

**OFFICIAL RECORD OF PROCEEDINGS**

**Wednesday, 7 October 1992**

**The Council met at half-past Two o'clock**

**PRESENT**

THE PRESIDENT

HIS EXCELLENCY THE GOVERNOR

THE RIGHT HONOURABLE CHRISTOPHER FRANCIS PATTEN

THE DEPUTY PRESIDENT

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

THE CHIEF SECRETARY

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

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

DR THE HONOURABLE LEONG CHE-HUNG, O.B.E.

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 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 STEVEN POON KWOK-LIM

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

THE HONOURABLE TIK CHI-YUEN

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

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

DR THE HONOURABLE TANG SIU-TONG, J.P.

**ABSENT**

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

THE HONOURABLE JAMES TO KUN-SUN

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL

MR LAW KAM-SANG

**Papers***Subject*

Subsidiary Legislation	<i>L.N. No.</i>
Ferry Services (Hongkong and Yaumati Ferry Company, Limited) (Determination of Fares) (Amendment) Order 1992 .....	236/92
Import and Export (Fees) (Amendment) (No. 2) Regulation 1992 .....	237/92
Merchant Shipping (Certificates of Competency as A.B.) (Amendment) Rules 1992 .....	240/92
Merchant Shipping (Certificates of Proficiency in Survival Craft) (Amendment) Rules 1992.....	241/92
Slaughterhouses (Regional Council) (Amendment) Bylaw 1992 .....	242/92
Merchant Shipping (Safety) (Cargo Ship Safety Equipment Survey) Regulations (Amendment of Schedule 3) Notice 1992 .....	243/92
Insurance Companies (Amendment) Ordinance 1992 (50 of 1992) (Commencement) Notice 1992.....	244/92
Insurance Companies (Amendment) (No. 2) Ordinance 1992 (51 of 1992) (Commencement) Notice 1992 .....	245/92
Merchant Shipping (Engine Room Watch Ratings) (Amendment) Regulation 1992 .....	246/92
Merchant Shipping (Fees) (Amendment) (No. 2) Regulation 1992 .....	247/92
Merchant Shipping (Liability and Compensation for Oil Pollution) (Compulsory Insurance) (Amendment) Regulation 1992 .....	248/92
Merchant Shipping (Navigational Watch Ratings) (Amendment) Regulation 1992 .....	249/92
Merchant Shipping (Registration) (Fees and Charges) (Amendment) (No. 2) Regulation 1992.....	250/92

Pilotage (Amendment) Regulation 1992 .....	251/92
Port Control (Cargo Working Areas) (Amendment) Regulation 1992 .....	252/92
Shipping and Port Control (Amendment) (No. 2) Regulation 1992 .....	253/92
Shipping and Port Control (Hong Kong – China and Macau Ferry Terminals) (Amendment) Regulation 1992 .....	254/92
Immigration (Places of Detention) (Amendment) (No. 3) Order 1992 .....	255/92
Immigration (Treatment of Detainees) (Amendment) (No. 3) Order 1992 .....	256/92
Immigration (Vietnamese Migrants) (Detention Centres) (Designation) (Amendment) Order 1992 .....	257/92
Immigration (Vietnamese Migrants) (Detention Centres) (Amendment) Rule 1992.....	258/92
Public Health and Municipal Services (Public Markets) (Designation and Amendment of Tenth Schedule) Order 1992.....	259/92
Public Health and Municipal Services (Public Pleasure Grounds) (Amendment of Fourth Schedule) (No. 6) Order 1992 .....	260/92
Pleasure Grounds (Urban Council) (Amendment) (No. 2) Bylaw 1992 .....	261/92
Declaration of Markets in the Urban Council Area (Amendment) Declaration 1992 .....	262/92
Solicitors (Trade Marks and Patents) Costs (Amendment) Rule 1992 .....	263/92
Employees' Compensation (Amendment) Regulation 1992 .....	264/92
Births and Deaths Registration Ordinance (Amendment of Second Schedule) Order 1992 .....	265/92

Road Traffic (Examination of Private Cars and Light Goods Vehicles) Order 1992 .....	266/92
Hong Kong Academy of Medicine (Designation of Colleges) Notice.....	267/92
Hong Kong Academy of Medicine Ordinance (55 of 1992) (Commencement) Notice 1992.....	268/92
Variation of Cross-Harbour Tunnel Tolls Notice 1992.....	269/92
Banking (Amendment) Ordinance 1992 (67 of 1992) (Commencement) Notice 1992.....	270/92
Dentists (Registration and Disciplinary Procedure) (Amendment) Regulation 1992 (L.N. 124 of 1992) (Commencement) Notice 1992.....	271/92
Enrolled Nurses (Enrolment and Disciplinary Procedure) (Amendment) Regulation 1992 (L.N. 125 of 1992) (Commencement) Notice 1992.....	272/92
Medical Practitioners (Registration and Disciplinary Procedure) (Amendment) Regulation 1992 (L.N. 126 of 1992) (Commencement) Notice 1992.....	273/92
Midwives (Registration and Disciplinary Procedure) (Amendment) Regulation 1992 (L.N. 127 of 1992) (Commencement) Notice 1992.....	274/92
Nurses (Registration and Disciplinary Procedure) (Amendment) Regulation 1992 (L.N. 128 of 1992) (Commencement) Notice 1992.....	275/92
Pharmacists (Disciplinary Procedure) (Amendment) Regulation 1992 (L.N. 203 of 1992) (Commencement) Notice 1992.....	276/92
Road Traffic (Registration and Licensing of Vehicles) (Amendment) (No. 3) Regulation 1992 .....	277/92
Pleasure Grounds (Regional Council) (Amendment) (No. 3) Bylaw 1992 .....	278/92
Hawker (Permitted Place) (Cessation) Declaration 1992 .....	279/92

Specification of Public Offices.....	280/92
Fish Culture Zone (Designation) (Amendment) (No. 2) Order 1992 .....	281/92
Business Registration Appeal (Amendment) Rules 1992.....	282/92
Shipping and Port Control (Specification of Areas) (Amendment) (No. 2) Notice 1992 .....	283/92
Chinese Young Men's Christian Association Ordinance Resolution .....	284/92
Port Control (Public Water-Front) (No. 2) Order 1992 .....	285/92
Shipping and Port Control (Typhoon Shelters) Regulations (Amendment of Schedule) (No. 2) Order 1992 .....	286/92
shipping and Port Control (Dwelling Vessels) Regulations (Amendment of First Schedule) Order 1992 .....	287/92
Shipping and Port Control (Dwelling Vessels) (Closed Areas) Order 1992.....	288/92
Administration of Justice (Miscellaneous Amendments) Ordinance 1992 (59 of 1992) (Commencement) Notice 1992.....	289/92
Public Order Curfew (Variation) (No. 3) Order 1992.....	290/92
Legal Practitioners (Amendment) (No. 2) Ordinance 1992 (61 of 1992) (Commencement) Notice 1992 .....	291/92
Pilotage (Amendment) Order 1992 .....	292/92
Firearms and Ammunition (Storage Fees) (Amendment) Order 1992 .....	293/92
Clubs (Safety of Premises) (Exclusion) Order .....	294/92
Pension Benefits (Amendment of Schedule) Order 1992.....	295/92
Fees for Official Signatures and Miscellaneous Services (Amendment) Notice 1992.....	296/92

Business Registration (Amendment) Regulation 1992.....	297/92
Insurance Companies (Authorization and Annual Fees) Regulation.....	298/92
Bathing Beach (Urban Council) (Amendment) Bylaw 1992.....	299/92
Cremation and Gardens of Remembrance (Urban Council) (Amendment) Bylaw 1992 .....	300/92
Exhumation (Fees) (Urban Council) (Amendment) Bylaw 1992 .....	301/92
Pleasure Grounds (Urban Council) (Amendment) (No. 3) Bylaw 1992.....	302/92
Pleasure Grounds (Urban Council) (Amendment) (No. 4) Bylaw 1992.....	303/92
Public Cemeteries (Urban Council) (Amendment) Bylaw 1992 .....	304/92
Public Swimming Pools (Urban Council) (Amendment) (No. 2) Bylaw 1992.....	305/92
Stadia (Urban Council) (Amendment) Bylaw 1992 .....	306/92
Television (Amendment) Ordinance 1991 (102 of 1991) (Commencement) Notice 1992 .....	307/92
Road Traffic (Public Service Vehicles) (Amendment) (No. 2) Regulation 1992.....	308/92
Adoption (Amendment) Rules 1992.....	309/92
Coroners (Fees) (Amendment) Rules 1992 .....	311/92
Labour Tribunal (Fees) (Amendment) Rules 1992.....	312/92
Lands Tribunal (Fees) (Amendment) Rules 1992.....	313/92
Legal Practitioners (Fees) (Amendment) (No. 2) Rules 1992.....	314/92
Small Claims Tribunal (Fees) (Amendment) Rules 1992.....	315/92



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Solicitors (Trade Marks and Patents) Costs (Amendment) (No. 2) Rule 1992.....	316/92
Trainee Solicitors (Amendment) Rule 1992.....	317/92
Land Registration (Amendment) Ordinance 1992 (56 of 1992) (Commencement) Notice 1992.....	318/92
Standing Orders of the Legislative Council of Hong Kong Beginning of 1992/93 Session.....	319/92
Waterworks (Amendment) (No. 2) Regulation 1992.....	320/92
Boilers and Pressure Vessels (Exemption) (Consolidation) (Amendment) Order 1992.....	321/92
Public Health and Municipal Services (Public Pleasure Grounds) (Amendment of Fourth Schedule) (No. 7) Order 1992.....	322/92
Specification of Public Officers Order 1992.....	323/92
Securities (Clearing Houses) Ordinance (68 of 1992) (Commencement) Notice 1992.....	324/92
Travel Agents (Amendment of Schedule) Notice 1992.....	325/92

**Affirmation**

Dr TANG Siu-tong made the Legislative Council Affirmation.

**Members' motion****SUSPENSION OF STANDING ORDERS**

DEPUTY PRESIDENT: Mrs Elsie TU, the President has given consent for you to move a motion under Standing Order 68 to suspend certain Standing Orders to enable a sitting of the Council to be held tomorrow. You may now move your motion.

MRS ELSIE TU moved the following motion:

"That Standing Orders 7(2) (notice of sitting of the Council), 11 (order of business at a sitting) and 12 (order paper) be suspended until 9 October 1992 to enable the President, if he so wishes, to appoint a sitting of this Council on 8 October 1992 for the purpose of the Governor, inviting and, if he so wishes, answering Members' questions on matters arising from his address today to this Council."

MRS ELSIE TU: Mr Deputy President, I am grateful to the President for his consent. I now move that Standing Orders 7(2) (notice of sitting of the Council), 11 (order of business at a sitting) and 12 (order paper) be suspended until 9 October 1992 to enable the President, if he so wishes, to appoint a sitting of this Council on 8 October 1992 for the purpose of the Governor, inviting and, if he so wishes, answering Members' questions on matters arising from his address today to this Council.

On 29 September 1992, the Chief Secretary informed me by letter of the Governor's invitation to Members to attend an informal meeting on 8 October in the Legislative Council Chamber to answer questions on his address to Council. This invitation was conveyed to Members on the same day. Subsequently, some Members informed me, as chairman of the House Committee, that although they welcomed the invitation they wished Members to consider whether a request should be made to the Governor, as the President of the Council, to appoint a formal sitting on 8 October instead of the proposed informal meeting. Because of time constraints, Members were not able to discuss this matter formally until this morning when the House Committee met. However the Administration was informed on 3 October 1992 that the matter would be discussed by the Members. The purpose of this is to allow maximum time to prepare for any necessary procedural and administrative arrangements in the event that the House Committee decided to make the request for a formal sitting, and that the Governor agreed to the request.

At this morning's House Committee meeting it was decided that the request for a formal sitting should be made and it is for this reason that I am moving the present motion, the effect of which is to enable the Governor, if he so wishes, to appoint 8 October as a formal sitting without the need for the five clear days notice required under Standing Order 7(2) and to issue an Order Paper listing the business of sitting as questions to the Governor on matters arising from his address to the Council.

Mr Deputy President, I beg to move.

*Question on the motion proposed, put and agreed to.*

DEPUTY PRESIDENT: I now suspend the Council. It will be resumed shortly for the Governor's Address.

**The Governor's Annual Address to the Legislative Council***CONTENTS*

	<i>Paragraph</i>
<b>THE AGENDA FOR HONG KONG</b>	1-4
<b>A COMPETITIVE ECONOMY</b>	5-11
The Prospects for Growth	6-7
The Governor's Business Council	8-9
Competition, Efficiency and the Consumer	10-11
<b>FINANCIAL STABILITY</b>	12-17
A Monetary Authority	13
The Problem of Prices	14-17
<b>INVESTING IN THE FUTURE</b>	18-24
Retraining for Productivity	19-22
Research and Development	23-24
<b>PARENTS AND QUALITY EDUCATION</b>	25-30
An Education Policy for All Our Children	27
Classroom Quality	28-30
<b>BUILDING FOR THE FUTURE</b>	31-36
Waiting for Take-off	33-36
<b>THE SOCIAL RESPONSIBILITIES</b>	37-50
The Rehabilitation Programme	42-44
Social Welfare Services	45
A Social Security Package	46-50
<b>THE PATIENTS IN NEED</b>	51-58
Better Patient Care	52-55
New Target Groups	56
A Pledge on Mental Illness	57-58
<b>RELIEF FROM THE HOUSING SQUEEZE</b>	59-63
<b>THE ENVIRONMENTAL PRIORITIES</b>	64-73

	<i>Paragraph</i>
<b>LAW, ORDER AND JUSTICE</b>	74-84
Securing Safe Streets	75-76
Co-operation Against Crime	77-80
The Spectre of Corruption	81
The Rights Balance	82
Capital Punishment	83-84
<b>THE REWARDS OF SUCCESS</b>	85-88
<b>SERVING THE COMMUNITY</b>	89-100
Performance Pledges	91-92
A Culture of Service	93-96
Freedom of the Press	97-99
Administrative Complaints	100
<b>THE CONSTITUTIONAL PACKAGE</b>	101-147
POLITICAL DEVELOPMENT	103-108
THE EXCO-LEGCO RELATIONSHIP	109-124
A Separate ExCo	112-117
The New ExCo	118
LegCo's President	119-120
LegCo's Administration	121-122
A Government-LegCo Committee	123-124
THE 1995 ELECTIONS	125-147
The Need for Discussion	128
An Electoral Package	129-130
Lower Voting Age	131
Single Vote Single Seat	132
Functional Constituency Revisions	133-137
Stronger Local Administration	138-140
A Boundary and Election Commission	141
Shaping the Programme	142-143
The 1995 Election Committee	144-146
The Overall Objectives	147
<b>CONCLUSION</b>	148-153

Honourable Members of the Legislative Council,

**OUR NEXT FIVE YEARS  
THE AGENDA FOR HONG KONG**

1. In a little under five years, British administration in Hong Kong will come to an end. One chapter will close; a new one will begin. Now is the time to set out what we want to achieve over the next five years. Now is the time to be clear about the kind of Hong Kong we want to see. Now is the time to show how we mean to prepare for Hong Kong's future under that far-sighted concept, "one country, two systems".

2. My goal is simply this — to safeguard Hong Kong's way of life. This way of life not only produces impressive material and cultural benefits; it also incorporates values that we all cherish. Our prosperity and stability underpin our way of life. But, equally, Hong Kong's way of life is the foundation on which we must build our future stability and prosperity. Thanks to this combination, Hong Kong has achieved more than anyone could ever have predicted. Pride in our past and in our present should help make us confident about our future.

3. The policies of the Government I lead will be based on four key principles:

- *first*, we must continue to generate the economic success that has made Hong Kong one of the wonders of the world: our approach to business will remain one of minimum interference and maximum support;
- *secondly*, we must leave individuals and families free to run their own lives, while providing proper help for those who — often through no fault of their own — are in genuine need;
- *thirdly*, we must guarantee the rule of law, with an independent judiciary enforcing laws democratically enacted, and with crime and corruption under unremitting attack;
- *fourthly*, we must make possible the widest democratic participation by the people of Hong Kong in the running of their own affairs, while reinforcing certainty about Hong Kong's future.

4. If we hold to these principles:

- we shall maintain an economy which continues to thrive and prosper, generating the wealth required to provide the standards of public service that people rightly demand;

- we shall secure a community whose freedoms and way of life are protected, and whose institutions are vigorous and effective, drawing their strength from their deep roots within the community itself; and
- we shall have a Government which gives a clear lead, and which responds promptly to Hong Kong's changing needs and aspirations.

### **A COMPETITIVE ECONOMY**

5. The success of the economy is central to all our hopes. We must do nothing to jeopardise it. Our prescription for prosperity is straightforward. We believe that businessmen not politicians or officials make the best commercial decisions. We believe that low and predictable taxes are the best form of investment incentive. We believe that government spending must follow not outpace economic growth. We believe in competition within a sound, fair framework of regulation and law.

#### ***The Prospects for Growth***

6. Despite the economic gloom in many other parts of the world, we have every reason to be optimistic about our own prospects. Hong Kong is at the centre of the rapid development of Asia and the Pacific — a historic process which is lifting hundreds of millions of people out of poverty. This is a "trade wind" that promises to sweep the whole region into an economic revolution as great as any seen in Europe or North America since the very start of industrialisation. Our economic future is inextricably bound up with China, and with Guangdong Province in particular. China's extraordinary growth rates have helped to protect Hong Kong against the recessionary conditions which have plagued much of the world economy in recent years. As a result, we are projecting that Hong Kong's annual GDP growth between now and 1997 will average 5% in real terms.

7. But inevitably we face dangers as well as great opportunities. Some are dangers which we cannot ourselves directly control — like the outcome of the talks between the USA and China on market access, for example, or the controversy over the extension of MFN status for China. On both these issues we have put our case with vigour. Ultimately, trade wars benefit nobody and end up hurting everybody. They cut growth, destroy jobs and raise prices. I hope that China and the USA can settle their trade differences in a way which enhances rather than diminishes prospects for the global economy.

#### ***The Governor's Business Council***

8. Despite our track record of sustained economic growth, we cannot take future success for granted. Hong Kong's position is strong; but it is not impregnable. I am anxious that we should do everything we can to help — and

nothing to hinder — the businesses on whose success in the market-place we all depend. I want to mobilise the very best talent and experience that Hong Kong has to offer to advise me on how best we can sustain our economic growth, now and into the next century.

9. That is why I am establishing a *Governor's Business Council*. I am inviting distinguished members of the business community to join it. Their mandate will be to advise me on:

- *first*, how to keep Hong Kong the most business-friendly location in Asia;
- *secondly*, the impact of government policies on business, so as to modify or abolish those that stand in the way of progress;
- *thirdly*, how to maximise the potential of all our resources and of our position at the heart of the Asian economy; and
- *fourthly*, how best to promote Hong Kong's trade and industry, including inward investment.

### ***Competition, Efficiency and the Consumer***

10. Let me stress the central importance which we must give to competition. Hong Kong lives by trade. Our goods and services must, therefore, be competitive in world markets. We cannot afford to subsidise the inefficient or bail out the incompetent. Competition is also our best defence against inflation. Our businesses have defended themselves against rising prices by searching for new production locations, new sources of efficiency and new market opportunities.

11. Hong Kong is proud of its free and competitive markets. But a more sophisticated and prosperous community has become increasingly unwilling to accept unfair and discriminatory business practices. The public has already begun to voice alarm at the use of market power by suppliers in areas of special importance to the ordinary family's well-being. In some instances, such as flat sales, self-regulation of the sort envisaged by real estate developers is part of the answer. But, across the board, the Government will seek to join forces with the Consumer Council, as well as with you, the Members of the Legislative Council, to defend free markets and to give consumers the full redress against unscrupulous business practices to which they are entitled. To underline this commitment, I shall ask my Business Council to put at the top of its agenda the development of a comprehensive competition policy for Hong Kong.



## FINANCIAL STABILITY

12. The Hong Kong Government does not manage the economy, nor does it set prices, fix wages or determine profits. These matters are rightly left to market forces. We have, however, traditionally accepted a special responsibility for maintaining a stable exchange rate. There is an obvious need in Hong Kong's unique circumstances to give the business community and the public at large the reassurance of a stable relationship with our principal external currency. For this reason, we remain firmly committed to the linked exchange rate with the US dollar, the predominant currency in our transactions with the rest of the world. The political risks of tampering with the link would in my judgment be enormous. The risks to our economic stability would be equally daunting. The link must and will remain.

### *A Monetary Authority*

13. Our monetary system must be sufficiently robust to preserve the stability of our currency both in the transition to 1997 and beyond. We have been considering how to maintain the degree of professionalism and continuity necessary to command the confidence of the people of Hong Kong and the international financial community. I have decided that the time has come to establish a Hong Kong Monetary Authority within the framework of our executive-led Government. In essence, the Authority will bring together the existing Office of the Exchange Fund and the Office of the Commissioner of Banking. These arrangements will enhance our ability to maintain monetary stability in the years to come. The Authority will be accountable to the Financial Secretary.

### *The Problem of Prices*

14. Our linked exchange rate system limits our ability to use monetary weapons to fight inflation. Our inflation, unlike that in most parts of the world, is part of the price we are paying for substantial growth. That explains inflation; it does not excuse it. I want to stress to you again that I share the community's concern about the threat of double-digit inflation.

15. While we are constrained in our ability to fight inflation, we are certainly not powerless. Our most useful weapon in the battle against inflation is improved efficiency. I want the Government to set a good example:

- we shall be vigorous in our search for savings and in our efforts to root out waste and inefficiency;
- we shall not allow growth in public expenditure to exceed growth in the economy;

- we shall, through the new Efficiency Unit, work energetically to achieve levels of efficiency in Government which match those in the private sector.

And the harder we work *together*, within the Government and outside it, to make sure that our economy is competitive, the tougher we shall be on inflation. As always, we must keep increases in wages and salaries in line with the higher productivity that efficiency brings.

16. But as long as we have inflation, there must be proper protection for those most vulnerable to price increases. The elderly. The widowed. Those unable to hold regular jobs through disability or infirmity. I want to make this plain: we shall not permit the value of their social security payments to be gnawed away by inflation.

17. While we can deal with the menace of inflation in this way, the biggest problems we face, with the largest impact on the efficient use of resources and therefore on prices, are in employment and the availability of land. I will be saying more about the labour market, particularly about retraining and the importation of workers, in a moment, and later on I will set out my thoughts on housing and the effect of high costs on middle-income earners.

### **INVESTING IN THE FUTURE**

18. One message I have received loud and clear since my arrival is how seriously education is taken in Hong Kong. Time and again parents and business leaders have emphasised to me the importance of high standards of attainment both for school leavers and for graduates. They are right to do so. The most important investment that any community makes in its future is what it spends on improving the education of its children. A wise and civilised community also invests heavily in its adults — in students in further education, and in the training and retraining of its workforce. I am constantly struck by the sacrifices parents and others are prepared to make to secure the best education for their children or themselves. The Government has a duty to match their commitment.

#### ***Retraining for Productivity***

19. Let me start with those who are already at work. Hong Kong's workforce is growing far more slowly than the economy itself — few other economies share that problem! Since 1986, the working population has risen by less than 1% a year. The number of youngsters finishing their education and taking up work has actually declined by 20% in the past five years. This puts very serious pressure on our manpower resources.

20. We have been able to ease the shortage somewhat by looking abroad for additional workers. We have approved the employment of nearly 25 000 foreign workers under the general Labour Importation Scheme. And we must continue to make good the shortfalls in particular occupations and professions by importing talent and skills from elsewhere without damaging the well-being of Hong Kong's own workers. Let me stress this point: there must be no abuses in our labour market. To make this message clear, we intend to introduce new measures to hit out at those who try to profit from illegal immigrants and at those who employ them. We must tackle the root of this problem, especially on construction sites. Many good employers, including principal contractors, want to help us stop illegal immigrants finding employment. Both they and the unions have proposed a number of imaginative deterrents, including a requirement for workers to display their identity cards at all times, possibly on their safety helmets. We will be following up this and other proposals with vigour.

21. Imported labour, working here legally, does have an important role to play in our economy. Even more important, however, is to make the very best of our own talent. It is the Government's role to support economic change. We must not let our workers be marooned by the decline of established industries or become the casualties of technological and economic revolutions. We have made a start with an employee retraining scheme specifically designed to help workers gain new skills. A special Retraining Fund is to be set up, based on the levy paid by employers for permission to import workers, and the relevant Bill is being examined by this Council.

22. We are determined to make a success of this scheme. We propose therefore to make an immediate injection into the Fund of \$300 million, over and above the income from the levy. That injection, by itself, should enable us to retrain more than 15 000 workers over the next two to three years: more than double the number originally planned. I hope employers will make full use of those who have acquired new skills through this programme.

### *Research and Development*

23. The rapid expansion of tertiary education has provided Hong Kong with a new pool of highly-trained talent. We must use their expertise to bridge a major gap in Hong Kong's infrastructure: our ability to develop and adapt new technology.

24. We cannot expect to achieve this goal on the cheap. We will have to provide the tertiary institutions with the cash they need to encourage their staff and graduate students to undertake research projects. The University and Polytechnic Grants Committee, through the Research Grants Council, already allocates funds for this purpose. These will be increased from \$122 million this year to \$144 million next year, and to about \$180 million in 1994-95 — a real increase of over 20% a year. The need for further increases beyond 1994-95 will be considered sympathetically in the context of the funding requirement for

the tertiary institutions for the 1995-98 triennium. These public funds should be regarded as seed money. We expect the private sector to play its part. As our academics establish a reputation for excellence in research as well as in teaching, they will be well placed to attract commercial support for their projects. So the supply of qualified academics will increase at a time when our tertiary institutions are looking to recruit an additional 2 000 teachers in the next three years.

### **PARENTS AND QUALITY EDUCATION**

25. Education is about far more than economics and the supply of labour. As parents, we all want our children to succeed in life, to be happy and fulfilled, to move ahead as far as their talents allow. A good education is the key. Parents rightly want the best for their own children. The Government wants, and will work for, the best education for *all* the children of Hong Kong. An enormous amount has been done over the past two decades to expand educational opportunities. This will continue. Between now and 1997, we plan to increase recurrent spending on education by 15.8% in real terms. These additional resources will enable us to continue the plans for the dramatic expansion of tertiary education which were started in 1989 by my distinguished predecessor, Lord WILSON.

26. But this increase in quantity at the top must be matched by an increase in quality at the earlier levels. Raising standards in primary and secondary schools must now be the top priority. The last two reports of the Education Commission provide clear and positive advice on how this can be achieved.

#### ***An Education Policy for all our Children***

27. The single most important step must be to make it possible for our hard-pressed teachers to pay more attention to the needs of the individual child. We all know that, whatever else they are, children are first and foremost individuals. They do not all learn at the same speed. Some are better at reading than at maths. Some are better at day-dreaming than at either. Some are budding Einsteins from their first day in the classroom. Our education system must bring out the very best in all of them. To do that, teachers — with better training and more resources — must have the time to spur on the able and to encourage the less able. The brightest children must be free to excel; the less bright must be given every opportunity and support.

#### ***Classroom Quality***

28. We must recognise that teachers, too often, have to teach too many periods and too many pupils. We can and we must act to help teachers to raise standards:

- *first*, we shall provide *more* teachers for all standard-size schools — up to three more in each primary school, one a year from September 1993; and up to two more in each secondary school, one a year from 1994;
- *secondly*, we shall reduce the size of school classes to 35 pupils each, starting in September 1993 with primary one, and extending it to higher levels a year at a time;
- *thirdly*, we shall ensure that, wherever possible, all *new* primary schools operate on a whole-day basis from September 1993 - in addition to the 39 existing bisessional schools which are already due to become whole-day over the next five years.

29. As a result of these measures, there will be about 780 additional teachers next year and a further 1 420 by 1997. This increase will reduce the ratio of pupils to teachers:

- from 27 to 24 in primary schools, and
- from 22 to 20 in secondary schools,

between now and 1997.

30. Our teachers are at the heart of the education system, and so we will be taking early action to improve their training and education. As soon as possible in the new year, we will set up a Provisional Governing Council for the proposed new Institute of Education and will make other interim improvements. The Council will be given the task of planning the Institute's development into an independent body offering certificate and, in due course, degree qualifications. And we will encourage the tertiary institutions to develop courses to enable serving teachers to upgrade their qualifications. The Open Learning Institute has a major contribution to make to this process, and we propose to provide a capital grant of \$150 million to help it acquire its own building. We shall also be taking steps to increase the proportion of qualified teachers in kindergartens by improving the fee remission scheme.

### **BUILDING FOR THE FUTURE**

31. We are building for the future through our investment in education, and we are building — literally building — for our future, too. I am daily astonished by the speed and scale of construction in Hong Kong. One can scarcely turn one's back before another foundation stone is laid, another ground-breaking ceremony performed, another skyscraper topped out. A special feature of the Hong Kong success story is the partnership between the Government and the business community to provide and develop Hong Kong's infrastructure. Everywhere I go I see the fruits of this partnership — from

new industry to new hospitals, from the Tolo Highway to the Island Eastern Corridor. Everywhere I go I see projects built, in true Hong Kong style, within cost and on, or ahead of, time. And of course there are the new towns, staggering achievements in their own right.

32. We shall continue to build for the future. The Government alone plans to spend some \$78 billion over the next five years — getting on for half as much again as we spent over the previous five, and an astonishing \$1.8 million dollars an hour. And that is *in addition* to our contribution to the airport core projects. Amongst other things, this money will pay for a new infirmary at Tai Po, the reclamation of 69 hectares of land at Tseung Kwan O for housing and community facilities, major drainage improvements in the north-west New Territories, and the reclamation of 55 hectares of land in Tuen Mun for special industries. These projects may not sound as glamorous and exciting as the new airport, but they are vital components in our programme to upgrade the quality of life in our community.

### *Waiting for Take-off*

33. The airport is, of course, the largest of our building projects. When it is built — as it will be — the new airport will confirm Hong Kong's position at the crossroads of Asia.

34. From time to time I hear it said that Hong Kong does not really need a new airport. To those who entertain such doubts, I say this:

- if Hong Kong is to continue as Asia's premier business city, we need a new airport;
- if Hong Kong is to continue to expand economically when Kai Tak reaches capacity by 1995, we need a new airport;
- if we are to welcome more visitors to Hong Kong after Kai Tak has reached capacity, then we need a new airport;
- if we are to relieve the long-suffering residents of Kowloon who have aircraft flying in and out of their laundry all day, then we need a new airport;
- if we are to remain an international and regional centre of aviation, as promised in the Joint Declaration, then we need a new airport;
- and the new airport and its related projects will open up a thousand hectares of land for development — a development boom that could add 1% to our annual GDP growth.

The case for a new airport is overwhelming. It will be an airport, not for Britain, but for Hong Kong and for Southern China. It deserves to be built. And it will be built. Everyone knows that.

35. We have set out our plans. We have spelt them out in detail. We have explained how we will finance them. We have explained too that the airport will not be financed at the expense of key social programmes: as you will realise from this speech, we have been as good as our word on this. Together the Airport Authority and MTRC will raise loans on world markets in order to relieve the burden on public funds. It is not without good reason that the MTRC has earned itself a worldwide reputation as a responsible borrower with a strong credit rating. In Hong Kong, we know a thing or two about these matters. We will plough the fruits of development back into construction of the projects themselves. And we shall be drawing on our own considerable experience in completing such projects on time and in the most cost-effective manner possible.

36. But I have said before, and I repeat today, that I will not be judged on whether in 1997 I fly out for the last time from Chek Lap Kok. I remain convinced that if we discuss the airport on its merits, then our very able negotiators on both sides could sort things out in a morning, perhaps even with a break for coffee. I very much hope, therefore, that we shall be able to resolve the latest difficulties in short order. I will work my hardest to do so. If in the event we cannot achieve the break-through we need, and if because of that the timetable slips, the costs rise and I have to fly out of Kai Tak or leave on *The Lady Maurine*, it will not be for want of effort or ingenuity in seeking out a timely solution. But the delay would be a great pity for Hong Kong; and it would be just as great a pity for China.

### THE SOCIAL RESPONSIBILITIES

37. Hong Kong is a thriving territory. That is what hard work has achieved. But it is not without its darker side. Even in the midst of prosperity, some members of the community suffer from poverty and deprivation. It is our duty to use a proper share of the wealth we generate to ensure that they are not forgotten, and have the education, the skills and the assistance they need to cope with change. I have dwelt at length on how we can boost our prosperity. I now want to spend some time setting out how I believe we can give proper priority to the protection of the disadvantaged.

38. Hong Kong is not a welfare state, but we *are* a society that cares deeply about the state of welfare. Our welfare services must be more than just a safety net that allows the fortunate majority to enjoy its prosperity with an easy conscience. Hong Kong is sometimes described as crassly materialistic, motivated solely by a search for personal gain. The truth is very different. I have been struck forcibly since I arrived by the high priority the community gives to welfare issues and by its concern for the plight of the underprivileged.

39. We can take pride in the way that Hong Kong has improved its welfare services in both scope and quality over the last decade. But much remains to be done to honour our obligations to the deprived and the disabled.

40. It would be a cruel state of affairs to leave families who are already victims of life's tragic accidents in any doubt about our determination to care for them properly in the years ahead. To remove all anxiety about funding, the Government will put before this Council special arrangements for the secure funding of a major improvement in our welfare services between now and 1997. The Government will make an immediate capital injection into the Lotteries Fund of \$2.3 billion.

41. As a result, I am in a position to pledge that between now and 1997, we shall increase our recurrent spending on social welfare by 26% in real terms, subject, of course, to this Council's approval. With this extra money, we can move ahead quickly to achieve targets which meet the community's needs in rehabilitation, social welfare and social security. We will update the targets regularly to ensure that they match the changing needs and circumstances of the various groups of clients.

### ***The Rehabilitation Programme***

42. Let me begin with a message of reassurance for the disabled and their families. In March this year, the Government published a Green Paper on Rehabilitation. The consultation process is continuing but I can confirm now that the necessary funds will be made available to meet the key targets.

43. I hope that Members will allow me a little time to go into the detail of what this should mean in practice for the disabled between now and 1997. An additional 3 930 residential places will be provided for the mentally handicapped, the physically disabled and those who have suffered from mental illness. This is an increase of just over 100%. As a result, there should be enough residential places for all who need them by 1997.

44. The demand for day services for the mentally handicapped will also be met in full. The mentally handicapped will have an additional 2 110 places in sheltered workshops and an extra 1 650 places in day activity centres. With this expansion, there should no longer be any need, or any excuse, for the mentally handicapped to be left to languish at home.

### ***Social Welfare Services***

45. We must also end the uncertainty about our commitment to the goals set by last year's White Paper on Social Welfare. I am determined that we shall achieve all the *key* targets for 1997. Let me spell out what this should mean for the people concerned.



- The elderly will receive a special priority. We will provide them with an additional 5 000 places in care and attention homes and homes for the aged. We will also establish 14 more multi-service centres and 70 social centres.
- For children, we will provide an additional 5 600 nursery places; an extra 1 200 day creche places; 200 more foster care places; an additional 45 small group homes; and an extra 60 school social workers.
- We will also provide an additional 44 home help teams.

These important measures will do much to enhance the quality of life for many of our fellow citizens and their families.

### *A Social Security Package*

46. Alongside the new financial arrangements we have put in place for social welfare, we can also undertake a thorough overhaul of the social security system. We will introduce a Comprehensive Social Security Assistance Scheme to improve means-tested benefits. This package will provide, as a consolidated sum, income support for the special needs of particular groups. In addition, we will continue to provide benefits in the form of a Social Security Allowance for those who are elderly or disabled but who will not receive the new means-tested Comprehensive Social Security payments. And I can assure them that their level of benefits will be maintained under the new arrangements.

47. Basic rates under the existing Public Assistance Scheme range between \$600 a month for an individual in a family to \$825 a month for a single person living alone. These create anomalies and unfair differences in levels of existing payments. The new Comprehensive Social Security Assistance Scheme will remove these defects. For example, the current sliding scale of basic rates of \$600, \$610 and \$620 for family members not entitled to any supplement will be replaced by a flat rate of \$820 a month. The current rate of \$825 a month for a single adult will be increased by 15% to \$950 a month.

48. The new scheme will ensure that those most in need will be better off. Let me give some examples of what the Comprehensive Social Security Assistance Scheme will mean in terms of actual benefits.

- At present, an elderly person receives \$1,238 a month if living alone, or \$1,023 a month if living with a family. These rates will be increased by 15% to \$1,420 and \$1,180 respectively.
- For a family of four, the new rates plus rent and other additional grants will provide a monthly income of \$5,505.

- All means-tested benefits will continue to include additional payments to meet monthly rent and other approved expenses.
- And, of course, there will be the regular increases to cover inflation. All the figures I have mentioned will therefore be significantly higher next year in cash terms when the inflation adjustment is included.

49. I also hope that Members will approve the funding for an easing of restrictions on the ability of beneficiaries to receive Social Security payments outside Hong Kong. The current rule, allowing 45 days absence from the Territory for Public Assistance recipients and 119 days absence for Special Needs Allowance recipients before benefits are suspended, will be changed to 180 days for all elderly and disabled recipients. As a result, our elderly people who want to spend more time with their relatives in Southern China, for example, will be able to do so more easily than in the past.

50. The Secretary for Health and Welfare and the Director of Social Welfare will provide Members with full details of the improvements to the social security system on Saturday. There will be considerable administrative preparations to complete. Nevertheless, I have instructed that the new arrangements should come into effect from 1 July next year, subject, of course, to this Council's approval of the funding.

### **THE PATIENTS IN NEED**

51. No one should doubt the Government's commitment to go on improving the quality of the medical services available to all sections of the community. Let me start with the general picture: in the next financial year, subject to this Council's approval, we shall increase the funds available to the Department of Health by 4% in real terms. The Hospital Authority will receive close to 8% extra. Between now and 1997, we plan to raise recurrent spending on health care, including hospital services, by 22% in real terms. These additional resources will enable us to provide an additional 4 200 hospital beds, to open 13 new clinics and to expand 11 existing clinics.

#### ***Better Patient Care***

52. This amounts to a real and sustained commitment to improving our general health care services. But, as in other areas, we must do more than simply increase the quantity of the services available. We must also raise the quality of service we offer our patients. We intend to start with patient care.

53. The first major improvement is to make sure that patients do not have to wait an excessive length of time for treatment, particularly in emergency cases. Next year, we aim to reduce the average waiting time for accident and emergency cases in public hospital from one hour at present to less than 30

minutes. We will also cut the waiting time at general clinics for 300 000 patients suffering from chronic diseases by giving them advance appointments. Where we cannot eliminate the need to wait, we can at least make the experience more comfortable by installing air-conditioners in waiting rooms, and by providing drinking fountains and better equipped and cleaner toilets.

54. Doctors must have access to accurate and reliable information on their patients. Medical records will be standardised in general clinics. Without this basic information, we cannot hope to achieve higher standards and ensure continuity of care. And patients need to know what medicines have been prescribed if they are to take an active part in managing their own treatment. All drugs prescribed at general clinics are now labelled. The next step will be to extend drug labelling to all public hospitals and specialist clinics.

55. These measures may not sound dramatic by themselves, but, overall, they will bring about a marked and visible improvement. They reflect our determination to introduce a more responsive and efficient service throughout our health care system. They also demonstrate the style of management which the new Hospital Authority is seeking to develop.

### *New Target Groups*

56. We need, in addition, to set new targets to meet the special needs of specific groups who are particularly vulnerable. Our focus will be on early detection and treatment. We must provide the best possible treatment for those who fall ill. But it is much better to help them avoid falling ill in the first place. Between now and 1997:

- we will establish seven health centres for the elderly. These centres will provide screening and other primary health care services for 700 000 people aged 65 and above;
- we will establish three "well-woman" clinics to provide primary health care, including gynaecological examinations and screening, to women, especially some 320 000 aged 45 and above.

### *A Pledge on Mental Illness*

57. I have left till last a group of patients who, throughout the world, are too often neglected or abandoned. Mental illness is a marked feature of urban life in this century. In Hong Kong we must try to do better for this vulnerable group of our fellow citizens. The doctors and nurses who have made it their vocation to serve the mentally ill, together with the patients themselves and their families, must be given the facilities they need for the effective and humane treatment of psychiatric illness.

58. Between now and 1997:

- we will attack the intolerable overcrowding at Castle Peak Hospital. With the generous help of the Royal Hong Kong Jockey Club, to whom I express my personal gratitude, 800 new beds will be provided;
- almost 900 additional beds will be provided for psychiatric patients in other hospitals;
- demand for places in half-way houses and long-stay care homes will be met in full;
- professional teams will be set up to treat the mentally ill in the community. They will enable us to halve the current waiting time for psychiatric rehabilitation. The first team will be set up next year, and will specialise in caring for elderly mental patients in the community.

### **RELIEF FROM THE HOUSING SQUEEZE**

59. Housing continues to be a major claim on our resources. More and more families want to progress from being rent-paying tenants to owner-occupiers.

- On average, well over 100 new flats will be built every single day between now and 1997 by the Housing Authority and the Housing Society.
- All urban squatters on government land will be rehoused by March 1996.
- Almost three-quarters of people living in existing temporary housing areas will have been rehoused by 1997.
- Just under 60% of families will own their own homes by 1997, one of the highest proportions in the world.

60. These impressive figures show our continuing commitment to the housing programmes which — thanks to the foresight of Lord MacLEHOSE and some of my other predecessors — have transformed the living standards of so many of our families. And we will naturally continue to work closely with the private sector to ensure that the maximum possible supply of accommodation comes onto the market at competitive prices.

61. There is one group in our community whose housing problems cause me, and I know cause you, particular concern. These are the "sandwich class" families who face special difficulty in realising their ambition to buy their own

home. They are above the income limits for public housing but are still unable to afford a flat on the private market. No young family should have to endure the uncertainty and disruption which speculation can create. They should not have to spend half their lives searching for a place they can call their own. I share Members' views that this burden must be eased.

62. Subject to consultation with the Sino-British Land Commission, we propose to introduce a new middle-income housing scheme for the sandwich class. It will be similar to the present Home Ownership Scheme.

- Between now and 1997, these proposals will benefit about 13 000 families.
- As a result, a significant proportion of the sandwich class will have access to affordable housing.
- At the same time, the opportunities for property speculators to exploit their market will be reduced.

63. The land for this scheme will be in addition to the land required for the public housing programme. We aim to allocate the first sites in 1993-94. Because of the time lag in developing new housing projects, the first units will not be available until 1995-96. Obviously, to wait another three years for assistance from this scheme is not good enough. So, I propose that, in the meantime, we should buy flats from the private sector to sell to the sandwich class at affordable prices. We hope to offer 1 000 flats during the first year of operation. This interim plan will be discontinued as soon as flats from the long-term scheme become available.

### **THE ENVIRONMENTAL PRIORITIES**

64. There is little point in having more and more comfortable homes if we allow the environment in which we live to continue on a downward spiral of neglect and degradation. We cannot go on poisoning the air we breathe and the food we eat. We cannot go on dumping filth into the water which we drink and in which we swim.

65. The level of pollution in Hong Kong is particularly surprising because, unlike many other cities, this community does not vandalise its public housing, its MTR, or its other community facilities. We value these public assets. Why, therefore, do we go on vandalising our environment? We cannot escape the accusation that the environment is the one striking failure by Hong Kong's normal standards of success. Let me give you just two of the sobering statistics:

- we may have the tallest and finest buildings in Asia, but right next to them, we have a harbour into which we discharge 1.5 million cubic metres of untreated sewage and industrial waste every day;

- we may have some of the best natural parks in the world, but we dump 1 200 cubic metres of livestock waste into our rivers and streams each day.

This daily discharge of filth has poisoned our rivers and streams, almost extinguished marine life in the harbour and has become a serious hazard to public health. It has to stop. We have to take responsibility for addressing this problem. We cannot pass the buck to generations to come. If you will excuse the pun, the muck stops here.

66. The scale of the task is big. But for a city like Hong Kong it is hardly overwhelming. We have the technology to act. We have the resources required. We can make a big difference, and swiftly, if we choose. And then, when we have cleaned up Hong Kong, we will have a new product for export. Environmental technology is going to be a "growth area" for many years to come.

67. We have, of course, made significant progress in recent years. We are steadily moving ahead with implementation of the 1989 White Paper, which envisaged a 10-year programme to make Hong Kong more environmentally-friendly. I am happy to be able to say that already 73 of its 118 targets have been met. There have been some dramatic improvements; sulphur dioxide levels, for example, have been cut by 40% since 1990 — and up to 80% in the areas worst affected.

68. But there is much more to be done. Between now and 1997, we shall be spending \$7.3 billion on measures to handle properly the solid and toxic wastes which Hong Kong produces every day. These include: sanitary landfills in remote areas of the New Territories; strategically located refuse transfer stations for the bulk transfer of solid waste to the new landfills; and a chemical waste treatment facility for toxic wastes. All these facilities will come into operation within the next five years. They will enable us to close the older urban landfills and incinerators; to cope with our solid waste for the next 20 years; and to deal properly with the 100 000 tonnes of toxic waste industry produces every year.

69. We have, however, always recognised that our plans to control water pollution would take longer to implement, and that it would not be easy to pay for the many, costly sewage programmes that are necessary. The entire sewage strategy programme will require some \$17.8 billion over the next 10 years. Of this, \$7.3 billion is required between now and 1997. It will not be possible to fund this from the Capital Works Reserve Fund in the normal way. Even if budgetary guidelines were ignored and all other capital projects pre-empted, financing on this scale would not be available. But we cannot simply shrug our shoulders and accept defeat. The problem will not go away. So how do we find the resources we need?

70. One way forward is for the community to contribute to the cost of sewage services which everyone uses. Members will recall the statement by the Secretary for Planning, Environment and Lands made to this Council last December on this very point. The broad principle is that as we all contribute in one way or another to water pollution, and it is right we should all work together to help solve the problem. People have said to me that they would not object to making some modest contribution themselves, provided they were convinced that the territory's appalling water pollution problems would be properly sorted out as a result. But it would be unfair for the burden to fall primarily on ordinary families. So the Government's proposal is that the contribution made by individual households should indeed be modest. We will be looking in more detail at these financing arrangements over the period ahead and, in due course, we will be consulting widely on them.

71. It is clearly important that the Government itself should also show its commitment to solving this problem in a fair and reasonable way. I am proposing, therefore, that the Government should contribute not less than \$3 billion from its Capital Investment Fund to enable the strategy to get off the ground quickly. This injection will reduce very considerably the level of charges that would otherwise be necessary. I want to emphasise that the first \$7.3 billion phase of the sewage strategy, on which we are embarking, can and will be financed by Hong Kong before 1997; further development of the strategy will be a matter for the Government of the SAR in the years beyond. I believe that by working together in the way I have described, Government, industry and the community will be able to clean up our waters and make our ambitious sewage strategy a reality. I shall be looking for support from all who are seriously committed to a cleaner, greener Hong Kong in carrying this through.

72. There are, of course, other things we can do to improve the state of Hong Kong's environment. I am determined, for example, that the Government should set a good, green example. I want concern for our environment to enter every corner of Government. One action I have asked to be taken with immediate effect is for an environmental impact assessment to be included in papers submitted to the Executive Council. Currently, this rule applies only to major development projects. From now on, I want this practice to be extended to *all* policy proposals where there is likely to be a significant cost or benefit to the environment. Where there is likely to be little or no impact, that must be clearly stated.

73. I have asked my officials to look at other environmental initiatives in the coming months. I also want to talk further to those outside Government who take an active interest in these important matters, and I will, in due course, announce the further measures that we propose to take.

## LAW, ORDER AND JUSTICE

74. Law and order is a permanent priority area. The criminal and the corrupt threaten our way of life. We need to deter potential lawbreakers, to pursue criminals ruthlessly and to ensure that they are brought swiftly to justice. The community looks to our brave Police Force, to the ICAC and to the Judiciary to protect its members and their personal rights and property.

### *Securing Safe Streets*

75. The first line of defence against crime for the community at large is a substantial and visible police presence on the streets. Nothing deters the potential law-breaker, particularly violent criminal gangs, more than a high risk of coming face-to-face with fully-trained, well-equipped and thoroughly professional police teams. Hong Kong has already achieved a high level of policing with 460 officers per 100 000 of the population (compared with 400 in London and 350 in Tokyo).

76. But we want to maintain these levels, and over the last three years we were losing more officers from the force than we were able to recruit. Fortunately, the package announced in May to boost the recruitment of junior police officers has worked very well. The number of officers recruited so far this year stands at 1 261: 78% higher than the figure for the equivalent period in 1991. More recruits and better deployment of the force mean that we can put more police officers on to the streets where it counts. Our plan is to have around 800 extra police officers on the streets next year.

### *Co-operation Against Crime*

77. Triad and organised crime continue to menace the peace and security of the community. We are determined to combat them. The Organised and Serious Crimes Bill now before this Council will be a major weapon in this battle.

78. We still have a serious problem with cross-border crime. I am very concerned about the illegal activities associated with smuggling, including car theft, and I am determined that the penalties for involvement in these activities should be increased substantially. I am particularly concerned by cross-border triad activities and the violent crime which this has brought to our streets. I welcome the co-operation of the Chinese Government in posting here two senior Public Security Bureau officers to assist with anti-crime liaison. There have already been a number of successes as a result of the closer co-operation between the two sides: the return of criminal offenders to Hong Kong, for example, and the exchange of intelligence and information on criminal activities.



79. A rash of recent incidents involving potentially dangerous incursions by Chinese vessels into Hong Kong's territorial waters highlights the importance of cross-border co-operation. If China is worried about smuggling, I can say without equivocation — "so are we". But the right way to deal with this problem is through planned, sensitive and effective co-operation between properly controlled forces, acting within their own boundaries.

80. I am glad that the very serious incident of 25 September was quickly resolved. I want to end smuggling, and I want to do more to avoid putting the lives of our policemen at risk in our own waters. So I shall propose to the Chinese Government that we plan and publicly implement a joint anti-smuggling drive. I feel sure they will welcome this. It will show strong, executive-led government on both sides in defence of our common prosperity and stability.

### *The Spectre of Corruption*

81. It is important that Hong Kong remains a society which will not tolerate corruption, no matter who may be involved, and no matter what the criminals' high-placed connections, access to power or financial resources. Corruption is a menace to us all. The ICAC, with my support, will work to ensure that the evils of corruption are clearly understood, the opportunities for corruption are minimised, and the chances of being caught and punished are recognised to be too great to be worth the risk. The stability and prosperity of Hong Kong require a relentless assault on corruption before and after 1997.

### *The Rights Balance*

82. One aspect of law and order about which I have heard a great deal since my arrival is public order and the powers which police officers need to maintain it. This issue is always difficult because of the conflicting values which are involved. On one side, we have the right of men and women to come together to discuss public affairs, to make their concerns known to the ruling institutions directly as well as to the community at large. The Government must ensure that the public has genuine opportunities to protest *peacefully* — even where the target is the Government itself. At the same time, the Government has a paramount duty to protect life and property, and to prevent violence and disorder. The police, in other words, must have effective powers to protect public order. I am confident that in our current review of the Public Order Ordinance, we will be able to find the correct balance between the freedom of the individual in a modern society and the practical requirements of police officers in upholding the law in a civilised community. We should never forget that in order to preserve liberties, they need to be exercised with restraint.

### *Capital Punishment*

83. Any society based on the rule of law must ensure that its laws reflect the realities of contemporary life and thought. I think it wrong in principle to leave laws on the statute book which are out of date, which we do not use and which

we have no intention of using. I am referring here to the law on capital punishment.

84. On 26 June last year, this Council voted for a motion in favour of the repeal of capital punishment. In the debate, many Members recognised that laws which are not used or are out of date should be repealed. We have therefore prepared draft legislation to replace the penalty of capital punishment with life imprisonment. This amending legislation will be presented to the Council during this new Session.

### **THE REWARDS OF SUCCESS**

85. The ambitious programmes which I have outlined reflect the sentiments expressed by Members during the recent round of consultations by the Financial Secretary on spending priorities. Members emphasized in particular the need to make further improvements in services for the elderly and the handicapped, in public assistance payments, in retraining, in education, in housing and in the environment. It will be evident from what I have said that I fully sympathise with these priorities. But at the same time, I remain determined to safeguard Hong Kong's competitiveness. The proposals I have outlined this afternoon will increase our annual spending on these key areas by over \$8 billion by 1997. This represents an increase in annual expenditure of 21% in real terms over this period. But we will still be holding spending growth to figures that can be sustained by our economic performance and which will allow us to maintain our traditionally prudent level of reserves. I am determined not to allow Hong Kong to make the mistake made in some other societies and start spending money that we have not earned.

86. The main areas of improvement in the various key programmes will be presented to Members of this Council later this week by the respective Policy Secretaries. In addition, further work will need to be done to flesh out the details in preparation for the 1993-94 Budget, or in some cases for early submission to the Finance Committee of this Council.

87. How will we meet this bill? We have enjoyed an unexpectedly good revenue situation in the recent past and we expect this to continue for the rest of this financial year — hence my proposal to make a very substantial capital injection into the Lotteries Fund. This will enable the fund to make recurrent grants to subvented welfare agencies to meet the targets for the key services set out in the social welfare programme, including rehabilitation. In this way, we can ensure that our targets for social welfare improvements will be securely funded between now and 1997. This is the social dividend of a hard-working, successful and enterprising community.

88. The additional resources required for funding improvements in most of the other key programmes which I have outlined will continue to be met through the general revenue. Given our excellent track record and our robust

business prospects, I believe we can make these plans, confident that future economic growth will finance them and without in any way weakening our long-standing commitment to a low-tax policy. I am duty bound to warn that, as always in Hong Kong or elsewhere for that matter, our ambitions are subject to unexpected reversals in our economic and political fortunes. But, let me give Members an unequivocal assurance: low and predictable taxes have been the bedrock of our economic policy. And so they will remain.

### SERVING THE COMMUNITY

89. Good government is about much more than simply finding the wherewithal to upgrade our programmes, to improve our social services or enhance our infrastructure. An increasingly prosperous and sophisticated community quite rightly demands greater openness and accountability from the public sector which it pays for — and an official attitude of mind which regards the public as *clients* not supplicants.

90. Our Civil Service is talented and committed. In the last 30 years, they have done a great deal to provide the community with good public services. But good can always be made better. And I now want to ask the men and women who have responded so well to the community's needs in the past to respond to the community's aspirations for the future. We have now to go one step further, and seek to engender in our public services a culture that goes beyond the provision of the bare minimum; a culture that recognises the public as the paying customer and treats him or her accordingly. We have to set out precisely what standards our customers should expect from the public services; how to judge whether those standards are being met; and what to do when they are not.

#### *Performance Pledges*

91. To this end, all government departments providing services directly to the public will adopt performance pledges which will:

- set out in plain terms the standards of service which the public has a right to expect;
- include provision for effective monitoring of actual performance against the standards pledged;
- establish a right of appeal for dissatisfied clients;
- guarantee a right to a full and prompt explanation when these standards are not achieved; and
- ensure disclosure of the criteria which determine the individual's entitlements to benefits and services.

92. It makes sense to begin with those agencies and departments which have the most contact with the public and the greatest impact on their daily lives. We will publish the first performance pledges by the end of this year. They will set out targets:

- for waiting times for treatment at Hospital Authority specialist clinics;
- for waiting times for consultations at Department of Health general clinics;
- for responses by the police, fire and ambulance services to calls for emergency assistance;
- for processing time at Immigration Department control points such as the airport;
- for replies to taxpayers' enquiries at the Inland Revenue; and
- for processing applications for driving and vehicle licences by the Transport Department.

There will always be the more complex application, the unusual request, which means delays in the speed of service. In these cases, the service in question will be required to keep its clients informed of the reasons for delays.

### *A Culture of Service*

93. Eventually, every part of the public sector which provides its services directly to the community will commit itself publicly to performance pledges. But, in the meantime, the Civil Service Branch is starting work on the basic elements of the new client-based culture which should infuse every area of government activity:

- civil servants dealing with the public will identify themselves by name;
- correspondence from the public will receive at least an interim reply within 10 days;
- government forms and documents will be reviewed to ensure that they are necessary, simple and totally user-friendly. We will abolish as many as we can;
- training courses will be run to help the Civil Service establish new standards of courtesy and helpfulness.

94. These performance pledges will be the first stage in a programme which I intend to make a permanent feature of the public sector. But I also want the public to have a greater say in the running of services provided in their name — and to make sure that the public can be confident that their views are fully represented. I intend that members of the public should be involved in overseeing performance pledges through "Users' Committees" where these would help to ensure effective monitoring.

95. I have asked the Chief Secretary to take direct charge of the performance pledge programme, and to keep me closely in touch with its progress. He will ensure that the success of this initiative is a top priority for the Civil Service Branch and for the Efficiency Unit we established earlier this year. I am impressed by the way in which the Civil Service, especially its managers, have responded to the call for a new approach. For our public servants, this is an opportunity to achieve their major professional goal — to serve the public whether as their patients in hospitals and clinics, their social work clients, their school students or their constituents in general. I believe that the community can have every confidence in the Civil Service's capacity to achieve a new style as well as new standards of service to our people.

96. The professionalism, integrity and commitment of the Civil Service will be vital for the success of the programme I have set out for the next five years. These qualities will also be vital for Hong Kong's continued success after 1997. As the Civil Service prepares for the transition, we shall have to develop the momentum of our localization programme, not least to comply with the provisions of the Joint Declaration and the Basic Law. In doing so, we will not, of course, lose sight of the important contribution which overseas officers will continue to make to Hong Kong's public service.

### *Freedom of the Press*

97. I would now like to talk about one aspect of Hong Kong's way of life which I think deserves our particular attention. I refer to the freedom of the press, an issue which was debated in this Council earlier this year.

98. Hong Kong is blessed with a diverse, vigorous and free press. With 70 daily newspapers, 600 magazines, three television stations and three radio stations, we are not wanting for vehicles of expression for the full range of public opinion. Every one of our newspapers, radio and television stations is free to report on any issue they wish and to criticise, question and challenge the Government as they see fit.

99. I have heard the arguments for a Freedom of Information Ordinance and for a review of current laws which might have a bearing on press freedom. I understand these important concerns. In a free society, they merit serious attention. We cannot take press freedom for granted. But I should make clear at the outset my serious doubts about the value of general declaratory legislation. Such legislation frequently has the opposite of the intended effect.

But, having listened carefully to the representations made to me, I am prepared to look again at what might be done to extend access to information and to review laws which might infringe press freedom. A review has been under way since August. I will ask the Executive Council to advise me, before the end of the year, on what action might be taken to address these concerns.

### *Administrative Complaints*

100. There is one additional element in our arrangements for ensuring that the Government is held accountable to the community for its decisions and actions; it is an area which I think is underdeveloped. This is the Office of the Commissioner for Administrative Complaints or COMAC. We will be proposing three changes:

- at present, members of the public can only ask the Commissioner to investigate their complaints through a non-official member of this Council. In future, the public should have the right to take complaints directly to the Commissioner;
- at present, the Commissioner is unable to publicise his investigation reports. This restriction should be lifted. But, of course, we must continue to protect the privacy of the people involved;
- the Commissioner's jurisdiction should be extended to include complaints against statutory bodies such as the MTRC and the KCRC.

With these changes, the Commissioner's Office will prove a more effective safeguard against maladministration and the arbitrary use of administrative power.

## **THE CONSTITUTIONAL PACKAGE**

101. The best guarantee of Hong Kong's prosperity for as far ahead as any of us can see or envisage is to protect our way of life. The continuation of Hong Kong's way of life is a major concern of the Joint Declaration, which my predecessor, the late Sir Edward YOUDE, played such a prominent part in negotiating. An integral part of this way of life — of what is called our "system" — is the participation of individual citizens in the conduct of Hong Kong's affairs. The pace at which we broaden this participation, and the bounds to which we can extend it, lie at the heart of much public debate here and elsewhere. This discussion about democracy in Hong Kong is one on which I wish to make my own beliefs and objectives clear. The sooner we can resolve the important issues at stake in a way which satisfies our own community, and — I hope — our friends in China and the United Kingdom, the better. But I begin with the assumption that unless the people of Hong Kong are content with

the final outcome, it is unlikely to work as well as everyone, from here to Peking and London and back again, would surely wish.

102. In the debate about the pace of democratization, there are two sides. First, there are those who demand the maximum immediate progress, appealing to Hong Kong's obvious sophistication and maturity, whether measured in terms of economic achievement, educational standards, or any other index of development. Second, we have those who argue that every society must develop its democratic institutions at its own pace — that to force the pace will put a strain on our unique constitutional arrangements and make convergence difficult in 1997.

#### POLITICAL DEVELOPMENT

103. I owe it to the community to make my own position plain. I have spent my entire career engaged in a political system based on representative democracy. It would be surprising if that had not marked me. It has. I have always been moved by Isaiah BERLIN's description of democracy as "the view that the promotion of social justice and individual liberty does not necessarily mean the end of all efficient government; that power and order are not identical with a straitjacket of doctrine, whether economic or political; that it is possible to reconcile individual liberty — a loose texture of society — with the indispensable minimum of organising and authority".

104. I bring those opinions to the task of governing Hong Kong, where the ink of international agreements and the implacable realities of history, geography and economics shape and determine the way in which such views can be applied. That is a fact well understood by men and women in this territory, better understood by them perhaps than by many of those who would like the people of Hong Kong to be the heroic pawns of their own doubtless well-meaning preconceptions.

105. So the pace of democratization in Hong Kong is — we all know — necessarily constrained. But it is *constrained*, not stopped dead in its tracks. There are, of course, those who say that whatever may happen elsewhere, Hong Kong does not need any further political development. They often make an impressive case. The territory is, if I may say so, already honestly and decently governed. Its economy flourishes. Personal freedoms are extensive by any standards. While I recognise the special nature of Hong Kong's unique historical experience, these arguments are all for standing still.

106. And standing still is not an available option. The Governments of the United Kingdom and China have agreed in the Joint Declaration that democracy should be carried forward with a legislature constituted entirely by elections. The Basic Law provides for a steady increase in the number of those directly elected to the legislature. It does not visualise stagnation. What is more, and this was doubtless recognised by those who drafted the Basic Law, the

community wants a greater measure of democracy. Whenever the community is asked, that is the answer it gives.

107. Democracy is more than just a philosophical ideal. It is, for instance, an essential element in the pursuit of economic progress. Let me give an example of what I mean. Without the rule of law buttressed by democratic institutions, investors are left unprotected. Without an independent Judiciary enforcing laws democratically enacted, businesses will be vulnerable to arbitrary political decisions taken on a whim — a sure recipe for a collapse in confidence and a powerful deterrent to investors from overseas.

108. So democracy brings benefits as well as representing values. It helps to create the sort of society, as well as the business opportunities that first attract talent and capital to Hong Kong and then retain them here. Above all, it provides a well-trying system for a mature and sophisticated people to have a say in how their community is run, and to tell those running it without fear where and when they have got it wrong.

#### THE EXCO-LEGCO RELATIONSHIP

109. In tackling constitutional development, there are some things we can change immediately in order to strengthen our representative institutions. Other improvements are longer-term and relate principally to the 1995 elections. These will require discussions with the Chinese Government. They will also — a point which I wish to emphasize — need to reflect the views of the community and to win the support of this Council.

110. Let me begin with those things we can and should do straightaway. My intention is to ensure that we have vigorous and effective executive-led government that is properly accountable to this Legislative Council. I believe that at the present stage of our political development, there is a danger of confusion and muddle in their roles which will both undermine the competence of the executive and inhibit the effective development of the legislature as an independent check on government.

111. Hong Kong has come a long way in constitutional terms in the last year. But, as I have implied, this political development has cast doubt on the relationship between the Executive and Legislative Councils. That is hardly surprising. Since we have now embarked on the task of creating a whollyelected legislature, that has implications for the role of the Executive Council. However, we should not lose sight of our principal task. As the Joint Declaration and the Basic Law both make plain, it is the legislature which is the main constitutional element that must be developed. That is, therefore, my major concern.



### *A Separate ExCo*

112. With a changed and much more representative legislature, what are the options for the development of ExCo and for its advisory role? Among the various proposals which have been canvassed, there only seem to me to be two which are credible — first, a coalition ExCo, or second, complete separation of ExCo and LegCo.

113. The coalition approach was to some degree attempted after the 1991 LegCo elections. It failed to get fully off the ground. Perhaps understandably, confidentiality and collective responsibility were seen as too onerous a burden for some of the potential joint members. And for those LegCo Members who *did* join the Executive Council, the responsibilities of having to stand up for government policies at a time when they were competing for community support, and in some cases to found a political party, proved burdensome.

114. Besides these practical political difficulties, there is, I think, a more fundamental problem with the coalition approach. People often speak of the danger of turning ExCo into a mini LegCo, mainly out of concern about what that would do to ExCo. I am more concerned about what it might do to this Council. It would result in the transfer of political debate from the open forum of LegCo to the closed council of ExCo. What kind of democracy seeks to take open political debate away from its legislature and shut it up in a confidential discussion hidden from the eyes of the voters who elect that legislature?

115. In addition, a coalition ExCo implies the appointment of some people who have already been appointed to LegCo. It is no disrespect — no disrespect at all — to those who have already served on ExCo with such distinction to say that this "double appointments" approach would in the future make a nonsense of our attempts to strengthen our representative institutions.

116. Taking account of these arguments, I have concluded that, at the present stage of our political development, there should not be any overlapping membership between the Executive and Legislative Councils. I intend, for the time being, to separate the non-official membership of the two bodies. This should allow both Councils to play their proper roles. In future within this Council, political parties and groups will be free to develop their programmes and platforms, without the constraints that membership of the Executive Council must impose.

117. I would like to record my gratitude to the joint Members who are today stepping down from the Executive Council. I greatly admire the way in which so many of them attempted to accept new and important party political obligations while maintaining their commitment to the confidentiality and collective responsibility which are an essential part of an Executive Councillor's responsibilities. Hong Kong is in their debt for the sincerity and goodwill they showed in shouldering an increasingly difficult political burden over the last year.

### *The New ExCo*

118. I intend the new Executive Council to be a non-party political body to which I can look for sound, impartial advice on the wide range of issues that come before the Administration. I am, therefore, appointing to ExCo independent members of the community, distinguished in their own walks of life, who can give me advice without the conflicting loyalties of active day-to-day political involvement. There will also be a number of senior government officials on the Council. I will be announcing the members of the new Council later today. I also intend that ExCo should spend more time on strategic issues, and less on the minutiae of government, than has recently been the case. I shall be asking its non-official Members from time to time to develop policies with the Administration in those fields where they have particular expertise. Those will be the policies which it will then be the Administration's task to explain to this Council, and to persuade this Council to adopt and develop. What accountability means in practice is *creative dialogue* between the Administration and you — and that is the area to which I next turn.

### *LegCo's President*

119. Separating the non-government membership of the two Councils implies that LegCo must be left free to run its own affairs and, in the process, to develop further its relationship with the Government. That is the position now laid down in the Royal Instructions, and will be the position, set out in Article 75 of the Basic Law, in the future. As an important move in that direction, I wish to hand over as soon as possible the responsibilities of presiding over this Council to a President elected by you from among your own Members, as soon as the necessary formalities can be completed.

120. This will mean that, in future, I will be answerable as the head of the executive to this Council rather than being restricted to the role of President. To be answerable to this Council in practice, I propose, if you agree, to make myself available to answer Members' questions and to discuss government policies and proposals, on at least one Thursday every month that you are in session, though in practice I imagine you will be seeing a good deal more of me than that. I should also like to make myself available to this Council to report on my major trips abroad — like my forthcoming trip to China — and on other important developments. We will obviously need to work out together exactly how these arrangements can best be made to work. With your agreement, as you know, I have made arrangements for the first of these sessions to take place tomorrow.

### *LegCo's Administration*

121. We need to go still further in ensuring that this Council has the independence you need to represent the community effectively. You must have clear and separate management of your own affairs. It would seem sensible to wind up the Office of Members of the Executive and Legislative Councils

(OMELCO), which has done splendid work, whose future I know you have been considering. We are ready to work actively with Members in developing financial and managerial autonomy in organising your own administration and support facilities. We will welcome your proposals.

122. You already have the powers you need to develop your own committee structure. I assume you will wish to establish a system that enables you to ensure that the executive is fully accountable to the legislature, as laid down in the Joint Declaration and the Basic Law, and that this procedure works effectively and openly.

### *A Government-LegCo Committee*

123. We need to develop the relationship between this Council and the Government so as to ensure that public business — that is the Government's legislative and financial programmes — is conducted efficiently. I propose that a Government-LegCo Committee should be established where the Administration can discuss with members of this Council the handling of the Administration's legislative and financial programmes. This new non-statutory body will be chaired by me or by the Chief Secretary or Financial Secretary according to the subject under discussion. I invite the Council to decide for itself the Members whom I should ask to join this new body. I assume the Council will wish to ensure that they are broadly representative of its overall membership.

124. We will need to discuss the precise arrangements for the establishment of this Committee. But its main purpose will be the vital task of creating an effective working relationship between this Council and the Administration, so that the Government is fully aware of Members' concerns, and so that this Council is fully briefed on the proposals which the Government will be asking Members to support.

### THE 1995 ELECTIONS

125. The proposals I have outlined will set the stage for the changes which are needed for the 1995 elections. I know that many people regard the key issue as being the number of directly-elected seats. On present plans, this will rise from 18 to 20 in 1995, and will increase at subsequent elections with the ultimate aim of achieving a Council composed entirely of directly-elected Members. For some time, it has been argued that we should seek to quicken the pace of this development, and the British Government has pledged to pursue this with the Chinese Government. Two weeks ago, therefore, during their meeting in New York, the Secretary of State for Foreign and Commonwealth Affairs made the case to the Chinese Foreign Minister for an expansion in the number of Members of the 1995 Legislative Council to be chosen by direct election. The Chinese position is that such a move would be incompatible with the Basic Law and they have said that the Basic Law cannot be changed before 1997.

126. The case for more directly elected seats in 1995 will continue to be made with vigour. But this is not the only way of building up democracy in Hong Kong. I am keen that we should explore in parallel how to develop our representative institutions to the maximum extent within the terms of the Joint Declaration and the Basic Law. The Foreign Secretary told his opposite number, at the New York meeting to which I referred earlier, what I have in mind.

127. I want to emphasize that we have embarked upon these discussions, begun by the Foreign Secretary, in good faith and with a view to demonstrating to our Chinese colleagues the benefits which a more representative system will bring to Hong Kong. This process will only succeed if Hong Kong's politicians display good sense and restraint and demonstrate the substantial contribution which greater democracy can make to the development of Hong Kong, the well-being of its residents and the confidence of its community.

### *The Need for Discussion*

128. Let us be clear why we are discussing with the Chinese Government all these issues relating to the 1995 elections. The community wants more representative government. But I think it is equally plain that a majority wants constitutional reforms to be compatible, as far as possible, with the Basic Law and, accordingly, to transcend 1997. I respect these views. At the same time, we have to take account of the opinions of both the present and the future sovereign powers. For this reason, the proposals I am putting forward this afternoon will require serious discussion with Peking.

### *An Electoral Package*

129. It would be very easy diplomatically and, perhaps, politically, to draw a line here and to declare that, in due course, this Council will be informed of the outcome of the negotiations. I have not been tempted, for one moment, to draw such a line. You deserve better, and I believe my first duty is one of frankness to this Council and to the community.

130. What I will therefore set out for you today is the broad shape of the understanding which I hope we can achieve both within the community and with the Chinese Government.

### *Lower Voting Age*

131. First, as the Council has itself recommended, I wish to see the voting age reduced from 21 to 18. Eighteen is regarded in China and in Britain, and in countries right across the world, as a sensible voting age. Young men and women in Hong Kong are just as able to exercise their judgement as citizens of their age group in other countries.

***Single Vote, Single Seat***

132. Turning next to the voting system for geographical constituencies, I believe this should aim to be clear and equitable and to command the confidence of voters. The 1991 system of double member constituencies has been criticised because of what is called the "coat-tail" effect. To avoid this problem while preserving a straightforward system, the best option in my view is to give each elector a single vote for a single directly elected representative in a single seat constituency. This method is well known from Municipal Council and District Board elections. It also reflects the views of most Members of this Council.

***Functional Constituency Revisions***

133. Third, we need to look both at the existing 21 functional constituencies and at the nine new ones which need to be created. We should have in my judgment, two aims in this exercise. We need to deal with some of the criticisms that have been levelled at the existing functional constituencies by giving them a broader electorate and, therefore, a broader base of support. In addition, the whole system of functional constituencies will gain inestimably in credibility if we can show that every working member of the community has a second vote to represent his or her interests at the place of work.

134. So far as the present functional constituencies are concerned, I propose that all forms of corporate voting should be replaced by individual voters. Thus corporate voters in the business and industrial constituencies should be replaced by individuals who own or control the management of the corporations concerned. So, for example, all the directors of companies that are members of the General Chamber of Commerce would be able to vote, instead of just the companies themselves, as was the case hitherto. According to the same principle, votes would be given to designated office bearers of trade unions in the labour functional constituency; and registered social workers would be able to vote alongside those responsible for the management of welfare agencies in the social services constituency.

135. Taken together, these measures would expand the franchise in the functional constituencies concerned by more than five times. It would also seem sensible to broaden the franchise for certain professional constituencies (for example, health care, teaching, and the engineering, architectural, surveying and planning constituencies).

136. The simplest and fairest approach for the nine new constituencies would be to define them so that they include the entire working population. This could be done by following the existing classification of our industrial and commercial sectors, in each of which every worker would have a vote:

- primary production, power and construction;
- textiles and garments;

- manufacturing;
- import and export;
- wholesale and retail;
- hotels and catering;
- transport and communication;
- financing, insurance, real estate and business services; and
- community, social and personal services.

Such a step would have two main effects. First, it would give every single worker in Hong Kong the opportunity to elect to the Legislative Council a Member to represent him or her at the workplace. Secondly, by encompassing all occupations, we will ensure broad representation in the Legislative Council.

137. These arrangements would result in the franchise of the 30 functional constituencies being extended to all eligible voters in our working population of 2.7 million. Naturally, each voter would only be able to vote in one functional constituency.

### ***Stronger Local Administration***

138. I come, fourthly, to the extremely important role of District Boards and Municipal Councils. This Council urged me earlier this year to review their role and to strengthen the representation and accountability of the Municipal Councils and District Boards.

139. The Municipal Councils already have extensive executive powers, but the very valuable District Boards are in my view far too limited in their functions. I intend therefore that their responsibilities, functions and budgets should be expanded in 1993 so as to give them greater responsibility for the issues which affect the residents of their particular districts. There are many local issues on which they are better placed to arrive at a judgement in the interests of their community than is the central Government. We will therefore give District Boards full authority in managing funds for minor environmental improvement projects, local public works projects and community building activities. They will also be responsible for managing community halls and for making appointments to a variety of local bodies such as School and Industrial Liaison Committees and Civic Education Committees.

140. With additional responsibilities being given to them, and with this Council being fully elected in 1995, I believe it would be hard to justify the continuation of appointed membership to District Boards. As from 1994, I propose that all members should be directly elected, with the exception of ex-officio members in

the New Territories. We should similarly increase the number of directly elected seats on the two Municipal Councils. While continuing to allow the District Boards and the Heung Yee Kuk to elect their existing number of representatives to these Councils, we should abolish the appointed seats.

### *A Boundary and Election Commission*

141. These arrangements, and those for the Legislative Council, will involve a good deal of work in defining the boundaries for new constituencies and to make similar arrangements for the existing constituencies. To ensure fairness in this important task, I propose that, as recommended by this Council, we should set up an independent Boundary and Election Commission which will report direct to me.

### *Shaping the Programme*

142. Let me emphasize: these are proposals, not a final programme. They will require hard work, plain talking and goodwill, here in Hong Kong, in London and in Peking. Some of the proposals will also entail complex administrative arrangements. For example, registering voters in the new functional constituencies based on broad industrial groupings of our working population will be a formidable undertaking. But I do not believe that we can afford to be deterred by these challenges.

143. In shaping this package, I have tried to build on existing institutions and to give them a broader base of support.

### *The 1995 Election Committee*

144. That leaves one other matter which presents a special challenge.

145. The Election Committee — which will be necessary in 1995 unless the Basic Law is changed — will have to elect up to 10 Members of this Council. The composition of the Election Committee for 1995 is not laid down in the Basic Law. In fact, the Basic Law makes clear that the Committee's composition will not be that prescribed for 1999.

146. If we are to have an Election Committee, the ideal would be one genuinely representative of the community. Given that all Members of LegCo have to be elected in 1995, it makes sense that the electors on the Committee should also themselves have been elected. Anything less might be taken as appointment by proxy. The simplest and most effective formula to achieve this for any 1995 body would be to draw all or most of its members from the directly-elected District Boards; they should be able to vote for any qualified candidate and not just members of the Election Committee.

*The Overall Objectives*

147. Let me repeat one simple point. What I have tried to do with these proposals is to meet two objectives which I understand represent the views of the community — to extend democracy while working within the Basic Law. All the proposals I have outlined would, I believe, be compatible with the provisions of the Basic Law. What these arrangements should give us, therefore, is a "through train" of democracy running on the tracks laid down by the Basic Law.

**CONCLUSION**

148. As you all know, later this month, I will be going to Peking. I will be holding detailed discussions there about some of the major issues which will determine the territory's future, including our proposals for the 1995 election arrangements and the best way to settle differences of opinion over financing the new airport.

149. At the same time, I will have an underlying message to convey to the Chinese Government, a theme which will form the basis for all that I have to say. I will be emphasizing:

- the work that remains to be done between now and 1997;
- the ambitious plans we have for the further improvement of this territory;
- the picture of the Hong Kong, created by this community's own endeavours, which I will leave in 1997.

150. Just let me select a few examples of the results which will be produced by the programmes I have outlined to you this afternoon. On present indications, by 1997:

- our GDP per head will have reached US\$30,500, comparable to Italian and Dutch national income levels today, and within 12 percent of France;
- the value of our total foreign trade will be US\$548 billion, equivalent to the total external trade of France today, and substantially more than that of Italy and the Netherlands;
- we will be spending at today's prices \$22 billion a year educating our children, \$9.4 billion a year helping the deprived, disabled and disadvantaged, \$15.3 billion a year promoting our health and treating disease, and \$1.4 billion a year protecting the environment;



- we should — if the will is there — have constructed Asia's most modern airport, with a capacity on opening of 35 million passengers a year and the potential for expansion to a capacity of 87 million passengers a year; and
- we will have one of the world's largest container ports, with a capacity of 9.2 million containers.

151. We shall be a community then in 1997 in which:

- almost six out of 10 families own their own homes;
- almost one in five of those aged 17 to 20 will be studying for degrees.

152. This is what stability and prosperity are all about in practical terms. This is what the Hong Kong way of life is capable of delivering, given mutual trust and co-operation from all the parties concerned. We all recognize the troubled legacy of history. We must move beyond the misunderstandings inherited from the past. My goal in Peking will be to try to push forward the process of trust. This relationship must be based on frank discussions of mutual difficulties in order to achieve solutions which reflect our common goals. I am confident that we can do so because the Chinese Government has shown a firm commitment to preserving Hong Kong as a unique community, a community with major contributions still to make to China's own development, at the same time as it provides an increasingly attractive future for its own people.

153. I repeat once again our goal — "one country, two systems". What does that mean in practice? It means a prosperous China, made more prosperous still by the contribution of a vigorous, tolerant and open Hong Kong. We should look towards the 50 years beyond 1997. They will be even more successful than the 50 that went before. They will see our own system and our own way of life — which you made and of which all of us are part — surviving and flourishing because it works so well, because it embodies values we all hold dear, and because of the example of decency and success that it offers to the rest of humanity.

### **Adjournment and next sitting**

PRESIDENT: In accordance with Standing Orders, I now adjourn the Council until 2.30 pm tomorrow 8 October 1992.

*Adjourned accordingly at eighteen minutes to Five o'clock.*