

## OFFICIAL RECORD OF PROCEEDINGS

Thursday, 22 April 1993

The Council met at half-past Two o'clock

### PRESENT

THE PRESIDENT

THE HONOURABLE JOHN JOSEPH SWAINE, C.B.E., LL.D., 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 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 EDWARD HO SING-TIN, O.B.E., J.P.

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

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

THE HONOURABLE MRS MIRIAM LAU KIN-YEE, 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 ALBERT CHAN WAI-YIP

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

THE HONOURABLE FREDERICK FUNG KIN-KEE

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

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

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

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE 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

THE HONOURABLE MAN SAI-CHEONG

THE HONOURABLE TIK CHI-YUEN

THE HONOURABLE JAMES TO KUN-SUN

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

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE ZACHARY WONG WAI-YIN

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

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE ANNA WU HUNG-YUK

**ABSENT**

THE HONOURABLE DAVID LI KWOK-PO, O.B.E., J.P.

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

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

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

THE HONOURABLE PETER WONG HONG-YUEN, O.B.E., J.P.

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE STEVEN POON KWOK-LIM

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

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE CHRISTINE LOH KUNG-WAI

**IN ATTENDANCE**

THE CLERK TO THE LEGISLATIVE COUNCIL  
MR CLETUS LAU KWOK-HONG

PURSUANT TO STANDING ORDER 4AA, HIS EXCELLENCY THE GOVERNOR,  
THE RIGHT HONOURABLE CHRISTOPHER FRANCIS PATTEN, ATTENDED TO  
ADDRESS THE COUNCIL AND TO RECEIVE QUESTIONS.

PRESIDENT: Would Members please remain standing for the Governor?

CLERK: His Excellency the Governor.

PRESIDENT: The Governor will address the Council. Thereafter, Members may put questions to the Governor.

GOVERNOR: Mr president, I am grateful to Honourable Members for this opportunity to make a statement on my visit to Brussels and to London and also to take this opportunity, which is the result of a coincidence in the timing of one of my regular visits to the Council, to say a few brief words about the talks which have started in Peking this morning.

I visited Brussels from April 1 to 2 and when I was there I had meetings with the President of the European Commission, Monsieur Jacques DELORS, the Commissioner responsible for external trade relations, Sir Leon BRITTAN, and the Belgian Foreign Minister, Mr CLAES. The European Community is our third largest trading partner. Some 13% of our total trade is with Community member states. So this was a useful opportunity to discuss matters of mutual concern with our Community colleagues.

I visited London from April 2 to 16 where I had an audience with Her Majesty the Queen, two meetings and a lunch with the Prime Minister and meetings with the Foreign Secretary, the Secretary of State for Defence and a number of other ministers. I had several meetings with the Minister of State at the Foreign and Commonwealth Office responsible for Hong Kong affairs, Mr Alastair GOODLAD, and I briefed him and other officials and ministers on all the major Hong Kong issues. Hong Kong occupies a prominent place on the British Government's agenda and that Government continues to stand foursquare behind the approach that we have been taking.

I also met Mr Jack CUNNINGHAM, the Labour Party's principal spokesman on foreign affairs, who confirmed once again the Labour Party's support for the policies we are pursuing. I also gave speeches to the Royal Institute for International Affairs and to the Tory Reform Group as well as a number of television and radio interviews.

I was pleased that during my visit to London it was possible to announce the talks that have begun today between Britain and China on the electoral arrangements for 1994 and 1995 in Hong Kong. We have made clear all along that we were ready for such talks to take place at any time without preconditions. I am glad that they are now doing so. We must all hope that it will be possible to reach an understanding in these discussions on electoral arrangements that are open, fair and acceptable to the people of Hong Kong. That is our aim. There will, I can assure Honourable Members, be no hidden

agreements. At the end of the day, it will be for you in this Council to decide on the legislation setting in place the electoral arrangements for 1994-95. That is your constitutional duty and it will remain so.

As I have already indicated to Honourable Members, the contents of the talks will have to be confidential. But while I will not be in a position to explain to this Council, after each round of negotiation, the details of what has been discussed, I will obviously continue to listen closely to Legislative Councillors' views in order to keep in touch with thinking in this Council and in the community.

No one should imagine that these talks will be easy. They will not be. For our part, we will try sincerely to achieve success in the talks, to bridge the differences between both sides and to identify the common ground, while remaining true to the broad undertakings we have given to you and to the people of Hong Kong. We have not travelled this far to abandon those undertakings now, but equally, we will enter these discussions today, determined to do our best to bring them to a successful and to an honourable conclusion.

PRESIDENT: I understand that it is Members' wish that the question time be divided into two parts, with the first part for questions on the subject matters covered by the Governor in his address and the second part for questions on other topics. I will ask for a show of hands before each question. A Member may ask a supplementary question for the purpose of elucidation, but the supplementary should be a short, single question. Show of hands, please. Mrs Selina CHOW.

MRS SELINA CHOW: *Sir, you said just now that you would listen closely to the views of the Legislative Council while the talks are going on. How do you actually propose to do that, what specific steps would you take to ensure that the views that you will listen to are not selected to back up a certain particular course of thinking?*

GOVERNOR: By meeting Legislative Councillors as frequently as possible, and if the honourable lady and any of her colleagues would like to come and see me, I would be very happy to see them, just as I have seen other Honourable Members. The Honourable Member — I think I am not sure whether I say convenor or leader of his group — came to see me with some colleagues not very long ago. We have had a number of meetings. And I am delighted to meet Members of the Council whenever they wish, within reason.

PRESIDENT: Mr Michael HO.

MR MICHAEL HO (in Cantonese): *Mr President, the Governor has expressed on many occasions that he hoped the results of the talks in respect of the electoral arrangements would be acceptable to the people of Hong Kong. Could he tell us what steps the Government will take to ensure that the future electoral arrangements are acceptable to the people of Hong Kong? Would the Government consider holding a referendum to ascertain the acceptability of these arrangements?*

GOVERNOR: This Council took a view on the use of referendums yesterday and the Honourable Member will, I am sure, know, in view of what I have said consistently over the last few months, that the decision reached by the Council was not a decision which I in any way found objectionable. I think that a referendum would not be appropriate in present circumstances and in the conditions that obtain in Hong Kong. I have to say that my views on referendums have been much the same in other circumstances on other issues in another jurisdiction.

So far as the acceptability of any agreement is concerned, this Legislative Council represents in various ways the community in Hong Kong and this Council will have to consider any agreement which emerges from talks just as this Council will have to consider any disagreement which results from unsuccessful talks. I am sure that this Council, in debating an agreement or a failure to agree, will reflect the views of the community. The views of the community are reflected again and again — whether accurately or inaccurately, I guess, depends on whether you like the findings in opinion polls. I noticed an extremely interesting opinion poll in *Sing Tao* earlier this week. One of the many questions in it was this one: "If an agreement is reached do you think that it is necessary for the Legislative Council to decide whether to accept the result of the talks?" Yes — 70%, No — 24%. I imagine that is a finding which Members of the Council would find reasonably agreeable.

PRESIDENT: Mr MAN Sai-cheong.

MR MAN SAI-CHEONG (in Cantonese): *The people of Hong Kong and the United Democrats of Hong Kong are all along opposed to secret talks. What specific measures does the Governor have to safeguard Hong Kong people's rights to be informed, to be consulted and to participate, in order that the progress of talks and any consensus and disagreement between the Chinese and British Governments would be made known to us?*

GOVERNOR: I answered, at some length, questions on the confidentiality of negotiations on 5 March and I am not sure that it would be very helpful or necessarily instructive for me to repeat what I said on that occasion. I have reread it and have to say that I found it as convincing to read as I had to express in the first place. I think that the Council recognizes — and that goes for, I would guess, those Members who are optimistic about the likelihood of success and those Members who are sceptical about success — that we should do everything we can to give the negotiations a fair wind, that we should do everything we can to give the negotiations the best chance of coming to a successful conclusion. I think one thing we can do is to ensure that negotiations take place confidentially because I think it is more difficult to negotiate half in public and half in private. That does not mean that we are intent on reaching a secret deal. We could not reach a secret deal because any agreement has to be shared with the community, has to be explained and justified to this Council. But while the discussions are going on, I think it is best to take account of the sensitivities of some of those who are negotiating and hope that that contributes to a successful outcome.

PRESIDENT: Mr CHIM Pui-chung.

MR CHIM PUI-CHUNG (in Cantonese): *Mr Governor, it has been nine months since you arrived in Hong Kong. During the time, you have made a lot of commitments to the people in your political reform package. Now China and Britain have started the negotiations which would return ultimately to the so-called "three compliances", that is, adhering to the principles spelt out in the Sino-British Joint Declaration and the Basic Law. Should that be the case, your political reform package could come to nought. How would you then explain to the people of Hong Kong? It is because over the last nine months or so, in particular after your policy address on 7 October last year, the people, no matter whether they support it or not, have invariably been thrown off balance and been the receiving end of the subsequent social impact stemmed from the political reform package. When you arrived in Hong Kong on 9 July 1992, you pledged to the people a smooth transition to 1997. Could you confirm you are progressing towards this objective?*

GOVERNOR: First of all, when I set out my proposals on 7 October, I said that I very much looked forward to discussing them with representatives of the People's Republic of China. I am sorry that it took until we were on the eve of gazetting those proposals as a Bill approved by the Executive Council for talks about talks to get underway, and I am also sorry that it took so long for talks about talks to produce talks. Nevertheless, much better, incomparably better late than never. And we start these talks with my proposals being, as the Honourable Member says, moderately well known, and with two compendia of other proposals representing views of a number of Members of this Council and a number of community groups also tolerably well known. My own proposals

were, in my judgement and that of many others, entirely in line with both the Joint Declaration and the Basic Law. But they were not set out as a *fait accompli*, they were set out as proposals. One thing that we will be interested in learning during the negotiations which unfold is what alternative proposals our Chinese colleagues have to put forward because, so far, we have not heard very much about those. I hope that any proposals they put forward enjoy the public support — whether measured by votes in this Council or by opinion polls — which the October proposals continue to enjoy. The *Sing Tao* poll that I referred to earlier gave also the following answers.

"Do you agree or disagree with the following elements of Mr PATTEN's package — 10 Legislative Council seats to be elected by elected district board members in the 1995 elections?" Yes — 66%, No — 18%.

"The nine new functional constituencies and the increase in the number of eligible voters?" Yes — 76%, No — 13%.

Then I am afraid there is a goal for the other side.

"Abolition of appointed seats in the Regional Council and the Urban Council". Yes — 38%, No — 47%.

That is one up to the Honourable Member.

"One seat, one vote in the directly elected constituencies". Yes — 69%, No — 19%.

Now, I never have and never will argue that opinion poll results are sacrosanct. All I will say is: despite all the criticism of the last few months, there has, however you measure it, remained a pretty reasonable level of support for the proposals that were put forward in October. But they were only proposals and we go into these discussions with the clear and principal intention of seeking for a solution, of seeking for an acceptable set of arrangements for the 1994-95 elections which everybody can support and which everybody can regard as fair.

PRESIDENT: Mr PANG Chun-hoi.

MR PANG CHUN-HOI (in Cantonese): *Mr Governor, I agree with what you said just now that the talks in Beijing should be kept confidential. But when the talks are approaching a fruitful conclusion, will you inform this Council of the content?*



GOVERNOR: When we have concluded the discussions, I will have to come to this Council either to explain why they have not led to the successful outcome that I am sure everyone wants to see or why alternatively I intend to recommend a set of conclusions to this Council. And I guess similarly the British Foreign Secretary will have to go to the House of Commons at Westminster and make a statement to the sovereign Parliament. This Council will then make a judgement. I would not wish and indeed I think it is inconceivable that we could agree around the table to an outcome which we did not believe would be acceptable in Hong Kong and acceptable to this Council. But I go back to what I said earlier: much as I might personally wish that things were otherwise, I do not think that it would help towards a successful conclusion if we reported every day or after every round of talks on exactly what has been said or on exactly what has been negotiated. I know that the Honourable Member was not making precisely that point. I equally think that there might be some difficulties if one thought one had reached a negotiated settlement and at five minutes to midnight, as it were, reported things.

A result of this which is tiresome for all of us is that there will in the next days, weeks — if the negotiations go on for weeks — be a froth of speculation. I hope that this Council will be a good deal more mature in dealing with that speculation than some financial markets are from time to time. I am sure it will be. In my experience the best way for political leaders to keep secrets is to make open statements on occasions like this or at press conferences. But I hope over the next weeks that people will take account of what is said, rather than what is speculated.

PRESIDENT: Miss Emily LAU.

MISS EMILY LAU: *Thank you, Mr President. In this recent visit to London, I understand — I think we have in fact been told by government officials — that one of the items in the Governor's brief is a request, a unanimous request, from this Council for the British Government to give full British citizenship to 7 000 members of the ethnic minorities coming from about 2 000 families. Can the Governor this afternoon give us some response on the reaction from London and on whether he is optimistic about being able to achieve a successful and honourable outcome?*

GOVERNOR: The reaction was similar to that which the honourable lady received when she and two of her colleagues raised the issue on a visit which they paid to London a few months ago. But I think that the strength of this Council's views on the subject is recognized in the political community in London just as I suspect the honourable lady, strongly as she feels about the subject, recognizes some of the political views at Westminster about this subject.

MISS EMILY LAU: *Follow-up, Mr President.*

PRESIDENT: Short, single supplementary.

MISS EMILY LAU: *Yes, very short. So, Governor, are you saying the answer is no?*

GOVERNOR: I am saying that the answer at the moment is the same as the answer which the honourable lady got, which was no.

MISS EMILY LAU: *But, Governor, we were told by your officials just a few days ago that they have not had a response. So you must have got one between Monday when we had our Nationality Subcommittee meeting and now.*

GOVERNOR: The honourable lady, when she was in London, did not get a positive reaction. I am saying that I did not get a positive reaction. If that is a less firm "no" than a double "no", then I accept the honourable lady's correction. It would be fair to say that I have not received a "no" but I have not received a "yes", and in the absence of a "yes" I was taking a rather negative view about things. But I will continue to ensure that the Council's views are put to London and to Westminster.

PRESIDENT: Mr Moses CHENG.

MR MOSES CHENG: *Thank you, Mr President. I wish to ask a question of the Governor in the area of housing. Members of the Liberal Party believe that .....*

PRESIDENT: I am sorry, Mr CHENG, I think we are still on the Governor's main address.

MR MOSES CHENG: *I thought, Mr President, Miss LAU already asked a question unrelated to the constitutional issue, which means that we are into the second part of the question session.*

PRESIDENT: Resulting from the Governor's trip to London.

MR MOSES CHENG: *Very well, Mr President. I will wait then.*

PRESIDENT: Mr Vincent CHENG.

MR VINCENT CHENG: *Mr President, my question is not on nationality or on constitutional development. So I will just wait.*

PRESIDENT: Dr LAM Kui-chun.

DR LAM KUI-CHUN: *Mr President, the Governor referred to his desire, in his speech, to bring the Sino-British talks to a successful and honourable conclusion. Could he explain in greater detail what he means by an honourable conclusion?*

GOVERNOR: I believe that an honourable conclusion would contain at least the following elements. First of all, we would have electoral arrangements agreed for 1994-95 which were credible and which were clearly designed to produce a fair outcome rather than a preordained outcome. And I think the Council will understand the difference between the one and the other. Secondly, I know that many Members of this Council — indeed I would not be surprised to discover that it was pretty well an unanimous view of this Council — like many members of the community, take a strong position about the "through train" and believe that, like real through trains, people who purchase a ticket at one station to go to a destination are able to travel the whole route rather than get turfed off half way along it. I think that, therefore, to have some clarity on the "through train", a point that has been made by a number of groups — I noticed it was made by the Democratic Alliance for the Betterment of Hong Kong in a statement earlier this week — some clarification of the position on the "through train" would also be one of the contributory factors to an honourable and successful conclusion. We, I think, would all want to aim both for the first of those objectives and I believe for the second as well.

PRESIDENT: One more question on the main part. Mr Eric LI.

MR ERIC LI (in Cantonese): *Mr Governor, you have said just now that there will not be any hidden agenda in the Sino-British talks. My understanding, however, is that the talks are diplomatic in nature. While the time and venue of the talks can be made public, the agenda must be kept confidential. I thought at first that the talks would only cover the 1994-95 elections, and that means the seven proposals outlined in your policy address. But the Chinese and British sides have now agreed that the talks must be based on the "three accords", that is, the talks must be conducted in accordance with the seven diplomatic exchanges, the Basic Law and the Sino-British Joint Declaration. If the talks cover these documents, then their coverage will be far wider than your proposals on elections to include topics like the practical arrangements for*

*"through train" to achieve convergence. While the talks are in progress, is there any way to know whether the agenda has included issues other than the seven proposals on elections and the practical arrangements for "through train"? And if other issues are included, Mr Governor, will you give your advice on the basis of the public's views on such issues, and how can it be known whether the agenda has included other issues?*

GOVERNOR: That is a pretty long and complicated question and some of it touches on issues that I have already attempted to deal with. I think I said earlier that because negotiations were confidential, it did not mean that Britain and China would be producing a "secret deal". I do not think I used the words "hidden agenda". The basis of the talks is as I set it out back in March and as is contained in the agreed statement between London and Peking that was issued 10 days ago or so. On the basis of that statement, we are discussing electoral arrangements for 1994-95 which of course contain some of the issues that I addressed in my speech to the Legislative Council. But, in a sense, the Honourable Member is right to go beyond that as well because they do touch on "through train", and by definition, because of the reference to the Basic Law, convergence as well. I think that one of the reasons why it is important that I keep in touch with Honourable Members is so that I know their views not only about the proposals that the Executive Council has endorsed but on other matters as well. I would want to be properly informed about Honourable Members' views so that I was able to advise those negotiating on behalf of the United Kingdom at any talks in Peking. But I think the Honourable Member who wants, as I do, to see a successful outcome to talks would not expect a detailed briefing on what was discussed at each round.

PRESIDENT: Members may now put questions on other topics. In accordance with Members' wishes, up to three supplementary questions on each original question may be asked. Mr Moses CHENG.

MR MOSES CHENG: *Thank you, Mr President. Governor, members of the Liberal Party believe that the sale of public rental housing is a policy that should be implemented as private ownership of property is the aspiration of most families and breeds a sense of belonging. Given that the Housing Authority has responded negatively to the Executive Council's request to reconsider the sale of public rental housing to tenants, what does the Government intend to do to overcome this problem?*

GOVERNOR: I think that we will have to work with the new chairman of the Housing Authority whenever he or she is appointed and the Housing Authority itself to try to resolve this issue. It is true that the Executive Council did not believe that the proposals that were on the table were imaginative enough, were likely to make the sort of impact that we would like to see. I think that it is

very important that in the policies we pursue we recognize the large and growing aspiration which the honourable Member has referred to for home ownership. To say that is not to put on one side the great importance in a community like this of good decent public housing in the rented sector. To say that one wants to do more to encourage the aspiration to home ownership does not mean that one does not recognize the problems that exist of management and maintenance in the public sector, of relations between management and tenants. Of course we recognize those issues but we have, in my judgement, to do more to respond to that hope that many families have to own the roof over their own head. So we will be working with the chairman or chairwoman of the Housing Authority and the new Housing Authority to try to make sure that we have in place, both in the Housing Authority and outside, policies that will encourage home ownership. The figures predicted by the Housing Authority over the next few years for the increase in home ownership are remarkable and encouraging, but I think the whole of this Council would like to go even further and faster if we can.

PRESIDENT: Any supplementaries? Mr Moses CHENG.

MR MOSES CHENG: *Thank you, Mr President. Besides using the usual persuasive power, what other effective steps within the control of the Government can be applied to ensure that what we, or what the people of Hong Kong, feel is a good policy can be more effectively or more actively pursued by the Housing Authority?*

GOVERNOR: I think it would be perhaps unwise of me to get into a dialogue before there is a new — I will get it right this time — chairperson of the Housing Authority. I am glad that the honourable lady nods. But it obviously affects both the balance in construction, it affects the role of the Housing Society, it affects the amount of cheaper accommodation for home ownership for first-time owners, which is provided. Those are some of the matters that we have to look at if, as seems alas likely, we cannot get the progress we would like by selling existing flats within blocks to the people who live in them.

PRESIDENT: Any further supplementaries? Next question then. Mr NGAI Shiu-kit.

MR NGAI SHIU-KIT: *Sir, what specific measures will be adopted by the Government to combat inflation? Will there be a strategy to be implemented in the public sector so that the Government will take the lead in this most needed course of action and what does the Government propose to do to ensure that the measures adopted will be effective?*

GOVERNOR: Inflation, as the Honourable Member will know, is very often a structural consequence of high levels of economic growth. I am sure that our colleagues elsewhere in the region, where they suffer from higher levels of inflation, would make that point if pressed. But no level of inflation can be easily or happily tolerated as the Financial Secretary has made clear on a number of occasions. There are some specific features of our inflation in Hong Kong which are partly a consequence of our circumstances. I think one cause of inflation is the shortage of land which I hope that increased reclamation over the next few years will help at least to alleviate. Another factor in our inflation is the problem of labour supply which raises an issue of some controversy, not only in this Chamber but outside it as well. It raises the question of the importation scheme, it raises the question of training and retraining. Those are matters that we have to address. When the Honourable Member refers to the public sector, I think the most important thing for the public sector to do is to increase the efficiency with which it uses public resources and to ensure that current expenditure in the public sector does not, in its growth year on year, exceed the growth in the GNP of the economy as a whole. Now those may not be necessarily issues on which the executive and this Council are always in agreement because very often this Council, for understandable reasons, wants us to spend more money than the rate of increase in GNP would justify. And very often this Council wants us to take decisions on fees and charges which would not lead to us maximizing the efficiency with which resources are used. We have to do all we can to make sure that resources are used efficiently which does not, paradoxical as it may seem to customers, always mean holding down charges or fees.

PRESIDENT: Supplementaries? Mr NGAI.

MR NGAI SHIU-KIT: *Sir, can you elaborate further how the Government will demonstrate this resolve to tackle the problem? For example, would it set up clear goals and objectives within a specified timetable?*

GOVERNOR: We have set out what we believe will be the inflation rate over this year and we will do all we can to do better than that or to make sure that we do not do much worse. The main thing that I believe that the Government can do, to repeat myself, is to use its own resources or rather the resources provided by taxpayers sensibly. And that we will do by continuing to keep a proper control over public expenditure. We will also expect those utilities, where we have a say, to ensure that any increase in prices for products only meets the increase in operating costs or the improvement or increase in services. What we cannot do is to hold any increase in fees down so low that the taxpayer has to make up the difference, because that is not a very sensible way of trying to counter inflation.

PRESIDENT: Any further supplementaries? Mr Edward HO.

MR EDWARD HO: *Mr Governor, you mentioned shortage of land as one of the causes of inflation and I agree to that, especially the cost of housing. But with the greatest respect, I feel that the problem is not really shortage of land per se in that we do have a lot of land, say in Tseung Kwan O, in Tin Shui Wai and all over the New Territories. I think it is the shortage of infrastructure, transportation, sewerage and water supply and so on. And my question is: Whether the Hong Kong Government is prepared to commit resources to make available such infrastructure so that our raw land in the New Territories can be developed?*

GOVERNOR: I think that the Honourable Member makes a fair point and I think that one of the problems we do have is in making sure that the land which is available can be prepared adequately and in time for development with, as the Honourable Member says, decent roads, decent sewerage, decent other utilities provided. That is an issue which I think we will need to discuss with the Housing Authority. It also raises, of course, the question of ensuring that we meet those capital investment targets that the Financial Secretary sets for the community in his annual Budget statement and you know the measures that we are taking on the capital side to try to ensure that we meet our targets rather than fall short of them. So there are a number of things that we need to do. But in order to afford them, we will have to ensure that the economy continues to grow at its previous rate, and in order to secure that objective, we will have to make sure that we keep a proper control of public expenditure.

PRESIDENT: Next supplementary. Mrs Miriam LAU.

MRS MIRIAM LAU: *Sir, can you explain to us what exactly you mean by maximizing the use of resources? You were referring to government utilities. Does that include making a profit on those utilities by the Government, as the Government does in the case of tunnels?*

GOVERNOR: What the Government sets for itself, as the honourable lady knows, is a 15% return on average net fixed assets. That is a target which it sets itself because it is the sort of target which is specified in most scheme of control agreements and it is the sort of target which would be regarded as reasonable in the private sector. For a number of reasons, the Government does not very often meet that target, or rather the companies concerned do not very often meet that target because the public sector tends to take a greater account of social and economic factors than would be the case if it was a purely private sector operation. But if we were not to set for ourselves a target, a return on assets, I do not think that we would have the sort of management discipline

which is necessary in order to run our utilities and our infrastructure as competently as possible. I think when the Council takes a decision, as it did on an issue like tunnel fees, it needs to think of some of the consequences, not only for future infrastructure investment, but elsewhere too.

PRESIDENT: Mr LAU Chin-shek. I am afraid you were overlooked, Mr LAU.

MR LAU CHIN-SHEK (in Cantonese): *Some time earlier the Legislative Council carried a motion on the establishment of a central provident fund scheme for the retirees. Mr Governor, would you inform this Council whether the Administration has any concrete actions or measures in mind to give effect to this motion? If the Administration fails to do so but presses ahead with the introduction of the compulsory retirement protection scheme to the Legislative Council, the proposal will certainly be negated or amended and turned into a central provident fund scheme. Should this be the case, will it be a waste of time and stymie the efforts to bring about an early introduction of a retirement protection system?*

GOVERNOR: I enjoyed a meeting I had with the Honourable Member and one of his colleagues. I think it was a meeting which pretty well covered the waterfront in terms of political opinions in this Council. But the issue of provision for retirement, which both Honourable Members addressed, was one which had united them. It is going to be one of the biggest issues which this Council has to come to conclusions on in the next months or years. It has very profound social consequences but it also has very large economic consequences as well. Whether you are talking about the taxpayer taking on large contingent liabilities or whether you are talking about moving even further towards schemes guaranteed or paid for by the taxpayer, I think that the issues raised are so important that it would be unwise for this Council or for the executive to address them before we had made every possible effort to build as much common ground across the community, including between groups representing employers and groups representing employees.

We are at present looking at all the comments that we received on the proposals that were put out for discussion a few months ago. That will take necessarily some time, not because we are trying to lose the subject in the shrubbery but because the subjects are hugely complicated and have, as I said earlier, substantial social and economic consequences. But the point which the Honourable Members both made to me is one of the issues that we have to address.



PRESIDENT: Supplementaries? Mr Stephen CHEONG.

MR STEPHEN CHEONG: *Sir, in respect of this compulsory retirement scheme, I would simply like to take this opportunity to inform you, as a representative of one of the major employers associations, the Federation of Hong Kong Industries — and I can safely say the same for quite a number of my sister organizations — that we support certainly no less than a central provident fund.*

GOVERNOR: I am grateful to the Honourable Member for that clarification. I think that there are very long legs in this discussion and that we will find it running for some months ahead.

PRESIDENT: Supplementaries? Dr YEUNG Sum.

DR YEUNG SUM (in Cantonese): *Mr Governor, I hope that you would stand in the shoes of the employees when considering the retirement protection scheme. Take the example of an employee who starts contributing to the scheme when he is in his twenties and retires at the age of 65. If the scheme he joins is a central provident fund, he will be able to receive upon retirement a lump sum of money which includes his employer's contribution and interests. But if the retirement scheme is run by a private insurance company, he may be left with nothing when the company goes bankrupt. And it is absolutely unfair to this employee. Therefore, I hope that you will give special consideration to the protection of employees in this regard. Obviously, this is something which private insurance companies cannot offer.*

GOVERNOR: I do not think there is any argument at all about the obligation to ensure proper regulation of private pensions so as to give those who we hope will in due course benefit from them the maximum protection. I speak as somebody who in the United Kingdom once had to deal with some of the fallout from the Maxwell affair and the impact on my constituents. So I recognize the importance of a properly regulated market. The question one has to go on to ask is how extensive beyond that the taxpayer's contingent liability should be and, secondly, whether, if the taxpayer's liability goes very far, one does not fetch up running the danger of undermining prudential management of pension funds, because one would find more funds conceivably thinking that not too much care need be taken since the taxpayer would always be there to pick up the bill if things went wrong. Those are issues that we have to look at and consider very carefully. I think there are important private sector solutions to the question of retirement benefits which can be organized so as to limit the risks to the retiree. I think that that is probably the best way for the community to go. I think the idea of the Government controlling huge funds on behalf of potential retirees would not be in keeping with the usual economic philosophy pursued in this

community and would run the risk of politicizing benefits and investment in an undesirable way.

PRESIDENT: Last supplementary. Mr TIK Chi-yuen.

MR TIK CHI-YUEN (in Cantonese): *I think the Governor is aware that Members of this Council and many social organizations are in support of the setting up of a central provident fund. Unfortunately the proposal was turned down when it was considered by the Executive Council. Mr Governor, under the present circumstances, do you think it is necessary for the Executive Council to reconsider this issue so that the views of this Council and the public will be taken into account?*

GOVERNOR: As I said a moment or two ago, we are considering all the views that were expressed on the document that the Executive Council endorsed a few months ago. Plainly, we will need to take account of the views expressed in this Council on a central provident fund. We are talking here about hugely important decisions which will tie up a very large proportion of Hong Kong's investment over the next few years. So it would be ludicrous for us in the executive, for me as Governor, or for this Council to take very rapid decisions without considering all the consequences. But, of course, for reasons of both political necessity as well as principle, I will want to take very, very close account of the views expressed on behalf of a whole wide range of the community, as the Honourable Member made clear a moment or two ago, on such an important matter.

PRESIDENT: Next question. Mr Vincent CHENG, you have one outstanding.

MR VINCENT CHENG: *Thank you, Mr President. Governor, you said in your policy speech that you would do your utmost to help the disadvantaged members of this society. Now recently there have been reports that disabled drivers have to pay higher premium and the reaction from your officials has just been a shrug of shoulder. Now would you, Sir, be kind enough to take this matter up yourself and ask your officials to stop this disgraceful and despicable practice?*

GOVERNOR: I think the Honourable Member will know that one of the issues in which I have personally been interested is the problems which those with disabilities suffer in the transport sector. We had, in particular, an extremely valuable meeting with the main public transport undertakings and representatives of the disabled a few months ago, which I think pushed their policy on a number of helpful directions. The question which the Honourable Member raises falls, again in my view, squarely into the category of the sort of

issue which, even if those outside government have the primary responsibility, the Government itself should take a view on. So in discussion with my officials and recognizing that responsibilities lie with those who determine premia in insurance companies, I would be perfectly happy to take up the point made by the Honourable Member.

PRESIDENT: Supplementaries? Mr McGREGOR.

MR JIMMY McGREGOR: *Governor, I wonder whether you would also take an interest in extending that policy into the question of senior citizens' charges and fees for various systems of transport and also entertainment because, although there is an increasing anxiety and concern in Hong Kong about the situation of old age people, the fact is that many transport companies have not accepted the suggestion from the Government that there should be concessionary fares. This is something which I believe the Government would have to take or the Governor himself would have to take a real interest in with a special committee or some such.*

GOVERNOR: I think we have gone some way in encouragement but I would be, I am bound to say, loath to go much further, for example making it too firm a consideration when we were considering schemes of control or when we were considering annual or biennial applications for increases in fee. There is an aspect, however, which I think we do need to consider and that is the ability of retirees sometimes to identify themselves clearly as such when they are claiming a rebated fare or fee and that is an issue involving perhaps a card which I think we need to be imaginative about.

PRESIDENT: Next question. Dr Samuel WONG.

DR SAMUEL WONG: *Governor, on the Airport Core Programme, could you tell us whether the Hong Kong Government at this point in time is still confident that the ACP as listed in the Memorandum of Understanding signed in September 1991 could still be largely and substantially completed by the middle of 1997?*

GOVERNOR: Yes, we do take that view but obviously the longer it takes to negotiate a satisfactory total financing package with our colleagues in the PRC, the more difficult it is to secure an outcome which the Honourable Member and I would both like to accomplish. We are at present, as the Honourable Member will know, engaged in work on six of the main 10 ACP projects. We have, I think, embarked on work on over \$20 billion worth of the major projects. That is a considerable step but we have obviously got a lot more work to do and the

sooner we can have an agreed overall financial package the better. I notice that there have been some quite encouraging remarks made by PRC officials on the subject in the last few days.

PRESIDENT: Supplementaries? Dr Samuel WONG.

DR SAMUEL WONG: *You mentioned about six projects. How about the seventh one which is the Central and Wan Chai reclamation stage one, which is very critical? Would you like to see that go ahead, otherwise it will be nearly impossible, say, to have a Hong Kong station by 1997?*

GOVERNOR: Well, the executive, when discussing with this Council the financing of the ACP before Christmas, gave this Council certain undertakings and we intend to abide by them. I do not think the Council would find it acceptable if we did not. The sooner we can agree an overall financing package, the sooner we can move forward on all fronts as the Honourable Member would like us to do and I appreciate the Honourable Member's concern on this.

PRESIDENT: Supplementaries? Mr Frederick FUNG.

MR FREDERICK FUNG (in Cantonese): *On the airport issue, people's understanding is that the crux of the problem lies in the financing or the funding of the airport, and Mr Governor, you have just mentioned that the Chinese side is now taking a more positive attitude. Will the Government consider putting forward suggestions to the Chinese side positively on the basis of the Memorandum of Understanding so that discussions or negotiations over the financing of the airport could be resumed?*

GOVERNOR: The Honourable Member will know that we have put forward a variety of proposals to PRC officials about overall funding of the airport but so far, alas, have not hit the jackpot, have not put forward a proposal which has found favour with PRC officials. If in due course PRC officials regarded the time as being ripe for addressing the question with them again, we would be delighted to be as constructive and helpful as possible. I repeat what this Council knows: that we need a new airport, we will have a new airport at Chek Lap Kok, the sooner we can have it, the better, not least the better for the government of the SAR.

PRESIDENT: Last supplementary. Mr Albert CHAN.

MR ALBERT CHAN (in Cantonese): *When the Memorandum of Understanding was signed between the Chinese and British Governments, the people of Hong Kong and this Council were not consulted on the financing package of the airport. It is likely that talks on this would be resumed in the near future. Can you, Mr Governor, assure us that this Council will be consulted before a new agreement on the financing of the airport is reached between the two Governments?*

GOVERNOR: The Honourable Member and I have, I am afraid, a different view of history on this subject. I do not think that any airport in the world has been discussed in public as much as this one and I doubt whether the financing of any airport has been discussed as widely as this one. We must have cut down large sections of the Amazon or the Malaysian tropical forest in order to produce all the papers for all the reports and all the submissions on the financing of the airport. Of course, this Council will be consulted. This Council has to approve, as it knows, funding from the public purse for the airport. We will also be consulting the community through the Airport Consultative Committee. I do not think there has been, to be honest, any lack of consultation; what unfortunately there has been is a lack of final agreement and I would like to see that final agreement sooner rather than later.

### **Adjournment and next sitting**

PRESIDENT: In accordance with Standing Orders, I now adjourn the sitting until Wednesday, 28 April 1993.

*Adjourned accordingly at twenty-six minutes to Four o'clock.*

