they are in. A lady said she was in the electronic industry; another demonstrator said she was in the garment industry; and a third demonstrator said he was in the building industry. I could not find anyone from the hotel industry. Probably, they are unable to come because

they have too much work on their hands. I think we should have sympathy for the manufacturing workers and assist them to change occupation. But we cannot for this reason refuse to implement the labour importation scheme.

I have four proposals for the Government in terms of the implementation of the scheme. First of all, I support the suggestion made by a number of colleagues that the retraining programme should be brought forward to assist workers to change occupation. Secondly, penalties against the small number of black sheep among our local employers should be stiffened for breach of provisions of the scheme. Thirdly, I think there is a need to strengthen the information network such that people who are genuinely looking for a job or who do not know where to go to find a job will be able to land a job which suits their calibre. For example, I asked a worker just a while ago what kind of job he has. He said he is a professional driver of goods vehicles. He is against imported labour. I asked if he thought about changing occupation. He said he is quite happy to change, but driving is his only skill. I said, to my knowledge, if you have three years of driving experience, you may apply for a minibus driving licence, or a taxi licence in future, and you may have a better chance of changing jobs that way. I made a point of telling him that I have a friend who is the operator of a maxicab company plying the Southern District on Hong Kong Island. He finds it very difficult to hire drivers because there are now almost 50 000 drivers plying between Hong Kong and Mainland. He will be only too happy to hire someone who is willing to become a minibus driver or who does not mind training to become one. I have a feeling that local workers are not very well informed of the job market and it is this lack of information which has, quite understandably, made them panic about the foreign workers taking away their jobs. Fourthly, I believe that the Government should step up the monitoring of firms which employ foreign workers to see if they have taken advantage of the scheme to fire local workers over trivial matters. If this is what actually happens, and evidence is available to substantiate the allegation, then penalty must be imposed.

A tourist industry friend of mine said to me that we should be talking about the importation of skilled labour, skilled workers and personnel, or fully qualified and suitably trained personnel, instead of merely foreign workers. Can we postpone the scheme? I do not think we can. I think that the retraining programme should be launched as soon as possible. If we should decide in favour of postponement, are we going to say that the ten new hotels which will begin operation should lie vacant until the trained staff can come on stream? Will so doing result in less tourists coming to Hong Kong and what kind of consequence will this bring to our economy? I



think we will all recall that the relocation of manufacturing plants to Guangdong over the past years has led to workers complaining loudly that their rice bowls have been broken by the employers making the move. I have a feeling that, quite apart from the manufacturing industry, there are other industries which can be relocated, but it would be inappropriate for me to mention what these industries are on this occasion. I am aware too that, with well-developed electronic communication system, industries other than the manufacturing industry can just as well be relocated. If we cannot find a solution to the problems of labour shortage, then employers, unable to find workers, will be forced to give up Hong Kong as their operating base.

Mr Deputy President, I regret that I cannot support the motion standing in Mr PANG Chun-hoi's name.

9.47 pm

DEPUTY PRESIDENT: We will take a break of about 10 minutes.

10.01 pm

DEPUTY PRESIDENT: Council will resume.

MR HENRY TANG (in Cantonese): Mr Deputy President, notwithstanding the fact that I am the proprietor of a garment factory, and that I appear to represent the interests of the industrial and commercial sectors, I never agree to the argument of some people who assume that all employers are inclined to exploit the working class. The accusation is unfair and may lead to unnecessary social division. I respect each and every member of the labour sector and believe that workers at groundwork level, being also members of the community, are entitled to reap the fruit of social prosperity. The success of Hong Kong today is the fruit of co-operation between employers and workers who therefore have every right to the entitlement. Any act to exploit the interests of the working class should be squarely condemned.

However, is the policy on importation of labour against the interests of the working class? In view of the motion raised in this Council today urging the Government to shelve the scheme for the time being and the crowd of workers that stage

a sit-in round the Legislative Council Building, it appears that the policy is against the interests of the working class. Nevertheless I think we need to be more objective.

As a matter of fact, I only view the importation of foreign workers as a measure to solve the present problems in our economy and certainly not a plan to smash the rice bowls of the workers.

I hope Members will gauge the present economic situation of Hong Kong from a more objective and liberal perspective. Low economic growth and high inflation have been the causes of our economic stagnation in recent years; but they are also the by-products of a vicious cycle.

During the 70's and 80's, the economy of Hong Kong picked up rapidly. Our manufacturing industry thrived with orders pouring in. Though the inflation rate once rose up to 15%, the fact that our economy expanded by a much greater magnitude undermined the effects of inflation on people's livelihood. This was because we had a great number of workers from Mainland China. They were ready to play a significant role in the manufacturing industry.

But now in the 90's, the situation is entirely different. An earlier census revealed that the growth of the workforce in Hong Kong would average about 0.5% per annum in the few years ahead. In view of the widespread availability of secondary and tertiary education, we can be confirmed that the proportion of our population choosing to join the labour sector will be on the decrease.

We are told that certain production processes of the knitwear industry can be moved north legally, thus alleviating the problem of labour to a certain extent. But to certain sectors of the service industry which cannot shift to the north, they are still posed with the problem of labour shortage.

For me, I am certainly most clear about the operation of factories. Shortage of labour will naturally force factories to reduce production, thus affecting the set business targets. Shortage of labour in certain departments of the factories will also slow down production, which in turn will affect the operation of other departments, resulting in "underemployment". The importation of labour scheme is basically designed to make up for the inadequacies at these "bottlenecks" but not to displace the local workers.

I also believe that labour shortage intertwines with high inflation. Whilst the inflation rate dipped a bit to 10.3% last month, the overall rate for the year stands at 12%, which is still at an unacceptably high level.

The importation of foreign workers is certainly only one of the many ways to curb inflation but undeniably it can really serve as a short-term remedy to ease the problem of labour shortage as well as to enhance productivity.

Individual workers may regard the importation scheme as a measure to suppress the wage increase of local workers: what does social prosperity mean to me if my wage cannot keep pace with inflation and the quality of my life cannot be improved?

Actually, this is the crux of the problem. High inflation has become the number one enemy of Hong Kong. Not only does it cause hardship to the general public, the competitiveness of Hong Kong in attracting foreign investments will also be gravely undermined. The inflation rate of Hong Kong ranks top among the four little dragons in Asia, and the disparity between the rate of inflation and that of economic growth is also most noticeable.

Singapore, being one of the little dragons, is also confronted with the problem of labour shortage. In 1990, the imported workers of Singapore amounted to 250 000, representing 14% of the total workforce. Last year, Singapore achieved an economic growth of 7.1%. Its inflation rate was only 3.7% but the wage increase was as high as 9%. It tells us that low inflation and high economic growth are conducive to pushing up the wage level. The very same situation is found in the other two little dragons. I think it may not be appropriate to transplant in whole to Hong Kong what is found successful in other countries, but their experience definitely will serve as a good reference for us.

Undeniably, with the importation of labour, wages in certain trades may be suppressed to a certain extent. But when productivity improves inflation drops, and the economy picks up, workers will soon have their wages adjusted.

As a matter of fact, Hong Kong is not alone in the labour shortage problem. Similar problems are generally found in developed countries. For instance, in Japan and Taiwan, illegal workers from Mainland China, the Philippines, Malaysia and other countries are found in flocks on the market. Governments of these countries have

considered introducing a policy to import foreign labour to replace the illegal workers and ease the pressure on the labour market. A special delegation from Japan visited Hong Kong and Singapore some time earlier on a fact finding field study. It reveals to us that it is a global trend and a logic of finance to hire foreign workers to ease the shortage of local workers. Recently, the Taiwanese Government officially announced that foreign workers would be imported to alleviate its problem of labour shortage. If Hong Kong were to refrain from so doing, our economy will be undermined, with the ultimate loss to be borne by us all.

Mr Deputy President, imported labour is not, in its every sense, cheap labour. The median wage can only be referred to as a reasonable pay level. Manufacturers can of course further reduce their cost and thereby enhance their competitiveness if they pay no regard to the interests of local workers and cancel the setting of median wage. But we have not adopted such a course of action.

The reality is that Hong Kong is indeed entering a period of financial transformation. As employers and employees are in the same boat, they should co-operate and help each other survive the changes going on.

As a manufacturer myself, I fully understand what the case is. Ever since the 70's, local manufacturers have been hard hit by unceasing protectionist attacks of other countries for several decades. Led by the United States demand on certificate of country of origin, other countries keep accusing us of dumping. In the face of these unfair accusations, who will help us break the deadlock if we manufacturers do not make adjustments ourselves? I therefore hope the labour sector will respond in the same way and accommodate themselves to the changing society.

However, I would like to stress that there should be stringent measures requiring employers to present full evidential support that suitable local workers are not available before they are considered qualified for application for foreign labour. I do not want to learn of any local workers having their rice bowls broken by the imported labour.

Meanwhile, retraining programmes are now actively pursued to help workers with difficulties in picking up a new skill to bridge over to a new trade. The intention of the programmes is good indeed, and positive as well. However, what concerns me most is the chance of these workers to secure a breadwinning employment when they complete the retraining courses. Or can they make ends meeting while they are

undergoing retraining? If they remain unemployed by then, such retraining programmes will appear meaningless. I hope the Government will take the trouble to make it an additional condition for employer applying for importation of labour to first consider employing this group of retrained workers if there is any vacancy.

I always hear some middle-aged workers complaining of their difficulties in finding a new job in another trade. Even hotels and restaurants are reluctant to hire them as cleansing operatives. I am afraid this is not a healthy development. It is of course ideal to have an employee who is young and strong, but the middle-aged ones who are willing to apply themselves to their work and not so very eager for changing jobs will also play a certain role. To take the branch for the root is hardly acceptable to the public.

What concerns the workers will equally concern me. I hope the Government and the commercial and industrial sector will pay close attention to this issue, because the policy which is originally one that will have positive effects on our economic development will, if unfortunately abused, do harm to the innocent workers and leave our name tarnished.

Mr Deputy President, on the grounds mentioned above, I oppose the motion.

DR LAM KUI-CHUN (in Cantonese): Mr Deputy President, permit me to spend two minutes on the point of view of the employees themselves.

We seem to have agreed on the point that there are people without jobs and jobs without people taking them. This patent inco-ordination of people and jobs is the focus of this evening's debate and also, I know, the reason why Mr PANG urges the Government in his motion to shelve the scheme for the time being as a solution to the Government's inability to make full preparations for assisting local workers to change their employment. The crux of the matter is that people looking for new employment find themselves behind the requirements of the jobs on offer. I want to state a few facts concerning a news report two days ago which said that the hotel and restaurant trades were the first to request for importation of labour. First, these trades within the service sector need young and beautiful female staff to fit their image. Second, attendants must be able to speak English or even Japanese in order to serve the needs of foreign visitors. Now these are specific requirements. Besides, some of our colleagues who support Mr PANG's motion have themselves employed

Filipino maids to do household work, and Filipino maids are also foreign labour.

I understand that Mr PANG still refuses to speak English. Therefore I would like to point out that training programmes, though being one of the solutions to the problem, cannot be used as a means to pity some unemployed old workmen, nor can such programmes transform an old man or old woman who cannot speak English into a beautiful, young and English speaking lady. Similarly, not importing foreign labour will not make non-English speaking attendants acceptable to hotel customers nor increase the job opportunities for local workers; it will only undermine Hong Kong's attractiveness to foreign visitors. In contrast, importation of labour to make up for the manpower shortage within the local workforce, if implemented, can surely enhance the development of new trades within the service sector in Hong Kong, adding further to our prosperity and indirectly benefitting the labour sector.

For the reason given above, I oppose the motion.

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, I firmly believe that, excepting you, over 53 Members will vote on this motion when it is put to vote later today. The three ex-officio Members will not, in the same free and unrestrained way as they did last week, choose to abstain from voting.

Statistics show that roughly over three million Chinese workers have been employed in Hong Kong. They have laid the foundation for the spectacular success that Hong Kong, in particular its capitalists or entrepreneurs, has up to now achieved. So I am in favour of the importation of labour but would urge the Government that stringent procedures should be applied in a rigorous manner in assessing the demand for labour in the territory. This is a responsibility our Government should never shirk despite the fact that its administration over Hong Kong will last for only five more years or so. As Legislative Council Members, we should remind the Government to carry through the spirit of effective administration. I also would like to urge Members in this Chamber not to be so irresponsible as to extract mileage out of this labour problem for the sake of vote-courting. We also hope that people from the labour sector outside will not create one or more political stars for the 1995 elections.

I understand that Mr PANG Chun-hoi is obliged to propose such a motion given his position as a representative of the labour sector. But I regret to say that after

Careful consideration I still cannot support his motion.

SECRETARY FOR EDUCATION AND MANPOWER (in Cantonese): Mr Deputy President, in the past few months, we have continuously heard views expressed by various sectors of our community on the importation of labour through the media, debates in this Council and various formal or informal discussions. In early November last year, the Government compiled a background paper on the results of a review on the implementation of the 1989 and 1990 labour importation schemes, submitted it to the OMELCO Manpower Panel and Labour Advisory Board and conducted consultations. In addition, we held meetings with representatives of some trade unions and other organizations to seek their views. On the whole, views on whether we should continue the labour importation scheme varied: some gave it their unreserved support while some expressed strong opposition. On the other hand, there is a more obvious consensus on certain issues related to the importation of labour: it has been generally accepted that there is a need to increase penalties on employers in breach of statutory provisions on unlawful deduction of wages in order to protect the rights and interests of both local and foreign workers; it has also been agreed that training and retraining provisions for local workers should be strengthened so as to help them adapt to the new environment brought about by the territory's economic restructuring.

After careful consideration of the views expressed by all quarters, the Government announced three weeks ago that the general labour importation scheme should continue. Apart from continuing to allow the importation of labour under limited and controlled circumstances, the Government has also decided that employers importing foreign workers should observe a set of clearer and stricter conditions, that penalties on offending employers should be increased and that training and retraining provisions for local workers should be strengthened.

The main objective of the Government's decision to continue the importation of labour is to sustain Hong Kong's economic growth. There are certain objective facts which should not be overlooked.

(a) Hong Kong lacks natural resources and depends largely on its workforce to boost its economy. Only sustained economic growth can bring us the resources required for the implementation of social projects, the upgrading of various kinds of services and the improvement of the quality of life of the population.

(b) In recent years, our population growth rate has slowed down, the aging rate of our population has increased, the schooling time of our young people has lengthened, the labour participation rate has dropped, and the number of emigrants has increased. As a result, there has been only a very slight increase in the supply of labour in recent years. For the five years up to 1990, the average annual growth rate of our total workforce was only 0.9%.

(c) Although the manufacturing industries have already moved most of their labour-intensive operations to South China and reduced their demand for local labour, the re-export trade thus generated has boosted the service sector. The number of workers leaving the manufacturing sector cannot offset the increased number of vacancies in the service sector. Also, moving the manufacturing process across the border has, to some extent, resulted in labour exportation. An informal estimate shows that there are about 50 000 to 60 000 Hong Kong people working in South China, undertaking management and other duties.

Under the circumstances, the shortage of labour has become a structural obstacle to our economic development. If we fail to remove this obstacle, our economic and social development would be adversely affected and local and overseas investors may refrain from investing in Hong Kong as a result.

I must stress that we are not bringing in foreign labour without limitation or restrictions. We have set the total number of foreign workers at 25 000, which constitutes less than 1% of our total workforce. Thirteen thousand workers were imported in 1989 and 1990 and are still working in Hong Kong, and the remaining 12 000 will be imported in the present exercise. As in the past, only technicians, craftsmen, supervisors and experienced operatives would be imported. In making the decision of importing 12 000 more workers, we have taken into account the fact that there are over 70 000 vacancies existing in Hong Kong. Twelve thousand foreign workers can only fill a small proportion of these vacancies. Most of the job opportunities in areas where labour shortage is felt are still open to local workers.

In implementing the scheme of continued importation of labour, we have adopted new measures to give local workers priority in filling job vacancies. We have stipulated that all employers applying for importation of labour must first register the vacancies with the Local Employment Service of the Labour Department, and offer these vacancies to local workers at wages not lower than the local median wages. If any employer rejects the applications submitted by local workers without sufficient



reasons, he may not be granted the quota he has applied for.

Some Members worry that labour importation will become a long-term and even permanent measure. As far as this is concerned, we cannot predict the actual future demand. However, the Government will regularly monitor the demand and supply in the labour market, continuously review the effects of labour importation and decide when necessary whether the ceiling for imported workers, currently fixed at 25 000, should be adjusted. The question of renewal of contracts for imported workers up to six years also needs to be clarified. Renewal of contracts is not automatic. The scheme stipulates that the employment contract with an imported worker cannot exceed two years. Whether the employer can employ the same worker after two years will depend on whether the scheme is still in force at that time and if so, whether he is granted the quota.

Some Members criticize that some unscrupulous employers, seeing that there is a supply of imported workers, will find some excuse to indirectly or directly dismiss local workers. This, of course, is a breach of the conditions of the labour importation scheme. We have laid down clear and definite rules which provide that employers cannot replace currently employed local workers with imported ones. In case of redundancy, employers are required to dismiss imported workers first.

Many Members in today's motion debate have mentioned that importation of labour may adversely affect older workers. The circumstances of these workers are of special concern to us. The importation of labour scheme with a ceiling of 25 000 in effect only allows a limited supply of manpower in shortage areas. Furthermore, there is built-in mechanism within the scheme to protect the job opportunities of local workers as well as provisions for training and retraining. Therefore there should not be too much threat to local workers. However we are aware that even without importation of labour, workers who are older or who have limited education background will inevitably face greater difficulties in job seeking. In implementing our retraining programme, we shall pay special attention to the needs of this group of workers. We shall also apply due diligence in vetting the applications for importation of labour to ensure that employers have not resorted to laying off local workers directly or indirectly. I also take this opportunity to ask employers to apply flexibility and relaxation in setting the criteria regarding age, education background, and so on, in consideration of applications from local workers who respond to those vacancies registered with the Labour Department.

Some criticize that the Government has not specified quotas for individual industries under the new scheme, and infer from this that the Government does not have a clear idea of the actual demand for manpower. We cannot agree to this. There is in fact not much difference between the procedure adopted this time and that under previous schemes. Under the 1990 scheme, although we did have a priority list based on occupations, the quota distribution among individual industries was only determined after all the applications are received. And not all applications are approved. This arrangement is aimed at meeting the actual demand of the market more closely in the allocation of quotas to those sectors where there is a genuine need. When we have received all the applications, we will publish the consolidated figures and further consult the OMELCO Manpower Panel. We will also publish the quotas allocated to different sectors after allocations have been made.

Some criticize that the labour importation scheme serves to provide cheap labour for employers. Actually, the expenses such as wages, travelling expenses, accommodation, allowances and quota levy, and so on, borne by an employer in hiring each imported worker, will definitely exceed the local median wage. There are also worries that imported workers will face unlawful wage deduction or occupy high posts for low wages and will thus become cheap labour ultimately. We realize that offences did exist in the past. In deciding that the labour importation scheme should continue, while preventing unlawful deduction of wages, the Government has clearly stipulated that all employers should pay the agreed wages to the imported workers through autopay. Furthermore, the Executive Council has endorsed a Bill which seeks to raise the maximum penalty for unlawful deduction or underpayment of wages from a fine of \$10,000 or \$20,000 to a fine of \$100,000 or \$200,000 respectively plus imprisonment for one year. As regards other related offences of giving false information, withholding information and failure to comply with inspection requirements, the penalties will concurrently be raised from \$10,000 to \$100,000. The criminal liability of employers will also be clearly set out under a new section of the proposed Bill in order to maximize the deterrent effect. We intend to introduce the Bill into this Council in February. At the same time, we will take administrative measures, where appropriate, to withdraw the quota of the offending employers and to deny them the opportunity to apply for importation of labour again.

While deciding to continue to import labour, the Government has also decided to adopt measures to strengthen, in particular, the provision of training and retraining to local workers in areas of industrial training other than the present ones. Our main aim is to help those workers who are threatened by the decline of their trades

to acquire new skills so that they can switch to other trades which have a greater demand for labour. In other longer term, our aim is to upgrade the quality and skills of our local workers through training and retraining programmes in order to assist them to find better jobs. We intend to provide an appropriate allowance for workers receiving retraining so that they can receive retraining without having to worry about their livelihood. Retrained workers will also be assisted as much as possible in finding new jobs.

We have decided to set up a Provisional Retraining Fund Board as soon as possible and have already invited some members of the Labour Advisory Board who can represent employers and trade unions to sit on its. We have also invited representatives from the Vocational Training Council and other training organizations. We shall start work immediately after the Lunar New Year holidays and identify practical retraining needs of both employers and employees before coming up with the most suitable programmes. We expect that courses will start shortly. Subject to the approval of the Finance Committee of this Council, the Government is willing to advance the money needed for the courses before the quota levy can be collected from employers under the labour importation scheme, so that the retraining programme can take off smoothly.

I hope that my speech today can make it clear to those in the labour sector that the Government has neglected the rights and interests of our workers at all and that we will not do so. In fact, the Government has done a lot in the past to safeguard the rights and interests of our workers. For instance, this Council has, over the past five years, passed a total of 58 bills promoting workers' well being and protection, including the provision of paid annual leave; the establishment of an "Employees Compensation Assistance Fund"; extension of the coverage of the Protection of Wages on Insolvency Fund, and so on. the current Legislative Council Session has commenced for just three months, but it has already improved the long service payment scheme in that relatively young workers are now able to receive some compensation upon dismissal. For the future, we will continue to introduce Bills on the improvement of welfare and protection for workers into the Legislative Council, including protecting employees from being victimized after reporting any malpractices of their employers regarding safety at work; increasing the protection for local workers working overseas; and increasing work safety protection for workers working in container storage yards, and so on. Earlier on, we have also set up an interdepartmental working group to study community-wide retirement protection schemes with a view to increasing retirement protection for local workers.

We recognize that there are voices within the labour sector against the importation of labour. Yet the Government is in no way siding with employers, as some people have alleged. In fact the ceiling of 25 000 imported workers actually falls far short of the number requested by industrial and business organizations and employers' organizations. Moreover, some procedures under the labour importation scheme will, I am afraid, to be welcomed by employers in general. The Government's position is to import foreign labour in a restricted and well-controlled manner taking account of the interests of all parties concerned and the need to sustain the economic growth of Hong Kong. We believe that the Government's decision has struck the best balance and is totally in line with the overall interests of the community as a whole. In view of this, I do not support the call in Mr PANG Chun-hoi's motion for the suspension of the importation of labour scheme.

Thank you, Mr Deputy President.

MR PANG CHUN-HOI (in Cantonese): Mr Deputy President, I would like to first of all thank my colleagues. My motion has led to an intense debate in this Council. Whether my colleagues have spoken in favour of it or not, one major issue has emerged thus far, that is, the Government has not done anything in the way of protecting local workers in the face of the economic transformation of Hong Kong over the past decade. I already made it clear to Members when I moved the motion that Hong Kong workers have their pride and they are not looking to the Government for a dole-out.

It has been said that protectionism is totally unacceptable. We have always stood steadfastly against protectionism, and indeed Hong Kong itself is a success story of free trade and free operation. However, today, Hong Kong not only has not done anything for the labour sector but it has actually seen fit to interfere in the labour market to the detriment of local workers. If we in this Council will do nothing to advise the Administration to do something, I think it is a dereliction of duty on our part.

I will not respond to each and every colleague who has spoken, except to advise every one of us to attach great importance to this issue and to expose the incompetence of the Administration. I would like to see some quick rectification. I have a statistic which I would like Members to reflect on before voting. The Commissioner for Labour, in answering a query at an OMELCO Manpower Panel meeting yesterday, disclosed that there were 61 000 unemployed people registered with the Employment

Services Division of the Labour Department. While the employers have registered 15 000 vacancies with the Department, one wonders why these were not filled by some of the over 60 000 unemployed. It turns out, however, that the employers, as Dr LAM Kui-chun said, wanted staff who are young and good looking and who are proficient in foreign languages. I was thinking of where establishments in Hong Kong, such as the classy nightclubs and beauty contest organizers, and employers of air hostesses, could recruit their staff. Nowadays, modelling contests are rather commonplace in Mainland China. And they will have such tremendous benefits to the economy of Hong Kong. But I would rather leave it to Members to figure out whether these benefits will go to Hong Kong workers, or indeed the man in the street.

The other thing I would like to mention here is that, while the Trade Descriptions (Amendment) Bill was going through this Council, I was given a rice bowl to show to Members by the labour sector who wished that their rice bowl would not be broken. But today, when I came into this Council, a friend of mine asked me to present the Secretary for Education and Manpower with a clay pot. He said though the pot was still intact, he very much wished it would not be broken by the Secretary. It is a piece of antique which has not been through rough use and it is feared that, since it may not suit the post-transformation labour market, it may actually be scrapped by force of circumstance. Some workers were very kind to give me a few packs of tissue paper. One of them said, "Honestly, PANG Chun-hoi, there is no chance your motion will be carried; so you will have use for the tissue paper because I know you will be so sad that you will break into tears." I promised him I would not because I am an old man now and at any rate, what is the good of crying? But later I thought it might still come in useful because I feared to hear some nasty speeches which might make me vomit. But now I do not need the tissue paper, and I hope I shall not need it. I am asking myself why should I get upset. If the Administration could not care less, then why should the Legislative Council bother? Even if we care, we can do nothing; the workers' cause is doomed. But can we as a government just look on their plight as a spectator?

I wish to say here that Hong Kong workers are working people, that they are working individuals; I can say no further if Members consider workers as work hands, mere instruments. Now we have advocates of science and technology replacing the old ways. They are saying, "You contributed to Hong Kong while you were young; now you are in your forties and it's time you should go. You should make way for the young and energetic, the useful, and preferably the good-looking with a neat figure." I know, and I am glad to give way. But I am penniless and I need the job.

I think my motion will not be easily endorsed by Members but there has been very little voiced objection to it either; so I do not feel like vomiting at this point. There is a big difference of opinion on the issue of postponement. But I am not talking about indefinite postponement; I am hoping that the Government will do something in the meantime, before the scheme resumes. But even this modest hope is unacceptable to the spectators of the fire wreaking havoc on the other side of the river. They believe that if no workers are imported at this point then the economy will stagnate and dire consequences will ensue. The blame is hence put on the labour sector and they are saying, "It is you who are objecting and if we let you have your way then the economic development will be hindered." This is proof that we really have a "fire brigade" in this Council; the fire fighters are always brought in at critical moments. However, I think I am the real fire fighters; I find that the Government has not done its part, that it is even setting fire so as to make life unbearable for the grassroots. Let us think about this. It is really too horrifying to picture. But it does not matter. Indeed, if over 40-year-old workers are forced to the dead end, if they have not jobs and nothing to live on, then what kind of a society have we become? We are going down the road to this dead end. I believe today that some fire fighters are really the people who help the Administration to go around setting fire everywhere. I warn here that even the tiniest spark may torch the prairie.

It has been said that the labour sector is impotent because it is hopelessly divided. They cannot stage a strike. True. But there is no telling what the desperate man will do, with his back to the wall, as it were. Lastly, I would like to thank my friends in the labour sector who have been working so hard to forage data, to argue the case that serious problems will come up if the labour importation scheme is not suspended. Although they know they will fail, some of them are still trying to make their point. I also thank the labour representatives on the Labour Advisory Board who have been negotiating with the management side till their tempers fray. It is sad that the Administration has been so consistently partial. I do not wish to say any more, I would rather not waste my energy. If the Administration says there are not enough workers, let them bring in the foreign workers to solve the problem. Hong Kong workers may as well be discarded; let them fend for themselves. But I would like to thank people who support my motion, as well as those who do not, both inside and outside of this Council, of they have at least called attention to the problem, this very serious social problem. Mr Deputy President, I would like to thank Members who have cast their vote of conscience, whether they support my motion or not. Thank

you.

Question on Mr PANG Chun-hoi's motion put.

Voice votes taken.

DEPUTY PRESIDENT: We shall need a division. Council will proceed to a division. In the normal case the division bell will sound for three minutes to enable absent Members to attend. As it happens, we have a full house with the exception of one Member who is not in the territory. I should like therefore to have a motion that we suspend that particular Standing Order which requires the division bell to sound.

Question on the motion to suspend the Standing Order which requires the division bell to sound for three minutes proposed, put and agreed to.

DEPUTY PRESIDENT: Members are now familiar with the procedure for voting by the electronic voting system. Would Members first of all please register their presence and then register their votes if they wish to vote. There will be no countdown.

DEPUTY PRESIDENT: Has every Member who wishes to register his presence done so, or is there any difficulty with the system? I will proceed now to have the display activated unless a Member wishes to raise a query or indicates that he has voted in error. If not, the display will be activated.

Mr Martin LEE, Mr PANG Chun-hoi, Mr SZETO Wah, Mr TAM Yiu-chung, Dr LEONG Che-hung, Mrs Elsie TU, Mr Albert CHAN, Mr CHEUNG Man-kwong, Rev FUNG Chi-wood, Mr Frederick FUNG, Mr Michael HO, Dr HUANG Chen-ya, Dr Conrad LAM, Mr LAU Chin-shek, Miss Emily LAU, Mr LEE Wing-tat, Mr Fred LI, Mr MAN Sai-cheong, Mr NG Ming-yum, Mr TIK Chi-yuen, Mr James TO, Dr YEUNG Sum and Mr WONG Wai-yin voted for the motion.

The Chief Secretary, the Attorney General, the Financial Secretary, Mr Allen LEE, Mr Stephen CHEONG, Mrs Selina CHOW, Mrs Rita FAN, Mr HUI Yin-fat, Mr David LI, Mr NGAI Shiu-kit, Mr Andrew WONG, Mr LAU Wong-fat, Mr Edward HO, Mr Ronald ARCULLI, Mr Martin BARROW, Mrs Peggy LAM, Mrs Miriam LAU, Mr LAU Wah-sum, Mr Jimmy MCGREGOR, Mr

Peter WONG, Prof Edward CHEN, Mr Vincent CHENG, Mr Moses CHENG, Mr Marvin CHEUNG, Mr CHIM Pui-chung, Mr Timothy HA, Mr Simon IP, Dr LAM Kui-chun, Mr Gilbert LEUNG, Mr Eric LI, Prof Felice LIEH MAK, Mr Steven POON, Mr Henry TANG, Dr Samuel WONG and Mr Howard YOUNG voted against the motion.

THE DEPUTY PRESIDENT announced that there were 23 votes for the motion and 35 votes against it. He declared that Mr PANG Chun-hoi's motion was negatived.

Adjournment

CHIEF SECRETARY: Mr Deputy President, I move that this Council do now adjourn.

DEPUTY PRESIDENT: Dr Samuel WONG has given notice to raise a matter for reply by the Government. Could I remind Members that in an adjournment debate there are 45 minutes for Members to speak. At that point or after all the Members wishing to speak have spoken, whichever is the earlier, I will call upon the Secretary for Education and Manpower and the Secretary for Trade and Industry to reply.

Government's support for research and development

10.54 pm

DR SAMUEL WONG: Mr Deputy President, in this debate on Government Support for Research and Development, we need to examine whether that support is enough or of the right kind.

Historically, research in tertiary education has been funded principally by the University and Polytechnic Grants Committee, but with such a gap between academia and industry little of this research has been used to support the Hong Kong economy. Nowadays, however, academia have themselves developed "Technology Roadmaps for Hong Kong" and have set up the Varsity Resources Corporation to promote and undertake research and development (R&D). Meanwhile, the Government has tripled the budget for academic R&D for the 1991-94 triennium, though this still seems to be well short of equivalent investment by neighbouring governments.



But investment on R&D in industry has always been weak. Around 1997 the Hong Kong Institution of Engineers recommended to the then Scientific Co-ordination Committee the formation of an applied research facility to support Hong Kong's small businesses on a collective basis. The Government has only recently brought this to fruition in the form of a new technology centre.

The Scientific Co-ordination Committee which later became the Committee on Science and Technology continued to press for research to support industry. It did produce a comprehensive report on science and technology infrastructure in which it recommended both its own demise and replacement by an Industry and Technology Development Council. This has now been established and will focus on appropriate technology for applied research and give grants or match investment in applied research on a joint venture basis. Recently the Finance Committee approved \$200 million for the latter.

So the Government has made some good progress.

Let us look a little deeper and ask the question -- is it enough?

The economy of Hong Kong took a serious downturn in the early 1980s until our entrepreneurs discovered outward processing. Before that, business in Hong Kong was limited by space and labour.....

MR CHIM PUI-CHUNG (in Cantonese): Mr Deputy President, I do not think we have a quorum.

DEPUTY PRESIDENT: Sorry, Dr WONG. Under Standing Order 10(2), where my attention is drawn to the fact that a quorum is not present I am to direct the Members to be summoned; if after 15 minutes have expired I am satisfied that the quorum is not present I shall then adjourn the Council without question put.

DEPUTY PRESIDENT: We have now a quorum, Dr WONG. Please resume your speech.

DR SAMUEL WONG: Outward processing relieved these restrictions. So small businesses

in Hong Kong -- I understand over 90% have less than 50 employees -- invested in larger factories in Guangdong, thereby producing many times more of the same product, very often at less cost. World markets, however, are already showing signs of saturation as a result. Regrettably, many businesses will close down. The ones who survive will be those who design new products. This is where R&D comes in.

Now, investment in China could be seen as a form of security after 1997. But who is going to invest in Hong Kong R&D on projects which are unlikely to show significant return this side of 1997? Many would regard it as unduly risky. The government argument is that by offering entrepreneurs 50% matching investment, albeit at half the return, they will be tempted.

But the Government is going to vet the projects. Now Hong Kong projects are not noted for their professionalism. A typical small company will employ a couple of electronics graduates to design a product for sale in third world countries. With little or no professional experience behind it the design may well be clever, it may work and appear saleable. But without the professional experience in sound design it may be riddled with pitfalls.

Furthermore, there will be no quality assurance. The usual Hong Kong approach to quality is to inspect at every stage of production and manufacture a few more of the product than ordered simply to satisfy the guarantee.

Now despite anything I might have said about lack of expertise at policy level in the Government, the fact is that engineering in the Government is highly professional. How can the Government go into a joint venture partnership with a company with lower standards? If the partnership is to survive, the Government will surely be obliged to insist on acceptable standards which will put the price up. So instead of paying 50% of the estimated cost of design, the company may find it has to pay a much higher percentage of its original estimate, albeit to get a better product. It may not consider this so attractive.

To ensure proper contingency design and quality assurance the Government, as joint venture partner, is going to have to monitor at all stages. A significant proportion of the Budget may have to be spent on government professional staff.

In short, I am not convinced that the applied research scheme has been professionally thought through.

So I have to conclude that the Government's input is not enough. They need to bring the applied research scheme up to a professional level before they will know whether it is viable or not and, when they do, industry may not find it attractive enough, at this time in our history, to have a significant effect on the economy.

There is one other point I would like to make. A successful product can be very dependent on the market research which precedes it. Traditionally Hong Kong garment manufacturers often sold to large conglomerates and did not have to do their own marketing. With improved technology this is less likely to happen. If a company is expected to have done its own market research before it submits its application to the Government this could well kill the project before birth. How many of these companies with less than 50 employees are skilled in international market research?

And what about home market research? I am told that the Government buys all its medical electrical equipment overseas as nobody manufactures it in Hong Kong. Why does the Government not place a contract, for a well specified common line of product, with a local company who would then be set up to sell it up-market overseas? That is a case where a joint venture could be highly successful, but the initiative may have to come from the Government.

Hong Kong manufacturers have no incentive to move to good quality if they can sell second rate products to the third world. But we have neighbours, with lower labour costs than ours, who can easily produce second rate products. The Government needs to research the future of quality goods to see what quality Hong Kong needs to aim for. I expect it will be a good deal higher than we settle for now.

Mr Deputy President, for a government whose policy of non-interference has served us so well for decades, I believe its recent progress in stimulating R&D is commendable and deserves considerable acclaim. However, I believe the policy of keeping their policy non-professional is going to kill their efforts. This in turn may kill many companies who have overstretched themselves in China. This could be the death of our economic growth.

I would conclude that the Government should pay more attention to making investment in tertiary institutions supportive of the economy, particularly in common user research tools. They should professionally assess the applied research scheme for its viability. They should conduct international market research, possibly

through the technology centre, and home market research with a view to enhancing the home market by their own participation, to create products with international market potential. And most important they should quantitatively assess Hong Kong's shortfall in quality and use their joint venture schemes to enhance quality assurance and improve quality generally.

In short, the Government needs to be more professional in its approach to R&D. Thank you.

MRS RITA FAN: Mr Deputy President, from time to time, Members of this Council call for government support for research and development. Most of these calls are directed towards resources, for example, the availability or the lack of funds for research, the need for a sizable plot of land with the appropriate infrastructure such as a science park or a Hong Kong version of silicon valley and so on. I sympathize with these calls, and am inclined to agree with some of them. However, I think the first and foremost decision to be taken is whether the Government should have a co-ordinated approach toward research and development. I believe we should. If the Government responds in a piecemeal manner to pressure, I fear that the resources allocated, which are always less than ideal, may not be put to use in a co-ordinated manner to achieve the highest possible return.

In mapping out a co-ordinated approach in research and development, one of the first targets to be identified are the areas of needs and the areas in which Hong Kong's capability and environment would allow us to develop. For example, if we want to raise the technology level in our industry and business, we should first identify the areas where research and development can help, and then assess our ability in terms of expertise and infrastructure, compare our capability for research and further development with other areas and cities, before coming to conclusions on which are our target areas. Naturally, in coming to such conclusions, the Government will have to work in close consultation with the private sector and experts in the academia, but in order to ensure that there is a concerted effort, the Government will probably have to take a leading role as the main facilitator.

The Government has often reminded us of its "positive non-intervention" policy. I like a government which is lean and refrains from intervening in the free market. But when it comes to the question of Hong Kong competing in an international market, and the competitors of our businessmen often receive direct or indirect assistance

from their countries, I suspect our businessmen would appreciate a bit of "positive intervention". Research and development offers the opportunity for positive facilitation and co-ordination by the Government without intervening in the free market mechanism.

Mr Deputy President, in the policy debate, the Secretary for Trade and Industry said that the support the Government offers should be effective and well-focussed. I agree. The problem is I am still waiting to be convinced that the said kind of support will be forthcoming. I understand that the Industry and Technology Development Council will help the Government to do that. But allow me to say that time is no longer on our side. As we sit in the comfort of our old ways and past successes, we may be losing our lead as an international business centre.

DR LEONG CHE-HUNG: Mr Deputy President, Hong Kong is very much in the dark ages when it comes to research and development.

Throughout these years the Government has been only dipping its toe into this area of work. And the result: dragging the leg of Hong Kong preventing it from marching big steps forward.

I am very concerned that constricted resources has always been used by the Government as a pretext barring any substantial improvement in funding for researches. It also means that such funding improvement has to take its place in the long queue which would eventually end up in nowhere.

The situation is overly disappointing.

By suffocating decent funding for research and development the Government has painted itself into a corner.

Time is not on our side, Mr Deputy President, and the funding policy which is flavoured with myopia is pricing on Hong Kong, leaving it behind its budding neighbours in economic and scientific developments.

Mr Deputy President, funding is the fuel to start the engine of researches which in turn is the soul for advancement and development.

Allow me to zero in on academic and medical researches.

Mr Deputy President, the meagre sum the University and Polytechnic Grants Committee allocated to the seven tertiary institutions for academic researches reflects sufficiently the kind of importance the Government attaches to it: some \$310 million only for research projects to be undertaken by all these seven tertiary institutions during the academic years 1991-92 to 1994-95.

Is it the Government's view that we should be proud and jubilant that this is a significant increase already in financial provision compared with those of previous years: a total of \$120 million only for the academic years 1988-89 to 1990-91?

Mr Deputy President, the medical profession and the two university medical schools have been stretching to the limit to put Hong Kong in the forefront of medicine. We have kept up with the pace of transplantation; we have kept up with the pace of endoscopic procedure and we have equalled the world in the technique of scientifically assisted human reproduction.

But the string of the bow is at its breaking point, and unless we are backed up by basic scientific research we are going to lose out to our neighbours.

Mr Deputy President, as once an academic myself I realized the pain for begging for fund to undertake researches.

And it is very difficult for these research teams or fellows to get money from private sources when it comes to researches not related to development of industry.

Yet, we simply cannot make bricks without straw. The shoe-string budget is tying researchers' hands and has crippled them from conducting any meaningful researches.

Pleas for more funding had been made throughout the years but unfortunately, all these urges had fallen on deaf ears. The time has come that the Government should not drag its feet any more.

Mr Deputy President, too much grass has grown under our feet. We have a lot of catching-up to do.

At a time when there is a global call for tightening our public spending, it may

sound ironic to seek more funds for researches. Yet, let me emphasize that basic research is the life-line of the scientists, the professionals and even the industrialists alike.

We want no more symbolic sums. The acid test of the Government's sincerity rests on the allocation of genuine lump sum that can help Hong Kong to advance into the next century with flying colours, to turn the research desert into a research oasis that our neighbours would envy.

MR JIMMY MCGREGOR: Mr Deputy President, every industrialized country and some which have little claim to an industrial status spend money on research and development across a huge range of economic and social activities. The quality and depth of research can often give a country and its economy a head start on its competitors. Most research is applied rather than original and virtually every consumer product in the world is the end result of some form of research, followed up by the development process. Research and research facilities can, however, be very expensive and it is probably true to say that in many forms of research, only governments can afford the very high costs involved. I believe that it is often the case, for example, that research and development costs for a successful product can represent as much as 20% of the consumer point of sale price. With research on military hardware, for example, the cost can be astronomical.

From all of which, it is clear that the Government in most countries must be centrally involved in helping to set up the facilities which will allow research and development to be carried out in those areas of scientific and technological development appropriate to the economy of the country concerned. Governments are usually very careful indeed about such expenditure since it is often difficult to assess where best to put the public funds and what the recurrent cost might become.

Hong Kong has an added problem. We are largely a contractor based industrial centre whose production is export oriented and made to foreign designs, standards and patents, and quite often carry foreign trade marks. We have not been able to develop Hong Kong products which are known for their excellence by virtue of the local trade marks they carry. That is the way our industry has developed and the advent of production in China has perpetuated this system, providing cheap labour and reducing the need for market driven innovation requiring research and development facilities.

That is a generality, of course, and we have also many fine companies in Hong Kong which have moved up the technological ladder. These do have capacity for product research and development but must rely to some extent on professional and scientific support from the few institutions now providing such services. Out of the industrial field, there is also a great deal of scope to link our intellectual capacities with research facilities. I believe that some of our medical research has attracted worldwide attention. Research work in geophysics by our works group of departments and the universities has also been widely recognized.

Until recent years, there was little connection between our manufacturing industry and our tertiary training institutions. Now, our universities and polytechnics are increasingly involved in research work which has a commercial or industrial application.

It is right, however, for the Government to be very careful about the provision of public funds for research and development purposes. It is also right for the Government to recognize that our economy is now sophisticated and diversified providing greater opportunities for successful developments based on high quality research. My feeling is that most projects will involve applied research and product development but there must also be some capacity for original research.

The Industry and Technology Development Council will have much to do to encourage companies to expand their research and development activities. The construction and operation of a Technology Centre and later a Science Park will also provide stimulus and incentive. The expansion of our educational system will provide, as it is doing now, the trained scientists and technologists that every developing economy needs if it is to become an acknowledged centre of intellectual and industrial excellence.

We have come a long way in a relatively short time by working together to face the ever changing challenges of the international market. To stay in the game we will have to face the new challenge for Hong Kong of technological innovation and application.

I believe it would be helpful if the Government were to consider whether it might be possible to set out a policy and strategy towards government funding of research and development and perhaps drawing together within an appropriate institutional



system the responsibility for co-ordinating and monitoring future government expenditure in this admittedly diverse field of economic and intellectual endeavour. I am not however suggesting that there should be any one authority to control expenditure since that would be an impossible task.

MR PETER WONG: Mr Deputy President, today, we are expressing our concern over the inadequate support given by the Government to research and development stressing the lack of funding, resources and expertise. I am no expert on this subject; so I will confine my comments to academic research, and its relevance to the Open Learning Institute (OLI) of which I am the Deputy Chairman.

The relationship between research and teaching cannot be emphasized enough. Our tertiary institutions just cannot continue to design curriculum and define syllabus, construct teaching materials, and deliver high quality teaching without the solid base and discipline or good academic research to keep us in tune with what is going on.

Financing research is expensive. But research is essential to the maintenance of high academic standards.

We are imposing on the OLI a funding regime that is unique in Hong Kong. In a period of three short years, the Institute is required to become self funding. We are unable to permit our academic staff to carry out research as part of their teaching activities; nor are we able to provide any resources for them to do so. If we expect the OLI Council and Management to support the cost of research, we will have to further squeeze the only source of income; the students. This is hardly an acceptable state of affairs. Yet an academic institution that gives up research and development altogether is heading for intellectual bankruptcy. Chief among the negative consequences is the inability of the Institute to attract and retain good academics, thus losing the credibility of the public and the paying students. I therefore make a strong plea that the OLI should be included amongst the UPGC institutions able to bid for the available research funds.

Mr Deputy President, Hong Kong is being severely constrained by a tight labour market, and a stagnant and complacent labour force which shows low gains in productivity -- low productivity, closely linked to competitiveness of Hong Kong's industries and threatening the vitality of our economy. Therefore, I fully support

the Honourable Samuel WONG's call for more resources allocated by the Government for research and development, through the judicious and imaginative allocation of funds and the use of incentives to encourage industry and academic institutions to conduct research.

PROF EDWARD CHEN: Mr Deputy President, let me speak on today's topic by discussing three common misconceptions.

Misconception one: Hong Kong is so small and therefore has no comparative advantage in technological innovations.

This is certainly not true. Very often small is beautiful. Experience in the United States and Europe indicates that small and medium size firms are active in research and development (R&D) and often leaders in technological innovations. For this to happen, it is nevertheless necessary to have a good technological infrastructure, an inductive investment climate with tax and other incentives, and a close tripartite university-industry-government relationship. In many small European countries such as the Netherlands, Switzerland and Scandinavian countries, their technological capability is great and many important technological innovations have been produced.

Even if an economy has no desire to make truly technological breakthroughs, at a certain stage of economic development when capital and technology intensive industries are established, a certain level of technological capability is required to absorb and adapt advanced technology available in the market. R&D, especially applied R&D, is therefore still required for maintaining one's competitiveness in the world market. I do not think Hong Kong has even the minimum required level of technological capability for it to compete with other newly industrialized economies in the region at present and in the future, considering that Hong Kong's ratio of R&D expenditure to GDP is very negligible while the ratio is 3% in Japan, 2% in South Korea, 1.3% in Taiwan, 1% in Singapore. Even in Malaysia, the ratio is close to 1%.

Misconception two: Hong Kong's success in the past was not accompanied by any active industrial policy or support for research and development. There is therefore no reason to change this non-intervention policy.

Industrial development in Hong Kong without the support of an industrial policy

was a success in the past because manufacturing industries in Hong Kong were by and large labour intensive and based on standardized technologies. Owing to our changing comparative advantage, today, Hong Kong has to gradually switch to more capital and technology intensive production. Circumstances have changed and policy must also do the same.

There are two major economic reasonings in support of an active role of the Government in R&D. First, the nature of R&D is such that significant externalities or spill-over effects are produced, that is, benefits of technological innovations are not confined to one production process or one single industry. Usually the effects are quite pervasive. As a result, there is usually a wide discrepancy between the social and private rate of return to investment in research and development. Certainly the degree of discrepancy depends on the nature of the innovations. Edwin MANSFIELD conducted a study of 17 innovations. His results indicate that the median estimated social rate of return is 56%, compared to the median estimated private rate of return of only 25%. As Hong Kong's manufacturing moves upmarket, the discrepancy between the social and private rates of return to investment in R&D will become wider and wider. Underinvestment in R&D will be more and more serious. The Government's support for R&D is a means to narrow such discrepancies, and to correct the level of underinvestment.

The second economic reasoning for the Government's support for R&D is because of the existence of imperfect information and therefore uncertainty in the market. Investment in R&D is necessarily a long-term commitment and the results are highly unpredictable. It is necessary for the Government to bear some of the risks and uncertainties or for the Government to act as co-ordinator to spread out the risks and uncertainties among enterprises, as in the case of Japan. In the past, when Hong Kong's manufacturing was using standardized technology, the problem of uncertainty as a result of market distortion was not serious. Today this has become a serious problem when we begin to set up high value added and hi-tech industries. Moreover, the political uncertainties related to 1997 tend to discourage long-term investment. To overcome market imperfection, the Hong Kong Government therefore has an even greater role to play than others. It must be understood that government support for R&D in Hong Kong does not constitute an abandonment or a violation of the traditional free enterprise spirit but should be viewed as new measures to overcome market failure and market imperfection amidst changing circumstances.

Misconception three: Government's support for R&D would imply a subsidy provided by

taxpayers to industrialists and capitalists.

This is not quite true. While some transfer can be justified on the economic ground of pay for the social benefits generated by technological innovations, very often the Government's role is simply to act as a co-ordinator in the setting up of some central facilities, for example, laboratories or research institutes. The Government can just grant a loan or pay for the set-up cost and leave the on-going expenses to be financed by appropriate levies imposed on the users.

Mr Deputy President, with this note I would like to urge the Government to seriously consider strengthening the Government's support for industrial development in Hong Kong in general and for research and development activities in particular.

DR HUANG CHEN-YA (in Cantonese): Mr Deputy President, it is indeed most appropriate that we should today be debating both importation of labour and the Government's support for research and development (R&D). Both issues are in fact related to our economic transformation and the withering of our manufacturing industry over the past decade. Failure of the Government to handle the situation properly and in good time will result in lowered productivity and manpower supply falling behind demand. Unwarranted medication which the panicked Government has sought in the form of the labour importation scheme will lead to local unemployment and the threat of falling wages. Economic growth is closely related to R&D. The fact is that Hong Kong, with its antiquated industrial equipment, is lagging far behind the other three Little Dragons in terms of investment in R&D. The Government should not repeat the same old mistake of continuing to adopt a laissez-faire attitude towards local industry.

How should Hong Kong support its present industrial and commercial development? There is a view that support should be limited to specific areas. There is, for example, a view taken in our six tertiary institutions that development should be in the areas of information, telecommunications, material and biological sciences. The weakness about this approach is that, unless the target areas are correctly identified, it may lead to heavy waste and great loss, as the experience of many countries has shown. The fact is that long-term research and development may not be accurately predictable. Secondly, there is the question concerning our ability to compete with other countries in these areas in terms of human and financial resources. For example, South Korea is prepared to input HK\$120 billion into research and development over the next five years. Taiwan uses what amounts to one

quarter of the total expenditure of the Hong Kong Government per year to support its research and development. At present, information, material and biological sciences are the key areas of research and development in both Japan and South Korea. Biological sciences, incidentally, are also popular in China which has already had considerable achievement in that field.

We know that the British firm EMI was the first to develop the computer scanner. However, for lack of manpower and financial resources, it was soon overtaken by its competitors and forced to close down. It is clear then that over-ambitious research and development may not pay off. Insofar as manpower is concerned, Hong Kong should learn from the experience of the Hsin Chok Scientific Academy of Taiwan. The problem of manpower inadequacy surfaced soon after its inception. In this connection, whether Hong Kong is able to become self-sufficient and have adequate manpower resources to conduct scientific research is a point well worth pondering upon.

Another strategy of supporting research and development is to set up an R&D base and provide opportunities for dissemination. I hope the Government will consider this strategy with investment focuses on education, scientific personnel training and support for tertiary scientific research staff. For use by medium to small enterprises, industrial standards should be provided, market-oriented scientific research strengthened, tax incentives given, a suitable environment for the development R&D fostered, and a laboratory and model factory created. These will give enterprises in Hong Kong the flexibility to engage in any kind of scientific research development which has market value.

The aim of R&D is in fact to apply existing technologies to the market and to create new products, or new and more economical models of production. It therefore consists of three aspects, namely, market, R&D and the link between the two. Hong Kong business is characterized by a predominant number of medium or small firms which have the advantages of smallness and flexibility. There is no need for us to have perfect co-ordination in the sense that the local shall be in charge of everything from marketing to R&D. I understand that the failure of South Korea in its development of the notebook computer is mainly attributable to its unfamiliarity with the market needs. Hong Kong should instead specialize in identifying market needs, establishing the line between R&D and the market, and creating a post R&D application procedure. For example, we should build on the work of the Trade Development Council to strengthen the understanding of the market needs for new products and new modes of production, to provide a computer link-up system for market research, and to

co-ordinate the financial support for R&D generally. In terms of R&D, Hong Kong should be aware of its own manpower limitations and seek to fully collaborate with Mainland and Taiwan R&D personnel in order to achieve the economy of scale in R&D. Given the fact that Hong Kong industry mostly consists of medium to small enterprises, the development of communal laboratory and model factory will help achieve economy of scale on the one hand, and enable us to go into post R&D application procedure on the other. At present, R&D spending is 2.6% of the GDP in South Korea, 1.9% of the GDP in Taiwan, 0.9% of the GDP in Singapore, but a mere 0.04% of the GDP in Hong Kong, which is evidently inadequate.

The United Democrats take the view that the Government should step up funding in this area; we request at the same time that the Government should make sure that our limited resources be utilized in the most efficient manner.

PROF FELICE LIEH MAK: Mr Deputy President, Hong Kong's development has reached a stage at which we have to pay attention to research and development. But before the Government starts giving out money, it must have a very clear vision to guide its policy. There are different ways in achieving what we want. However, we should not really just spend money, because money can buy a lot of things but money cannot buy brains, at least for the time being.

Obviously, the Government cannot and should not assume a top-down policy, setting clear goals of local importance and then concentrating research and development money on a small number of large firms or institutions. What the Government can do at this point in time is to improve the quality of our scientific base. To achieve this goal we must seriously look at our educational system. The schools must provide opportunities for our young students to be creative, critical and innovative. Post-graduate research degree programmes must be expanded to increase the number of people who have experience with research and research methodology.

There must be more emphasis on technical education and the training of engineers, and a high degree of specialization in the chemical and electrical industry, in mechanical engineering and in bio-technology.

Now just to have a group of elite scientists doing innovative research is not sufficient. Our workforce must also be retrained to ensure that new ideas will be effectively used.

The research output of a tertiary institution must also be properly monitored. Research funds must be open to competition and grants given based on the institution's track record.

Our population base is too small to produce the necessary critical mass of scientists. After all, if one looks at the normal curve of distribution of intelligence one will find that at the top end of the scale there is only 2%. So to overcome this limitation we need closer co-operation with China. There are certainly some technical problems that individual companies cannot afford to solve individually; in this respect the Government can act as a facilitator in organizing research to enable ideas to flow from one company to another. However, to achieve this goal, companies must learn to work with each other and not to kill each other by competition.

There is another area of research in which the Government is sorely lacking and that is the formation of a vigorous data-base on which policy and planning can be made. Government planning has often been ad hoc and reactive. This has led to a very inefficient use of resources. I am frequently appalled by the statistics and the tables presented by the Government to various advisory committees; they are more often inadequate and not properly researched. For instance, we do not even have any epidemiological data on which to base our planning on health service delivery. We do not even have data on the profile of people who are using our health services. We pour a lot of money into welfare but we do not know the causes of poverty in Hong Kong. In some cases we have put resources in but there is nothing to tell us about the output of services.

Hong Kong has the advantage of being in its early years of development in this area. We can therefore pick and choose what model to use and to incorporate the successes as well as the failures of the more mature industrial cultures. The Government must try to get it right this time around.

MR HOWARD YOUNG: Mr Deputy President, research is a risky business; research also needs resources; and research can come across setbacks. But in the end it might come up with products that will drive our development and will one day be taken for granted. One example is the telephone. When Alexander BELL first invented the telephone it was a miraculous invention but one telephone had no use at all. He then proceeded to invent the second telephone and that was great; he found that two people could

then talk to each other and it became a utility, something that could be applied and which we today take for granted. But then he went ahead and invented the third telephone and he found that was no use because when it tried to call the others, the other two were constantly engaged. That shows that innovations, however miraculous, will come to a time when they will need further development and I think the Government should take this approach in helping Hong Kong's industries to upgrade and not be satisfied with the development we have today.

I have three things which I hope the Government will consider. One is the establishment of the Science Park for which funds for a consultancy were approved recently in the Finance Committee. The second thing is the setting up of a grant system for companies or establishments who can genuinely display that they have worthwhile research products that can be turned into commercial uses and exports for Hong Kong companies. I believe this system is practised overseas. Thirdly, we must recognize that knowledge and inventions today have no international boundaries. Prof LIEH MAK has alluded to the fact that there may be talent across the border in China that lacks funds. If there is a system of grants to encourage research, I believe that should it be proven that if institutions across the border, either in Shenzhen or China, can provide the research base for Hong Kong companies and benefit Hong Kong companies, then we should not, just purely because of geographical reasons, deny that support.

With these words, Mr Deputy President, we are approaching the Year of the Monkey which is characterized by its agility, its ability to manoeuvre, and also its inquisitiveness. I think all these things are needed in research and that could be well encouraged in the forthcoming Lunar New Year.

11.41 pm

SECRETARY FOR EDUCATION AND MANPOWER: Mr Deputy President, I shall speak on government support for academic research, and my colleague, the Secretary for Trade and Industry, will speak later on government encouragement of R&D in industry.

Notwithstanding this division of labour, we both recognize that the two types of research are often complementary and each can have beneficial spin-offs for the other. How to promote and maximize this complementarity is an issue that deserves the attention of all concerned.



One of the fundamental roles of institutions of higher learning is the pursuit of knowledge. The Government does not interfere with the academic decisions made by experts in the academic community. The institutions are responsible for assessing the intellectual viability and relevance of research projects to their institutions, and they are free to decide how to distribute their research resources.

We do however recognize that the wider community has an interest in the acquisition and transmission of that knowledge, one form of which is through technology transfer. The challenge to the Government is, therefore, to facilitate the creation of:

(a) a suitable academic environment in which sufficient expertise, facilities and funding can be creatively combined in the pursuit of knowledge for its own sake, and for the sake of Hong Kong; and

(b) a suitable business environment conducive to the wider application of research and development.

My primary concern is to provide a basic research capability for Hong Kong. The bulk of government funding for academic research has so far been made available to the tertiary institutions to meet their educational needs by providing improved research facilities and a wide spectrum of research opportunities which help attract and retain good quality academic staff.

Our tertiary expansion programme will require the institutions to recruit some 3 500 new faculty staff.

While Hong Kong will continue to benefit from expertise drawn from the world over, we also need to train a significant number of our own postgraduates. The number of taught postgraduate courses will increase by 14.5% a year to 4 000 places in 1994-95. Postgraduate research programmes will have increased by 2.5 times to 2 400 places by that time.

Specific government funding for academic research is a relatively recent phenomenon. Following the recommendations of a UPGC Research Working Party in 1983, the Government agreed to provide for the 1988-91 triennium a sum of \$120 million for research. This figure was at that time equivalent to approximately 2% of the block

grant expenditure for the triennium and the UPGC decided to disburse it through earmarked grants for research projects mainly in response to competitive bids. In addition, the institutions were encouraged to spend a similar amount from within the block grants to provide the necessary research infrastructure.

In 1990 the Government accepted the UPGC's recommendations that significantly enhanced funding should be provided for research activities at the tertiary institutions and that a Research Grants Council should be established with effect from 1991 under the aegis of the UPGC to oversee its disbursement. The Government subsequently set aside a total of \$510 million for earmarked grants for research in the 1991-92 single grant year and the 1992-95 triennium. The institutions were encouraged to continue spending 2% of their block grants (amounting to approximately \$410 million over the same four-year period) on research infrastructure.

Government funding for academic research has increased significantly over recent years. The sum of earmarked research grants and the 2% of block grant funding for research grew by 147% from \$72 million in 1988-89 to \$178 million in 1991-92 and will be further increased to nearly \$260 million in 1994-95. During a period of significant budgetary constraints, this is not a bad record.

Moreover the earmarked grant and the 2% of block grant funding are by no means the only resources devoted to academic research in the tertiary institutions. A substantial proportion of academic staff time, equipment, library and laboratory facilities and administrative resources support the institutions' research activities. We shall continue to ensure that adequate funding is provided for these purposes.

An effective research infrastructure for Hong Kong, however, requires an interface between the different types of research and sources of funding. Successful technology transfer depends upon a productive and stimulating interaction between academic and contract research.

Interaction between tertiary institutions and industry currently exists. Its extent varies from institution to institution in accordance with their mission and the efforts and emphasis put on such activities. Links are well established in terms of general consultations, and there is valuable contact between industry and academics on professional committees. At the working level, academic contributions to applied industrial research in Hong Kong have in the past been limited. However,

the institutions have recently adopted new policies to focus and strengthen the effectiveness of their research efforts, particularly in the applied research areas, and to forge stronger links with industry and business.

Through financial incentives and released time from teaching, faculty members have been encouraged to seek independent joint projects with local and overseas industries. Also, to support long-term projects and relationships with industry, the tertiary institutions have formed a number of research institutes and centres to provide the basis for productive links. In addition to the on-campus industrial centres, a broadly based group of independent Technical Centres has been established, with funding support from the Government, to improve the use of technology in Hong Kong's business context.

The institutions are well placed to assist the Government in our efforts to strengthen the industrial base of the territory. There are well-qualified and experienced academic staff whose talents, given the right form of encouragement, could be profitably harnessed in partnerships with industry. Research infrastructure and facilities and equipment are also in place. This is most obvious with the engineering, applied science, technology and medical science disciplines. There is thus considerable scope for stepping up co-operation with industry in R&D and growth of this work needs to be strengthened.

Mr Deputy President, Hong Kong now has in place the makings of a strong research infrastructure. We need to encourage not only the institutions but the private sector to make it work.

Thank you.

SECRETARY FOR TRADE AND INDUSTRY: Mr Deputy President, the Government's broad industrial policy, as is well known, is to intervene as little as possible in the operation of the market. Our view is that business decisions, including decisions about investment in research and development (R&D) are best made by businessmen. That said, we do recognize that the Government has a role to play in creating an environment conducive to industrial development. In drawing up our policies and programmes we are very conscious of the importance of technology in determining competitive strength. The Government is therefore investing substantially in infrastructure to support the use and development of technology in Hong Kong. The

newest element in that infrastructure is a scheme to promote applied R&D.

Hong Kong's industries have in the past tended to place relatively little emphasis on R&D. That partly reflects the nature of our industrial base; we do not have the defence-related or capital-intensive industries which are traditionally the big R&D spenders. But companies are increasingly finding that they need to develop new products or processes to maintain their competitive edge in our major markets in the United States and Europe. The Applied R&D Scheme is designed to encourage companies to invest in innovation. Our aim is to foster the wider application of R&D in industry and in the longer term to increase our technological capability.

Under the scheme, the Government will fund R&D projects jointly with companies, contributing up to half the costs. Our input will take the form of an investment, with the Government sharing in the benefits of successful projects. The requirement that companies put in at least half of the costs should in our view ensure that projects are market driven. The scheme will be open to all sectors and technology areas. Innovation can occur in traditional as well as in technology-intensive industries, but preference will be given to those technologies which have a wide application in industry and the potential to contribute significantly to upgrading of the manufacturing sector.

As has already been mentioned, the Finance Committee of this Council has approved a sum of \$200 million for the scheme. Some Members have questioned whether this amount is enough. It is our belief that when taken with the matching private sector investment, a fund of this size will be able to achieve a significant impact. However, we must all recognize that the Applied R&D Scheme is a ground-breaking initiative. We will closely monitor the response to the scheme and its effectiveness. We must be prepared to make changes where the need for these is clearly indicated.

The scheme will be administered on the advice of the new Industry and Technology Development Council (ITDC). The ITDC will establish a committee with a wide range of expertise in technology to assess individual proposals. The resources required for implementing and administering the scheme will come mainly from the Industry Department rather than from the funds allocated for the scheme itself.

As to timing, the funds for the scheme will be made available in April this year. The final details of the membership of the ITDC and its committees will be settled very shortly. We should therefore be on course to invite and process the first batch

of applications from mid-1992 as planned. We shall of course consider carefully any advice which the ITDC offers on future development, not only of the scheme but in the whole area of research and development.

As regards co-ordination of the Government's efforts in this field, the Secretary for Education and Manpower has spoken about co-operation between the tertiary education institutions and industry. We are confident that as their R&D capability is strengthened the institutions will be well placed to support and work with the private sector on applied R&D projects. There will also be close liaison between the secretariats of the ITDC and the Research Grants Council. This will maximize the effectiveness of the Government's support for academic research on the one hand and industrial research on the other, and avoid any duplication of effort.

The Applied R&D Scheme is of course just one part of the technology infrastructure which the Government has been putting in place in recent years. I would like to highlight very briefly some of the other key elements.

First, we provide education and training in science and technology through the Tertiary Educational Institutions, the Vocational Training Council and others.

Second, we offer land at development cost to high technology industries through the Hong Kong Industrial Estates Corporation. Also coming on-stream is the Hong Kong Industrial Technology Centre which will provide space and facilities for small technology-based businesses. Looking to the future, as some Members have already said, we are also commissioning a study to examine the need for a Science Park.

Third, we provide services to help manufacturers to acquire new technologies; a wide range of organizations are involved. The most notable support agency is the Hong Kong Productivity Council which offers a wide range of facilities and expertise. The Government's Standards and Calibration Laboratory and the Hong Kong Laboratory Accreditation Scheme provide essential support to help manufacturers improve product quality. Other support organizations include the Hong Kong Design Innovation Company, the Hong Kong Plastics Technology Centre, and the various centres of excellence set up by the tertiary institutions, such as the Hong Kong Institute of Bio-technology.

Finally, we encourage overseas investors to bring new technology and processes to Hong Kong. Taken together with the new scheme for Applied R&D this indicates a

very significant level of government activity.

We are also concerned that the support and services we offer should be responsive to industry's changing needs. The ITDC, to which I referred earlier, is being formed to ensure that we receive the best possible advice on how Hong Kong's industries should respond to the technological opportunities and challenges facing them. The ITDC and its committees will bring together a broad spectrum of experience and expertise from the business and academic communities.

As regards what the Government is doing to stimulate technology development by buying locally, I should say that the overriding objective of the Government's purchasing policy is to ensure that our requirements for goods and services are met at the best possible price, that is to say, to ensure the best value for money is achieved for the taxpayer. This objective requires that overseas and local tenderers are treated equally in order to maximize competition and obtain the best offers. Indeed, under the agreement on government procurement of the General Agreement on Tariffs and Trade (GATT), the Government Supplies Department, which is the Government's central purchasing agency, is obliged to treat overseas products and suppliers no less favourably than domestic products and suppliers.

On market research studies for the manufacturing industry, which was a subject which was also raised, the Industry Department carries out regular techno-economic and market research studies on Hong Kong's major industries. The studies identify the characteristics and market opportunities of the industry, the determinance of and constraints on its growth, and the adequacy of the supporting infrastructure. The results help to inform the development of the Government's Industrial Support Programme.

In conclusion, Mr Deputy President, Hong Kong is well placed to take advantage of opportunities in technology-based industries. We have a skilled workforce, ready access to information and technology from overseas, and a sound infrastructure. The measures which the Secretary for Education and Manpower and I have outlined add up to a substantial and growing commitment on the part of the Government to help raise Hong Kong's standing in the field of technology. But returning to my theme at the beginning, we must bear in mind that even though we are far from indifferent, there is a limit to what the Government can achieve. It is for the private sector to identify commercial opportunities for technological innovation and to take advantage of the infrastructure now being developed.

Mr Deputy President, I am most grateful for the views which have been expressed on this subject by Honourable Members tonight. We shall certainly bear these in mind in our further consideration of policy in this area.

Next sitting

DEPUTY PRESIDENT: Under Standing Order 9(8), as more than one hour has expired from the moving of the original motion, I am enjoined to adjourn the Council without putting the actual question. Before I do adjourn the Council, however, may I wish all Members a very happy and successful Year of the Monkey and I take the opportunity also to wish Members a good morning. (Laughter and clapping) In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 19 February 1992.

Adjourned accordingly at two minutes past Twelve midnight.