

OFFICIAL RECORD OF PROCEEDINGS

Thursday, 23 February 1995

The Council met at half-past Two o'clock

PRESENT

THE PRESIDENT

THE HONOURABLE SIR JOHN SWAINE, C.B.E., LL.D., Q.C., J.P.

THE CHIEF SECRETARY

THE HONOURABLE MRS ANSON CHAN, C.B.E., J.P.

THE FINANCIAL SECRETARY

THE HONOURABLE SIR NATHANIEL WILLIAM HAMISH MACLEOD, K.B.E., J.P.

THE ATTORNEY GENERAL

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

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

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

THE HONOURABLE SZETO WAH

THE HONOURABLE TAM YIU-CHUNG

THE HONOURABLE RONALD JOSEPH ARCULLI, 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., J.P.

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, O.B.E., J.P.

THE HONOURABLE VINCENT CHENG HOI-CHUEN, O.B.E., J.P.

THE HONOURABLE MOSES CHENG MO-CHI

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.

DR THE HONOURABLE LAM KUI-CHUN

DR THE HONOURABLE CONRAD LAM KUI-SHING, J.P.

THE HONOURABLE EMILY LAU WAI-HING

THE HONOURABLE LEE WING-TAT

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

THE HONOURABLE FRED LI WAH-MING

THE HONOURABLE MAN SAI-CHEONG

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

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

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

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

THE HONOURABLE CHRISTINE LOH KUNG-WAI

THE HONOURABLE ROGER LUK KOON-HOO

THE HONOURABLE JAMES TIEN PEI-CHUN, O.B.E., J.P.

THE HONOURABLE ALFRED TSO SHIU-WAI

THE HONOURABLE LEE CHEUK-YAN

ABSENT

THE HONOURABLE ALLEN LEE PENG-FEI, C.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 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 MARTIN GILBERT BARROW, O.B.E., J.P.

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE MARVIN CHEUNG KIN-TUNG, O.B.E., J.P.

REV THE HONOURABLE FUNG CHI-WOOD

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA

THE HONOURABLE SIMON IP SIK-ON, O.B.E., J.P.

THE HONOURABLE STEVEN POON KWOK-LIM

THE HONOURABLE TIK CHI-YUEN

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE ANNA WU HUNG-YUK

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR RICKY FUNG CHOI-CHEUNG

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 answer questions on the four topics which have been indicated to Members. A Member who has asked a question may for the purpose of seeking elucidation only ask a short follow-up question. Show of hands please. Dr David LI.

DR DAVID LI: *Mr Governor, government officials have openly admitted that it is not possible to return all Vietnamese boat people by the original target date of the end of 1995, and more than 100 boat people will be released into the open camp. Will you please inform this Council whether there will be a clear solution to the problem before 1997, in order to clear the refugee camps before the handover to China?*

GOVERNOR: That is of course what we are working very hard to achieve and we will keep on doing so. I think it is important to put our efforts into context. We have seen probably a more successful programme of repatriation from Hong Kong than anywhere else in the region. We have seen the return of, I think, over 44 000 Vietnamese migrants back to their own country, and the difficulties that we had last year were partly associated with the fact that understandably we had to interrupt the mandatory programme after the unfortunate events at Whitehead. I think that that had an effect on the flow of those who were voluntarily returning to Vietnam. The figures for voluntary returnees had been running at about 1 000 a month, about 12 000 a year for the previous two years and I think that represented extremely satisfactory progress. I hope that we will be able to see the programme picking up again and, as we have been arguing very strongly in Kuala Lumpur in the last couple of days, it remains our objective to see the return of those migrants as rapidly as possible.

I would just add a couple of points. Vietnam is turning itself into one of the more successful economies in the region and I think that people in the region and outside regard it as astonishing that migrants should be declining to return to an economy which is picking up speed so rapidly, not least thanks to substantial investment from Hong Kong.

Secondly, the regional programme has, I hope, received a boost, a stimulus with the Kuala Lumpur meeting that was preparing the way for another meeting of the participants in the programme, probably early next month in Geneva, when I hope that we will be able to see substantive progress which will enable us to get on top of this problem once and for all. But I do want to add, as I have said to the Council before, that those who actually implement the programme and make it work, not least members of our Correctional Services Department, deserve the understanding and thanks of this Council and of the whole community.

PRESIDENT: Mr HUI Yin-fat.

MR HUI YIN-FAT: *The Government plans to move a motion debate in the Legislative Council on 8 March, on a mandatory provident fund scheme and if the scheme won the obvious support in the Legislative Council, then the Government will consult the Chinese Government and appoint a consultant to work out details of the scheme. I think the working procedure is absolutely correct, but at the same time, the Government has said that it will not guarantee against any investment risk, nor can it be specific about implementation date. Mr Governor, how can we, as Legislative Council Members, recommend to the general public a retirement scheme which cannot immediately provide for their retirement benefits and which cannot guarantee against any investment risk? And if the government scheme cannot get obvious support from this Council, does it mean that the retirement scheme will be shelved forever?*

GOVERNOR: I hope we will have a chance of a few exchanges on this issue because it is an extremely important one. I will answer the points which the honourable gentleman has made, but I hope we have some other questions on this important matter as well.

First of all, I do not think that it would be remotely right, remotely sensible for the Government to offer taxpayer guarantees against investment risk. I think that would be an astonishing way of behaving. It would encourage fund managers to behave recklessly with the money in their care. I am sure it is right for us in devising a scheme to guard against fraud and related problems, and to ensure that in its financing, the scheme does that and provides us with some protection, some insurance. But I do not think that any responsible or prudent government would seek to place on the taxpayer the liability for mistakes made by fund managers or by financial advisers in the private sector.

On timing, I guess we have been talking about this for 30 years, I understand. I guess that if the debate continues much as it has for the last three years or 30 years, we could go on talking about it for 300 years. That is perhaps a conservative estimate. I just remind the Council what the position is. In 1992, we put forward for discussion proposals for a retirement protection scheme which were strongly criticized; partly criticized on the grounds that they did not deal with immediate need, that they did not deal with the problems of the lower paid, that they did not deal with the problems of housewives. So we went back to the drawing board and we tried to come forward with a scheme which met all those problems while remaining financially prudent, and we put forward our Old Age Pension Scheme.

I have looked at all the editorials and media coverage of the Scheme and in case Honourable Members forget, it did not receive an enthusiastic thumbs-up from the media. It did not actually receive an enthusiastic thumbs-up from Chinese officials, from the business community or from this Council. I had a very engaging afternoon earlier this week reading the debate once again that took place in this Council in

November. There was only one Member of the Council, as perceptive and wise as ever, who gave us completely unqualified support for the introduction of the Scheme; one, one Councillor out of this whole great august institution. So I am slightly surprised now when people tell me that there was overwhelming support for the Scheme. I think the opinion polls show that there was a great deal of support for the Scheme and show that there is still a great deal of support for the Scheme. But the Legislative Council, perhaps in its wisdom, certainly has not reflected that support.

So we are intent on proceeding this time, first of all, by taking the view of the Legislative Council and I hope that that will demonstrate that we are nearer this time to establishing a consensual position on this issue. But if we do not, if we cannot find a consensus on this issue, I do not think that the Legislative Council or anybody else should expect us to go away and think up a new scheme so that we can make this into a sort of annual ritual. Having put in hand, with the help of this Council, measures to greatly improve services for the elderly, we would very much like as well to deal with the issue which many Honourable Members have talked about over the years — the issue of financial protection for the elderly. I think it would be very good for Hong Kong if we were able to resolve that issue before other very important issues come along in 1997. But if we cannot do that, I beg the Council to understand that we cannot indefinitely search our desk for new schemes.

So I hope that we can proceed on the basis that we are now suggesting. That seems to us to represent the best chance of finding an acceptable way forward, acceptable to the whole community, but it will be for the Council to make its views known on 8 March.

PRESIDENT: Mr LEE Cheuk-yan.

MR LEE CHEUK-YAN (in Cantonese): *Mr Governor, I would also like to ask about old-age pension. Just now, you have mentioned in your reply to Mr HUI Yin-fat's question that only one Member fully supported the scheme proposed by the Government. However, I wish to point out that many Members, I believe, actually support an Old Age Pension Scheme with tripartite contribution. They want a scheme to which contributions are made not only by employers and employees but by three parties. You have elevated the expectations of our elderly to a peak and then suddenly plunged them to rock bottom. We are thus extremely disappointed. Mr Governor, I would like to ask, first, do you still think that this old-age pension scheme is the best scheme? Secondly, how are you going to remedy this? After elevating the expectations of the elderly to a peak, you now offer them nothing. How are you going to account for this? What measures will you take to enable them to lead a dignified life after retirement? In your policy address, you admitted that it would take 20 to 30 years for the mandatory private provident fund scheme to show its effect. How then can this generation of elderly people cope with the situation? Mr Governor, I hope you can give all the elderly people in Hong Kong a definite answer. How will you address the problem regarding this generation of retired elderly people?*

GOVERNOR: I think, first of all, I must welcome the Honourable Member to the Council. We have met in all sorts of places in the past — street corners, trade union meetings — but this is the first time we have met in the Council and I welcome him to this body where I am sure he will make an important contribution.

I think one must of course be extremely polite to people in any legislature when one addresses them the first time, and I hope, subsequently. I think the Honourable Member is pointing up some of the problems that I mentioned earlier. He was prepared to endorse our pension scheme provided we did things that we thought would be wholly imprudent and wholly wrong. We were actually proposing a pension scheme under which the Government would make a substantial contribution. In the early years, if you rounded all the figures up, we were, I think, contributing over 30%. But whatever the Government proposed in that scheme, Honourable Members said it was not enough. We kept on being pressed to do more, to put in more, to add more to that scheme in a way which I think would have been wholly unreasonable and would have actually produced some of the difficulties and some of the problems which people anyway were accusing us of — things which made no financial sense — in order to try to help the elderly people.

Dashing hopes; well, I think that fewer hopes would have been dashed if some of those who now tell us that they were in favour of the pension scheme had argued for it and worked for it, without any of those massive nuclear qualifications, when we actually introduced it. If I was to be able to say, looking back on the Legislative Council's debate in November: "It was wonderful, there was only one person who spoke against it", I would be in a rather better position because I do think that that scheme represented a prudent and generous and immediate way of dealing with the problem which we all recognize exists.

Unless we bring forward a scheme which has community support, and by that I mean at least the implicit endorsement by business, by the future sovereign, and the explicit endorsement by this Council, which enjoys support outside the Council too. Unless we can do that, we are not going to be able to work for the elderly in a way which will last. I hope that we can get a scheme in place, because I think the elderly deserve it.

But what of those elderly who are in need today? I am obviously, principally aware of the figures of support for the elderly over the last three years, since the summer of 1992. I look at the Comprehensive Social Security Assistance (CSSA) rates over that period and they have gone up considerably. It is not playing with figures. I am not saying that it necessarily represents all that should or could be done, but the figures are astonishingly impressive. For any single person on CSSA, the figures have increased by 58% in cash terms since the summer of 1992, or 29% in real terms, after allowing for inflation. The figures for a family of four or larger are even more impressive.

So, we have increased the support that we provide for the elderly in need and for others in need. And when the Council or others say: "But you have not yet done enough", they do have to remember that we not only have to be as generous as we can

be, but as prudent as Hong Kong must be over the next few years. So, I hope that in meeting our obligations to the elderly and to others under CSSA and in other ways, we will also remember our obligations to run the economy as smoothly as possible.

PRESIDENT: Mr James TIEN.

MR JAMES TIEN: *Thank you, Mr President. Mr Governor, the Liberal Party and the business community welcome the decision to shelve the Old Age Pension Scheme (OPS) and we are very much in support of the Government's new proposal for a mandatory privately managed retirement scheme. We will support the motion as outlined by the Government yesterday. However, a press statement that was released yesterday outlined several of the main features. However, one main feature that was not included is our concern that any mandatory retirement scheme should cover all of the 2.8 million workforce. The point I want to raise is that, will the Government consider either running or setting up a statutory body to manage those self-employed and the employees of small employers, for example, with five workers or less. They will certainly not be the majority of the 2.8 million workforce; they possibly might total several hundred thousands. Otherwise, this group of people will be left out without any scheme and we certainly would not like to see that happen.*

Mr Governor, the second point is that, a government spokesman who released the press statement yesterday — I assume it was not Mr Michael LEUNG, Secretary for Education and Manpower — said: If we are to propose an alternative to the OPS then we must have the clear support of the Legislative Council; clear support from the Legislative Council will mean that we will proceed, so on and so forth. We would like to know a little bit more about your meaning of "clear support". I hope it does not mean a 58-1 vote. I hope it means something like 29-28 would still mean clear support and that you will go ahead and not defer this with further consultation by the Special Administrative Region (SAR) government.

GOVERNOR: I am comfortable with any sort of vote as long as it is a majority. As somebody once said: a majority is the best repartee. What we need to be able to do is to be reasonably confident that we can carry the Legislative Council with the overall thrust of our policy and put the main legislation and the subsidiary legislation in place thereafter. We are not hung up on any particular figure, though I have to concede to the honourable gentleman that 58-1 sounds like a pretty good figure to me. I am not sure who the one no, the one I think will be on the honourable gentleman's left.

So, as far as we are concerned we want to take the Council's mind. We want to explore with the Council and with others in the community, whether there is a way, alas, that we can nail this issue down once and for all. People have accused us of doing a U-turn on our policy. That is, strictly speaking, untrue; we have done two U-turns. We brought forward proposals in 1992 with good intentions. It is not part of some cynical exercise to put off reaching a decision. We are actually trying to crack a problem; that is what government should be about. We were told that that

approach was no good, so we brought forward another set of proposals which we thought met the criticisms of the first set of proposals and then we were told that was no good. Now we have brought forward yet a third set and some of the people, even some of the media organizations which were denouncing us for what we said over the second set of proposals, are denouncing the third set of proposals on the grounds that they do not meet the sort of objectives which the second set of proposals were trying to meet. When you lead, you do have to be able to look over your shoulder from time to time and see people behind you, and that is what I hope that we can do this time.

We are accused as well — and this is why I want to come to the Honourable Member's first point — we are accused as well, of not having met every problem, having worked out every detail. We have not. We wanted to get a broad steer from this Council and then go away with our consultants and try to hammer out all the detail afterwards, including the sort of points which the Honourable Member made in his first question. We have seen the clear necessity to get involved in helping to establish a scheme to deal with the problems of some of the smaller employers, some of the smaller groups of employees, who I think will need some sort of reserve scheme which the Government helps to establish. Whether we need to go beyond that is a matter that we will be very happy to discuss with the Honourable Member and other Honourable Members. I repeat, we cannot make this work unless we can get support right across the community. And to follow what the other Honourable Member was saying a moment or two ago, there are expectations, there are hopes which we do not want to dash but which we want to meet in as sensible and generous and prudent a way as possible.

PRESIDENT: Mr TAM Yiu-chung.

MR TAM YIU-CHUNG (in Cantonese): *Mr President, I would like to continue the discussion with Mr Governor on issues concerning retirement security. Mr Governor has just mentioned that the Old Age Pension Scheme (OPS) would not be considered by the Administration since the Scheme was not supported by the public. However, I would like to point out to the Governor that an opinion poll recently conducted by a professional institution commissioned by a television station has shown that 70% of the public supported the OPS. Besides, the Governor has mentioned that there was only one member in this Council who had given his completely unqualified support to the Scheme. I wish to point out that it was not unusual for Members to propose some improvements when the consultation documents related to the OPS as put forward by the Government were discussed in this Council. I think that making improvement proposals is not tantamount to giving no support to the Scheme. If the Administration wants to do something, I believe it can succeed in gaining the support of this Council. This can be adequately illustrated by the previous case when the Governor actively promoted his political reform package. Yesterday, government officials spent the whole afternoon lobbying Members to oppose Mr Michael HO's Private Bill. This shows that both the Governor and his subordinates are rather skilful at lobbying, and they are very often successful in their efforts. Therefore, the Governor should not*

worry too much over this matter. In addition, the Governor used to say that the proposals made by the Administration were criticized by many people who also made other proposals. I think this does not really matter. If the Governor wants to get an absolutely unanimous opinion on the issue of retirement security, I believe it may as well be shelved altogether because this will never happen.

Lastly, I would like to raise a point. The Governor has said that the mandatory private provident fund scheme was proposed in the hope of getting a broad steer from this Council before the details would be hammered out. I think this approach is not fair to this Council, because the Governor simply said that he intended to introduce a mandatory private provident fund scheme and he was asking for our support without giving any specific details on the contents of the scheme to help us make our choice. If we decline to give our support, then the Governor would say that the scheme cannot be carried out because the Council does not support it. But if we were to give our support, then we would have to commit ourselves to this uncertain matter together with the Governor. I do not think it is fair and reasonable for the Governor to force Members of this Council to state their positions on 8 March.

GOVERNOR: I would like to say straightaway that while I read the honourable gentleman's speech in the debate on 9 November, I did find his conditions or qualifications fairly extensive. Nevertheless, it is true that the Honourable Member supported the thrust of the Government's proposals and did so, I think, from time to time extremely bravely. Both he and I, I guess, would have found ourselves lumped strange bedfellows in the same category as Euro-socialists which, for some, is itself ideologically curious, apparently a term of abuse.

Let me correct something that the Honourable Member said. I do not think that I have ever said that public opinion did not support our OPS. I think public opinion, by every yardstick that has been applied, actually did support and probably still does support our OPS. Most of the polls, and there have been several in newspapers as well as the television poll that the Honourable Member referred to, suggested support of between 60 and 70%, and I dare say that in other communities and in other constitutional situations that would have manifested itself more clearly in the debate on 9 November. But it cannot be said that we can point to as extensive support as we require elsewhere and I will not go through the litany of our critics once again.

I can assure the Honourable Member that I would not be backward in coming forward with examples of great support if they existed because I would prefer to get on with a scheme that we were advocating in good conscience last year and not spin from U-turn to U-turn. But the sort of support that we need has not actually manifested itself, or maybe it will suddenly remanifest itself in the debate on 8 March. We shall watch out for that with great interest.

Secondly, the Honourable Member was very complimentary about the skills of the Government in securing majorities in this Chamber. We have, from time to time, been able to secure majorities for important parts of our strategy. Indeed we have normally managed to secure majorities, but I do not think that we had the impression,

after 9 November, that we were going to be able to get even a majority of one on this. But conceivably, 8 March will prove us wrong. I shall see.

Thirdly, the Honourable Member said that it was unfair for us to expect the Council to reach a view on 8 March, without having all the details in place. But if we put forward proposals with all the details carefully worked out and in place, the Honourable Member and others would probably accuse us of not properly consulting the Legislative Council and not being prepared to listen to views and to listen to advice. So we would be hanged whichever course we followed.

I do not know a better course than the one that we are now proposing. We are not, and perhaps the success of our recent whipping would confirm this in the honourable gentleman's estimation, we are not complete political innocents. We do actually understand some of the hazards of the course of action in which we are involved. But as ever in life and politics, there are hazards whichever options one follows and I do want and I think that a majority of this Council wants, and I am sure that the majority of the community wants, to try to sort this issue out one way or another before 1997. It is not going to be any easier in 1997. I did not make a political point. The government of the SAR is going to have lots of problems to deal with on its plate, as we do today. And if we can get this one sorted out before then, I think that will be helpful to the future SAR government and certainly helpful to the whole community.

MR TAM YIU-CHUNG (in Cantonese): *Thank you, Mr President, for allowing me to put forward a supplementary question. To begin with, I would like to thank the Governor for paying so much attention to what I said in this Council on 9 November. I have often hoped to share the same stand with the Governor, but he disappointed me most of the time. I believe if specific details were given to this Council by the Administration, Members would not feel offended. I think the provision of details would facilitate the expression of views. I believe both the Administration and the Governor would not expect absolute and total acceptance of any views expressed by the Administration. I think it does not matter much if there is dissension of views, because in the process of debates and the expression of different views, the Administration may be caused to deliberate more thoroughly on the issue in hand. Besides, if the Governor has attached so much importance to unanimity, it can now be found in this Council. I believe none of the Members would oppose to your taking immediate action to raise the basic Social Security Assistance Payment to \$2,500. Shouldn't the Governor carry this out as soon as possible?*

GOVERNOR: On the first question, of course I will pay a great deal of attention to what the honourable gentleman says during the next debate on retirement protection, just as I always pay attention to what he says. I hope I am not blighting his career by these compliments, but of course I always take what he says very seriously. Some of our detailed proposals will of course come out in the speeches from the Administration during the debate, but we will not have every issue, every detail hammered down by that debate. We hope that we can get consultants to work after

that debate if the Council points us in the right direction. And I hope that there will be enough detail in what we say to secure a good majority in the Council for dealing with this question for once and for all, and not having to put it on the shelf for a later date.

The Honourable Member referred, and I think it is a point that we will hear about frequently over the coming weeks and months, to CSSA rates and to the desirability of establishing a rate for the elderly of \$2,500. I assume that \$2,500 is arrived at by taking the figure that was proposed in our pension scheme of \$2,300 and making an adjustment for inflation. It would be wrong of me to get too much involved in detail about this before the Budget and before the debate on 8 March, and that is not meant as anything other than a statement of the obvious. But perhaps I can just make one or two cautionary remarks without once again repeating what I said earlier about the increase in CSSA rates over the last three years.

First of all, I am a little surprised that those who used to criticize us for mixing up, in their words, welfare and pensions and retirement protection, are doing precisely the same by applying the figure that we proposed for our pension scheme to the correct, in their view, benefit level for CSSA.

Second, we are, again in good faith, undertaking at the moment a review of CSSA, not only for the elderly but for everyone. We are looking at issues like eligibility criteria; we are looking at service to customers; we are looking at the payment of special grants; and we are looking, with the help of the Household Expenditure Survey, on how much in our view and the community's view, those who are in need, those who have financial needs which they cannot meet through their own efforts, will actually require in government help, in taxpayers' support every week.

I think that it is important to deal with this issue rationally as well as generously, and I hope that we will not think it correct to proceed by snatching figures out of the air without taking account of the broader picture. If one compares the needs of children, of single parents and the elderly, which priority does the community and does the Legislative Council want us to follow? I think it makes more sense to be able to consider these issues rationally rather than consider them in the way that some people are at present suggesting.

And there is one other point that I want to make. We have seen a very large increase in social welfare spending in the last three years. Some people think it has been too large. I think it has represented a proper response by an increasingly prosperous community to social need. But it has also been a generous response which we could afford and we have never, at any time, broken the iron rule which we have set ourselves of not allowing recurrent expenditure to increase faster than the trend rate of growth in the economy. I think it would be very very unwise for us to break that rule.

Hong Kong is not going to have as easy a time as one might like over the next two and a half years or, I would suspect, the two and a half years after that, because a lot of the world is going to be watching us very carefully and assuming that we will

not do as well as I am sure we will do. Something we have to hold on to is our reputation for being financially responsible in conducting our affairs. I think that is absolutely imperative and I hope that we will always remember that. I hope that we will not get into a sort of Dutch auction in welfare spending or other sorts of spending which would do irreparable damage to our reputation for running this community and running this economy exceptionally soundly.

PRESIDENT: Mr Peter WONG.

MR PETER WONG: *Mr Governor, those who are lucky enough to earn more than they need after paying their daily living expenses, taxes, and the contributions to the proposed mandatory contributory scheme, should be encouraged to save for their old age to attain a comfortable standard of living. Will the Government follow the World Bank report to adopt measures to make voluntary schemes over and above the basic minimum, that is, the third pillar in that report, and make it widespread?*

Now, also, I must not forget the first pillar of the report, the welfare pillar, has also got to be strengthened so that we can help all those who cannot really help themselves.

GOVERNOR: I think the World Bank report which the honourable gentleman referred to was extremely important and it did remind us all of the part which, what the economists call "social equity investment", plays in successful and efficient economies. I do not happen to think, as some cruder critics appear to, that spending more money on education, on welfare, on health, somehow damages the economy. Actually, if you are sensible and prudent about it, it helps the economy and helps, I think, to add legitimacy as well as credibility to the system of market economics. I feel that extremely strongly.

The World Bank, of course, also counselled against the sort of extravagant welfarism which has had such dangerous consequences in some Organization for Economic Co-operation and Development (OECD) countries, not just in Western Europe, but in North America as well. And I think it would be curious if on the one hand we were to commend the World Bank's approach and allegedly counsel against that same famous Euro-socialism, while on the other hand we were allowing public expenditure to rise faster than the economy was growing. I do not think one can have it both ways.

The Honourable Member is also right to say that we should encourage more savings than that implied in any given retirement protection scheme and that in particular, those who want to save over and above what is proposed in the basic scheme should be encouraged. I accept that, though I have some reservations myself about hanging on our tax structure lots of encouragements and incentives and inducements to this or that sort of economic or social behaviour. I think the best way you encourage people and the best way you incentivize people is by concentrating on

basic rates of tax, whether profits tax or salaries tax, rather than opening up all sorts of new inducements and incentives.

MR PETER WONG: *I am not talking about incentives. I think one should really remove the disincentives. I, myself, being a professional practitioner, there is nothing that I can do tax-wise in order to save for my old age, whereas someone working for a company has all the tax incentives in the world.*

GOVERNOR: I know the Honourable Member is an experienced professional in these matters, which I am not. In my personal life, it is a pleasure to employ people like the honourable gentleman and I will certainly follow what he said and discuss it with the Financial Secretary.

PRESIDENT: Dr TANG Siu-tong.

DR TANG SIU-TONG (in Cantonese): *Mr Governor, I would like to follow up the point made earlier by Dr David LI on Vietnamese migrants. You just stressed that as the economy of Vietnam was improving, there was a greater chance that these people would return home. Would Mr Governor please tell us clearly whether all the Vietnamese migrants will be returned to Vietnam by 1997? In addition, there is little chance for those 1 000-odd Vietnamese migrants who have criminal records to re-settle in other countries. If these people cannot be returned to Vietnam, would they be integrated into our society after 1997?*

GOVERNOR: It is our objective to see all Vietnamese migrants returned before 30 June 1997. We want to see them all return home and I do not want anybody to have the impression that if they hang around long enough they will be allowed to stay in Hong Kong or they will get an easy berth to some other community. I just add, that one of the reasons why Vietnam is doing as well as it is, is because of the huge Hong Kong investment in Vietnam. Our entrepreneurs, certainly I think in terms of cash but maybe also in terms of the number of actual investment opportunities, are top of the league in Vietnam.

PRESIDENT: Miss Emily LAU.

MISS EMILY LAU: *I want to ask the Governor a question on law and order. I think in these final days of colonial rule, there is much concern about possible deterioration in law and order amongst the entire community and also amongst the international investors. This concern stems from the rapidly growing ties with China and the fact that in China there is scant regard for law and order and also rampant corruption. We are afraid that that sort of practice would be imported into Hong Kong. There is also*

concern that, because of law reforms to do away with some of the outdated and sweeping powers, the law enforcement agencies would feel that some of their effective weapons have been taken away, and so the question of finding the right balance. And finally, there is also concern of the declining authority of the Administration.

So, Mr President, I want to ask the Governor whether he feels that these concerns are justified and why we all feel that Hong Kong is right now still a fairly safe city? Does he already see signs that people should be concerned about? And most importantly, what is the Administration doing to address these concerns?

GOVERNOR: The honourable lady always manages to pack a great deal into a question and usually asks the most important questions. And I do not think there is a more important question than this one for us all to address and concern ourselves with over the next two and a half years. Why? Because the rule of law is part of the magic that has produced Hong Kong. Apart from a harbour, Hong Kong has no natural resources to speak of, but it does have the entrepreneurialism of the people of Hong Kong. And it does have a body of rules and laws which mean that people can go about their lives as they wish; that they can conduct business in a clean way; that they can know that their own rights and freedoms will not be abused by anybody — by anybody. They have those protections and they have that certainty which produces two things. First of all, it helps to produce the ideal conditions for prosperity, and secondly, it produces a decent, generous, caring, ordered society.

One should never ever be complacent about things like crime statistics because for somebody who has just been mugged or for somebody who has been sexually assaulted or for somebody whose shop has been broken into or whose flat has been robbed, for somebody in those sort of situations the only statistic that matters is the terrible personal tragedy which they have just suffered. But putting that on one side, the statistics in Hong Kong, given what is happening in the rest of the world, are astonishing. And they say a good deal about this community and its values. I doubt there can be more than a handful of other places in the world which can actually point to violent crime figures falling. I doubt that there are many places which can point to detection rates rising. People often say, when they are talking about Asia, one of the great things about Singapore is that crime is so low in Singapore. Crime is lower in Hong Kong than it is in Singapore. That is what the latest Interpol statistics tell us. We have far more policemen per number of population than most other comparable communities and we intend to keep things that way. All those things help to ensure that Hong Kong remains a place where people want to live and want to do business.

I think there are three things dealing with the specific issues that the honourable lady made. Three things that we have to try to ensure between now and 1997.

First, that we do not do anything ourselves which undermines the rule of law. Honourable Members will know, and I will not go over the arguments again, the connections which I have always drawn and, I think, which the honourable lady would draw, between the role of a legislature cleanly elected and the rule of law; but that is

just one aspect of the issue. I think we have to be absolutely determined that we do not do anything which allows the way we do business in the Government to be less clean, that we do nothing which allows corruption to ooze into our way of life as though it was some natural and acceptable phenomenon. It is not. Start to think that a little bit of corruption is all right, that it is somehow culturally the regional way of doing things, allow any of that to start to happen and Hong Kong and other communities will very very rapidly become a great deal less successful than they have been. So, first of all, we have to stand four-square behind the rule of law.

Secondly, we do have, and the honourable lady is entirely right to hound the Administration on this issue, to clear up the statute book and to make sure that some antiquated laws which we would never dream of using today, that some antiquated laws which are not in line with the Bill of Rights, are dealt with before 1997. I am sure that others would want to deal with them otherwise after 1997, as unfortunate relics of colonialism. I do not want things that are not in agreement with the Bill of Rights to still be hanging around for longer than they should. That affects a number of issues. It affects freedom of speech which the honourable lady was questioning administration officials about the other day. It affects other matters too. The Public Order Ordinance, which the Council is at present considering, is a good example of an area where one needs to make sure that legislation is brought into line with contemporary practice in a way which enhances rather than reduces the real authority and responsibility and powers of the Police Force.

And thirdly, I do not intend that the Administration should allow its authority to seep away, to decline between now and 1997. This is a point that I have made before. I think it is in the interest of the SAR government that its predecessor should have the maximum authority, should have the maximum effectiveness, right up until midnight on 30 June 1997. The authority of government, whether it is before or after 1997, matters to Hong Kong and I do not intend to do anything which relinquishes the Government's control of the agenda over the next two and a half years. Yes, of course we want to talk and co-operate with representatives of the future sovereign power, but we are not going to put difficult problems on hold. We are not going to put any difficulties in the freezer. We are not going to say, this or that problem is too difficult for us now, we will leave it to 1997. That would be bad for Hong Kong. It would be bad for the morale of the Civil Service and we are not going to do it.

MISS EMILY LAU: *Mr President, just a short follow-up to a very long answer. It is all very well for the Governor to say that we do not want authority to seep away, and I am sure your officials would share that view. But how do you actually do it? I mean power is slipping away. You are a declining administration. Your days are numbered and your ability to make decisions is getting smaller and smaller. So how can you convince us, the community and your officials, that this is not going to happen?*

GOVERNOR: Well, I hate to sound too gloomy in responding to the honourable lady but there is a real sense in which all our days are numbered (*laughter*) and I suppose we should be aware of that from the first moment we get up in the morning. (*Laughter*)

Let me respond to the honourable lady's rhetorical flourish like this. A good deal of the time I find myself being criticized and my colleagues are criticized for being too aggressive in taking things forward, and for being too sharp in our interpretations of the agenda that we wish to pursue. It is not easy to criticize us on the one hand for being sharp-taloned eagles and on the other hand to criticize us as lame ducks. I think that we are and will remain an effective administration. People have been talking about declining or waning authority since about 1982 or 1983, but here we are still in business and still actually, I believe, running Hong Kong exceptionally effectively. Look at the statistics which tell their own story.

But, the closer we get to 1997, the more we will need to prepare the community for the change of sovereignty in 1997 and I am not unaware of the implications of that. I hope that those who will be responsible for Hong Kong after 1997, the Hong Kong people running Hong Kong, will themselves recognize that the authority of government matters before 30 June, as well as afterwards.

PRESIDENT: Mr James TO.

MR JAMES TO (in Cantonese): *Mr President, the Governor has just said that he did not intend to do anything that would undermine the rule of law. As an introduction, I would like to draw his attention to a recent court case. When giving his judgement on the Ming Pao case, a Magistrate ruled that section 30 of the Prevention of Bribery Ordinance was against the Bill of Rights. But then, before the Government could fully grasp the implications of the judgement, the ICAC has the gall to declare that it would continue to enforce section 30 because, being a judicial decision made by a Magistrate, the ruling has no binding effect. However, it must be noted that a Magistrate he may be, he has, during a judicial process, formally declared that from the legal point of view section 30 is against the Bill of Rights. Mr Governor, are you aware of this case? If not, I want to draw your attention to it now because it is a significant matter that may jeopardize the rule of law.*

Mr Governor, I know that you are about to convene a summit meeting on juvenile problems, with particular emphasis on drug abuse among youngsters. This is indeed encouraging because your personal involvement as a convenor of the meeting, as the public may also rightly feel, can ensure that decisions approved by you and blessed with public support would certainly be implemented by the Government with adequate resource back-up. However, I would like to ask you, Mr Governor, how much time would you spend and how determined you are to acquaint yourself with this issue before the meeting? Do you really think that a brief summit meeting like this can actually give you a full understanding of the issues involved? Before the commencement of the summit meeting, what crucial items do you think should be

included in the agenda to enable the meeting to benefit meaningfully from the expertise and constructive ideas of the public?

GOVERNOR: On the first question, we are considering, as the honourable gentleman knows, the implication of the magistrate's decision in the *Ming Pao* case. The whole community has debated section 30 on a number of occasions, most recently in relation to the Sohmen Committee's report, and we will bear that in mind as well when we consider exactly what best to do about the judgment in that *Ming Pao* case. But as I said earlier, what the rule of law means is that everybody is subject to it, including the Governor and the Government, though that does not mean that the Governor and the Government cannot, if they do not like or disagree with a decision in a particular case, appeal to a higher court. But we are considering the implications, at the moment, of that decision.

Secondly, on drug abuse. The sort of summit which we are holding at the beginning of the week after next, is not the first such summit that we have held. We have held three in relation to the disabled — two on the Disabled and Public Transport and one on the Disabled Unemployment. I think that they have helped both in a public expenditure role. They have also helped to shape policy usefully, not least the certainty that they were going to be followed up. The Drug Abuse Meeting is in a slightly different category, not least since there will be more participants. One reason why I have called it is to try to focus more community attention on this issue. And why? Because one of the few areas where there is real concern for worry when one looks at our crime and other statistics, is the growth of drug offenders, the growth of abuse, not least among the young. The figures there are deeply disturbing.

I have prepared myself for this summit in a number of ways. I have had a number of meetings; I visited the other day the Police Narcotics Bureau to have a full briefing for them. And I hope that out of the discussions at the beginning of March, with head teachers, with social workers, with the police and with others who are experts in this field, we will be able to come forward with an agenda which means literally what it says, in other words, things to be acted on not just things to gab about, to talk about. The meeting is not merely a public education exercise, it is to try to get a focus and try to get an agreed campaign going right across the community, so that we can stop in Hong Kong the same dreadful social problems that have ravaged other communities.

ADJOURNMENT AND NEXT SITTING

PRESIDENT: In accordance with Standing Orders I now adjourn the Council until 2.30 pm on Wednesday 1 March 1995.

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

