

OFFICIAL RECORD OF PROCEEDINGS

Wednesday, 7 February 1996

The Council met at half-past Two o'clock

MEMBERS PRESENT

THE PRESIDENT

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

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

THE HONOURABLE MRS SELINA CHOW LIANG SHUK-YEE, O.B.E., J.P.

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

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

THE HONOURABLE SZETO WAH

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

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

THE HONOURABLE RONALD JOSEPH ARCULLI, O.B.E., J.P.

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

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

THE HONOURABLE ALBERT CHAN WAI-YIP

THE HONOURABLE CHEUNG MAN-KWONG

THE HONOURABLE CHIM PUI-CHUNG

THE HONOURABLE FREDERICK FUNG KIN-KEE

THE HONOURABLE MICHAEL HO MUN-KA

DR THE HONOURABLE HUANG CHEN-YA, M.B.E.

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 HENRY TANG YING-YEN, J.P.

THE HONOURABLE JAMES TO KUN-SUN

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

DR THE HONOURABLE PHILIP WONG YU-HONG

DR THE HONOURABLE YEUNG SUM

THE HONOURABLE HOWARD YOUNG, J.P.

THE HONOURABLE ZACHARY WONG WAI-YIN

THE HONOURABLE CHRISTINE LOH KUNG-WAI

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

THE HONOURABLE LEE CHEUK-YAN

THE HONOURABLE CHAN KAM-LAM

THE HONOURABLE CHAN WING-CHAN

THE HONOURABLE CHAN YUEN-HAN

THE HONOURABLE ANDREW CHENG KAR-FOO

THE HONOURABLE PAUL CHENG MING-FUN

THE HONOURABLE CHENG YIU-TONG

DR THE HONOURABLE ANTHONY CHEUNG BING-LEUNG

THE HONOURABLE CHEUNG HON-CHUNG

THE HONOURABLE CHOY KAN-PUI, J.P.

THE HONOURABLE DAVID CHU YU-LIN

THE HONOURABLE ALBERT HO CHUN-YAN

THE HONOURABLE IP KWOK-HIM

THE HONOURABLE LAU CHIN-SHEK

THE HONOURABLE AMBROSE LAU HON-CHUEN, J.P.

DR THE HONOURABLE LAW CHEUNG-KWOK

THE HONOURABLE LAW CHI-KWONG

THE HONOURABLE LEE KAI-MING

THE HONOURABLE LEUNG YIU-CHUNG

THE HONOURABLE BRUCE LIU SING-LEE

THE HONOURABLE LO SUK-CHING

THE HONOURABLE MOK YING-FAN

THE HONOURABLE MARGARET NG

THE HONOURABLE NGAN KAM-CHUEN

THE HONOURABLE SIN CHUNG-KAI

THE HONOURABLE TSANG KIN-SHING

DR THE HONOURABLE JOHN TSE WING-LING

THE HONOURABLE MRS ELIZABETH WONG CHIEN CHI-LIEN, C.B.E.,
I.S.O., J.P.

THE HONOURABLE LAWRENCE YUM SIN-LING

MEMBER ABSENT

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

PUBLIC OFFICERS ATTENDING

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

THE HONOURABLE DONALD TSANG YAM-KUEN, O.B.E., J.P.
FINANCIAL SECRETARY

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

MR CHAU TAK-HAY, C.B.E., J.P.

SECRETARY FOR RECREATION AND CULTURE

MR HAIDER HATIM TYEBJEE BARMA, I.S.O., J.P.
SECRETARY FOR TRANSPORT

MR DOMINIC WONG SHING-WAH, O.B.E., J.P.
SECRETARY FOR HOUSING

MRS KATHERINE FOK LO SHIU-CHING, O.B.E., J.P.
SECRETARY FOR HEALTH AND WELFARE

MR RAFAEL HUI SI-YAN, J.P.
SECRETARY FOR FINANCIAL SERVICES

MR PETER LAI HING-LING, J.P.
SECRETARY FOR SECURITY

MR KWONG KI-CHI, J.P.
SECRETARY FOR THE TREASURY

CLERKS IN ATTENDANCE

MR LAW KAM-SANG, DEPUTY SECRETARY GENERAL

MISS PAULINE NG MAN-WAH, ASSISTANT SECRETARY GENERAL

MR RAY CHAN YUM-MOU, ASSISTANT SECRETARY GENERAL

PAPERS

The following papers were laid on the table pursuant to Standing Order 14(2):

Subject

Subsidiary Legislation

L.N. No.

Census and Statistics (Annual Survey of Banks, Deposit-Taking Companies, Restricted Licence Banks and Representative Offices of Foreign Banks) (Amendment) Order 1996.....	64/96
Prisons (Amendment) Order 1996.....	65/96
Prisons (Hostel) (Amendment) Order 1996	66/96
Minor Employment Claims Adjudication Board (Fees) (Amendment) Rules 1996	67/96
Official Languages (Authentic Chinese Text) (Defamation Ordinance) Order	(C) 10/96
Official Languages (Authentic Chinese Text) (Foreshore and Sea-Bed (Reclamations) Ordinance) Order.....	(C) 11/96
Official Languages (Authentic Chinese Text) (Animals (Control of Experiments) Ordinance) Order.....	(C) 12/96

Sessional Papers 1995-96

No. 54 — The Lord Wilson Heritage Trust
Annual Report 1994-1995

- No. 55 — Report of the Public Accounts Committee on the Reports of the Director of Audit on the Accounts of the Hong Kong Government for the year ended 31 March 1995 and the Results of Value for Money Audits (January 1996 - PAC Report No. 25)
- No. 56 — Hong Kong Council on Smoking and Health Annual Report 1994-95

ADDRESS

Report of the Public Accounts Committee on the Reports of the Director of Audit on the Accounts of the Hong Kong Government for the year ended 31 March 1995 and the Results of Value for Money Audits (January 1996 - PAC Report No. 25)

MR ERIC LI: Mr President, on behalf of the Public Accounts Committee, I have the honour to table the Committee's Report No. 25 today.

This Report contains the conclusions reached by the Committee in considering the Reports of the Director of Audit on the accounts of the Hong Kong Government for the year ended 31 March 1995 and the results of value for money audits completed between March and September 1995. It also assesses the actions taken by the Administration in response to the recommendations made by the Committee in previous reports. Whilst we appreciate the positive attitude adopted by the Administration generally in implementing the Committee's recommendations, there remain, nonetheless, some areas of concern, which I would like to highlight.

First, the Committee is concerned about the long-standing problem of indebtedness of police officers as manifested by a number of recent press reports. This issue was first raised in the Director of Audit's Report No. 21 tabled in this Council on 17 November 1993. However, in spite of the various measures taken by the Commissioner of Police, the situation has remained less than satisfactory. We, therefore, urge the Commissioner to undertake more effective measures to tackle the problem and to keep our Police Force free from undue anxiety and stress arising from financial predicaments.

Another outstanding issue raised in the same Report concerns the superannuation schemes of tertiary institutions. Although we only focused our attention previously on the financial position of the superannuation schemes managed by the University of Hong Kong (HKU) and the Chinese University of Hong Kong (CUHK), it is now apparent that the two institutions are not the only ones in trouble. We understand that good progress has already been made by the CUHK in resolving its problem. On the other hand, the situation of the HKU remains unresolved and we have therefore asked the Director of Audit to continue keeping us apprised of the wider situation including the financial position of similar Schemes of other University Grants Committee-funded institutions.

I shall now turn to the Director of Audit's Report No. 25. The Public Accounts Committee found the slow recovery of the huge advances made by the Hong Kong Government to meet the expenditure of the United Nations High Commission for Refugees (UNHCR) for the care and maintenance of Vietnamese migrants (VM) in Hong Kong most disturbing. The Director of Audit also questioned the propriety of the Administration on the use of advance accounts to pay for the VM's expenditure under section 20 of the Public Finance Ordinance. After examining the policy intent of the legislation, the lack of legal enforcement avenues in the event of default, the evasive position taken by the UNHCR, its current financial position and the poor track record of repayment, we are in full agreement with the Director of Audit, and that is, the premises which the Financial Secretary has relied upon to justify the use of the advance accounts mechanism are no longer valid. Despite the technical legal arguments advanced by the Administration, it is still plainly obvious, to a reasonable person, that the prospect of recovering the huge debts from the UNHCR in full, and within a predictable timeframe, is highly doubtful. It is our view that the legislative intent of the Public Finance Ordinance be directed to the proper control of public expenditure by this Council and that the definition of "recoverable advances" under section 20 should carry a strict and unambiguous meaning rather than the liberal interpretation currently self-adopted by the Administration. We urge the Administration to define more precisely the scope of the delegated authority of the Financial Secretary under the Ordinance and, in the meantime, discontinue the practice of charging VM expenses to the advance accounts and should henceforth seek prior funding approval from the Finance Committee for all items of such expenditure. We also consider that by imposing the policy of "Port of First Asylum" on the territory, the British Government has undeniable obligations towards Hong Kong in helping us resolve this matter before 1997.

The Public Accounts Committee vows to keep a vigilant eye on this matter. We have therefore invited the Director of Audit to conduct a follow-up study with a view to submitting a further report to you, Mr President, in October this year.

Another issue which causes us great concern is the slack management and criminal activities of the public cargo working areas. The Committee has found it difficult to accept: firstly, the Marine Department knew right from the start in 1982 that the first-come-first-serve basis of berth allocation had never worked. They had made no attempt to change this ineffective policy and little action was taken to genuinely address the problem; and secondly, notwithstanding that police investigations have uncovered long-standing criminal and triad activities in the public cargo working areas, the Marine Department still refuses to recognize this prevalent problem. In the course of the Committee's inquiry, we also noted that the Administration does not seem to have a good grasp of the cargo handling trade. We thus call on the Marine Department to face the problems squarely, adopt a positive approach in bringing the management of the public cargo working areas under control and make greater effort to understand the economics and the modes of operation of the trade. We were informed that a consultancy study has already been completed on the future development of public cargo working areas. We urge the Administration to consult the barge operators with a view to devising an open, fair and economically viable system of allocating berth spaces, which best meets the needs of the trade.

There is also one recurring issue which the Committee has asked me to express dismay and, that is, the seemingly habitual dependency of the Administration on external consultants. Whilst we recognize the fact that external consultants may be useful in some cases, we would still like to see that prior to the appointment of consultants, the Administration will critically examine the feasibility of undertaking such tasks in-house. To achieve good value for money, it is also crucial for the departments concerned to be up-to-speed on the subject matter themselves so as to appoint consultants with the right qualifications and experience, be well placed to give proper and detailed briefs of the task entrusted. All too often, as in this particular Report, we find cases passing through our desks where the departments concerned were themselves ill prepared to select, brief and then monitor the progress of the external consultants. To these culprit departments, I would strongly remind them that we would still hold them fully responsible for the wastage of public funds caused by the ineffective co-ordination with or the unsuitable appointment of consultants.

Finally, I should perhaps say a few words about the issue concerning the review of the housing benefits provided by the Hospital Authority (HA) to its employees. This issue has indeed attracted much media attention. We regret not being able to table a full report on this subject today. At the time of finalizing our report for printing on 30 January, we were still waiting for a reply from the Administration in respect of the Committee's request to examine the relevant documentary evidence concerning the formulation of the relevant policy and the Government's analysis of the long-term financial implications of the HA remuneration package. We have now got the Administration's reply and the Committee will be meeting tomorrow to consider the matter further. We will put in our best endeavour to finalize the report to the Council at the earliest opportunity.

The Committee has worked exceedingly hard in the last three months, and during which, we particularly owe our thanks to the dedicated and highly efficient Legislative Council Secretariat as well as the wise counsel of our always dependable Legal Adviser.

Thank you, Mr President.

ORAL ANSWERS TO QUESTIONS

Methadone Treatment Programme

1. **MR NGAN KAM-CHUEN** asked (in Cantonese): *Regarding the effectiveness of the methadone treatment programme and the operation of methadone treatment centres, will the Government inform this Council:*

- (a) *whether methadone treatment can help drug addicts to abstain from drugs;*
- (b) *whether it will review the effectiveness of the methadone treatment programme and its future development;*
- (c) *whether it will review the methadone taking procedure and the security measures in methadone treatment centres, and whether it will consider increasing the number of staff on duty so as to prevent drug addicts who receive treatment in these centres from smuggling*

methadone out of the centres; and

- (d) *whether consideration has been given to eliminating the nuisance caused to nearby residents by the patients of methadone treatment centres?*

SECRETARY FOR SECURITY (in Cantonese): Mr President,

- (a) Drug addiction is a chronic relapsing medical condition affected by complex socio-psychological factors. We have a long-standing policy of adopting a multi-modality approach in treatment and rehabilitation to cater for the varying needs of different drug abusers. The out-patient Methadone Treatment Programme provides an alternative treatment model to those addicts who are not suitable and receptive to residential treatment. It includes both maintenance and detoxification schemes for patients. Detoxification treatment, which aims to wean patients off drugs by gradually reducing their daily dosage of methadone until they are completely drug-free, is more suitable for those abusers with short addiction history. However, international experience has shown that it is difficult and unrealistic to aim at total detoxification for all drug abusers. Indeed, most drug abusers opt for the maintenance programme which is a more realistic objective for them. This programme enables the drug abusers to resume a normal and economically productive life, and protects them from the health hazards and crime activities associated with illicit drug use.
- (b) A comprehensive policy review was carried out on all drug treatment and rehabilitation services, including the methadone treatment programme, in 1992. The review reaffirmed the role of the programme in our overall treatment and rehabilitation strategy, which provides a readily accessible, legal and medically safe and effective alternative to illicit administration of opiate drugs by drug abusers. It brings about positive benefits in reducing the demand for drugs and the harms caused by drug abuse to the community.

In March 1994, we engaged Dr Robert NEWMAN, a widely regarded international expert in the field of drug addiction, as a consultant to Hong Kong to provide advice in relation to, *inter alia*, the methadone treatment programme. He reaffirmed the value of the programme and commended it as "a cornerstone of the successful containment of drug addiction in Hong Kong".

In November 1995, Action Committee Against Narcotics commissioned the Hong Kong Council of Social Service to carry out a research study reviewing objectives and outcomes of various drug treatment modalities adopted in Hong Kong, including the methadone treatment programme. This study will take three years to complete.

- (c) The Department of Health has put in place a comprehensive security system to prevent the hoarding of prescribed methadone by patients. Patients are required to attend a fixed clinic where the dosage is prescribed by doctors and monitored closely. All the prescribed methadone are required to be consumed in the clinic under the supervision of the clinic's staff before the patients leave the clinic. Generally, this system has worked well. There is at present no need to increase staff for the treatment centres. The Department of Health will in addition keep the operation of the programme under constant review, and improvements will be made in the light of operating experience and new developments in this field.
- (d) We believe that the most effective approach to address the nuisances complained of by local residents is to tackle the problem through co-ordinated inter-departmental efforts, including:
 - (i) stepping up law enforcement action by the police against illegal activities in the vicinity of the clinics;
 - (ii) strengthening education and counselling. This includes reaching out to drug abusers in the districts, educating them on the proper disposal of used syringes, persuading them to seek treatment, and arranging anti-drug publicity in the

districts;

- (iii) carrying out environmental improvements, such as frequent cleansing to remove discarded syringes, and improve street lighting in the area; and
- (iv) encouraging methadone patients to make use of the social and recreational services provided by a number of voluntary agencies.

The measures are being carried out by the concerned Departments.

MR NGAN KAM-CHUEN (in Cantonese): *Mr President, the Secretary for Security has mentioned in part (c) of his main reply that a comprehensive security system was in place to prevent the hoarding of prescribed methadone by patients. But there was an actual case last year in which a child died of drinking the methadone kept in a refrigerator in mistake for orange juice. This showed that somebody had taken methadone back to home. In addition, according to my actual observations, cups used for methadone dosage have been frequently found near methadone treatment centre. Can the Secretary inform this Council of the number of medical staff in these centres providing services for the methadone patients and whether it was adequate?*

SECRETARY FOR SECURITY (in Cantonese): Mr President, as I have already mentioned in my main reply, the Department of Health will keep the service of the methadone clinics under constant review. The Department will increase the number of staff if it thinks there is a need. Mr NGAN has just said that there was a case indicating that methadone was found outside the clinic. I admit there are such cases. I cannot guarantee a hundred and one percent that any security measure would have no defects at all. As far as I know, the quantity of methadone found outside the methadone clinics and confiscated by the police has dropped greatly in the past few years. For example in 1993, 20 794 methadone pills and 3.5 litres in form of liquid were found outside these clinics. Preliminary figures of 1995, that is, last year showed that the quantity of methadone pills dropped to 212 and that in the form of liquid to 0.02 litres.

MR IP KWOK-HIM (in Cantonese): *Mr President, thefts occurred in methadone centres many times and the Administration expressed after occurrence that they would improve the security measures. Will the Government inform this Council of the progress in this respect? How do the Security Branch, police and the Department of Health co-ordinate with each other?*

SECRETARY FOR SECURITY (in Cantonese): The staff of the Department of Health working in respective methadone clinics assume the responsibility of the security measures. Of course, the police will provide assistance to them whenever necessary.

DR JOHN TSE (in Cantonese): *It has been pointed out by some experts that to abstain from methadone is more difficult than to abstain from other drugs such as "white powder". Will the Government inform this Council whether it is true? In addition, how many people who have made use of methadone are now successfully free from drugs and methadone as well? If the number is on the low side, what are the reasons?*

SECRETARY FOR SECURITY (in Cantonese): Mr President, I re-iterate that the main function of Methadone Treatment Programme was not detoxification but maintenance. Methadone itself is not harmful to human body. With the consumption of methadone, the drug addicts do not have to take drugs which are harmful to human body such as opium and heroin. The utilization rate of the current methadone maintenance scheme is very high, and quite a lot of people do not need to take drugs such as opium because they take methadone. In this way, the scheme is greatly beneficial to these people and society.

As I have said in my main reply, it was admitted by international society and us that total detoxification is extremely difficult. The drug addicts can abstain from drugs within a very short time, but owing to social and psychological factors, that is what we commonly call an "itching heart", they may take drugs again. Therefore, since the inception of the Methadone Treatment

Programme there are only 233 people who are completely free from drugs and do not need to take methadone.

MR CHAN WING-CHAN (in Cantonese): *Mr President, most of the methadone treatment centres now share the same venue with ordinary out-patient clinics. The users of these centres lack self-discipline and they frequently make much noise, talk and laugh, spit, sleep and smoke. These cause nuisance to the residents waiting for out-patient treatment, but staff of the clinics seldom take note of this or interfere. How does the Government address such situation?*

SECRETARY FOR SECURITY (in Cantonese): If some patients in the methadone treatment centres misbehave, the other patients or people using the other facilities in the same place may complain to the staff of the methadone treatment centres. The staff will do their best to persuade the participants of the Methadone Treatment Programme to behave properly.

DR LEONG CHE-HUNG: *Mr President, from the answers, it is very obvious that there is some use in the methadone clinics and yet there are so many complaints about these clinics. Could the Government tell us how many of these so-called complaints are actually due to discrimination? If so, what is the Government's plan to ensure that there is no such discrimination against these people who need help?*

PRESIDENT: I fail to see any relationship between this supplementary and the main question and answer.

Electronic Road Pricing Scheme

2. **DR SAMUEL WONG** asked (in Cantonese): *Mr President, in regard to the Electronic Road Pricing Feasibility Study being carried out by the Transport Department, will the Government inform this Council:*

- (a) *of the present progress of the study and its expected completion date;*

- (b) whether the existing establishment of professional staff in the Transport Department is adequate to handle the extra workload arising from the study;*
- (c) if the answer to (b) is in the negative, whether additional staff have been or will be recruited; if so, what are the details; and*
- (d) whether a forecast has been made of the additional manpower resources required for implementing the recommendations of the study; if so, what are the details?*

SECRETARY FOR TRANSPORT: Mr President, our proposal for Electronic Road Pricing (ERP), as a measure to combat traffic congestion, received general public support during the consultation exercise. Indeed, during the debate in this Council last February, the consensus also was that ERP should be supported in principle. Honourable Members, quite understandably, asked that they be further consulted on details before implementation.

The Administration believes that ERP, which adopts the "user pays" approach, offers a more efficient, equitable and flexible way of dealing with traffic congestion.

The brief for the feasibility study on ERP has just about been completed. We shall consult the Legislative Council Transport Panel on the broad approach regarding the study later this month prior to approaching the Finance Committee in April for funds to both appoint consultants to carry out a feasibility study on ERP and for a pilot project. The study is expected to start later in the year and will take about two years to complete. The study will include the development of a transport model to evaluate various ERP strategies and to assess their impact, the evaluation of suitable technologies for an ERP system including field evaluation of the equipment, and the preparation of a conceptual design for the system.

Given existing and other new commitments, it will not be possible for the Transport Department to handle the extra workload arising from the ERP study without additional staff. To manage and supervise the study, funds have been sought in the 1996-97 estimates for the creation of a small dedicated project team comprising professional engineering and technical staff.

It is too early to indicate the staffing requirements for the implementation of a full ERP system. One of the tasks of the consultants will be to look into the resources required.

DR SAMUEL WONG: *Mr President, the feasibility study on ERP is expected to start later in the year for completion in about two years. I think this is taking too long since, only 10 years ago, the Government spent some \$30 million to study or research into quite a similar scheme and something must have been learnt therefrom. Our neighbouring city, Singapore, has just signed a contract for a similar scheme*

PRESIDENT: Could you come to your question, please?

DR SAMUEL WONG: *Could this study be shortened rather than taking, say, 24 months?*

SECRETARY FOR TRANSPORT: Mr President, there is no full ERP system in any major city in the world. The Singapore scheme will be, I understand, implemented in 1997. The authorities there started their studies, I think, in 1993 and it has taken them three or four years. The point about ERP is that we must very carefully evaluate all the options and that is why we need to be very careful with how we proceed and make sure that we examine all the different possibilities.

The 1985 ERP scheme to which the Honourable Member referred is outdated in terms of the pricing strategy and the technology options that are now available. This is mainly because of the significant changes in the vehicle fleet size, land developments and the transport infrastructure. The traffic conditions, of course, are also very, very different. A new consultancy is therefore required to examine the various issues to which I have referred.

To give a bit more detail on what the consultancy will be asked to examine, it will include, for example, the development of a transport model for assessing the effectiveness of the ERP in reducing congestion; to identify the preferred strategy; to formulate the various options; and to experiment with a pilot scheme. The two-year period to which I referred includes experimenting with the pilot

scheme and I do not think it is practical to cut the timetable short.

MRS MIRIAM LAU (in Cantonese): *Mr President, as the Secretary for Transport said in the third paragraph of his main reply, the Administration will approach the Finance Committee of this Council in April for funds to both appoint consultants to carry out a feasibility study on ERP and for a pilot scheme. May I ask the Secretary why the Administration does not carry out this pilot scheme after the findings of the feasibility study by the consultancy are available and suitability of the scheme for Hong Kong is ascertained, instead of making haste to approach the Finance Committee for funds for both items in April?*

SECRETARY FOR TRANSPORT: Mr President, the Legislative Council Transport Panel will be consulted, as I have said, later this month and we will be providing more details of our approach and the pilot scheme. I think if we simply ask the consultants to devise a theoretical scheme, we will still need to experiment. And from the information we have drawn from various studies overseas, including Singapore, we believe that it will be useful to combine the two into one package, but of course we can look into this in more detail.

DR LAW CHEUNG-KWOK (in Cantonese): *Mr President, the proposal concerning implementation of an ERP Scheme in London was dropped about a year ago. What factors were taken into consideration by the British Government in making this decision and from which of them can Hong Kong draw for reference?*

SECRETARY FOR TRANSPORT: Mr President, I believe that there are various reasons why the proposal in London was dropped. One of them has to do, I think, with the costs involved and perhaps for other local political reasons. Obviously, the situation in London is quite different from that in Hong Kong. But having said that, our project team will, as I have said, of course refer to the literature now available and to other studies that have been undertaken, so that we implement the most up to date system that is possible for Hong Kong.

MR LEUNG YIU-CHUNG (in Cantonese): *Mr President, the Secretary for*

Transport has said that the feasibility study to be conducted would include the development of a transport model to evaluate the technologies for an ERP system, can the Secretary also study the impact of the implementation of ERP scheme on the transport industry, particularly some classes of vehicles such as light goods vehicles and taxis, in respect of fares, costs and inflation?

SECRETARY FOR TRANSPORT: Mr President, our proposal for the ERP scheme is that when introduced, all types of vehicles could be included in the scheme, but we have yet to decide precisely what class of vehicles will or will not be exempted. Obviously, when it comes to light goods vehicles, this is one particular aspect that we have to consider during the course of the study. And the impact on fares for light goods vehicles, if they are included in the scheme, will of course depend on what charges are levied in respect of this category of vehicle.

MR HOWARD YOUNG: *Mr President, the Secretary mentioned, in his reply to Dr Samuel WONG's supplementary, that Singapore will implement its scheme in 1997. Would it not make more sense for our study to be edged back slightly, that is, not to start at the end of this year but start shortly after Singapore has implemented, in order to shorten the time for consultancy and perhaps come up with a more effective consultancy?*

SECRETARY FOR TRANSPORT: I think, Mr President, with respect, different administrations have different policies insofar as transport is concerned, and whilst we will certainly draw on the Singapore experience, to defer our own study will not in fact shorten the lead time, but will in fact mean that the actual implementation will be much delayed.

MRS SELINA CHOW (in Cantonese): *Mr President, owing to depression in the retail industry in the past year, sale of private cars is declining greatly and those in the industry have much grievances. Will the Government delay the ERP pilot scheme since the growth of private cars is much lower than expected?*

SECRETARY FOR TRANSPORT: Mr President, the short answer is no. I, of course, appreciate that there has been a decline in the growth in the private car industry. But as I said in my main reply, the benefit of ERP is that it offers a

more efficient, equitable and flexible way of dealing with traffic congestion. If and when this system is implemented, because it adopts a "user pays" principle, I hope that it will mean that in the long term we will not have to rely simply on taxes on vehicles to deal with traffic congestion.

Enrolment of Traditional Chinese Medicine Practitioners

3. **MR MOK YING-FAN** asked (in Cantonese): *With regard to the enrolment of Traditional Chinese Medicine(TCM) practitioners which closed on 21 January this year, will the Government inform this Council:*

- (a) of the total number of people who have applied for enrolment;*
- (b) of the number of applications which have been returned to applicants to date and the major reasons for returning the applications;*
- (c) whether there is any mechanism to enable the applicants referred to in (b) to make appeals after their applications have been returned; and*
- (d) what follow-up action will be taken by the Government after the enrolment process has been completed?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Mr President, at the closing date of 21 January 1996 for application for enrolment of Traditional Chinese Medicine (TCM) practitioners in Hong Kong, a total of 7 504 applications have been received.

The Sub-committee of the Preparatory Committee on Chinese Medicine (PCCM) has set up a vetting group to vet the applications. As at 21 January 1996, the group had vetted 4 237 applications out of which 79 have been rejected.

Reasons for rejections of the 79 applications include:

- 59 cases where the applicant was unable to provide adequate documentation in support of the application;

- 13 applications which were outside the scope of the enrolment exercise (that is from "tui-na", "qi-gong" practitioners, Chinese medicine manufacturers, and so on);
- seven applications from non-Hong Kong residents.

The Secretariat of the PCCM will inform the rejected applicants in writing to explain clearly the reasons for rejection and to remind the applicants that they may appeal within 14 days. The decision of the Preparatory Committee will be final.

After the vetting has been completed, data collected will be entered into a computer for analysis. We expect that the analysis results will be available in early July. These results will enable the PCCM to understand more fully the practising situation and training background of TCM practitioners in Hong Kong. This in turn will help the PCCM to advise on legislation providing a statutory framework for the promotion, development and regulation of TCM in Hong Kong, incorporating a system of professional registration. Such legislation will also provide upon its enactment for the establishment of a statutory body to replace the PCCM.

MR MOK YING-FAN (in Cantonese): *Mr President, I wish to ask some supplementary questions. First, I want to know*

PRESIDENT: I am sorry, Mr MOK Ying-fan, you are only allowed one supplementary. If you wish to ask a further supplementary, I can put you at the end of the queue.

MR MOK YING-FAN (in Cantonese): *Thank you, Mr President. The number of enrolment is less than expected, but if there is really anybody who has missed the closing date, will the Government give them another chance?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): The number of enrolment fits with our expected figure. If for some special reasons, anybody

was late for enrolment, it will be up to the subcommittee of PCCM to decide whether these application would be accepted. This time we have adopted a generous approach as far as possible in dealing with this issue. We do not want any mistakes or omissions. We wish to understand as fully as possible the situation of TCM practitioners in Hong Kong.

DR LEONG CHE-HUNG (in Cantonese): *First, I have to declare my interest being a member of the PCCM. The Secretary for Health and Welfare has mentioned in her main reply that for some reasons, 79 applications were rejected or returned, if at a later date, when the TCM registration ordinance is enforced, will these 79 applicants be allowed to practise? If not, will this affect their means of living; and if so, will there be double standard?*

PRESIDENT: May I ask you whether or not there is money involved, Dr LEONG?

DR LEONG CHE-HUNG: *I am sorry, I did not catch you, Mr President.*

PRESIDENT: May I seek clarification as to whether or not there is money involved in your being a member of the preparatory committee?

DR LEONG CHE-HUNG: *Not this preparatory committee, Mr President. I do not know about the other one.*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): What we are talking about is just an enrolment scheme. If a registration system is established in future, the eligibility of anybody for registration will not be affected, no matter he has enrolled or not this time.

MR BRUCE LIU (in Cantonese): *Are the members of the vetting groups also members of the PCCM? Are the appeals to be handled by the vetting groups?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Some members of the subcommittee of PCCM are members of PCCM and some are not. All the appeals are to be looked into by the professionals in the vetting group and must be looked into again by the PCCM.

MR CHIM PUI-CHUNG (in Cantonese): *Mr President, there are many specialties in Western medicine like ophthalmology, or surgery in which Dr LEONG is specialized. Of the 4 158 applications having been vetted and approved, are there any specialties involved; and how are they assessed? Will these applicants be allowed to publicize themselves as specialists in practising?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): An analysis on the data collected in this enrolment scheme cannot be done until the PCCM has completed the vetting of all the particulars of the enrolled practitioners. We anticipate that the information which the Honourable Member asked for will be available after the analysis on all the data has been made in July this year.

Section 88 of the Inland Revenue Ordinance

4. **DR ANTHONY CHEUNG** asked (in Cantonese): *It is reported that the Inland Revenue Department (IRD) has written to a university students' union requesting the students' union concerned to amend a clause in its constitution concerning its political objective, and to stop engaging in activities of a political nature, so that it can still be regarded as a charitable institution within the meaning of section 88 of the Inland Revenue Ordinance (IRO). In this regard, will the Government inform this Council:*

- (a) *how many student organizations of the tertiary institutions are presently regarded as charitable institutions within the meaning of section 88 of the IRO and thus exempt from tax;*
- (b) *what specific criteria are adopted for determining whether a student organization could be regarded as a charitable institution within the meaning of section 88 of the IRO; and*

- (c) *how the Government determines whether the activities organized by such student organizations for the promotion of civic education and awareness of current affairs and social issues are in contravention of the criteria referred to in (b) above?*

SECRETARY FOR THE TREASURY (in Cantonese): Mr President, the answer to the Honourable Member's three-part question is as follows:

- (a) There are three student organizations of the tertiary institutions which are recognized by the IRD as charitable organizations for tax exemption purpose.
- (b) In accordance with established tax principles, the IRD accepts "advancement of education" as a charitable purpose for granting tax exemption status under the IRO.

Student organizations of the tertiary institutions are regarded as falling within the "advancement of education" category as their activities are an integral part of tertiary education in its wider sense.

- (c) For a charitable organization to maintain its tax exempt status, it should only undertake activities which can reasonably be regarded as directed at achieving the charitable purpose for which it is established. Thus, to maintain its tax exempt status, a student organization should only undertake activities which can reasonably be regarded as directed at achieving the purpose of "advancement of education".

Generally speaking, the organization of activities for promoting civic education and social awareness amongst students can be regarded as for educational purposes. However, if these activities are organized for non-educational purposes, they would fall outside the criterion of "advancement of education" for the purpose of tax exemption.

DR ANTHONY CHEUNG (in Cantonese): *Mr President, can the Secretary*

elaborate further? If a student body of the tertiary institutions launches a signature campaign or stages a demonstration in respect of some social affairs to express their discontent with the government measures, or organizes June 4th memorial activities, does it comply with what the Secretary means in part (c) of his reply: "(undertaking) activities which can reasonably be regarded as directed at achieving the purpose of "advancement of education""? If so, can this organization maintain its tax exemption status?

SECRETARY FOR THE TREASURY: Mr President, may I have your ruling as to whether this is in order according to Standing Order 18(1)(h)?

PRESIDENT: I think Dr CHEUNG was asking you for a further elucidation of your original answer as to whether certain activities are political or not for the advancement of education.

SECRETARY FOR THE TREASURY: Mr President, if I heard Dr CHEUNG's question correctly, his question was on the hypothetical situation where a student body is engaged in various sorts of activities.

PRESIDENT: Would you like to rephrase it, Dr CHEUNG?

DR ANTHONY CHEUNG (in Cantonese): *Mr President, my question is not hypothetical because the Secretary also used, in his reply, some hypothetical illustrations that organization of activities for promoting civic education and social awareness amongst students can be regarded as directed at achieving the purpose of "advancement of education". I simply want to follow up this point.*

PRESIDENT: Dr CHEUNG, please state the fact.

DR ANTHONY CHEUNG (in Cantonese): *If students express their views on specific social affairs as a way to show their concern for society, or organize June 4th memorial activities annually as a way to show their concern for society and the country, are these in line with the purpose of "advancement of education"?*

PRESIDENT: Was that a fact, as stated by you, for certain purposes? Can you cite one case in which the charity status is lost?

DR ANTHONY CHEUNG (in Cantonese): *Mr President, why am I asking this question? The university students' union which I have mentioned in my main question received a warning letter from the Inland Revenue Department because it organizes some June 4th memorial activities and its constitution states an objective of promotion of democracy and autonomy.*

PRESIDENT: I am afraid you are seeking the Secretary's answer on a hypothetical situation. Unless you know which case he is referring to, Secretary for the Treasury?

SECRETARY FOR THE TREASURY (in Cantonese): Mr President, according to section 4 of the Inland Revenue Ordinance, I cannot discuss the information of individual taxpayers.

MR ALBERT HO (in Cantonese): *Mr President, may I ask the Secretary to clarify what factors are taken into consideration in assessing whether the activities of an organization, an institution or a body are of a political nature or not? Dr CHEUNG has just cited a specific case where a student union participates in certain activities and mentions in its constitution the promotion of democracy and autonomy, with the result that it is regarded as of a political nature. If its constitution is amended to read compliance with the laws and the spirit of the "Basic Law", will it be regarded as of a political nature? Or if a body organizes activities in memory of May 4th instead of June 4th, will it be regarded as of a political nature? Mr President, if the answers of the Secretary for the Treasury are in the negative, then perhaps the criterion adopted by them is a political one and not a legal one?*

PRESIDENT: I am afraid that even if the question were not to be regarded as hypothetical, you are seeking an opinion from the Secretary for the Treasury as to what activities are not to be regarded as directed at advancing the charitable purpose for which the organization was established. I have to rule that out of order.

MR ALBERT HO (in Cantonese): *Mr President, in fact, I wish to ask the Government how they apply their policies. Are they adopting a political criterion instead of a legal criterion in differentiating various sorts of activities? Can the Secretary for the Treasury ensure that they are using a legal criterion?*

PRESIDENT: Secretary for the Treasury, please state the government policy.

SECRETARY FOR THE TREASURY (in Cantonese): Mr President, in considering whether a body making an application is a charitable one or not, the Inland Revenue Department applies the specific definition (of charitable trusts institutions) given by the British Court.

MR LEE CHEUK-YAN (in Cantonese): *Mr President, I would like to ask the Secretary whether any organization which was once defined as a charitable one can never participate in any political activities. Let me cite a specific example so that this will not be a hypothetical question. Everybody knows a coalition against a cut in neighbourhood level projects has launched a campaign recently with the participation of many social service agencies which are mostly charitable bodies. Then their lobbying with the Executive and Legislative Councils may also be regarded as political activities. May I ask specifically, does it mean that all the charitable bodies cannot participate in any political activities under the existing legislation?*

SECRETARY FOR THE TREASURY (in Cantonese): Mr President, any organization can participate in any activities as permitted by the law. But what we are talking about is a charitable organization to maintain its tax exemption status. Therefore, in answering Dr CHEUNG's question, part (c) of my main

reply has stated very clearly that for organizations to maintain their tax exemption status, they should only undertake activities which can reasonably be regarded as directed at advancing the charitable purpose for which it is established. In this circumstance, what matters is whether the activities of the organization itself are in line with, directly and mainly related to, the main purpose for which it was accepted as a charitable organization.

MR LEE WING-TAT (in Cantonese): *Mr President, can the Secretary for the Treasury elucidate further on "advancement of education" as mentioned in part (c) of his main reply? Does "advancement of education" include promotion of the Basic Law and May 4th memorial activities?*

PRESIDENT: June 4th or May 4th?

MR LEE WING-TAT (in Cantonese): *Mr President, including May 4th and June 4th memorial activities.*

SECRETARY FOR THE TREASURY (in Cantonese): Mr President, I have said very clearly in part (c) of my reply that generally speaking, the organization of activities for promoting civic education and social awareness amongst students can be regarded as for the purpose of "advancement of education". Of course, if we have queries about the purpose of individual activities, we will ask the concerned organization to provide more information.

PRESIDENT: Mr LEE Wing-tat, are you claiming that your question has not been answered?

MR LEE WING-TAT (in Cantonese): *Mr President, I think the Secretary for the Treasury has not answered my question. Rather specifically in my question I have asked the Secretary of the Treasury to elucidate whether the May 4th and June 4th memorial activities and the activities to promote Basic Law fall within the so-called "advancement of education" category?*

PRESIDENT: I think the question was answered. It is not the name of the activity. It is the purpose of the activity.

DR ANTHONY CHEUNG (in Cantonese): *Mr President, the Secretary for the Treasury seemed to evade making comments on specific activities. I wish to raise a question on policy issue. As the Secretary for the Treasury said in part (c) of his main reply, to undertake activities which can reasonably be regarded as for the purpose of "advancement of education" fall within the definition of charitable organization. I hope the Secretary will clarify again whether the activities for "advancement of education" include some political activities? This means that some political activities may be for the advancement of education and some may not. According to the existing criteria and policy how does the Government define what is reasonable?*

SECRETARY FOR THE TREASURY (in Cantonese): *Mr President, I am not trying to evade the questions. For each case, we cannot decide basing on a single activity whether the concerned organization can maintain its tax exemption status. Therefore, I cannot say which activity may or may not affect its tax exemption status. Before making a decision, we have to see whether the activities of the organization as a whole are reasonable in relation to the objectives of the organization.*

Tram Accidents

5. **MR CHAN WING-CHAN** asked (in Cantonese): *Recently, a number of traffic accidents involving trams have cast doubts about the reliability of trams of the Hong Kong Tramways Limited (HK Tramways) and the quality of its tram drivers. It is learnt that the HK Tramways provides training for their drivers and conduct tests on their driving skill, ability to handle emergencies and knowledge of traffic rules. In this connection, will the Government inform this Council:*

- (a) *whether the Government will consider introducing legislation requiring newly recruited tram drivers to be tested by the Transport Department on their driving skill so as to ensure that they are*

capable of handling emergencies, thereby protecting the safety of passengers and pedestrians; and

- (b) *how does the Electrical and Mechanical Services Department operate the monitoring system for the inspection and maintenance of trams, and whether consideration will be given to introducing a spot-check system for the HK Tramways similar to the one being applied to the three franchised bus companies?*

SECRETARY FOR TRANSPORT: Mr President, the occurrence of several tram accidents recently has understandably caused a degree of alarm. But, in perspective, the fact remains that tram accidents account for less than 1% of the annual number of accidents on our roads.

Section 38 (1)(e) of the Tramway Ordinance (Cap. 107) provides for the Governor in Council to make regulations for the licensing of tram drivers. However, no such regulations have been made. The Administration's view is that HK Tramways is in the best position to train and qualify its drivers. This approach is consistent with international practice for operators of transport modes running on fixed tracks.

What is important is that HK Tramways has a comprehensive training programme that provides drivers with the requisite skills covering road use, the handling of tram equipment, passenger safety, procedures in dealing with emergencies, and practical on-the-road training. At the end of the course, trainees are required to pass a written and a driving test.

In view of the recent incidents, the Company has decided to appoint a consultant to review and advise on its recruitment procedures and training programme. The Administration welcomes this initiative. The findings should be available in about three months' time and on which we will be consulted. Meanwhile, the Company will provide a dummy tram in the depot for practical fire drill and emergency practice during the initial and annual re-certification training of tram drivers.

HK Tramways is responsible for the maintenance and inspection of its tram cars. General functional checks are carried out on all tram cars daily before they leave the depot and also on their return. The Company has a well established preventive maintenance scheme under which various components of tram cars are regularly checked, replaced and maintained.

In addition to this programme, engineers from the Electrical and Mechanical Services Department carry out inspections on tram cars before giving approval for any modification or improvement works proposed by the Company. They also carry out investigations into tram accidents, making recommendations for any necessary remedial action and monitor their implementation. Although this system has worked satisfactorily, the Director of Electrical and Mechanical Services will, in conjunction with the Company, review the existing maintenance programme to determine whether the Tramway Regulations need to be strengthened to prescribe operational and maintenance requirements to further enhance safety.

MR CHAN WING-CHAN (in Cantonese): *Mr President, available information showed that HK Tramways had 150 trams in 1995, of which some 90 had major or minor traffic accidents. The percentage is about 75, that is 7.5 trams out of 10 trams had an accident. Such a high percentage causes our concern for the safety of the pedestrians, passengers and drivers themselves. This also shows that the trams are too obsolete. Will the Government consider imposing restrictions on the average age of the trams when it is time to renew the franchise of the Company?*

SECRETARY FOR TRANSPORT: Mr President, the exact number of tram cars is in fact 163 and on average there are over 2 500 trips every day. When it comes to accidents, if we consider the actual number *vis-a-vis* the size of the fleet, yes, it is very, very high. But having said that, our records show that the majority of accidents have not been caused by negligence on the part of tram drivers. For example, over 30% have been caused by pedestrians jay-walking, and other accidents have been attributed to other vehicles.

Having said that, obviously, it is important to ensure that the Tramways Company maintains a safe fleet and certainly, in ongoing discussions with the company, we will pursue the point suggested by the Honourable Member.

MRS MIRIAM LAU (in Cantonese): *Mr President, HK Tramways is within the jurisdiction of the Transport Department, but actually the input by the Transport Department in monitoring the operation of HK Tramways is even less than the*

input by the Electrical and Mechanical Services Department. Will the Secretary for Transport inform this Council whether the Transport Department would consider playing a more active role and taking an initiative, in conjunction with the Electrical and Mechanical Services Department and the company, to make regular reviews on the safety of trams and improve the drivers training programme?

SECRETARY FOR TRANSPORT: Mr President, the Honourable Member is quite correct. In comparison to other transport motors, input by the Transport Department in monitoring the operation of the Tramways Company is comparatively minor. Having said that, I think, again, we have got to recognize the size of the tram fleet *vis-a-vis* the size of the vehicle fleet which is nearly 500 000 if we include all types of vehicles. But the Honourable Member has made a very valid point and certainly I shall ask the Transport Department to see how their relationship with the company can be enhanced, and certainly the Government will take a more active interest in their training programme.

MR WONG WAI-YIN (in Cantonese): *Mr President, in the first part of the Secretary's main reply, he mentioned that HK Tramways has a well-established preventive maintenance scheme under which various components of tram cars are regularly check and replaced. In the Secretary's opinion, the monitoring system of the Electrical and Mechanical Services Department is satisfactory. There are over 150 trams in the fleet and the tram accidents (according to the Secretary's reply) account for 1% of the annual number of accidents on our roads. But a spate of five comparatively serious accidents involving trams have occurred in the past few months. If there has been a well-established operational and monitoring system as mentioned in the Secretary's reply and they were to the satisfaction of the Government, why would there be five rather serious accidents involving trams within such a short period of time?*

SECRETARY FOR TRANSPORT: Mr President, indeed there has been a spate of five accidents within about three or four weeks. But having said that, as I indicated in my main reply, it is perhaps unfair simply to focus on this very short period. If we look at the overall record of operations of HK Tramways, their performance is satisfactory. I have explained the current maintenance and inspection programme. As I have said, the Director of Electrical and

Mechanical Services will review this in conjunction with the senior management of HK Tramways.

MISS CHAN YUEN-HAN (in Cantonese): *Mr President, I am concerned over the fact that there are some 160 trams making over 2 500 trips every day and the rate of accidents on the tram tracks involving pedestrians amounts to 30%. How is the Government's monitoring over the trams going on? Anyway, the pedestrians were on our roads and they were injured because of the trams. Trams have made changes, for example, to their horns which no longer sounds "ding ding ding" but like those of motor cars now. How does the Government assess those changes in some old modes of transport?*

SECRETARY FOR TRANSPORT: Mr President, obviously, I am not in a position to give details regarding the specific accident to which the Honourable Member referred. But as a general rule and as part of our ongoing Road Safety Campaign, we do draw attention to the hazards of jay-walking and we shall continue to spread this message. Having said that, the Transport Department will continue to liaise with the Tramways Company to see how the publicity can be enhanced so as to minimize the scope for accidents.

DR JOHN TSE (in Cantonese): *Mr President, trams have a history of 92 years and many of their component parts are out of stock now. The Government sets different requirements for trams and other transport modes: buses require licensing by the Transport Department whereas, strictly speaking, trams do not require licensing and are only subject to the monitoring by the Electrical and Mechanical Services Department. Will the Secretary consider licensing trams; and if not, what are the reasons?*

SECRETARY FOR TRANSPORT: Mr President, the Administration does not propose to license trams. As I have explained in the main reply, trams operate on fixed tracks, they are not like the vehicle fleet and not everyone can obtain a tram licence. Given the nature of the operations and the size of the fleet, we do not think it is necessary. Mr President, the Administration does not believe that we should regulate simply for the sake of regulating.

MR IP KWOK-HIM (in Cantonese): *Mr President, the Secretary said in his main reply that tram accidents only account for less than 1% of the total number of traffic accidents in a year. But there have been many traffic accidents caused by trams recently and we are very concerned about this. It seemed that the principal problem lies in the repairs and maintenance of trams. Will the Secretary inform this Council whether HK Tramways will be asked to make some new trams because the existing 163 tramcars are very obsolete. Are there such plans; and if so, what is the progress?*

SECRETARY FOR TRANSPORT: Mr President, I hope I have not given the impression that because of the few number of accidents comparatively we should be complacent. Certainly not, we must take all possible steps to try and avoid accidents. As I indicated, the Tramways Company will be engaging a consultant and one of the aspects that the consultant will be asked to study pertains to the maintenance and the operation of the fleet. Certainly the age and the safety of tramcars will be one aspect of this consultancy. We will ask the Transport Department to draw these points to the Tramways Company so that they can pursue this. And, of course, as I said in my main reply, the Government will be consulted on the findings of the consultancy and we can certainly then pursue the need pertaining to the modernization, if necessary, of the tramcar fleet.

PRESIDENT: Mr IP Kwok-him, are you claiming that your question has not been answered?

MR IP KWOK-HIM (in Cantonese): *Yes.*

PRESIDENT: The Secretary has stated that the Tramways Company is going to engage a consultant to study your proposal.

MR IP KWOK-HIM (in Cantonese): *The Secretary has not answered the parts of my question on whether new tramcars would be made and on the progress of such programme, if there is any.*

SECRETARY FOR TRANSPORT: Mr President, I do not have details of that. I shall try and find out and provide the Honourable Member with a written response. (Annex)

MR CHAN WING-CHAN (in Cantonese): *Mr President, the Secretary has not answered my question fully. I asked whether the Government would consider imposing restriction on the average age of the trams when it is time to renew the franchise because the existing trams have already been very obsolete?*

SECRETARY FOR TRANSPORT: Mr President, I did indicate that one of the key considerations is to ensure that the fleet is safe and in this respect, of course when it comes to franchise negotiations, we will want to ensure that the company has a fleet which meets present day requirements.

Pathogen Infection

6. **MR CHAN KAM-LAM** asked (in Cantonese): *Will the Government inform this Council:*

- (a) *of the number of patients and health care personnel who have become infected with pathogenic bacteria in public hospitals, Government clinics and private hospitals respectively in the past three years; and through what channels have they become so infected;*
- (b) *whether any patients have died of complications resulting from pathogen infection in the past three years;*
- (c) *whether the Government has drawn up any procedures governing the cleansing and sterilizing of medical equipment frequently used by patients such as oxygen masks and ureters;*
- (d) *whether other measures will be adopted to reduce the chance of patients and health care personnel becoming infected with pathogenic bacteria; and*
- (e) *whether, in regard to hospitals and clinics which are situated in the neighbourhood of residential areas, the Government has adopted*

measures to prevent pathogenic bacteria spreading in the air so as to ensure that the health of the residents will not be affected?

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Mr President, the data requested by the Honourable Member in parts (a) and (b) of the question are not available. However, a study conducted earlier by the Hospital Authority indicated that the prevalence rate of hospital acquired infections in Hong Kong is about 7%. This compares favourably with some developed countries with a rate of up to 10%.

The vast majority of all hospital acquired infections are inflicted by organisms from the patients' own bacterial flora. The principal cause of these infections is the weak immune system of patients while undergoing medical treatment.

As for health care personnel, they have relatively stronger bodily defences compared with patients and are thus less prone to hospital acquired infections. Nevertheless, measures have been taken to reduce their occupational hazards through infection control programmes, regular staff education seminars and protocol or procedures for handling patients with communicable diseases.

The Hospital Authority has promulgated a set of guidelines on proper procedures for the disinfection of all medical devices and equipment. Infection control committees are set up in all public hospitals to co-ordinate action in reducing hospital acquired infections. Furthermore, private hospitals are required to follow the "Guide to Hospital Standards" issued by the Department of Health providing for development and review of policies and procedures on infection control.

Bacteria that can stay in the air and spread from person to person by air are rare. The chances of people contracting communicable diseases from patients attending public or private clinics for treatment are no higher than that through ordinary exposure in the community. There is thus no question of potential risk to residential areas in the neighbourhood of medical facilities.

MR CHAN KAM-LAM (in Cantonese): *Mr President, the Secretary's reply is rather vague. Though we see that the Government has taken some measures to*

prevent patients from being infected with pathogenic bacteria, we also see that 7% of the patients in Hong Kong have become infected. Therefore, will the Secretary inform this Council whether the Government would conduct study and analysis to find out the channel through which the patients have become infected and the common types of bacteria, so as to prevent, eradicate and reduce hospital acquired infections?

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Mr President, as I have said in detail in my main reply, the rate of hospital acquired infections is very low, that is 7%, and is equivalent to or even lower than that in some developed countries. In these few cases, we know that the infections were caused by organisms from the patients' own bacteria flora. As the patients were infected because of their illness, treatment for individual cases had to be decided by the doctors and could not be generalized.

MR MICHAEL HO (in Cantonese): *Mr President, the last part of the Secretary's main reply mentioned how bacteria spread and pointed out that spreading by air was very rare. But the reply did not tell us how the common types of bacteria spread. For example, most bacteria spread through sex, wound and blood, which means that generally people will not become infected (if basically they do not lead a loose life). Will the Government inform us how to correct some wrong concepts which many members of the public or members of councils at different tiers so that they have a clearer understanding that hospitals, clinics or homes for the aged are not dirty places likely to cause infections and thus will not object to the setting-up of these facilities out of ignorance?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Mr President, as regards a proper understanding of how bacteria spread and how infections were caught, the Department of Health and the Hospital Authority regularly hold many talks, organize publicity programmes and publish many pamphlets to provide a lot of information. As I have just pointed out in my main reply, most of the bacteria do not spread by air. I believe every district in the territory has clear understanding. If there is any misunderstanding anywhere in this respect, the Department of Health is prepared to organize some courses or special talks to explain individual cases and types of bacteria. We have also produced many

short films and publications to imbue the public with correct knowledge of individual illness.

DR JOHN TSE (in Cantonese): *Mr President, there have been many discrimination cases in Hong Kong recently. For example, some residents of Richland Garden in Kowloon Bay have objected to the building of a polyclinic and some residents of Saddle Ridge Garden in Sha Tin have objected to the building of a secondary practical school.*

PRESIDENT: It is out of order.

DR JOHN TSE (in Cantonese): *Would the Government inform us whether a type of bacteria is being discriminated against and whether it would spread in the air, as said in part (e) of the question, to the residents nearby and even to the Legislative Council.*

PRESIDENT: In your good humour, Secretary?

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): I hope this type of bacteria will not spread in this Chamber of the Legislative Council.

MR LAW CHI-KWONG (in Cantonese): *Mr President, somebody says that AIDS will spread in the air as an excuse to discriminate against AIDS patients. Will the Secretary give us a definite answer that AIDS will not spread by air?*

SECRETARY FOR HEALTH AND WELFARE (in Cantonese): Mr President, I can assure you that AIDS will not spread by air.

MR CHAN KAM-LAM (in Cantonese): *Mr President, I am not asking a question. It seems to me that Dr the Honourable John TSE has alleged that we are discriminating against patients. But I think you, Mr President, can see that my question made no suggestion of this.*

PRESIDENT: I had ruled the question out of order. But I let the Secretary answer in her good humour.

WRITTEN ANSWERS TO QUESTIONS

River Training Projects in North District

7. **MR CHEUNG HON-CHUNG** asked (in Chinese): *It is learnt that the river training project in the North District will involve the resumption of approximately 10 000 private lots, and that there is a lack of sufficient manpower resources in the District Lands Offices, North to handle the resumption work. In this regard, will the Government inform this Council of the following:*

- (a) *whether Government will provide more manpower to the District Lands Office to handle the land resumption work mentioned above; if so, how many additional posts will be created; and*
- (b) *if the answer to (a) is in the negative, whether the existing manpower resources in the District Lands Office will be re-deployed to undertake the resumption work; if so, whether such a deployment will affect the normal work of the District Lands Office?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) The various river training projects in North District require the resumption and clearance of around 465 hectares of private and government land. 38 additional posts have been approved and a

special team set up in the District Lands Office to undertake the task. An interdepartmental steering group is also looking at ways to further speed up land acquisition.

- (b) Internal staff redeployment in the North District Lands Office has already taken place without affecting other normal duties of the office.

Restricted Use of Wanchai District Court Elevators

8. **MR ANDREW CHENG** asked (in Chinese): *It was reported that the defendant of a case heard in the Wan Chai District Court sometime ago left the court building by using the elevator reserved for the exclusive use of judges and court staff in order to circumvent interviews and photo-taking by the press. In this connection, will the Government inform this Council of the following:*

- (a) *whether there are any regulations prohibiting members of the public from using such elevators; if so, what the details are, and how the defendant mentioned above was able to use the elevator in question;*
- (b) *what follow-up action will be taken by the Government to prevent the recurrence of similar incidents; and*
- (c) *if the answer to (a) is in the negative, whether it will consider formulating regulations to prohibit the public from using such elevators; and if so, when will such regulations be implemented?*

CHIEF SECRETARY: Mr President, the elevators reserved for the use by Judges and Judiciary staff are located within the restricted areas of the Wan Chai Law Court Building. Only authorized persons are allowed access to the restricted areas through electronically-controlled doors. These are administrative arrangements made by the Judiciary. No regulations apply, nor are any considered necessary.

In the case referred to by the Honourable Member, the Judiciary was not able to ascertain exactly how the defendant entered the restricted areas.

In the light of the reported incident, the Judiciary has stepped up security measures in the Wan Chai Law Court Building to ensure that only authorized persons are allowed access to the restricted areas.

Development of Ambulance Services

9. **MRS ELIZABETH WONG** asked: *Will the Government inform this Council what is the policy on the development of ambulance service in the territory?*

SECRETARY FOR SECURITY: Mr President, the Government's policy on the development of ambulance service is based mainly on the conclusions of two consultancy studies, carried out in 1986 and 1995 respectively.

Stemming from the recommendations of the 1986 consultancy study, the following main policy guidelines were established:

- (i) a 10-minute travel time target, within which 95% of emergency calls should be answered, should be adopted throughout the territory;
- (ii) ambulance depots should continue to be built in strategic locations, with temporary use of fire stations to station ambulances;
- (iii) non-emergency calls should be responded to as soon as practicable without jeopardizing the resources for responding to emergency calls, which must be accorded higher priority;
- (iv) the quality of pre-hospital care to patients should be improved by expanding the existing paramedic ambulance service on a phased basis; and
- (v) the Fire Service Communication Centre (FSCC) should ensure effective mobilizing and control of ambulance resources and should provide operational information on ambulance services.

The delivery of ambulance services was reviewed by a consultancy study in 1995. The Executive Summary of this consultancy study was circulated to Honourable Members on 13 November 1995. A list of the various recommendations are annexed.

Our current efforts in developing the ambulance service are concentrated in three areas:

- (a) to hive off the remaining non-emergency ambulance services. The Hospital Authority completed taking over all its non-emergency services in October 1995. We are now pursuing the hiving off of the remaining non-emergency caseload, so that the Ambulance Command of the Fire Services Department may focus its resources on emergency ambulance services;
- (b) to achieve efficiency improvements in the short term, through a better distribution of ambulance stations, more effective deployment of personnel and similar management initiatives; and
- (c) to seek the additional resources necessary to improve the ambulance services' performance so that we can meet our travel time target on a regular basis.

Annex

Measures recommended by the 1995 Consultancy Study

Short-term Measures

- (a) To station ambulances in fire stations in addition to ambulance depots to extend emergency ambulance cover. The fire stations involved include North Point, Kotewall Road, Ap Lei Chau, Kwai Chung, Sheung Shui and Sha Tau Kok.
- (b) To redeploy ambulances and their crews from stations with relatively adequate manning to those where manning is inadequate to meet local demand.
- (c) To streamline the operational procedures for ambulance deployments to achieve more effective mobilization.

- (d) To transfer the residual non-emergency cases to another agency to enable FSD to better concentrate on its delivery of emergency ambulance services.
- (e) To include the performance of ambulance aid motorcycles, which provide life-saving first aid before an ambulance reaches the scene, in the calculation of emergency ambulance performance.

Long-term Measures

- (a) To provide an additional 31 ambulances and crew and 10 ambulance aid motorcycles, identified as necessary to meet the 95% performance target.
- (b) To adopt a new establishment manning formula that will allow for relief for staff absences, including training, leave and sickness.
- (c) To plan for new ambulance depots at North Point, Sheung Wan, Kwai Chung and Kowloon Tong.
- (d) To extend paramedic services, which are currently provided in up to 13% of the total ambulance fleet, to all ambulances and AAMCs.

Smithfield Terrace Slope Maintenance

10. **MR IP KWOK-HIM** asked (in Chinese): *It is reported that the maintenance works to the slope at Smithfield Terrace in Kennedy Town have been delayed due to a dispute over the question of who is responsible for the maintenance of the slope. This has led to the issuance of a Repair Order by the Buildings Department, and the banks have refused to offer mortgage loans for flats of this building and this has affected the interests of the flat owners. In this connection, will the Government inform this Council:*

- (a) *of the present number of flats in private buildings which are in a similar situation, as well as the geographical distribution of these buildings; and*

- (b) *whether it will consider adopting measures requiring property developers to complete slope remedial works within a specified time after the receipt of a Repair Order, so as to minimize the inconvenience caused to property owners?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) The Buildings Department does not compile statistics on the number of flats affected by its repair orders relating to slope maintenance/repair. Given the large number of repair orders issued, it is also not practicable to extract the number from records. Nevertheless, the numbers of outstanding orders in each district are as follows:

<i>District</i>	<i>Number of Outstanding Orders</i>
Central and Western	52
Wan Chai	32
Eastern	16
Southern	19
Islands	12
Kowloon City	2
Kwun Tong	1
Sai Kung	5
Tsuen Wan	10
Tuen Mun	2
Wong Tai Sin	1
Sha Tin	8
Kwai Tsing	1

Total:	161

There are no outstanding repair orders relating to slope maintenance/repair in four districts, that is, Yuen Long, Sham Shui Po, Yau Tsim Mong and the North District.

- (b) The duty to maintain private slopes rests with the owners. As

regards public slopes, the duty generally rests with the Government, although sometimes the relevant lease conditions impose the duty on owners of adjoining lots.

The Buildings Department always specifies a time limit in its repair orders within which the concerned owners shall complete the remedial works. The time limit given will depend on the scale and complexity of works involved.

Paper Cutter Criminals

11. **MRS SELINA CHOW** asked: *In regard to the recent trend of criminals using paper cutters to commit crimes, will the Government inform this Council of the following:*

- (a) *whether any measures will be taken to combat this problem; and*
- (b) *whether there is any loophole in the law which could be plugged in order to prevent such crimes?*

SECRETARY FOR SECURITY: Mr President,

- (a) We do not keep separate statistics on crimes involving the use of paper cutters. However, they are grouped under the category crimes involving the use of "razor blades". Honourable Members may wish to note that while the number of reported cases of robbery committed using razor blades has increased from 253 in 1993 to 336 in 1994, it actually decreased to 293 in 1995. These in any case represent a small proportion of the total number of reported cases of robbery involving the use of different kinds of weapon; viz 3.6% for 1993, 5.4% in 1994 and 5.3% in 1995. In addition, the total number of reported cases of robbery has also declined by 21% between 1993 and 1995.

Police officers on frontline operational duties are regularly briefed on the latest trends in crimes, including the types of weapon used, so that special attention can be given to suspects in possession of these

weapons.

- (b) Under section 17 of the Summary Offences Ordinance (Cap. 228), any person who has in his possession any offensive weapon or other instrument fit for unlawful purpose, with intent to use the same for any unlawful purposes, shall be liable to a fine of \$5,000 or to imprisonment for two years.

In addition, section 33 of the Public Order Ordinance (Cap. 245), provides that any person who, without lawful authority or reasonable excuse, has with him in any public place any article made or adapted for use, or suitable, for causing injury to the person, shall be liable to imprisonment for three years.

Although the possession of a paper cutter is not an offence *per se*, the criminal who has in his possession a paper cutter and intend to use it to commit crime will be arrested and prosecuted. The criminal intent can be proved from the prevailing circumstances, such as the nature and condition of the article, the time, the place, what legitimate use it might have at such a time and in such a place, and the reaction of the person when approached by the police and so on. Thus, during the last three years, a total of 273 persons were successfully prosecuted for illegal possession of razor blades (including paper cutters).

These provisions give adequate powers to the police to tackle the problem of using paper cutters for committing crimes.

Rate of Return of Fiscal Reserves

12. **DR HUANG CHEN-YA** asked (in Chinese): *It is learnt that the fiscal reserves of the Government are deposited with the Exchange Fund and banks to earn interest. In this connection, will the Government inform this Council:*

- (a) *of the amount of fiscal reserves deposited with the Exchange Fund, the amount of interest earned and the rate of return in each of the*

past three financial years, as well as the basis and justifications for determining the rate of return; and

- (b) *if the rate of return of fiscal reserves deposited with the Exchange Fund given in the answer to (a) is different from the rate of return of the Exchange Fund itself in the corresponding periods, what are the reasons for the differences?*

SECRETARY FOR FINANCIAL SERVICES: Mr President,

- (a) The amount of fiscal reserves deposited with the Exchange Fund, the amount of interest earned and the rate of return in each of the past three years are set out in the following table:

<i>Year</i> ⁽¹⁾	<i>Fiscal reserves placed with the Exchange Fund at the end of the year HK\$million</i>	<i>Interest earned HK\$million</i>	<i>Rate of return (per annum)</i>
1993	115,683	3,845	3.63%
1994	131,240	5,330	4.32%
1995	125,916	7,436	5.78%

- (1) The Exchange Fund uses calendar year accounting periods. To facilitate direct comparison between the Exchange Fund and the fiscal reserves, the data provided are on the basis of the Exchange Fund's financial years.

The rate of return is the percentage calculated by dividing the interest earned in the year by the average fiscal reserves placed during the year, that is, opening balance plus closing balance divided by two.

The yields on the placement of the fiscal reserves with the Exchange Fund are determined by reference to the corresponding yields of Exchange Fund Bills (for placements not exceeding 12 months) and United States Treasury Notes (for placements over 12 months).

Investment of the fiscal reserves is guided by the following principles:

- (i) the Government's fiscal reserves should, as far as possible, be made immune from exchange rate and other risks;
- (ii) the availability of funds to enable the Government to effect timely payment must not be placed in jeopardy; and
- (iii) within these constraints, the Government should through the Exchange Fund seek to obtain the best possible yield on its investment.

The above arrangement ensures that the Government is able to meet its liquidity requirements and to insulate the fiscal reserves from the various investment risks that would otherwise have to be assumed if they were directly invested in financial assets.

- (b) The rates of return of fiscal reserves deposited with the Exchange Fund as shown in the last column of the table at (a) above differ from the rates of return of the Exchange Fund in the corresponding periods. The Exchange Fund's figures for 1993 and 1994 are 6.80% and 0.28% respectively. The year end figure for 1995 is not yet available.

The major reason accounting for the difference is that while the rates of return of fiscal reserves are affected by the prevailing interest rates which are determined at the time of placement, the corresponding rates of return of the Exchange Fund are affected by a host of other factors, for example, currency fluctuations, movements in interest rates and prices of bonds and equities. Unlike the fiscal reserves, the Exchange Fund needs to assume investment risks through exposure to different financial assets in various currency markets.

Embezzlement or Theft Losses Suffered by Post Office

13. **MR FRED LI** asked (in Chinese): *It is learnt that during the period from*

1992 to 1993, the losses suffered by the Post Office as a result of embezzlement or theft amounted to some \$400,000. In this connection, will the Government inform this Council of the following:

- (a) how the Post Office deals with losses arising from embezzlement or theft since it has started to operate on a trading fund basis in August last year;*
- (b) whether consumers will be required to bear the losses referred to in (a) above; and*
- (c) what measures the Government will adopt to prevent theft in the Post Office?*

SECRETARY FOR ECONOMIC SERVICES: Mr President,

- (a) Since the Post Office changed to trading fund operation in August 1995, there has not been any loss arising from embezzlement or theft. As a general rule, losses arising from embezzlement or theft, if proven to be irrecoverable, are written off in the accounts. A civil servant, whether in a vote-funded department or a trading fund, is subject to the standard government surcharge provision and will be held liable for any losses caused by mismanagement.
- (b) Since the Post Office has not suffered any loss after the change to trading fund, the question of consumers bearing losses does not arise. Whereas it is the standard procedure to write off any irrecoverable loss, the amount involved, even by taking the 1992-93 losses as an example, would have negligible effects on the costs of services. In that year, the losses of \$400,000 represented 0.016% of the total service costs of \$2,475 million.
- (c) The Post Office has taken the following measures to prevent theft:
 - (i) For stamp vending machines installed at the frontage of post

offices, additional bolts and locks have been installed after the 1993 incident. Furthermore, the police have offered assistance by alerting policemen on beat patrols to pay closer attention to the machines after office hours.

- (ii) As to control measures to safeguard the security of cash and valuables held under the custody of the staff, after the 1992 incident, additional monitoring procedures have been introduced to help detect possible irregularities, including daily checks on sales revenue by a centralized accounts office at the Post Office Headquarters. Furthermore, a review of the overnight cash holding limit for each branch post office has been conducted and the limits have been adjusted downwards to minimize risk.
- (iii) As regards prevention of burglary, after the 1992 incident, on the advice of the Crime Prevention Bureau of the police, additional security measures, including installation of security alarm systems and roller shutters at external doors of post offices, have been introduced.

Education of "Gifted" Children

14. **DR JOHN TSE** asked (in Chinese): *Regarding the education of "gifted" children, will the Government inform this Council:*

- (a) *whether the Government has any knowledge of the number of gifted children in other countries; and if so, how do these figures compare with that in the territory; if there are significant differences, whether the Government is aware of the reasons;*
- (b) *what resources and facilities have been provided by the Government in the identification and assessment of gifted children; whether there are sufficient professional staff to undertake this task, what problems have been encountered and what long-term strategies have been adopted by the Government for making improvements;*

- (c) *whether the Government has provided pre-service and on-the-job training to teachers in the education of gifted children; if so, how many serving teachers have received such training;*
- (d) *what kind of curricula and supplementary resources have been provided by the Government for gifted children; and*
- (e) *whether the Government has any plan to conduct an overall review on the effectiveness of the education currently provided for gifted students, what difficulties have been encountered in the implementation of the existing plan for the education of gifted children, and whether the Government has any long-term strategy for making improvements?*

SECRETARY FOR EDUCATION AND MANPOWER: Mr President,

- (a) Academically gifted children, as referred to in Education Commission Report No. 4, are those who show exceptional achievement or potential in one or more of the following areas:
 - (i) high level of intelligence, as measured on standardized intelligence tests;
 - (ii) specific academic aptitude in one or more subject areas; or
 - (iii) high ability in creative thinking.

To ascertain the number of academically gifted pupils in Hong Kong, the Education Department commissioned a study on a sample of 81 primary schools by a team of researchers from the University of Hong Kong, the Chinese University of Hong Kong and the Hong Kong Polytechnic University between 1992 and 1995. The initial findings of the study revealed that around 1 240 pupils or about 2% of the pupils in these schools could be classified as academically gifted. This is in line with the percentage of academically gifted pupils identified in other developed countries. On this basis, we

estimate that there are some 20 000 academically gifted pupils aged between six to 18 in Hong Kong.

(b) In the past three years, the research team conducted studies on suitable assessment tools for the identification and assessment of academically gifted pupils. On the basis of these studies, the research team recommended the following assessment tools:

- a behavioural rating scale for completion by parents;
- a behavioural rating scale for completion by teachers;
- the Hong Kong Attainment Tests on the three basic subjects, that is, Chinese, English and Mathematics;
- the Hong Kong Wechsler Intelligence Scale for Children or equivalent standardized intelligence tests administered by psychologists; and
- the Hong Kong Torrance Tests of Creativity administered by psychologists.

Academically gifted children were identified through behavioural rating scales completed by teachers and parents who had received the required training from the research team. These children were then assessed by the team's psychologists or personnel with training in assessment and interpretation of test findings. No problem was encountered in the assessment process.

(c) Of the 81 schools which had participated in the research study referred to in paragraph (a) above, 19 volunteered to participate in a three-year Pilot School-based Programme for Academically Gifted Children commencing in September 1994.

Training in gifted education has been provided to teachers of these 19 schools by the Education Department (details at Annex).

Educational psychologists of the Education Department also make regular visits to the schools in the pilot project to give the teachers the necessary support.

There is no formal pre-service teacher training programmes on gifted education. The Education Department has made suggestions to teacher education institutions to include gifted education as one component in their teacher training courses. Nevertheless, the Department of Education of the University of Hong Kong has incorporated gifted education in its in-service teacher training programme. In 1994-95 and 1995-96, the School of Continuing Education of the Hong Kong Baptist University conducted two training courses on "Identifying and Helping Gifted Children", each attended by 25 teachers.

- (d) For the 19 schools which have participated in the pilot project, they provide the academically gifted children with enrichment or extended learning programmes to supplement their normal curriculum. Such programmes take the form of:
 - (i) additional learning materials and exercises given by the teachers of the schools; and/or
 - (ii) additional courses or programmes conducted at the Fung Hon Chu Centre for the Gifted Children established in July 1995.

Regarding (i) : the school teachers from the 19 schools are responsible for the extra learning intended for the children concerned.

Regarding (ii) : the teachers at the Centre are responsible for extra learning that will take place when the gifted children from the 19 schools are brought together to attend courses or programmes.

The additional learning resultant from (i) and (ii) is complementary to each other.

- (e) The Education Department will conduct a review in 1996-97, when the pilot project is completed and the outcome more clearly identified and measured. The review will focus on the effect of the support programmes provided to students, parents and teachers. The improvements in the students and the attitudinal change in parents and teachers will be assessed. Improvements to, and extension of the programme including its mode of delivery as well as the long-term strategies for its development will be considered in the light of the findings from the review.

Annex

Training provided for school heads and teachers on Gifted Education

<i>Topic</i>	<i>Number of Participants</i>	<i>Dates (Duration)</i>
Seminar for school heads to brief on the plan of Pilot School-based Programme for Academically Gifted Children	80 school heads	14.5.94 (1 day)
Teacher Training Workshop I	45 teachers	11.7.94 - 20.7.94 (9 days)
Teacher Training Workshop II	45 teachers	12.12.94 - 15.12.94 (4 days)
Two repeated video seminars on teaching strategies - "Challenging the Gifted in Regular Classroom"	60 teachers	25.3.95 and 1.4.95 (1 day)
11th World Conference on the Gifted	29 teachers	31.7.95 - 4.8.95

and Talented		(5 days)
Seminar on assessment and teaching of creativity by consultants from Taiwan	200 teachers	19.12.95 - 20.12.95 (2 days)
Workshops on the teaching of English: teaching to multiple intelligence, whole language strategies, performance-based teaching and testing, creative rhythms, learning centres.	50 teachers	5.1.96 and 6.1.96 (2 days)
Experience sharing session with school heads	12 school heads and 2 teachers	1.12.95 (halfday)

<i>Topic</i>	<i>Number of Participants</i>	<i>Dates (Duration)</i>
Seminar on identification, enrichment programmes, and programme evaluation by consultants from United States	200 teachers	8.1.96 - 10.1.96 (3 days)

British Parliament Resolution on Speeches of Members

15. **MISS EMILY LAU** asked (in Chinese): *It is reported that the British Parliament has passed a resolution prohibiting Members of Parliament (MPs) who have paid visits to foreign countries at the sponsorship of their governments from speaking in the Parliament on matters concerning those countries. In this connection, will the Government inform this Council:*

- (a) *whether it has any information about the content of the resolution; if so, what are the details;*
- (b) *whether it will assess the impact of the resolution on the territory and review the current practice of sponsoring MP's visits to the*

territory; and

- (c) *of the total number of MPs who have visited the territory in the past three years at the invitation of the Hong Kong Government and the total expenditure incurred on such sponsored visits?*

SECRETARY FOR HOME AFFAIRS: Mr President,

- (a) A United Kingdom Parliamentary Committee chaired by Lord NOLAN published recommendations in May 1995 relating to disclosures of interests and the holding of consultancies by MPs. These recommendations were considered by the House of Commons Select Committee on Standards in Public Life. A new Select Committee was subsequently set up called the Select Committee on Standards and Privileges which proposed the post of Parliamentary Commissioner of Standards. The Commissioner is now considering the recommendations including the issue of paid visits to foreign countries. No decision has yet been taken.
- (b) The practice of sponsoring British MPs to visit Hong Kong will be reviewed in the light of any decisions reached by the House of Commons.
- (c) The information is set out below.

	<i>1993-94</i>	<i>1994-95</i>	<i>1995-96</i> <i>(up to end Jan 96)</i>
Fully-sponsored Visits by United Kingdom MPs	16	15	15
Partially-sponsored Visits by United Kingdom MPs	6	11	8
Programme-only Visits	5*	7(11)*	3(4)*

arranged for United
Kingdom MPs

Total Expenditure (in HK\$)	0.79m	0.78m	0.88m
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- * Figures outside the brackets denote the number of delegations; figures inside indicate the number of individual visitors.

Staffing of Family Service Centres

16. **MR WONG WAI-YIN** asked (in Chinese): *Regarding the staffing situation in the Social Welfare Department's family service centres, will the Government inform this Council:*

- (a) *of the population and its annual growth rate in each of the districts covered by the respective District Social Welfare Office in each of the past three years, as well as the staffing situation and the number of cases handled in the family service centres in each District Social Welfare Office in the corresponding periods;*
- (b) *of the number of cases each caseworker is required to handle according to the approved manning ratio, and the average number of cases handled by each caseworker at present;*
- (c) *of the number of District Social Welfare Offices where the average number of cases handled by each caseworker has exceeded the ratio mentioned in (b) above;*
- (d) *whether the Government has assessed if an excessive workload will affect the quality of the service of caseworkers; and*
- (e) *whether the Government will consider providing more manpower in order to reduce the workload of caseworkers; if so, when will this be*

put into effect and how the Government will determine the criteria for providing more manpower; if not, why not?

SECRETARY FOR HEALTH AND WELFARE: Mr President,

- (a) Annex I shows the population in each of the districts served by the 13 District Social Welfare Offices of the Social Welfare Department (SWD) as at end of March 1993, 1994 and 1995, and the year-on-year growth rates. Annex II shows the caseload and the number of caseworkers in the Family Services Centres (FSCs) under each District Social Welfare Office as at the end of December of the corresponding years.
- (b) A manning ratio of 1 caseworker : 70 cases was set in the *1991 White Paper on Social Welfare into the 1990s and Beyond*. As at the end of 1995, each caseworker was handling an average number of 71 cases.
- (c) As at the end of 1995, there were seven District Social Welfare Offices where the average number of cases handled by each caseworker had exceeded the ratio mentioned in (b) above.
- (d) Excessive workload will obviously affect the quality of service provided by caseworkers. While efforts are being made to provide more caseworkers to reduce the caseload per worker, measures have been introduced to help maintain the service standard. These include the strengthening of staff supervision, close monitoring of case management, streamlining of administrative procedures, enhanced skills training for caseworkers and the provision of additional family support services such as family aide and clinical psychology services.

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- (e) We are committed to meeting the increase in demand for family casework services without reducing the quality of service provided to individuals and families in need. In 1995-96, 103 additional caseworkers have so far been provided in FSCs of SWD. 26 more caseworkers will be provided by the end of this financial year. Subject to the approval of the Legislative Council, we will be proposing that resources should be provided to increase the manpower in 1996-97 by providing an additional 49 caseworkers. With these improvements, the caseload per worker is expected to reduce to an average number of 68 cases.

Disposal of Central Market Site

17. **MR MOK YING-FAN** asked (in Chinese): *It is reported that the Planning, Environment and Lands Branch intends to change the land use of the Central Market site and then put the site up for sale by auction. In this connection, will the Government inform this Council:*

- (a) *Whether it will consult the Urban Council, the Town Planning Board, relevant local bodies and the public before making a decision on the matter; and*
- (b) *of the specific plan and the timetable for the auction?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President, the possible redevelopment of the Central Market site has been considered from time to time during the last 20 years or so. There is as yet no firm plan or timing for this to be done. More studies would need to be carried out before the proposal can be drawn up. When this is available, the Administration will consult the Urban Council, Town Planning Board, District Board on the specific proposals, as well as the public through amendments to the Outline Zoning Plan.

Noise Nuisance to Choi Yuen Estate

18. **MR CHEUNG HON-CHUNG** asked (in Chinese): *In view of the noise nuisance problem caused to residents in Choi Yuen Estate as a result of the opening of the border for 24-hour traffic, will the Government inform this Council:*

- (a) *of any short-term and long-term measures to tackle the noise nuisance problem mentioned above; and*
- (b) *whether it will, in the planning of any new project, take into consideration any noise nuisance problem which may arise and draw up comprehensive preventive measures before the implementation of the project?*

SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS: Mr President,

- (a) Before the 24-hour opening of the Lok Ma Chau border road crossing from 3 November 1994, the following noise mitigation measures had been put in place as recommended by consultants:
 - (i) laying of a noise reduction friction course along the New Territories Circular Road near Choi Yuen Estate;
 - (ii) installation of a noise barrier on the side of the flyover facing Choi Yuen Estate;
 - (iii) installation of noise barriers on San Sam Road; and
 - (iv) installation of noise barriers on the section of New Territories Circular Road near Chuk Yuen Tsuen.

These measures have brought about a noise reduction.

To address the longer-term problem, a second consultancy study was carried out in 1995. A series of further measures including, for example, the paving of noise reduction surface layer, erection of noise barriers, noise canopies and noise enclosures at certain location, were examined by the consultants. Their report is nearing completion.

- (b) Since 1992, all public projects have been required to carry out Environmental Impact Assessments to ensure that potential environmental problems, including noise nuisance, are identified and that comprehensive prevention and mitigation measures are implemented. The Environmental Impact Assessment Bill, which was gazetted on 19 January 1996, will make such arrangements statutory and provide for the enforcement of preventive measures through an Environmental Permit.

Mental Patients' Rights under Patients' Charter

19. **MRS ELIZABETH WONG** asked: *Will the Government inform this Council whether mental patients have the same rights as any other patients under the Patients' Charter; if so, what are these rights; if not, why not?*

SECRETARY FOR HEALTH AND WELFARE: Mr President, the Patients' Charter promulgated by the Hospital Authority makes no distinction between different types of patients. All patients of Hong Kong's public hospitals are entitled to the rights as set out in the Patients' Charter, and mental patients are no different.

The rights enjoyed by all patients, including mental patients, include the right to receive medical advice and treatment which fully meets the currently accepted standards of care and quality; the right to information about what health care services are available and what charges are involved; the right to be given a clear description of the medical condition with diagnosis, prognosis and treatment including common risks and appropriate alternatives; the right to know the names of any medication to be prescribed, its normal action and potential side-effects; the right to accept or refuse any medication, investigation or treatment and to be informed of the likely consequences of doing so; the right to a second medical opinion; the right of access to medical information relating to the condition and proposed treatment, and to have such information kept confidential; the right to make a complaint through the appropriate channels and to have the complaint dealt with properly and fairly; the right to choose whether or not to take part in medical research programmes.

The Mental Health Ordinance confers further rights on mental patients by regulating their reception, detention and treatment. An application to a District Judge or magistrate for the detention of a patient in a mental hospital for observation shall be founded on the written opinion of a registered medical practitioner who has examined the patient, and the patient shall have the right to see the District Judge or magistrate prior to their determination on whether to approve the application. A mental patient can only be detained in a mental hospital for observation, investigation and treatment upon certification by two registered medical practitioners and a District Judge.

Furthermore, an application may be made to the Mental Health Review Tribunal for the case of any mental patient to be examined after 12 months of detention in a mental institution. If the person or his relative does not exercise this right to apply to the Tribunal 12 months after the right first became available to him, the officer in charge at the mental institution shall, at the expiration of the period for making the application, refer the patient's case to the Tribunal.

Gambling among Prisoners

20. **MR IP KWOK-HIM** asked (in Chinese): *Will the Government inform this Council:*

- (a) *whether gambling among prisoners is widespread in prisons, if so, what forms of gambling prisoners indulge in and whether such gambling activities have created any difficulties for the Correctional Services Department (CSD) in managing the prisons; and*
- (b) *what measures the CSD is planning to take to curb gambling activities in prisons?*

SECRETARY FOR SECURITY: Mr President,

- (a) Gambling in prisons takes various forms, such as betting on horses, playing self-made cards and self-made *pai kau* and is usually conducted amongst long-term prisoners. Gambling sometimes gives rise to disputes between prisoners, particularly over debts. These disputes undermine discipline and order in prisons and pose management problems, such as when indebted prisoners seek protection from the management from their creditors, refuse to work or refuse to return to accommodation which they share with their creditors.
- (b) Because of the potential problems gambling by prisoners can cause, the CSD is determined to keep the problem under control. As with other discipline problems in prisons, the Department adjusts its priority in accordance with the prevalence of the problem. Activities have been stepped up to combat gambling by prisoners in

response to the rise in number of illegal betting slips found in prisons. These activities include strengthened supervision and increased searches. Those caught gambling will be subject to disciplinary action, as provided in the Prison Rules. These measures have proved to be effective and will continue.

BILLS

First Reading of Bills

CORONERS BILL

IMMIGRATION SERVICE (AMENDMENT) BILL 1996

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

Second Reading of Bills

CORONERS BILL

THE ATTORNEY GENERAL to move the Second Reading of: "A Bill to make provisions for the appointment, duties and powers of coroners, for the reporting of certain deaths, for the duties of registered medical practitioners in connection with dead bodies, for matters preliminary to inquests, for matters relating to inquests, and for matters incidental thereto or connected therewith."

He said: Mr President, I move that the Coroners Bill be read the Second time. The Bill aims to reform the coroners system in Hong Kong.

The Coroners' Court was first established in 1967. In April 1984, the Law Reform Commission appointed a subcommittee to review the coroners system, including the duty to report a death to coroners, the arrangements relating to the reporting of deaths to coroners, the investigatory role of the coroners and the functions of the Coroners' Court relating to a death.

The Law Reform Commission Subcommittee completed its deliberations in October 1986 and the Law Reform Commission itself subsequently issued a Report on Coroners in August 1987. Extensive public consultation was carried out by the Law Reform Commission in the course of the compilation of its Report. A number of defects were identified in the existing system and a comprehensive reform of the system was recommended.

The Administration accepts almost all the recommendations of the Report. In view of the substantial legislative changes required to implement the recommendations of the Report, the Bill will have the effect of repealing and replacing the existing Coroners Ordinance. I shall now outline the salient points of the Bill below.

At present, there is no legal duty to report any death to the coroner. A list of reportable deaths is now prescribed in Part 1 of Schedule 1 of the Bill. Clause 4(1) also imposes a duty on certain categories of persons specified in Part 2 of Schedule 1, including, for example, doctors, the Registrar of Births and Deaths and the police, to report a death specified in Part 1 of that Schedule as soon as is reasonably practicable after the death comes to their knowledge.

The powers of a coroner are enhanced by the Bill. Clause 10 empowers a coroner to issue a warrant to a police officer to enter and search any premises where the coroner is satisfied on reasonable grounds that relevant evidence is likely to be found in such premises. Clause 11 empowers a coroner to first conduct a pre-inquest review to determine how the inquest may be disposed of in a just, expeditious and economical manner.

Clauses 13 to 19 set out the circumstances in which a coroner may or must hold an inquest. Clause 13 provides that a coroner may hold an inquest, whether with or without a jury, where a person dies suddenly, by accident or violence or under suspicious circumstances. Clause 14 makes it mandatory for a coroner to hold an inquest with a jury where a person has died in official custody. Clause 15 makes it mandatory for a coroner to hold an inquest when required by the Attorney General to do so. Clause 19 provides that the High Court may, on the application of a properly interested person or the Attorney General, order an inquest to be held into a death including, where an inquest has already been held, a new inquest into that death.

The present three-person jury will be expanded to a five-person jury. Clause 22 provides that five jurors shall be selected to form the jury at an inquest.

Clause 34(1) provides that the coroner may during the course of an inquest refer a case to the Attorney General for a decision as to whether or not criminal proceedings should be instituted against a person, and obliges the coroner to do so where the suspected criminal offence is murder, manslaughter, infanticide or death by reckless driving.

Clause 40 empowers a coroner to issue in certain circumstances a certificate of the fact of death to assist in the transport of a dead body to another country for burial, in particular where the relevant authorities of that country require official documentation that the deceased did not die from an infectious disease.

Clause 46 makes it an offence for a person to obstruct, resist or delay a coroner, including a person assisting a coroner, in the lawful discharge of his duties and lawful exercise of his powers under the Bill.

Mr President, this Bill represents a further reform to the administration of justice in Hong Kong and I commend it to this Council for early passage into law.

Question on the motion on the Second Reading of the Bill proposed.

Debate on the motion adjourned and Bill referred to the House Committee pursuant to Standing Order 42(3A).

IMMIGRATION SERVICE (AMENDMENT) BILL 1996

THE SECRETARY FOR SECURITY to move the Second Reading of: "A Bill to amend the Immigration Service Ordinance."

He said: Mr President, I move that the Second Reading of the Immigration Service (Amendment) Bill 1996. This Bill seeks to give members of the Immigration Service powers of investigation into offences relating to registration

matters, and in certain forgery offences under the Crimes Ordinance. It also seeks to regularize the procedures relating to the handling of persons arrested by members of the Immigration Service.

The Immigration Service took over the work of the Registration of Persons Office in April 1979 and the work of registration of births, deaths and marriages in July 1979. Members of the Immigration Service, however, do not have clearly defined powers to deal with the investigation of offences relating to these responsibilities. When such offences are encountered, immigration officers may make initial enquiries into the suspected offences and, if there is *prima facie* evidence, they are obliged to refer the cases to the police for full investigation and prosecution. This gives rise to unnecessary duplication of work and inefficiency.

Members of the Immigration Service are at present empowered to investigate certain offences relating to forged documents, but they do not have powers to investigate other forgery offences involving forged dies, stamps and instruments which may be used in making the forged documents. When these forgeries are encountered during investigation, they have to be referred to the police for further action. This duplication of work and the separate handling of evidence again give rise to inefficiency.

The proposed Bill enables members of the Immigration Service to pursue the investigation of these offences entirely on their own. These powers include the power to stop, search, and to arrest suspected persons; to enter places and search for suspects; and to search for and seize evidence under warrant.

To regularize the handling of arrested persons, we propose to give members of the Immigration Service the power to detain and arrest persons and to grant bail. We also propose to extend the time limit to deliver an arrested person to the police station from the existing 12 hours to 48 hours, in line with the requirement imposed on other law enforcement agencies. The 12-hour period has caused practical difficulties in that there is insufficient time for members of the Immigration Service to make enquiries in order to determine whether the person should be charged, delivered to a police station, or released. This is particularly so when a large number of illegal workers are arrested during operations against illegal employment.

The offences for which these new powers are applicable will be specified in a Schedule to the Ordinance.

Mr President, the proposed amendments will enable the responsibility of investigating the specified offences to be entirely assumed by the Immigration Service. This would allow the investigation of these offences to be conducted more effectively and efficiently, since members of the Immigration Service are specifically trained to deal with offences in their own areas of responsibilities. It would also allow police resources which are tied up in dealing with these offences to be redeployed for other important police work in maintaining law and order. The powers we have proposed for the Immigration Service in respect of the specified offences are in line with existing powers already conferred on the police and other disciplined services, and are also consistent with the Bill of Rights Ordinance.

To prevent the possibility of abuse, the exercise of these new powers will also be subject to the same stringent safeguards that are now applicable to existing powers entrusted to the Immigration Service. A set of guidelines has been established for law enforcement officers to follow when questioning suspects and taking statements. These rules also stipulate the rights and facilities available to persons when they are arrested or questioned. Further, the Director of Immigration has, under section 9 of the Immigration Service Ordinance, issued standing orders governing the proper exercise of statutory powers by immigration officers. They are subject to supervisory control of their senior officers and are liable for disciplinary action under section 8 of the same Ordinance for any abuse of power.

Thank you, Mr President.

Question on the motion on the Second Reading of the Bill proposed.

Debate on the motion adjourned and Bill referred to the House Committee pursuant to Standing Order 42(3A).

MEMBER'S MOTIONS

INTERPRETATION AND GENERAL CLAUSES ORDINANCE

MRS SELINA CHOW to move the following motion:

"That in relation to the -

- (a) Merchant Shipping (Seafarers) (Fees) Regulation published as Legal Notice No. 9 of 1996;
- (b) Merchant Shipping (Fees) (Amendment) Regulation 1996 published as Legal Notice No. 10 of 1996;
- (c) Companies Ordinance (Amendment of Eighth Schedule) Order 1996 published as Legal Notice No. 11 of 1996;
- (d) Limited Partnerships Ordinance (Amendment of Schedule) Order 1996 published as Legal Notice No. 12 of 1996;
- (e) Companies Ordinance (Fee for Taking Affidavit, Affirmation or Declaration) (Amendment) Notice 1996 published as Legal Notice No. 13 of 1996;
- (f) Trustee Ordinance (Amendment of First Schedule) Notice 1996 published as Legal Notice No. 14 of 1996; and
- (g) Clubs (Safety of Premises) (Fees) (Amendment) Regulation 1996 published as Legal Notice No. 16 of 1996,

and laid on the table of the Legislative Council on 10 January 1996, the period referred to in section 34(2) of the Interpretation and General Clauses Ordinance for amending subsidiary legislation be extended under section 34(4) of that Ordinance until 14 February 1996."

MRS SELINA CHOW: Mr President, I move the motion standing in my name on the Order Paper. The purpose of extending the scrutiny period is to enable Members to have more time to deliberate the seven Regulations, Notices and Orders, namely, Merchant Shipping (Seafarers) (Fees) Regulations published as Legal Notice No. 9 of 1996, Merchant Shipping (Fees) (Amendment) Regulations 1996 published as legal Notice No. 10 of 1996, Companies Ordinance (Amendment of Eighth Schedule) Order 1996 published as Legal Notice No.11 of 1996, Limited Partnership Ordinance (Amendment of Schedule) Order 1996 published as Legal Notice No.12 of 1996, Companies Ordinance

(Fee for Taking Affidavit, Affirmation or Declaration) (Amendment) Notice 1996 published as Legal Notice No.13 of 1996, Trustee Ordinance (Amendment of First Schedule) Notice 1996 published as Legal Notice No. 14 of 1996 and Clubs (Safety of Premises) (Fees) (Amendment) Regulations 1996 published as Legal Notice No. 16 of 1996.

Mr President, I beg to move.

Question on the motion proposed, put and agreed to.

PRESIDENT: I have accepted the recommendations of the House Committee as to the time limits on speeches for the motion debates and Members were informed by circular on 5 February. The movers of the motions will have 15 minutes for their speeches including their replies and another five minutes to speak on the proposed amendments. Other Members, including the movers of the amendments, will have seven minutes each for their speeches. Under Standing Order 27A, I am required to direct any Member speaking in excess of the specified time to discontinue his speech.

MAINTAINING HONG KONG'S COMPETITIVENESS AS A LEADING INTERNATIONAL FINANCIAL CENTRE

MR PAUL CHENG to move the following motion:

"That, as Hong Kong's future prosperity depends to a great degree on maintaining the territory's competitiveness as a leading international financial centre and despite the Government's efforts to date, including the draft Strategy Paper prepared on this issue last year by the Monetary Authority, progress in producing a blueprint for the future has been slow, this Council urges the Government to formulate, in consultation with the industry and the public, a comprehensive plan of action and speed up the implementation of short-term and long-term initiatives focusing on:

- i. promoting Hong Kong's strengths as an international financial centre;
- ii. improving the financial infrastructure in terms of the operating

systems, training and development, and access to our financial markets;

- iii. formulating the necessary regulatory framework and legal requirements to ensure that the financial market forces operate fairly and efficiently, thus improving the protection of investors; and
- iv. providing tax and other appropriate incentives to continue to attract key financial services;

to ensure that Hong Kong's position as a leading international financial centre can be further enhanced not only in the remaining years of the nineties but in the next millennium."

MR PAUL CHENG: Mr President, I move the motion standing in my name in the Order Paper.

Hong Kong is regarded as one of the world's leading financial centres. It is routinely ranked as one of the freest, most competitive economies in the world in various international surveys. But such surveys focus on the present. They are no guarantee for the future.

Of course, at present the picture appears bright. At the end of 1995, the market capitalization exceeded US\$270 billion, making Hong Kong's stock market the eighth largest in the world, and the largest in Asia behind only Japan. Hong Kong is rated as the third largest international banking centre in the world, behind only New York and London, with 85 of the largest banks of the world operating here. And in the asset management sector, Hong Kong has over 1 000 authorized funds and unit trusts domiciled in various jurisdictions, making it the number one choice for Asia fund management operations. Despite our success, there are worrying signs that we may be losing our edge in an increasingly competitive region. Hong Kong is, after all, a dynamic, fast-moving society that thrives — *and depends on* — constant action and renewal. Standing still is not an option if we wish to avoid slipping behind our competitors in the Asian region.

A few years ago, it seemed that Hong Kong was poised to be the only serious player in the region. Since then many more competitors have entered the fray. Singapore, for example, often provides not only customized tax

packages but also offers fund managers access to government funds to attract them to relocate to the island state. As a result, Singapore is fast becoming the chief competitor to Hong Kong. Malaysia established the Labuan Offshore Finance Centre in 1990, and endowed it with tax incentives and infrastructure support to take advantage of its position in the midst of the dynamic ASEAN region. Sydney, Australia has also offered attractive tax rates to offshore banking transactions. And even Shanghai aims at becoming a world-class financial centre by using its connections to the hinterland of China to attract international suitors.

I am not calling for government intervention. Any major erosion of the existing free and liberal economic policies will be adverse to Hong Kong's future. Instead, I believe the Government needs to provide the necessary leadership and, in partnership with all concerned parties, create a market environment which not only ensures adequate investor protection and stability but also encourages innovation and growth.

In view of the time constraint, I can only briefly touch on the four broad points mentioned in my motion statement. I am sure some colleagues in this Council will cover in greater detail areas of their respective interest and expertise.

Promoting Hong Kong's strengths as an international centre

Hong Kong has many advantages which have helped make it a leading international financial centre, including:

- the openness of its markets;
- the presence of up-to-date stock and futures exchanges;
- attractive corporate and individual tax systems;
- the presence of many fund management operations;
- a trusted and objective legal system;
- stable currency with no exchange controls; and

- its opportunity to play a key role in the rapid development of China's economy and financial markets.

All of these advantages need to be aggressively marketed overseas. Singapore and London have proved that self-promotion can work. The Hong Kong Government, together with the Trade Development Council, Securities and Futures Commission, Stock Exchange and the private sector, should therefore craft an international promotional campaign. This campaign should convey the message that Hong Kong is not resting on its laurels, but rather is proving even more competitive, innovative and understanding of the needs of sophisticated global financial markets. Strong support from the relevant mainland authorities and institutions would make the campaign all the more effective.

Improving the financial infrastructure in terms of the operating systems, training and development, and access to Hong Kong's financial markets

Hong Kong's strength in this category stems in part from its ability to offer a wide variety of financial products tailor-made to the customer. However, we must continue to develop and enhance this product range in the years ahead. This is something that has been recognized both in the Monetary Authority's Draft Strategy Paper last year and in some of the initiatives currently being undertaken by the Stock Exchange as mentioned in the Securities and Futures Commission Corporate Plan released earlier this week.

Measures could include:

- Taking steps to open the Stock Exchange to encourage regional companies to list and raise funds on the exchange, with specific emphasis on mainland enterprises.
- Developing the Chinese government and enterprise debt equity market that is bound to expand as China's major infrastructure projects get underway.
- Bettering the clearing and settling infrastructure in the foreign exchange industry so that Hong Kong can both close the gap with regional competitor Singapore and prepare for the day that the Chinese Renminbi (RMB) is fully convertible.

- Strengthening and encouraging interaction between banks in Hong Kong and those developing on the Mainland.

Having well-trained professionals is vital to Hong Kong's continued development as an international financial centre. We are strong in the fields of accounting, legal services and information services, but we lack some of the more specialized financial skills, like asset and risk management, derivative trading and actuarial skills, that we need to stay ahead of the pack. Additionally, Hong Kong's standards for business-related English are regarded to be in a state of decline.

To correct these problems, we should encourage — and actively develop — joint curricula programmes between the private sector and local universities that focus on practical content more than academic theory. Programmes should be developed that address the potential problems that could adversely affect Hong Kong's status.

Formulating the necessary regulatory framework and legal requirements to ensure that the financial market operates fairly and efficiently

The question here is: When does a regulatory system change from adequately monitoring risks and behaviour to that of endangering the very market it aims to oversee? While we must continue to protect the investor and adopt rules to fit Hong Kong's environment, international financial business will avoid markets where the regulatory burden is overly restrictive. Unfortunately, with the rush to adopt the "best" rules from the United Kingdom, Canada, and Australia, Hong Kong is running the risk of becoming over-regulated.

The negative effects from the rush to "regulate-away" the image of 1987 has been most immediately felt in the foreign exchange markets, where Hong Kong's position *vis-a-vis* its main regional rival — Singapore — has steadily slipped. In order to avoid strangling the markets we have so painstakingly developed, the Government should work with the Securities and Futures Commission, Stock Exchange and the market makers themselves to undertake cost-to-benefit analyses of any newly proposed regulations and scrutinize the existing regulatory system for areas which might be improved.

What I am advocating is a balanced approach so that investors are not only

protected but are also eager to do business in Hong Kong.

Providing tax and other incentives to continue to attract key financial services

Hong Kong is currently the offshore fund management centre of Asia. This is of vital importance as fund management is the key international finance business to attract and retain. The strong presence of fund managers in Hong Kong is what attracts stock brokers, bankers and custodians, all of whom receive business from them. But Hong Kong's position is eroding as Singapore gives tax concessions, both corporate and individual, to those who relocate their fund management operations there, and further sweetens the pot by providing them access to the provident fund and other government funds. Additionally, places as far afield as Tokyo, Taiwan, and Thailand all currently offer offshore centres with incentives aimed at fund managers.

There are also broader tax-related issues which have been highlighted by the migration and turnover in Hong Kong-listed equities to markets such as New York, London and Singapore, where transaction costs are lower and stamp duty fees are a fraction of Hong Kong levels. That is why I believe, as a matter of urgency, that the Government should undertake a complete review of the current taxation structure of Hong Kong's financial markets, including exploring the possibility of new incentives in order to bolster our status as an international financial centre. Incentives should not be seen as intervention by the Government. They are simply practical responses to a changing and more competitive environment.

I hope today's debate will help underscore the urgency of this matter and provide useful input to all concerned in both the public and private sectors. I would like to take this opportunity to thank those I have consulted with both within and outside this Council for their advice and support.

Mr President, with these comments, I beg to move the motion.

Question on the motion proposed.

PRESIDENT: Miss Christine LOH has given notice to move an amendment to

this motion. Her amendment has been printed on the Order Paper and circularized to Members. I propose that the motion and the amendment be debated together in a joint debate.

The Council shall now debate the motion and the amendment together in a joint debate. I now call on Miss Christine LOH to speak and to move her amendment. After I have proposed the question on the amendment, Members may express their views on both the motion and the amendment.

MISS CHRISTINE LOH's amendment to MR PAUL CHENG's motion:

"To delete "including the draft Strategy Paper prepared on this issue last year by the Monetary Authority, progress in producing a blueprint for the future has been slow, this Council urges the Government to formulate, in consultation with the industry and the public, a comprehensive plan of action and speed up the implementation of short-term and long-term initiatives focusing" and substitute with "the Government could do more to provide an even better environment in order to support the private sector in developing financial services; and that it should focus"; to delete "improving the financial infrastructure in terms of the operating systems, training and development, and access to our financial markets;" and substitute with "ensuring that the necessary conditions, including world-class infrastructure, open access and a highly skilled workforce, are in place; and"; and to delete "and; iv. providing tax and other appropriate incentives to continue to attract key financial services;"."

MISS CHRISTINE LOH: Mr President, I move that Mr Paul CHENG's motion be amended as set out under my name on the Order Paper. Mr President, the Honourable Paul CHENG's motion is not as helpful as it could be because it does not contain any very clear direction. It is of a general nature, and asks the Government to "do something". I wish to amend the motion because it has a number of worrying aspects.

Our difference is not necessarily fundamental but certainly we differ in emphasis. The Honourable Paul CHENG is worrying about competition. I agree that we should not be complacent, but I do wish to highlight that whilst both Hong Kong and Singapore are international financial centres, any similarities must profound (sic) differences of philosophy and strategy. This

goes for Malaysia, Australia and Shanghai as well. But since Singapore appears the most threatening, let me deal with this first.

Singapore's international financial sector exists on an offshore platform where participants are largely barred from the domestic sector. Mr President, I believe there are only seven foreign members of the Singapore Stock Exchange. They have no voting rights, and they cannot execute any but the very largest transactions for local investors. Singapore's banking, futures, and fund management sectors all have various kinds of restrictions, too.

Contrast that with us in Hong Kong. We are almost entirely open to international participation. For example, our stock exchange has over 90 foreign controlled members with the same rights as local members. Since the underlying philosophy, and strategies, between Hong Kong and Singapore are entirely different, there really is not much point in suggesting that Hong Kong should copy a little bit of Singapore's strategy, like a few tax incentives here and there. It is for this reason that I am seeking to delete part (iv) of the original motion. And, anyway, let us not forget that Hong Kong has a very competitive tax system overall.

Therefore, I would like Members to consider the totality of the market environment between Singapore and Hong Kong, and not just pick on one area where another market provides some tax incentives. In terms of tax, doing business here is very much more attractive than in Singapore. In terms of market access, Hong Kong is very much more open. In terms of regulation, Singapore wins hands-down.

We should not only concentrate on worrying about competition. The various Asian financial centres, including up-coming ones, like Shanghai, complement each other as well. Investment is not a zero-sum game. Projects initiated elsewhere could create subsidiary, or knock-on effects through Hong Kong, or vice versa.

Another reason I am seeking amendment to the motion is that I believe the motion's emphasis on what the Government's role should be in promoting Hong Kong as a financial centre is wrong. The motion suggests that the Government should be the chief protagonist. It is precisely this conception of the Government's role that I disagree with. The Government should be a facilitator,

not protagonist.

A further reason to amend follows on from what I think is Mr CHENG's confusion of these roles. The motion is confused about what constitutes government support, and what constitutes unnecessary government intervention.

Let me first examine the role of support. I firmly believe that the Government's role in business is to provide the right environment to facilitate the private sector in the exercise of its entrepreneurial spirit. The kinds of things the Government should do include the maintenance of the rule of law, the free flow of information of all kinds, keeping corruption at bay, and so on, now and beyond 1997. The Government has the responsibility to continue to keep law and procedures under review to ensure that the needs and aspirations of a modern society are met.

I am seeking to delete part (ii) of the original motion. Here, we can see the difference in interpretation between what I regard as support and intervention, and how the Honourable Paul CHENG sees it. In part (ii), the Honourable Member proposes that the Government should be involved in the operating systems of the financial markets. He did explain himself a little just now, but I remain disturbed by the tone of the motion. I cannot actually quite believe that that is what Mr CHENG is proposing as it is written in the motion. On the face of it, he is suggesting, for example, that the Government should intervene in the financial market operating system. Let us take an example, should the Government intervene in the Stock Exchange's operating system? Mr President, surely not.

Further, part (ii) also calls for the Government to improve "training and development". I heard Mr CHENG also developing this point. The Government is not a suitable provider of training of those working in financial services. The Government cannot do a good job. Professional training is the task exclusively of the private sector.

Indeed, I wish to substitute part (ii) with what I regard as some of the necessary conditions for the financial services industry to remain competitive in the next century. I think Mr CHENG actually agrees with some of these points. The necessary conditions must include maintaining a world class infrastructure.

For financial services, this means telecommunication policy to ensure that it will be at the cutting edge of development.

Further, there must be a highly skilled workforce. While the provision of professional training is essentially for the private sector, the provision of a strong general education is clearly for the public sector. This Council could help to maintain Hong Kong's competitive edge by adding its voice to improving general education. I agree with Mr CHENG we need to pay particular attention to English skills.

On the areas where the Government should intervene, I am in full agreement with part (iii) of the motion but I must say our framework is very good. The Honourable Paul CHENG is worried about an increase in regulation. He did not mention it in his speech, but in today's newspaper he is against new legislation to allow auditors to report any malpractice they discover in company accounting records to the Securities and Futures Commission. Surely, he cannot possibly mean this. Any decent sophisticated financial market has such a provision. Going backwards would be to adopt an idea like not passing such legislation.

To conclude, I am seeking to delete the reference to the Monetary Authority's Strategy Paper. It is simply a paper with general observations and no philosophy and strategy. That is why I am suggesting we should not include it in a motion to be passed by the legislature. Thank you.

DR DAVID LI: Mr President, the motion before us states a simple truth — the future prosperity of Hong Kong does depend to a great degree on maintaining our competitiveness as a leading international financial centre. But the reality underlying that truth is not so simple. A financial centre is a complex infrastructure, a cluster of sophisticated intermediaries. Hong Kong has been attractive as the site for an international financial centre because it has provided the best available environment.

That environment has been created and maintained by a reliable legal system and regulatory framework, freedom of information, and internationally acceptable accounting standards. *Laissez-faire* administration that provides prudent supervision with the minimum of regulation, and an attractive tax regime,

have been vital to our success. For this, the Administration, and the Monetary Authority, deserve our commendation.

But we must not be complacent. If we are to remain a leading international financial centre, we must demonstrate that we understand the changing needs of the financial intermediaries that choose to operate here. In his regard, the Hong Kong Monetary Authority released a Strategy Paper eight months ago.

But what has the Administration done? Are the Hong Kong Monetary Authority's sensible suggestions being implemented? Is Hong Kong promoting offshore financial business by introducing tax incentives that rival our competitors'? Are we working to attract the listings of international companies to the Stock Exchange of Hong Kong? No.

The Hong Kong Monetary Authority is not alone in its efforts. The private sector has also contributed a series of recommendations. But has the Administration considered implementing proposals made by the Finance Constituency? Has the Administration introduced a form of group relief that would compare with that offered by other international centres? Recommended by the Hong Kong Association of Banks, group relief would allow the tax losses of one company in a business group to be offset against the taxable profits of another.

Has the Administration adjusted the tax treatment of banks' general provisions for bad and doubtful debts to match those of our competitors? Has it stopped encouraging capital outflows by lowering estate duty? No. Why penalize those who use our services?

The Strategy Paper drawn up by the Hong Kong Monetary Authority was released at a Seminar organized by the Preparatory Working Committee for the Hong Kong Special Administrative Region. A reading of the speeches made at the Seminar readily illustrates one point that we, as Members of this Council, or of the Administration, should keep foremost in our minds. The people of Hong Kong live and work in one of the world's most economically cosmopolitan of cities. Their best interests cannot be served by focusing purely on domestic concerns.

We need to ask: What effect will good intentions that become policy have beyond the headlines? Will they end in higher costs that drive companies from the territory, taking with them jobs and tax revenues? Just imagine Mrs Household's delight when she reads that her social assistance payments have been increased. But will the extra money help support her daughter who cannot get a job because she is poorly educated and does not speak English or Putonghua? Will it help support her son, who lost a job as a fund manager when the Provident Fund was legislated out of private-sector hands? I think not.

Our position as a leading international financial centre, and our future prosperity, depend on policies that affect the international competitiveness of Hong Kong. I urge the Administration to review these policies — whether they address education, technology, land use, housing or cross-border links.

Competitiveness is about providing value-added service to business. It is central to providing opportunity to our people. Together, we have achieved a great success in the past. The Administration can work productively with the Hong Kong Monetary Authority and the private sector to build on that success. With you, my Constituency looks forward to setting a clear agenda — a Path to Prosperity — for the future.

With these remarks, Mr President, I support the motion.

PRESIDENT: Honourable Members, I have inadvertently omitted proposing the question on Miss Christine LOH's amendment. I will make amends by proposing the question to you now.

Question on the amendment proposed.

MR CHAN KAM-LAM (in Cantonese): Mr President, Hong Kong's established position as an international financial centre today is due to its favourable geographical location, with China as its economic hinterland on the one hand and its sound development in terms of monetary system and regulatory mechanisms on the other. Therefore, in the face of stronger and stronger rivals, we cannot be unrealistically optimistic in ignoring these challenges nor should we be pessimistic in spreading bearish sentiments and failing to make self-improvement.

As long as we can maintain our favourable position so far, meet the needs of future development, further consolidate our monetary and regulatory mechanisms and improve the related laws, I believe Hong Kong will be able to maintain its position as a leading international financial centre.

Last year, the Government released a Strategy Paper on Hong Kong's position as an international financial centre. This paper came at an opportune time and was significantly positive. But as the Honourable Paul CHENG pointed out in his motion, the Hong Kong Government was rather slow in producing a blueprint. In addition, the paper failed to make a strategic analysis in a systematic manner of the "China factor", which is very important in determining Hong Kong's position as a financial centre. It also ignored the emerging and fast-growing Shanghai financial market, which will be a major competitor to Hong Kong.

The Basic Law provides for the maintenance of Hong Kong's existing monetary and financial systems. Protection of free enterprise, free operation of the financial market, and free flow of capital constitutes an important political and legal protection for maintaining Hong Kong's status as an international financial centre.

With her healthy economic development and her re-entry into the international economic arena, the volume of China's foreign trade will increase greatly and more overseas businessmen are making investments in China. To meet China's economic development, many banks and financial institutions of Hong Kong open branches and subsidiary companies in China gradually. This offers a good opportunity for the development of Hong Kong's financial services.

Besides, with the standardization of the Renminbi exchange rate and full convertibility of Renminbi in the currency market by 2000, the derivative instruments of Renminbi will have great market potentials. When China develops her infrastructure, she will raise huge funds by issuing bonds through the international market. This will help the development of Hong Kong's debt market which will provide funds to meet China's economic development.

The existing key competitor to Hong Kong is Singapore. Though the rate of corporate profit tax in Singapore is 27%, higher than the 16.5% in Hong Kong, the government of Singapore is implementing a series of tax incentives in accordance with its preferential economic expansion policy. The incentives

include a cut to 10% in tax levy in respect of "offshore" profit of financial institutions, concessions on economic expansion, tax holidays for investors, approval of external debts and levy of royalties. Though such preferential treatment is only applicable to particular trades or businesses, these incentives are also rather attractive to the foreign investors in general.

In addition, Singapore has signed agreements against "double taxation" with many countries and this has attracted investors from countries with higher tax rates to set up financial institutions and regional headquarters in Singapore.

So far, the Hong Kong Government has not attached much importance to tax incentives and has emphasized a policy of "positive non-intervention". In fact, it is necessary for the Government to reconsider and review this policy now.

Shanghai, another potential competitor to Hong Kong, ranks much lower than Hong Kong in the international financial market, but in fact, its potential and competitiveness are growing.

Shanghai has a well-established base in industry, education and technology, and is a key developing financial centre in China. In terms of its infrastructure, Shanghai is developing rapidly and meets the needs of multinational corporations in respect of communication, transport and geographical location. Economically speaking, there has been major financial reform in Shanghai's stock market and Chinese officials have come to know gradually how to satisfy the needs of foreign investors.

Having regard to Shanghai's favourable factors, no wonder many people in Hong Kong think that Shanghai is likely to surpass or even replace Hong Kong.

But a Chinese official and the deputy-president of the Bank of China, Mr CHEN Yuan, identified the respective roles of Hong Kong and Shanghai, the two financial centres within China in the future, in his speech at a seminar in Beijing at the end of last year. He said, "After sovereignty reversion, Hong Kong will be China's international financial centre whereas Shanghai will mainly play a role as a financial centre within China." This point and some other views presented in Mr CHEN's speech are important as an assurance made by the Chinese Government towards the maintenance of Hong Kong's position as a financial centre.

Therefore, with regard to Singapore and Shanghai, these two strong

competitors, I agree to Mr Paul CHENG's proposals that the Government should formulate a comprehensive plan of action as soon as possible and speed up the implementation of short-term and long-term initiatives, of which I think the more important ones are:

1. to continue the policy of stabilizing the Hong Kong dollar and the policy of using the Foreign Exchange Fund mainly to stabilize the exchange rate of the Hong Kong dollar;
2. to maintain the linked exchange rate system in order to keep up the confidence of the public and the investors in Hong Kong's monetary system;
3. in view of the emerging financial and derivative instruments, to further improve the monetary and regulatory system so as to avoid undue interference in Hong Kong's financial market;
4. to complete the Airport Core Programme and related projects, build an additional container port and expand the existing one, and enhance Hong Kong's cargo throughput.
5. to adopt a positive attitude in formulating policies to assist local commercial and industrial development so that the financial services industry will provide funds for the purpose of reinvestment by local industrialists.
6. the Hong Kong Government should, in conjunction with the financial services industry and institutions of tertiary education, speed up the training of professionals, improve the standard of the people working in this industry, focus on raising the standard of English language of Hong Kong people and maintain the good reputation of Hong Kong's financial services industry in the international market.

Mr President, despite Hong Kong's many internal hidden worries and external competition before 1997, I think as long as the Hong Kong Government takes appropriate measures and further improves the regulatory laws there is no need to worry too much about Hong Kong's position as an international financial centre because Hong Kong's financial market has a firm foundation and is

growing in spite of the hardships experienced on several occasions.

These are my remarks.

MR CHIM PUI-CHUNG (in Cantonese): Mr President, I personally believe firmly that there is nothing to argue about with regard to Hong Kong's politics after the transition in 1997 and the only outstanding major issue will be Hong Kong's financial services industry. In today's motion debate, I am going to make a lot of response to the third report published by the Securities and Futures Commission (SFC) two days ago.

As everybody knows, the stock market takes the lead in Hong Kong's financial services industry, but we can see that the contents of the SFC's third report have befuddled and confused the public. The Policy Branches of the Government are responsible for the formulation of policies in Hong Kong. In other words, the formulation of all monetary policies should be the responsibility of the Financial Services Branch. The two exchanges, the Stock Exchange and the Futures Exchange, have their own specialized functions to discharge in their respective fields of operation. The SFC only monitors whether these two exchanges can carry out the Government's policies properly. If the SFC ignored the Financial Services Branch, I think it would be unfair to the Secretary for Financial Services. If, in discharging his functions, the Secretary fails to exert influence on policies at all, what is the point in having him there? I hope the Secretary will address this point fully later.

The SFC's report mentioned that the dealings of some foreign investors in Hong Kong, particularly in respect of a telecommunication stock, account for only 34% of their global dealings. In other words, transactions mostly take place in the United Kingdom and United States markets. If such situation actually exists, the SFC should review whether the commission chargeable on Hong Kong's stock trading is too high. But everybody knows this is not the case. Is the stamp duty in Hong Kong unreasonable? I personally think it is so. Therefore, the Financial Secretary should be urged to conduct a review on this. Meanwhile, is the transaction levy too high? Is regulation too strict? Is there over-regulation? The SFC should study all these issues. Though Hong Kong has to attract more investors so that they will carry out their dealings in stocks here, how can we do so in the absence of favourable conditions?

In addition, the SFC is over enthusiastic in promoting too many derivative instruments and futures. We must realize that derivative instruments and futures serve to make up for the deficiency of the spot market. But actually has this aim been accomplished? In last year's debate, I raised a strong objection against this. Fortunately, up to now, no such instruments or futures have been traded in the past three months. This proves the failure of the promotion effort. We have to understand that derivative instruments and futures do not involve deception and are not unworkable. But as such kind of transaction is called a zero-sum game, there must be a loser and a winner, and loss or gain, among the investors, like walking into a casino. If the Government enjoins that each punter can only bet once or twice, then all the casinos will be closed down. But owing to some objective factors, those who take positions in derivative instruments and futures will suffer total loss in the end. Why did the SFC put in so much effort promoting these instruments before it can provide protection for the investors through a good system? The higher-ranking Policy Secretaries should think about this.

Besides, there has been a flood of covered warrants recently. With several new warrants coming on the market every day, the stock market is being subjected to tremendous pressure. Everybody says the stock market is in a "bullish" mood and thus can take this in stride. But in the long run, this will create much unfairness in the market because just a \$20 billion fund can have considerable leverage and issue many covered warrants. The small investors, who do not have a good understanding of how the market works but frequently take part in such kind of investment, will ultimately become the "dim sum" of international funds. In this connection, Mr President, I still remember the plunge of global funds in Hong Kong in the 1960s, about 30 years ago. Though investment funds are making money at present, we should not forget this historical lesson. History repeats itself. Therefore, a responsible Commission definitely ought to take precautionary measures.

The Hong Kong Government has all along adopted the policy of positive non-intervention. As the SFC has surplus manpower, it embarks on positive intervention. The copious duplication of work between the exchanges and the SFC also creates many unnecessary conflicts and wastes government resources. Though the SFC is not directly funded by the Government, we must bear in mind that it is funded by the levies, as I have mentioned above, which are the resources provided by the public and the investors.

The SFC's report also mentioned that at least 19% to 20% of adult persons invested in stock and shares last year, but now the percentage has dropped sharply to 9%. What are the reasons? I believe it is because the SFC does not realize its own erroneous policy and even questions some investors as to why they buy a particular stock or share. This act has already grossly infringed on human rights. As a regulatory body, the SFC does not carry out self-examination but shirks its responsibility by saying that it does not know. I myself have never taken issue with the SFC on the way it performs its regulatory and other duties. For example, some brokers had indulged in the so-called "rat trading" activities in the past but the SFC made scathing comments without giving any definition of such activities in its report. On this issue, if the SFC forcibly seeks to get its way, I will strive to apply for a judicial review. Of course, Mr President, there is still room for improvement in the operation of Hong Kong's central clearing house. I hope we can improve it later. At the same time, I hope the Financial Secretary will publicly recognize the status of the Gold and Silver Exchange in the forthcoming Budget so that Hong Kong can achieve the best in all respects. I absolutely have confidence in Hong Kong's continued position as a financial centre.

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

MR ANDREW CHENG (in Cantonese): Mr President, except for agreeing to have the Honourable CHIM Pui-chung as leader of the Legislative Council's soccer team, I disagreed with Mr CHIM's views presented to this Council most of the time. But this time, I support what Mr CHIM has just said in respect of the role of the Securities and Futures Commission (SFC). From the three-year plan developed by the SFC recently, we see that there is confusion with regard to the role of the Stock Exchange of Hong Kong. I hope the Secretary for Financial Services and the Financial Secretary will pay attention to this today. Just as its (Chinese) name implies, the SFC is responsible for monitoring and not for promoting securities activities in Hong Kong. As regards Hong Kong's competitiveness as an international financial centre, I hope the two Policy Secretaries will pay more attention to this point in today's motion debate.

According to information from the Census and Statistics Department, in September 1995 there were 380 000 employees in finance, insurance, real estate and business services, which constitute the third major sector with the largest

number of employees in Hong Kong. As the employees' representative of this eighth functional constituency, today I am going to discuss Hong Kong's development as an international financial centre, in the interest of these 380 000 employees. I really do not want to see these employees following the footsteps of the manufacturing workers. The manufacturing industry was booming in the 1970s, providing a lot of job opportunities, but now it is shrinking with workers getting lower and lower wages and even being eliminated. The so-called skills of the past are worth nothing today. Therefore, the 300 000 or more employees in the financial services industry have to improve their skills continuously and promote Hong Kong's competitiveness as a financial centre in order that they will not be eliminated one day. At the same time, these employees can be secure in their jobs only if Hong Kong continues to maintain its position as an international financial centre.

Mr President, our workforce in the financial services industry faces hidden crises in respect of quality and quantity. According to an evaluation report by foreign managers in Singapore on workers' performance in Asian countries, Hong Kong is better than other Asian countries, but inferior to Singapore, in terms of marketing skills, accounting skills and managerial skills; Hong Kong people's command of English lags behind Singapore, Malaysia and the Philippines; yet our workforce ranks the top in terms of adaptability to working environment and initiative. Meanwhile, the strategy document of the Hong Kong Monetary Authority also points out that the key to success of an international financial centre such as London is to have a large number of qualified personnel, but qualitatively and quantitatively speaking, the present supply of personnel falls short of demand in Hong Kong. The Honourable Paul CHENG and the Honourable Miss Christine LOH have just mentioned this point. The slipping standard of English among Hong Kong people and the lack of professional and actuarial expertise in asset and risk management warrant our concern.

Mr President, in order to maintain Hong Kong's position as an international financial centre, the Government should positively face the above unfavourable factors concerning human resources and should not pursue an ostrich policy or "delaying tactics". Every time when Honourable colleagues discuss our industrial or financial policies, they invariably cite the example of Singapore. It is no exception today. Singapore is often criticized for being too dictatorial in the development of democracy, but it really sets an example in other areas for us to follow. The scale of its economy, resources and structure are

very similar to those of Hong Kong, but the two governments take different approaches. The Government of Singapore actively assists business development whereas the Hong Kong Government adopts a non-intervention policy. Singapore's economic achievement is comparable to, or even surpasses that of Hong Kong. Take the financial services industry as an example, Singapore's foreign exchange, bonds and financial derivative instruments markets are ahead of Hong Kong. Therefore, the Hong Kong Government should not be fettered by its non-intervention policy and thus meet its own demise. But of course, it should not intervene in every matter and thus stifle the freedom of enterprise. We, Members from the Democratic Party, call on the Government to maintain Hong Kong's free enterprise environment, which is a favourable factor, and assist in the economic development as a whole, for example, in manpower training, and the provision of technical facilities.

Today, let me also cite some of the approaches taken by the Government of Singapore in human resources development. For instance, the Government of Singapore encourages the formation of an insurance training centre to provide courses, seminars and training in insurance, and particularly some professional examination-oriented courses. Singapore's central bank is also actively engaged in training and development. Therefore, the Hong Kong Government should enhance its co-operation with associations or bodies related to the insurance, foreign exchange and capital markets, and provide more training courses to assist the workforce on the way towards professionalism. Moreover, in respect of courses in financial services, the Hong Kong Government should encourage and enhance the close link between academic studies and actual practice. In some places in the United States, for example, the curriculum design of senior high schools is linked to different trades. Training in some basic skills associated with financial services will help improve the quality of newly recruited employees. Besides, the Government should also encourage in-service training, for example, by providing a venue as well as facilities at a location where financial services are concentrated, such as in Central or Admiralty, to facilitate the training of employees for different financial services companies.

Mr President, I would like to add another point with regard to human resources, to express our hidden worries. May I quote the words of the Executive Director of the Hong Kong Productivity Council, "During the period from 1983 to 1993, the real growth in wages in the finance and transport services was higher than labour productivity." I raise this point not to say that we ought to suppress the wages, but on the contrary, I think we have to boost the

productivity and economic effectiveness of our financial services. In fact, over the long term, if the productivity of those working in the financial services industry is not improved substantially, wage increases and maintenance of our living standard will hardly be possible. Therefore, the Financial Services Sub-Committee set up by the Government should carry out a comprehensive review of the existing manpower policy and make long-term recommendations.

Finally, Mr President, I would like to speak briefly on the development of the bond market. In the next 10 years, China's bond market will have great development potential in the Asia Pacific region. Hong Kong should grasp this opportunity to play an important role, but the existing legislation, such as the Securities Ordinance, and the existing system, such as the clearing system, should all be improved in line with the development. In fact, the World Bank and Forex Traders Association did give many constructive opinions on the development of a local bond market, for example, to set up a securities hypothecation body, develop a bond insurance package and offer tax concessions. I think the Hong Kong Government should promote the retail sales of bonds by way of education, publicity and lowering of par value. The Hong Kong Government should really make active response to this proposal and support the development of the bond market.

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

DR SAMUEL WONG: Mr President, the motion calls for a comprehensive plan. The question I want to address is "How comprehensive does it need to be?" Are we seeking a financial plan, or a plan covering all that we need to maintain Hong Kong's competitiveness as an international financial centre? Should we not be focusing on Hong Kong's image as a financial centre and all that entails?

The support needed for the financial services, in particular to encourage overseas investors and businesses, includes an efficient infrastructure; a good environment; reasonable rents; an appropriately trained workforce with a good command of the English language; immunity of the economy from politics; freedom of expression; a legislative framework friendly to entrepreneurship, innovation and drive; and maintenance of the overall image that Hong Kong has achieved so far of being one of the most friendly places on earth to do business.

Infrastructure could be one of Hong Kong's greatest strengths. Our compactness leads to cheap, efficient utilities. The buildings are world class, as are the power supplies and communications — in some respects world beaters.

The deregulation of telecommunications is proceeding well.

I cannot say the same for broadcasting and transport. The authorities have dithered over broadcasting policy for 10 years and have finally, in effect, abandoned it, leaving international broadcasters to settle their headquarters in Singapore. What a disaster for our image!

As for transport, that has been developed piecemeal for far too long and needs its own comprehensive plan. The Mass Transit Railway (MTR) is a huge success. No doubt its airport extension, so essential for future business travel, will fare as well. I cannot say the same of roads, which have lagged far behind demand.

However, a great weakness in the infrastructure has been in technology transfer. When the MTR was completed, much of the expertise was allowed to disperse overseas and we were unable to compete in a major way in other mass transit projects in the region. The same is likely to happen in all the Airport Core Programme projects. Now the Kowloon-Canton Railway extension is being treated in the same way. There is a clear indication of preference for overseas expertise. There is no contractual indication so far of any intention to transfer a substantial amount of technology to the local workforce for future consultancy use. Hong Kong's image is not that of a source of consultancy for many of its major technological achievements.

Environmentally, the image of Hong Kong, as one of the dirtiest cities in the world, is not conducive to attracting business. Environmental matters are too tied up in politics and should be dealt with more pragmatically. If the public wants pollution checks at street level, give it to them.

By the year 2000, 60% of new jobs will require professional skills possessed by only 20% of young people entering the labour market. Half of the high-wage jobs are estimated to require the use of networked computers. Access to the information superhighway is already a critical means to full participation in our society. Unless education and continued training is genuinely geared to the next millennium, unemployment will get worse, not through shortage of jobs, but because the workforce does not have the right skills. In particular, the reported deterioration in English language skills needs to be reversed, otherwise we will hand yet more of our business to Singapore and greatly tarnish our image as a financial centre.

Confidence in our economic future is essential to our image and our continued success. The plan must contain drastic measures to divorce politics from the economy. The cost to our taxpayers of the delay to the Airport Core Programme is already horrendous. Hong Kong is so rich that it can probably afford the cost. However, it cannot afford the damage done to its image of being vulnerable to political interference. That cost could be death.

Likewise, the fears of threats to our freedom of expression could be catastrophic in deterring foreigners from doing business here. If there is the slightest suggestion that incoming economic information will be censored or restricted, or that self-censorship is significantly practised, our financial status will topple. Yet, in a survey of journalists in Hong Kong, 23% admitted practising self-censorship and 51% said their colleagues did.

Finally, I would plead against too much conservatism, defined in the dictionary as opposed to innovation. We need innovation and entrepreneurship to maintain our image as a financial centre.

So the comprehensive plan this motion advocates needs to be truly comprehensive covering all the periphery needed to support an international financial centre. It needs to maintain and develop Hong Kong's superb business image, an image that will not survive without careful nurturing.

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

MR RONALD ARCULLI: Mr President, the Honourable Paul CHENG has given a very thorough speech on the areas we need to address to maintain Hong Kong as an international financial centre. He has covered the need to promote our strengths, to improve our financial infrastructure, to formulate the necessary regulatory framework and to consider the need to provide tax and other incentives to attract key players in the financial services area.

There is not much more I could comment on these areas except perhaps to sound a note of caution on two particular areas. The first is in our regulatory framework and the second is our cost competitiveness. Since the overhaul of our securities and Stock Exchange laws in the late eighties, we have continuously introduced more and more laws regulating our financial markets.

There is some concern in the marketplace that we are tending or heading

for an over-regulated market. Some of us tend to over-react when something happens, however trivial the incident may be. It is not always easy to get the right balance, and to do so would really need for us to look at our position very carefully. So, the last thing we want to do is to over-indulge ourselves in excessive regulation. And I know sometimes it is not easy to resist the temptation to try and over-regulate, but I hope our regulators would pay heed to the concerns in the marketplace.

As to our cost competitiveness, there are two particular aspects that concern me. The first is operating costs and the second is in the execution costs. I shall only deal with the second because it is in this area that the Administration can do something about it, and I do hope that the Financial Secretary will not be too harsh on the Secretary for Financial Services if we are able to persuade him to propose a reduction in the cost of share transactions, particularly in stamp duty.

Hong Kong's success, Mr President, as a financial centre could also be attributed to an equal extent by the qualities of a clear and predictable legal system, of information, of ease of entry, of ease of travel and of our respect for law and order. But more importantly, it really is our strategic position and location, particularly in relation to our hinterland and that developing economy in China. And it is really our ability to enhance this quality by building excellent air and sea and telecommunication links, as well as providing sound and modern infrastructure and offices, that we are able to provide an environment with adequate back-up from professionals and financial infrastructure that really has got together to make Hong Kong what it is today.

Consequently, we must not only have top-notch financial infrastructure in terms of operating systems, training development or the necessary regulatory framework and legal requirements or incentives to attract business, but we must also ensure that our physical infrastructure, in terms of our land, sea and air routes are fast and efficient, that our telecommunication systems are advanced. Furthermore, we also need to look at, perhaps, the quality of our schools, our recreational facilities and other areas which the financial services community take for granted in other leading financial centres.

Mr President, our office buildings, for instance, are currently being designed to be able to cope with the latest communication and computer technology. The private sector has taken this on in terms of the design of the

building, in making them not just environmentally friendly, but also, as it were, intelligent buildings. And in addition, as far as the Government is concerned, it could provide incentives to the industry so that everyone there will embrace these concepts.

Mr President, it is important that we acknowledge what Hong Kong is today in terms of a financial centre and maintain that very important role because, if we look at North America and at Europe, looking at the financial centres there on those two continents, and looking at China and at Asia, we certainly have a very unique position. We must not be complacent and we must always be on guard to improve ourselves and to keep up-to-date with our competitors elsewhere.

As regards Miss LOH's amendment, the essential difference between her amendment and Mr CHENG's motion is really in the area of the tax and other incentives. Miss LOH has deleted part (iv) of Mr CHENG's motion, thereby removing from consideration that particular area. Whilst I think we should be slow in introducing what I call custom package, or indeed any major overhaul in terms of our tax structure and tax system, I do believe that, if the trend in other financial cities and centres is in fact to look at these incentives, we should at least look at them, if only to consciously reject them. But we should not rule them out of order at this early stage. So, for that reason, I believe that we cannot in fact support Miss LOH's amendment and we will support Mr CHENG's original motion.

Thank you, Mr President.

DR HUANG CHEN-YA (in Cantonese): Mr President, the Democratic Party and myself fully support the Honourable Paul CHENG's motion. Today's motion debate can be said to be a continuation of the debate on the service industries in 1993. At that time, I moved a motion calling on the Government to carry out a comprehensive review of the demand for the development of Hong Kong's service industries, formulate related policies and set up committees. Unfortunately, the Hong Kong Government has delayed action for two years. A report was published on the promotion of the service industries only in mid-1995, and in the latter part of last year, the Financial Secretary set up a group to study our policy towards the financial services industry. That is why, up to now, the Government has not yet proposed any specific strategy and direction for

maintaining Hong Kong's status as a financial centre.

Recently an economist sounded the alarm to warn Hong Kong of its precarious status as a financial centre. He pointed out that in terms of market performance in foreign exchange, derivative instruments, securities and bonds, Singapore outdid Hong Kong in three out of these four areas of activities. The Securities and Future Commission (SFC) also said early this week that dealings in securities tended to drain off from Hong Kong and that London and New York were grabbing some of the dealings.

The SFC and the Financial Centre Development Group undertook recently that they would report respectively this year on Hong Kong's status as a financial centre. I hope these two reports will not be disappointing and will make in-depth analyses and specific recommendations with regard to the four essential factors, namely, operating costs, human resources, telecommunication and technology, as well as regulation and taxation. I also want to emphasize that these reports should not be published for consultation within the industry only because that might be biased in favour of the particular interests of certain parties and the voice of the small investors will not be heard. We have just listened to the Honourable CHIM Pui-chung's speech which criticized the SFC. His speech indicates fully that the rights and interests of small investors were often not respected, and development of new financial instruments was also hindered by vested interests. That being the case, Hong Kong may easily become a second-class financial centre.

Mr President, competition, self-regulation and legislation are the three components in the iron-triangle contributing to Hong Kong's position as a financial centre. Competition will boost competitiveness. It will boost reform and progress and eliminate the obsolete. But at present, Hong Kong is still not doing enough in promoting fair competition. It is tolerating monopoly and protecting vested interests. As regards the securities market, the former Commissioner for Securities and Futures, Mr Robert FELL, once pointed out that Hong Kong will need more exchanges, unlike the present monopolization by the Stock Exchange of Hong Kong, so that we can cope with the ever-changing financial market more speedily and develop more products, for example, to develop a regional securities market, over-the-counter dealings and a secondary market. Besides, the existing practice of fixing a minimum brokerage commission violates the principle of free competition, raises the transaction fee and represses investment sentiment. As regards banking, the Government also inhibits free competition among the banks. It allows the banks to set standard

rates of interest, fees and charges, jeopardizing the consumers' interests. For instance, the banks impose a service charge of 0.25% and a commission payable in Hong Kong dollar for opening a letter of credit of US\$50,000. Many businessmen are indignant about such practice. Under the protection of a "cartel" agreement, the banks will only become less competitive instead of becoming more competitive. The Honourable Miss Christine LOH and Mr Paul CHENG, who uphold free market principles, should look at such monopolization squarely instead of vaguely requesting non-intervention. The Democratic Party does not agree with over-regulation which will fetter the market, but opines that a sound regulatory system can boost public confidence and is advantageous to the development of the industry, thereby making Hong Kong a real international financial centre. As indicated in a survey by the Stock Exchange of Hong Kong, only 9% of the adults in Hong Kong invest in the securities market, lower than the average figure of 22% in other international financial markets. There are two main reasons for this. First, the prospective investors have no confidence in the integrity of the market intermediaries (such as brokers); second, they do not know the local market well. Therefore, regulation of the intermediaries should be improved to minimize deception and restore the investors' confidence, whereas education and promotion should be enhanced to attract more small investors to the market and make the market more sophisticated. Furthermore, I firmly believe that greater transparency on the part of the existing listed companies, such as disclosure of the directors' criminal records and detailed report on performance, also helps to attract investors. Unfortunately, up to now, the Stock Exchange of Hong Kong is reluctant to enhance transparency in disclosing the directors' criminal records. On the other hand, the SFC gives the Stock Exchange of Hong Kong a free hand and will not request greater transparency at all.

Self-regulation in the industry is an essential prerequisite to the development of a financial market. With more self-regulation, external regulation will be minimized. Unfortunately, self-regulation is not adequate in the financial services industry at present, for example, there are brokers profiting at the expense of clients by misquoting market prices, double-dealings, insider trading, sale of improper investment product, inadequate monitoring of the banks' internal risks which might lead to the banks going bust. All these illustrate the need for introducing external regulation. In our opinion, there is no over-legislation because the existing legislation only accords the flimsiest of protection to investors. The Honourable SIN Chung-kai will make a further analysis of this aspect.

Lastly, it is difficult to understand Miss Christine LOH's amendment which proposes to delete the part on tax incentives. Hong Kong's taxation needs improvement indeed, particularly in respect of the ambiguities concerning offshore income and many other improper arrangements. Therefore, clear directions, added investment in scientific research as well as tax incentives will be of help to Hong Kong's development. Therefore, we cannot support Miss LOH's amendment.

MR AMBROSE LAU (in Cantonese): Mr President, in order to maintain Hong Kong's competitiveness as an international financial centre, we must first compare Hong Kong with its key competitors, see the differences and then adopt a strategy of eschewing others' shortcomings and learning from their merits and take measures to maintain and develop Hong Kong's favourable position.

In the Asian Region, Singapore, Tokyo and Taiwan are the key competitors challenging Hong Kong's status as a financial centre.

Singapore possesses the edge as the Asian dollar centre, with fund management organizations and non-banking financial institutions better developed than those in Hong Kong and with low transaction cost. The Asean's economic development is also a favourable factor to enable Singapore to attract much foreign capital. Singapore's shortcomings are its stringent control of foreign exchange, its separation of offshore and domestic financial services, and its stock and financial markets being hardly comparable to Hong Kong.

Tokyo has an advantage in that its banking industry is of a massive scale and possesses enormous clout with the country's strong economy as backup. In recent years, Tokyo has spared no effort in getting out of Europe and getting involved in Asia, challenging Hong Kong's position as a financial centre. Its shortcomings are the extremely tight government control over the financial services industry as well as the separation of international and domestic financial services.

Taiwan has many advantages. It already established its offshore financial market in 1984, introduced a series of measures to promote the deregulation and internationalisation of its financial services industry in 1994, and, at present, has completed its "Asia Pacific financial centre" planning. Its shortcomings are the

inadequacy of basic facilities and shortage of qualified personnel in the financial services industry and the political instability caused by the independence movement which undermines investors' confidence.

Besides, some people think Shanghai will also be a rival to Hong Kong. But I think, in the long run, Shanghai and Hong Kong will be complementary to each other. Shanghai will play a role as China's domestic financial centre whereas Hong Kong will be China's international financial centre.

Having made the above comparisons, I think Hong Kong should take some counter-measures.

Tax incentives and other appropriate measures should be introduced to attract foreign investment. With more investment, different types of financial services will flourish. On 20 December 1995, the Industry Department announced the findings of three surveys that rents, wages and the political climate were the three major difficulties encountered by foreign investors in Hong Kong. Taking the survey on "regional representation of overseas companies" as an example, nearly 80% of the respondents thought that high rents and wages were the major difficulties for their operations in Hong Kong. As high rents and high wages have been a long-standing problem and cannot be resolved overnight, I think Hong Kong should make greater efforts in respect of tax incentives and other appropriate measures.

We should not be complacent about our low corporate tax and stay put. We should introduce tax concessionary measures selectively to attract foreign investors, including:

First, granting tax concession to operational headquarters set up by multinational companies in Hong Kong which also provide managerial, technological or other support services to other local companies; and

Second, granting profits tax concession for a reasonable period to foreign businessmen who make substantial amounts of industrial investments in Hong Kong.

In addition to the proposals stated in the original motion, I think the Government should support the smooth operation of the Preparatory Committee

pursuant to the consensus with regard to co-operation reached between the British Foreign Secretary and the Chinese Foreign Minister in London and Beijing respectively so that Hong Kong's political climate will be conducive to attracting overseas investment.

Mr President, with these remarks, I support the Honourable Paul CHENG's motion.

MRS ELIZABETH WONG: Mr President, Hong Kong's pre-eminent position as a financial centre is best illustrated as follows. For example, we have possibly the largest representation of international banks in the world. We have one of the largest gold trading centres in the commodities market. Our equity market is already the largest in Asia outside Japan. Hong Kong, together with other Asian financial giants like Japan and Singapore, dominate foreign exchange trading in the Asian time zone. We have one of the most competitive insurance markets in the world in Asia. With the Renminbi moving towards full current account convertibility in trading by the year 2000, Hong Kong is likely to increase its role as a bridge between the nascent forex market in China and those in the rest of the world.

So, what makes Hong Kong tick? Many features of attraction together contribute to Hong Kong's success as a financial centre. Hong Kong is, as many people have spoken, geographically and strategically placed as a gateway to China, which is itself a fast-growing economy. We have a low tax regime, an open market and a resourceful, skilled and efficient workforce. This is supported by prudential supervision and a fiscal discipline which makes it possible to encourage entrepreneurship without encouraging "fly-by-nights".

More importantly, since financial transactions involve rights and obligations which need to be verified by legal contracts capable of enforcement, we have a legal framework and comprehensive laws and codes of conduct. These laws are well-established over time and tested in the courts which have gained an admirable reputation for impartiality. We also have an international standard technological infrastructure to ensure efficiency.

But our financial clout must be watched with great care for money markets migrate just as easily as people who have money. Already warning signs are there. Our standard of education, essential to the maintenance of Hong Kong as

a financial centre, shows signs of slipping. There is also an unwelcome tendency towards over-regulation. Our overhead costs are high, which can make us less competitive with our neighbours. As we sail up the uncharted waters of "one country, two systems", we are not sure that the things we take for granted will be there. There is no certainty that the practices and values which have served us well over the years will be maintained. For a start, our current legislature is to be dismantled and what is to replace it is unsure. Whilst the promises of the Chinese and British Governments, which are signatories to the Joint Declaration, are crystal clear, how to make these promises turn into reality remains a mystery. We talk about confidence, but confidence cannot be willed and it is there. It cannot be summoned and it will come.

Financial arrangements are always risk-laden— liquidity risks, settlement risks, legal risks, operational risks and so on. We must seek to ensure a predictable environment in this dynamic, risk-laden area of finance. We need to guarantee a level playing field, a sound legal system, and a stability of fiscal environment to instil trust and boost confidence. Confidence is built on predictability of a legal system, clarity of approach and certainty of policy. Confidence takes time to build up, but can be destroyed overnight. No empty promises can coax either confidence or money into the market. Investors seldom put their money where their mouth is. They need peace of mind to ensure that money today will not turn into mist tomorrow.

So, let us not talk about overturning or derailing our legislature or overturning our laws. Let us endeavour to achieve a smooth transition. I hope, Mr President, today's debate will help the Government to assume a leadership role in planning for the future, not to intervene but to provide the right environment and the right infrastructure to maintain Hong Kong's position as a viable financial centre. Thank you.

MR CHOY KAN-PUI (in Cantonese): Mr President, Hong Kong is one of the four leading financial centres in the world, on a par with New York, Tokyo and London. Under a free economy, Hong Kong holds all the trumps in respect of time zone, geographical location and human resources. The advantage of time zone enables Hong Kong to complement other financial centres and allows the global financial and stock markets to function non-stop. This attracts overseas investors and Hong Kong becomes an important fund-raising venue for enterprises in Hong Kong and China. In the process of global economic recovery, Hong Kong's economy is able to forge ahead on the strength of its

financial services industry. Hong Kong has a sound financial system and qualified personnel in international finance. Its well-developed commerce, industry and service trades, coupled with the free and fast flow of information create an excellent environment for investment. Whilst economic restructuring is taking place, the role of the financial services industry in Hong Kong's economic development becomes more and more important. Hong Kong as a financial centre is important not only in terms of global financial services, but also in contributing in a far-reaching way towards China's economic development in the next century.

However, one should ever be prepared for danger while enjoying security. While we are proud of the international status of our financial services, we must still keep on reviewing and improving our financial system in order to maintain our competitiveness in the world. But unfortunately, all along the Government has been complacent with its policy of positive non-intervention. Except for providing a basic operational framework, the Government has been passive or inadequate or slow in training and development, market expansion and protection of investors.

The Government should create a better business environment, take more positive measures and assist the private sector. More resources should be deployed to assist the expansion and development of the market for financial instruments and to attract more overseas investors. This will not only promote the development of the local financial services industry, but will also increase local employment opportunities as a whole. As a financial centre, it is essential for Hong Kong to have qualified personnel in financial services. So far, the Government has done too little in this respect. The Government should discuss with private organizations, professional bodies and academic institutions in order to make long-term planning in training development.

I believe the development of Hong Kong's financial services industry depends on a free and robust market. When the market is free from unnecessary intervention, it will operate reasonably and effectively. But the crucial point is whether the Government takes appropriate measures to promote our favourable position created under this free environment so that the investors can get fairer and more reasonable return and have more confidence in Hong Kong.

Apart from making our free, fair and reasonable market more favourable,

the Government should effectively monitor and regulate it so as to offer appropriate protection for investors. Unfortunately, the Government's progress in proposing related legislation and formulating policies is rather slow. For example, the Government should be more active in enacting, straightening out and consolidating all legislation concerning securities and futures, and should form an examination and regulatory body of international standard, so as to minimize the unnecessary risks taken by the investors in the market and tap the full potential of our financial market. It is worth mentioning that the Government should more effectively and rigorously regulate our financial market and set up corresponding mechanisms during the transition to 1997 so as to avoid undue impact caused by the international speculators on our financial system.

Mr President, with these remarks, I support the original motion. Thank you.

DR LAW CHEUNG-KWOK (in Cantonese): Mr President, I, as well as my colleagues from the Hong Kong Association for Democracy and People's Livelihood (ADPL), support the Honourable Paul CHENG's motion and quite agree with the contents of his speech. Members have already touched on many points in their speeches. Now I am going to express our concern in three aspects. At present, the key components of Hong Kong's financial services industry, such as banking, securities, insurance and fund management, are mainly controlled by foreign interests, especially by British interests. It is difficult, and indeed an uphill struggle, for local Chinese enterprises to develop in the financial services industry. Such situation is absolutely unique to Hong Kong and one of the main causes for this is the long standing colonial economic policy pursued by the Hong Kong Government.

I am not advocating parochial protectionism, but I think the Government should consider adopting a positive policy to encourage local Chinese enterprises to develop in the financial services industry. Another related issue is that overseas interests in our financial services industry are importing a large number of employees. There is a large influx of managerial personnel at senior level as well as professionals and executives at middle and lower levels under the relatively lax policy of the Immigration Department. This has adversely affected the employment opportunities of our local professionals and university graduates. I suggest that the existing principles and policy of giving priority of employment to local workers should also apply to the managerial personnel at non-senior levels in financial services.

As an important financial centre in the Asia Pacific region, Hong Kong's rival is no longer Singapore alone. Shanghai will develop into a financial centre of China and Taiwan is also determined to develop an "Asia Pacific regional operating centre". All these constitute a threat to Hong Kong's future development, but the Hong Kong Government does not know the situation of our competitors very well.

Recently, I received a report compiled by Hong Kong's Overseas Office in Singapore. It gives extensive coverage to the concern expressed in Singapore's newspapers about the formation of the Preparatory Committee and the high unemployment rate in Hong Kong. But it does not report what happened at the end of last year — the listing of a Hong Kong company in Singapore and the relocation of a fund management company's regional headquarters to Singapore. I think it is very important to know ourselves as well as our rivals.

Hong Kong's overseas offices need to make greater efforts in gathering overseas economic intelligence in order to help the Hong Kong Government formulate appropriate financial policies.

I, as well as ADPL, reiterate again that Hong Kong should establish an "economic development council" to formulate an appropriate long-term economic development strategy, including the introduction of appropriate financial policies.

If anyone thinks that setting up an "economic development council" or similar organizations will mean implementing a planned economy, he will definitely believe that the whole Asia Pacific region is at present an economic structure founded on planned economy. This is something I will never agree.

With these remarks, I support the original motion.

MRS SELINA CHOW: Mr President, in recent years there has been a growing chorus of complaint that the standard of English is continuously deteriorating down a slippery slope in Hong Kong. Those who have joined in include local and foreign companies, big and small. Others, like myself, watch in dismay how the standard of English in our growing service sector lose out in comparison to neighbouring countries and territories such as Taiwan, Singapore, Thailand,

and so on.

In spite of the fact that such complaints are gathering momentum, there has so far been an absence of any comprehensive strategy to tackle the problem. Earlier, we heard Mr CHENG and others mention it in their speeches, but the point is conspicuously absent from the original motion as well as from the amendment.

So far, the initiatives undertaken by the Government have been unimpressive and piecemeal. The problem of language deficiency in our schools in both English and Chinese has long been identified. Measures to tackle the problem, however, have been relatively slow and ineffective. The more worrying tendency is that in our promotion of learning in the mother tongue, English is pushed further and further down the priority list.

The tertiary institutions have complained about the same problem. Professor WANG Gung-wu has in fact used this as one of the justifications for his proposal to adopt a four-year instead of a three-year first degree course for the University of Hong Kong. While I do not agree with him that the university should be used to substitute the schools in foundation language training, Professor WANG's views nevertheless reflect a general dissatisfaction over falling standards.

Apart from what is taught in our schools and higher institutions, there is a lack of training for English for professionals in our respective service sectors. Adult education addressing specific areas of need must be looked into and addressed by the Government. In short, in order to maintain Hong Kong's competitiveness as a leading international financial centre, there is an urgent need for the Government to take the initiative to establish a mechanism to focus attention with a view to upgrading the standard of English across the board.

Much has been said recently about the Government's U-turn on an omnibus Broadcasting Bill. While I remain sympathetic with the Government's predicament, I believe there is an urgent need for the Government to take immediate steps to cement Hong Kong's place as a regional broadcast centre, as the free flow of international information is a vital pillar on which Hong Kong's position as an international financial centre must rest. Four years ago, the Government took the right decision to deregulate subscription TV, yet to this day, the regulatory framework has not yet been put in place.

Furthermore, there has not been any government initiative to attract broadcasting interests to establish in Hong Kong, despite our having had an early start in developing our own talents in the broadcasting industry and our advantage of being the gateway to China. Foreign interest in this industry have eyed Hong Kong for some time, but uncertainty in government policy and the lack of legislation have presented too many unknowns for them to make the final decision to be stationed here, and have as a result turned their attention to India and Singapore. I submit that immediate action must be started to remedy this undesirable situation.

Mr President, I support Mr CHENG's motion.

MR ERIC LI (in Cantonese): Mr President, I am going to present two points of view today. I would also like to point out that there might be some difference between theory and the reality. I shall particularly talk about international competition, not only about whether overseas businessmen will invest in Hong Kong. In fact, some large financial companies, major banks and local enterprises are of world standard to a certain extent. A good environment does not only mean whether foreign companies will be attracted here, but also whether local companies will relocate part of their business or transfer part of their capital out of Hong Kong or have their business handled in foreign countries through a foreign mode of operation.

If any of our colleagues harbours doubts about the part on tax concession, I hope I can give some clarifications here. First, tax concession is within the jurisdiction of the Government and indeed it can only be granted by the Government, which means that nobody else can give it, not even this Council. Some colleagues think that tax concession is not of much use and so they think the relevant part in the Honourable Paul CHENG's motion is not worth supporting. I do not want to say too much. I shall only talk about a questionnaire survey done by a very large international accountant firm in 1994 covering the top 1 000 enterprises in the world. These enterprises were asked what was the most important factor that they would consider in making investments in a foreign place. Of course, as everybody knows, political stability is an important factor. Financial risks and return from investment are very important factors too. The third most important factor is taxation, and more consideration is given to this than language ability, acceptance of local culture and the local regulatory or monitoring regime.

Findings from this survey indicate that 39% of the companies regarded the

tax system as a prime factor for consideration and they would not make investments in a place where the tax system is unsuitable for them. 28% of the companies would make investments in a place where there is tax concession. Almost 80% (79%) of the investors would carry out an in-depth research on the local tax system and include the research results as part of their overall policy in considering whether they would make an investment. These figures obviously show that, to every international investor, taxation is a very important factor though it is not the sole factor for consideration. Therefore, my Accountancy Constituency fully supports a comprehensive review of our tax system. We are talking about international competition, not about giving concessions to any part of the business sector. Having regard to the international environment, we think a comprehensive review is necessary in order to maintain Hong Kong's competitive edge.

Second, the Honourable Miss Christine LOH has mentioned that Mr Paul CHENG was quoted in newspapers as saying whether auditors should be required to report to the Government any corruption or malpractice they discover. I believe what Miss LOH has said is very far from the truth. If Miss LOH had attended our meeting, the meeting of the Economic Services Panel yesterday, she would have obtained a better understanding of this. In fact, the Government has not submitted any proposals requiring the accountants to report corruption and malpractice. What the Government is suggesting is meant to protect the accountants. When an accountant comes across such a situation, he may choose to report or not, and if he reports, he will be protected by the law. He will not be thus sued by his client for breach of contract and for breach of professional relationship with his client. So actually that piece of legislation has nothing to do with what Miss LOH has said.

Miss LOH also mentioned that many countries in the world have similar legislation. I can tell Miss LOH that the Hong Kong Society of Accountants (HKSA) did make a very detailed study and has concluded that there is no legislation to such effect throughout the world. As for similar legislation, how do we define the word "similar"? I want to point out very clearly that the United Kingdom once studied such provision too, but the introduction of similar legislation was vetoed and a fresh study had to be undertaken. In the United States, some consideration is given but the acts in question are clearly identified. The rules do not simply say vaguely "one has to report whenever one has doubts, regardless of the circumstances". This is by no means the case. Some clear rules are laid down as to how a clear and systematic report should be made; and, in the reporting process, self-regulation of the market, the professional capacity

of the accountants and the government's regulatory regime are balanced against one another. This is the message the HKSA and the market practitioners, including representatives of the two business associations, are conveying to the Government. I believe, at the Panel meeting, we reached an understanding with the Government that further study would be undertaken. Of course, if there is a way acceptable to the market and the market can maintain a certain degree of self-regulation, we, as professionals, are much prepared to assist the Government in resolving the problem. But before working out a practicable method, I believe, the business sector and the accounting profession will not support Miss LOH's proposal which she regards as a matter of course.

In face of the international competitive environment, we may adopt two different attitudes. First, we may close our door, count the number of soldiers, as well as the arms and ammunition we have at hand and simply ignore the outside situation if we think we are well matched in strength. Second, we may assess our strengths as well as our rivals' strengths, make an overall assessment based on our understanding and then plan our strategic deployment. I believe Mr Paul CHENG is adopting the latter attitude. I also hope that this Council will take a more positive attitude and have a better understanding of our rivals instead of closing our door and thinking that our environment and other factors are so good that we do not have to do anything.

Thank you, Mr President.

MR NGAN KAM-CHUEN (in Cantonese): Mr President, on behalf of the Democratic Alliance for Betterment of Hong Kong (DAB), I rise to speak on the Honourable Paul CHENG's motion "Maintaining Hong Kong's competitiveness as a leading international financial centre".

At present, the financial services industry accounts for a very important proportion of Hong Kong's gross domestic product (GDP), has a huge number of employees and is becoming Hong Kong's major economic lifeline. The great success of Hong Kong's financial services industry so far is due to our favourable geographical location, well-established legal system, the Government's *laissez-faire* policy and the efforts of those working in the industry. In recent years, many neighbouring cities were working hard to catch up with Hong Kong and, on the other hand, Hong Kong's favourable factors were being eroded. For

instance, some investors are staying on the sidelines during the transition period and Hong Kong people's command of English is declining. Such situation really warrants our concern.

In fact, international capital and financial institutions are highly mobile and capital funds move with superlative ease and flexibility. If Hong Kong lowers its guard slightly, it will lag behind its rivals and business will drift away in favour of our rivals. We must maintain a high degree of vigilance and spare no effort in taking all sorts of long-term and short-term measures to boost Hong Kong's competitiveness as a financial centre in order to ensure the healthy development of our financial services industry at present and in the future, continual productivity growth and permanent contribution to our economy as a whole. The DAB opines that the Government is duty-bound in this respect.

The world's financial markets are divided into different time zones now and the compatibility of major clearing systems still leaves much to be desired. When an international investor makes various kinds of capital transfer between different countries, he still has to undergo a complicated clearing process. Therefore, the Government should assist the local financial services industry as far as possible in developing a most advanced clearing system which will link up with large and small markets in different regions, reduce the investors' risks and transaction cost and make Hong Kong the most efficient financial centre in the world.

Mr President, Hong Kong people's command of English is generally declining and this adversely affects Hong Kong's international financial services. We should discuss with the educational sector and formulate a policy to improve the general standard of English in Hong Kong, and enhance specialized English training for our financial services industry. In addition, the salaries of qualified personnel in financial services are rising rapidly and this reflects a shortage of supply of personnel. Universities and related training programmes should cater for the needs of our financial services sector and train more professionals so as to ensure sufficient human resources in our financial services industry.

On the other hand, China's macro-economic control policy under its economic reform programme has already achieved considerable success and China's Ninth Five-Year Plan (1996-2000) is being launched. It is anticipated that funding for China's infrastructure will still need a considerable amount of

Hong Kong dollars and this will contribute to a significant development of the bond market in Hong Kong. Furthermore, Renminbi will gradually become freely convertible in the next few years and Hong Kong may take up a fair amount of trading in Renminbi. Moreover, there will be listing of large China enterprises in Hong Kong's stock market one after another and Hong Kong's stock market will thus achieve more remarkable development.

We must look to the future and make active preparations, for example, to research market opportunities, train more professionals who are familiar with China's financial services, improve the standard of Putonghua so that Hong Kong can benefit most from this favourable situation.

As we know, Singapore has implemented many tax incentives to attract more investors to its financial services industry. Hong Kong's existing rate of profits tax is relatively low and rather attractive to the investors. In view of the strong competition from Singapore, the Government should, on the premise of not lowering the rate of profits tax, do some research with regard to practicable tax incentives and make some proactive response instead of remaining passive.

All in all, this is the time for the Government to put words to action. I hope the *ad hoc* advisory committee suggested in the strategy paper published by the Monetary Authority last year will be set up as soon as possible to carry out on a full scale various long-term and short-term measures so as to enhance Hong Kong's status as an international financial centre.

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

MR SIN CHUNG-KAI (in Cantonese): Mr President, I am going to focus my discussion on regulation today. Talking of regulation, I recall some financial crises in the 1980s. These crises had something to do with the loopholes in the Government's regulatory regime. The collapse of Dollar Credit triggered a crisis among deposit-taking companies. And the Hang Lung Bank, Overseas Trust Bank, Wing On Bank and Ka Wah Bank also faced a financial crisis and were taken over either by the Government or private institutions. Another crisis was the one that befell the Hong Kong stock market in 1987. At that time, the Government was actively publicizing and promoting Hong Kong as an

international financial centre with sophisticated exchanges and was extolling Hong Kong for being the world's second largest index futures market. With these words still ringing in one's ears, our stock market was suspended and our futures market collapsed, thereby shattering Hong Kong's reputation as an international financial centre. Our financial market was called in derogative terms as a "free for all" casino or a private club. This series of incidents forced the Government to establish the Office of the Commissioner of Banking and the Securities and Futures Commission (SFC) and to put in place an appropriate regulatory regime in order to restore and boost the confidence of local and international investors in Hong Kong's position as a financial centre.

I talk about the above historical lesson just to make one point, that is, there must be regulation, appropriate regulation, in order to maintain our status as an international financial centre. Nobody is willing to operate or invest in a market which allows malpractice and deception. Of course nobody will want over-regulation which will stifle the development of the market and render businesses unprofitable. Therefore, an appropriate degree of regulation is very important and can only be achieved through interactive efforts of the various sectors.

The Democratic Party advocates a statutory regulatory regime in the hope of setting up a fair and efficient market. The definition of "fair" is rather broad but should at least include first, free from being hoodwinked by false information; second, equal opportunity for everybody to have access to the same information; and third, efficiency, which means the best prices as determined by free competition. Hong Kong's existing regulatory legislation and regime are far from achieving the above objectives. We often hear of some comments such as excessively high directors' fees, victimization of the small shareholders, winding up of foreign exchange companies, total loss suffered by investors, and an Interest Rate Agreement that favours the larger banks. In fact, compared with many other international financial centres, Hong Kong's regulation is too lax. According to a report on global competitiveness, Hong Kong gets lower marks than our rival Singapore in terms of statutory regulation over financial institutions and public confidence in financial institutions. Another report on the findings of a survey indicates that in Southeast Asia, Singapore is the most stringent and Hong Kong is the laxest in terms of regulatory legislation and environment and the competence of the regulatory body. Lax means also a low degree of transparency and this will adversely affect the credit ratings of the territory in general and the banks in particular. Therefore, what we are

worrying about is not over-regulation by the Government but excessively lax regulation. Therefore, we should call on the Government to improve the existing statutory regulatory regime so that the financial market can develop in the direction of greater efficiency, robustness and honesty.

As regards regulation of the banking sector, after much altercation it was not until 1994 and 1995 that the Monetary Authority started to phase out the interest rate agreement on fixed deposits. But at the end of last year, the Authority went back on its word and, without giving any specific reasons but using the 1997 political factor as a pretext, put off dealing with the Interest Rate Agreement until after 1997. This was a covert act to call a halt to the cancellation of the Interest Rate Agreement. The Authority was doing this in the interest of the larger banks and consortia. This violated the principle of free competition and is unfair to the consumers. The Democratic Party very much regrets this. Apart from the Interest Rate Agreement, the Authority has also accepted some other recommendations made by the Consumer Council, for example, on the disclosure of internal reserves, and is proceeding with it by stages. I hope the Authority can persist in this and will not cop out towards the end by knuckling under the pressure of large consortia.

As regards regulation of Hong Kong's securities industry, self-regulation is mainly being adopted at present. The Democratic Party opines that self-regulation does not mean ruling out external regulation or legislation, and indeed they are complementary. In fact, self-regulation as is being practised is not yet sophisticated enough and there is still much room for improvement. Findings of another survey also point out that Hong Kong's corporate governance is still backward and has not yet reached the international standard. In addition, the listed companies should emphasize more the disclosure of information, such as the computation of directors' fees, and improve the professional ethics of those working in the industry. Foreign exchange companies should be required to take out insurance in respect of their good faith towards clients, or a compensation fund should be set up.

On the other hand, the existing listing rules constitute a contractual agreement between the listed companies and the Stock Exchange of Hong Kong. If a listed company breaches any of the rules, usually it will be reprimanded by the Stock Exchange of Hong Kong or as a relatively severe punishment it will be suspended or delisted. But in this way, the small shareholders will be unable to sell their shares and leave the market and they will ultimately suffer losses.

Therefore, the Democratic Party opines that it is necessary for part of the listing rules to be enacted as law, for example, those concerning directors' responsibilities and disclosure of information, so that the offenders will get their due punishment and have to compensate the investors. As the investors lack the resources to claim their entitled compensation through legal proceedings, the Democratic Party also proposes that the SFC should consider following the example of the Consumer Council in setting up a litigation fund to give financial support and legal advice to the investors; or the SFC should refer to the mode of litigation derived from European and American countries, that is, when a company director's conduct damages the interests of the shareholders, any shareholder may represent the other shareholders in taking legal action against the company, which will then have to pay all the court costs no matter whether the plaintiff wins or loses in the suit.

With these remarks, I support the Honourable Paul CHENG's motion and oppose the Honourable Miss Christine LOH's amendment.

PRESIDENT: I now invite Mr Paul CHENG to speak for a second time in order that he may speak on the amendment to his motion. Mr CHENG, do you wish to speak? You have five minutes.

MR PAUL CHENG: Mr President, the Honourable Miss Christine LOH obviously misinterpreted both the wording and the spirit of my motion, resulting in her taking the trouble in her presumably very busy schedule to make her amendment. I would like to reiterate that I am not advocating government intervention. I am instead calling on the Government to urgently assume a leadership role to help us compete more effectively in an increasingly competitive real world, not in an idealistic dream world, so that we do not wake up one morning and find that Hong Kong is no longer in a leading position.

The Honourable Miss Christine LOH said Singapore's situation is different and we should not copy them or worry about them. Allow me, as a tennis player, to draw a parallel. When you play in a match, you do not just say your opponent plays a different game, so do not worry, you just carry on and play your

own game, ignoring the strengths and weaknesses of your opponent. Having played the game for some 30-odd years, I have found the most important factor in winning is to know your opponent's strengths and weaknesses so that you can vary your own game accordingly to gain an upper hand.

As I was prepared to move this debate before this Council, I consulted widely with the financial community in Hong Kong. The response to my motion was overwhelmingly positive with each sector, each providing sector focus and analysis of the challenges we face. While some recommendations for action differed, there was one area on which everyone agreed and that was on my call for the Government to undertake a review of the current taxation structure as it relates to the financial markets. Furthermore, The Honourable Eric LI just passed me a copy of the Hong Kong Society of Accountants' proposals to the Government on the 1996-97 Budget, entitled "Preserving Hong Kong's Competitiveness". In it, as mentioned by the Honourable Eric LI in his comments just now, the tax issue is one of the more important factors multinationals consider in choosing where they locate their operation. I was therefore surprised that the Honourable Miss Christine LOH felt compelled to eliminate this important element from my motion in her amendment.

I trust Members will bear this in mind when making their decision as to whether they support the amendment or my original motion.

SECRETARY FOR FINANCIAL SERVICES: Mr President, I very much welcome today's debate on an issue which is crucial to the continued stability and prosperity of Hong Kong. By most international standards, Hong Kong is already a leading international financial centre.

It has been a wide-ranging and valuable debate, and Honourable Members have put forward to us some valuable suggestions on how Hong Kong can maintain our competitive edge in the face of keen competition. I wish I could acknowledge and respond to the views of each and every Member who has spoken, but obviously time does not permit this, and I therefore look forward to having continued discussion with Members, market practitioners and the public over this very important topic. And indeed a number of items raised this afternoon could well be very usefully and constructively discussed, and further discussed at the Financial Affairs Panel.

I cannot agree more with Mr Paul CHENG that Hong Kong's future prosperity depends to a great degree on maintaining our competitiveness as a leading financial centre. Indeed, in the past decade or so, financial services have been the key growth component in our economy. The average growth rate for trade and financial services since 1980 stood at an impressive 21% per annum in value terms. I will not quote further statistics today to illustrate our astounding achievements in becoming one of the leading financial centres in the world. Mr Paul CHENG has done so in his speech as have other Members, as well as Miss LOH. I will only re-iterate, however, that despite this remarkable achievement, the Government has never been complacent and I believe this is true for the private sector in Hong Kong as well.

Indeed, there is no place for complacency. Asia, being the fastest-growing region in the world and expected to continue to be so in the future, presents immense opportunity in financial services. While Hong Kong is well placed to tap this potential and the associated benefits, both established players and emerging and aspiring financial centres in the region are also seeking to capture the same potential and benefits. And, as Miss LOH has pointed out, it is not a zero-sum game. We are keenly conscious of the need to maintain Hong Kong's competitiveness in the face of increasing competition.

Over the years, we have regularly reassessed the role of the Government in supporting the efforts of the private sector, but we continue to believe that our market-based economic philosophy and policies are sound. They have served Hong Kong well over the decades and it is this very distinctive feature that has given us the edge over other competitors in the region.

We also believe that there is considerable consensus over markets, enterprise and free trade in the community, and I am glad to know that Mr CHENG is not advocating government intervention. The Government should not actively manage the financial markets or interfere with market forces. Our role should be to support business by helping to enhance productive capacity, improve efficiency and sharpen competitiveness. In other words, to maintain a competitive and favourable operating environment.

Through our regular consultation with market practitioners and experts in

the international arena, there exists a consensus that Hong Kong's comparative advantages primarily draw from a host of factors. To name just a few: sound economic fundamentals such as strong international trade performance and prudent fiscal position; strategic geographically, for example, our time zone and our location; robust supervisory framework which inspires confidence; an effective anti-corruption regime; advanced infrastructure such as telecommunication links, settlement and clearing systems; business-friendly policies; predictable and low taxes, the rule of law; free flow of people and capital, open markets, and so on; and finally, special, long-standing experience and expertise and relationship with the China market. The list can go on and on. This not only reflects the width and depth of our strengths, but also presents a daunting task for the Government and the private sector to keep up the very high standards in the face of increasingly keen competition.

As many Members have pointed out, the Hong Kong Monetary Authority has compiled a Strategy Paper last year on Hong Kong as an international financial centre. The Paper reaffirmed the many opportunities and threats for Hong Kong and identified a number of continued work on various fronts. These include initiatives to further develop our debt market, encasement of sectorial studies on individual sectors, improvements to the operating environment in general, and workforce upgrading in particular. Most of these proposals represent ongoing efforts which predate the Hong Kong Monetary Authority's study, and these will continue. The evolving markets and the competition and opportunities that these bring effectively present us with a never-ending challenge. While some new initiatives have been launched, the dynamism of the environment dictates that we keep moving ahead. Since then we have, for example, engaged in new studies, initiated structure consultations with the industries, and I can assure Members that we will continue to maintain the momentum.

And as pointed out by Dr HUANG, the key issues and tasks involved in the concerted promotion of Hong Kong services are the subjects under active consideration by a task force of services promotion chaired by the Financial Secretary which was set up in August last year. A series of specific initiatives, including proposals to consolidate Hong Kong's leading position as an international financial centre, will be announced by the Financial Secretary in association with his Budget.

At this juncture, perhaps I should respond very briefly to the four areas of focus identified by Mr CHENG in the original motion, and in the process the three areas advanced by Miss LOH in her amendment. The first area referred to by both Members relates to promoting Hong Kong's strengths as an international financial centre. I fully agree that this is an important task. Indeed it is very much on the Government's list of ongoing commitments. Promoting Hong Kong's role as an international financial centre has been one of the major themes of our publicity efforts, both in Hong Kong and overseas in recent years. These includes promotion tours by senior government officials, speaking engagements in local and overseas seminars, and active participation in international organizations and forums. Through such efforts we have raised Hong Kong's profile internationally. I can assure Members that we will continue our endeavours and seek to further improve our promotional activities by undertaking more focused, finely-targeted and co-ordinated campaigns specially adapted for use in the promotion of financial services.

Both Members have called for improvements to our market infrastructure, manpower training and access to our financial markets. Again, I shall express the Government's full support of the idea. In respect of market infrastructure, Hong Kong's present set-up is amongst the most advanced in the world. The technologies and infrastructural support available to, say, our banking, securities and futures and insurance industries all measure up to international standards. We continue to move forward progressively. In the banking sector, we are introducing a payment system based on real-time gross settlement later this year. In the debt market, after the link-up of our local custodian and settlement systems with two established international clearing systems, we will seek to expand the range of services of our system to non-government debt papers and further upgrade its efficiency.

The markets themselves are, of course, very much alive to the need to improve market infrastructure. For instance, the recent launch by the Stock Exchange of Hong Kong of the second trading terminal has enhanced the operational efficiencies of the Exchange's trading system, expanded market capacity, shortened communication time and provided more secure back-up facilities. The Government fully supports such initiatives and encourages the markets to continue such efforts.

One of the most invaluable assets of Hong Kong is our well-trained and adaptable workforce. In the financial services sector, human resources are of

particular importance. The Government is committed to ensuring that there is an adequate supply of trained manpower at various levels to continue to service our financial services industries. A case in point is the focus on language proficiency, arguably one of the most essential ingredients for a competent workforce for the financial services sector, and I am glad that almost all Members this afternoon have also expressed concern regarding the standards of language skills of our workforce.

Related initiatives include the establishment of a Language Fund with a Government injection of \$300 million to fund projects to raise the standards of English and Chinese. The draft Education Commission Report No. 6 has specifically addressed the subject of language proficiency where it is recommended that as a priority, the Government should put in place an institutional framework to enable research to be conducted into the language needs of Hong Kong, to develop policies and to have such policies monitored and evaluated in a coherent and systematic manner.

Regarding access to our financial markets, Hong Kong is probably one of the most open systems in the world. International service providers are free to enter the Hong Kong market, subject to their meeting the prudential criteria for admission, which seeks to ensure that fit and proper persons are admitted. There is no discriminatory treatment against overseas companies. We have actively participated in the negotiations on the General Agreement on Trade in Services in the context of the World Trade Organization, and intend to maintain our open system and seek to ensure access for Hong Kong companies.

As for investors and buyers of financial products available in Hong Kong, there is again no barrier for entry into our markets. Such openness has attracted a critical mass of providers of financial services and products as well as investors to Hong Kong. Their presence and active participation in Hong Kong's financial markets have ensured liquidity and diversity, all essential ingredients to a successful financial market. We are firmly committed to maintaining our open system.

The third area referred to by both Members relates to a sound regulatory framework and legal requirements to ensure that the financial markets operate fairly and efficiently, thus improving the protection of investors. I should reiterate that the Government is again fully committed to this. Over the years this has indeed been one of our primary objectives. We recognise that the integrity and effectiveness of the financial services regulatory regime are of

utmost importance to our financial markets. The system must be fair and transparent so as to inspire confidence and market practitioners and investors.

Hong Kong has always sought to adopt the leading international prudential standards so as to protect the interests of the depositors, shareholders, insurance policy holders, members of registered retirement schemes, and so on. And regular reviews of the relevant legislation in banking, insurance, securities and futures have resulted in a number of amended legislation and subsidiary legislation, which have contributed to the continued robustness and effectiveness of our regulatory system. Nevertheless, without compromising our supervisory regime, we also strive to ensure that the system is as market-friendly as possible and to be ever vigilant regarding over-regulation.

Several Members have sounded a very important warning that we should be extremely wary about over-regulation. I am very grateful for this reminder. Indeed, the Government and the financial services regulators must always be mindful of the impact of over-regulation which undermines the attractiveness and competitiveness of our markets. However, at the same time, we must also be mindful that the primary objective of financial services regulation is to protect the interests of investors. To live up to its reputation as a leading international financial centre, Hong Kong's financial services regulatory system must measure up to international standards which is a form of quality control, if you like, of the high quality products we are trying to sell. It is essential, therefore, that Hong Kong adheres to the high industry standards set by international bodies.

What is involved, therefore, is a balancing act to enhance market-friendliness without compromising robustness and effectiveness of our regulatory system. To this end, the Government is committed to review regularly our regulatory requirements so as to ensure that they continue to be sound and effective in the face of rapidly changing environments, but also to streamline procedures and lessen the reporting burden wherever appropriate, and to ensure that the criteria for authorization and reporting requirements of Hong Kong's regulatory regime are objective and transparent. Examples of lessening the regulatory burden in recent years include the promotion of self-regulation, for example, in the insurance industry, and in the streamlining of listing securities by vesting more power in the Stock Exchange of Hong Kong from the Securities and Futures Commission (SFC), and we shall continue such endeavours.

And talking about the Stock Exchange and the SFC, I note Mr CHIM's, by now, characteristically strong and passionate feelings for the SFC, which I am sure will take careful note of the views from one of its most ardent critics. I also note that market development is in fact a statutory responsibility of the SFC, but I also accept that the role of market development should rest primarily with the market and the industry concerned.

Mr CHENG has further advocated the use of tax and other incentives to continue to attract key financial services. I note that Miss LOH has considered this unnecessary. As Members know, the Financial Secretary will deliver his Budget on 6 March. Today, therefore, is obviously not an opportune time for me to pre-empt his Budget proposals on taxation matters, if any. Perhaps I should echo what the Financial Secretary has recently alluded to on this subject. It is worth repeating that the standard profits tax rate in Hong Kong is already very low by international standards. It has helped to foster a competitive business environment as a whole in which the financial services sector benefits. If what Mr CHENG meant by tax incentives referred to preferential tax rates for selected industries for a certain period of time, it may compromise our current simple, predictable and easy-to-understand taxation system. Selective, preferential treatment entails picking of winners by the Government, and would ultimately be tantamount to the Government making commercial decisions on behalf of the private sector, an area which bureaucrats anywhere may not be very good at.

In conclusion, Mr President, maintaining Hong Kong's leading position as an international financial centre is an ongoing challenge which the Government is committed to meet and will continue to do so. Come 1997, this will even become a mandatory requirement, as Article 109 of the Basic Law stipulates that the Hong Kong Special Administrative Region shall provide an appropriate economic and legal environment for the maintenance of the status of Hong Kong as an international financial centre.

Mr President, before I end today, I should express my gratitude for the overwhelming support of Members in working to maintain Hong Kong's leading status as an international financial centre. There is one major initiative, the success of which will greatly enhance such a position. I am referring, Mr President, of course, to the Mandatory Provident Fund (MPF) Scheme. As Members are aware, we have submitted for the approval of the Finance Committee a funding proposal for the MPF scheme the day after tomorrow.

While the system is intended for the much-needed but long-delayed retirement protection of our workforce, I should take this opportunity to reiterate the very advantageous side-effects of the MPF system, where Hong Kong's financial services sector will be given a timely and invaluable boost on the establishment of the system. The potential benefits to the Hong Kong debt market, fund management, insurance and associated sectors and the economic activity so generated are obvious. Mr Paul CHENG has in fact alluded to the importance of fund management, having their operation localised in Hong Kong. In our regular and frequent contacts with the fund management industry in Hong Kong, the message is loud and clear: forget about special incentives, not even tax concessions. Just get on with the MPF.

This is indeed a very substantial and tangible gain for Hong Kong's status as an international financial centre. I am most grateful to those Members who have already indicated their support for the funding proposal, and would urge those Members who have not yet decided and those who were previously opposed to it to reconsider, having regard to what Members have said today in this debate, including Mr Andrew CHENG's strong support for developing our debt market, for which the MPF is an ideal vehicle. I am certain that they will seriously ponder over their position, as a rejection of the MPF proposal will deprive Hong Kong of an invaluable opportunity to enhance our position in an increasingly competitive world.

Thank you, Mr President.

PRESIDENT: I am very much tempted to say that is a most ingenious move indeed.

Question on the amendment put and negatived.

PRESIDENT: Mr Paul CHENG, you are now entitled to reply and you have three minutes 51 seconds out of your original 15 minutes. Do you wish to speak, Mr Paul CHENG?

MR PAUL CHENG: Mr President, I merely want to thank all those Members who have given me very valuable advice and support in this motion debate, and I also must compliment the Secretary for Financial Services on his being very

opportunistic.

Thank you.

Question on the original motion put and agreed to.

SALE OF FLATS TO SITTING TENANTS SCHEME

MR EDWARD HO to move the following motion:

"That, in order to solve the housing problem of the public and achieve the aim of real 'full home ownership', this Council urges the Government to proceed with the sale of public housing rental units to sitting tenants as soon as possible, and to use the sales proceeds thus derived to expedite the production of new public housing units and the redevelopment of old public housing estates."

MR EDWARD HO (in Cantonese): Mr President, I move the motion standing in my name on the Order Paper.

As we count the reasons that have made Hong Kong a uniquely successful and prosperous place, they are not too many. After all, we do not have any natural resources to speak of, apart from our splendid harbour and our advantageous location in southern China.

Really, our main resources are our people, and their traditional spirit of self-reliance that has given Hong Kong people the special quality of hard work and enterprise. They do not rely on welfare given by the Government, unless they are among the destitute, the disabled and the elderly.

Mr President, I move my motion today because I strongly believe that the promotion of home ownership will maintain and even enhance that spirit of self-reliance.

My proposal does not detract from any efforts being made to provide adequate housing for those who are in need. Indeed, it will facilitate the building of more public housing for those on the Waiting List, and those who are yet to be allocated public housing.

Ever since the inception of the public housing programme in the early 1950s, the Government has put into public housing a tremendous amount of resources, much more than those for any other types of community or social services. The programme has put half of the population in subsidized housing.

Yet, housing problem in Hong Kong is still far from being solved. I spoke in the past in this Chamber of the need for the Government to increase its investment in land and infrastructure so that the target set in the Long Term Housing Strategy to house all those in need in 2001 could be met.

But it is ironical that despite the tremendous amount of resources put in by the Government, many of those who have been fortunate enough to have been living in public rental housing have not been contented. They are the ones who have been most vocal in voicing all sorts of grievances, in respect of rentals, management, quality and many other issues that are so easily politicized.

When the Housing Subsidy Policy was endorsed several years ago so that the well-to-do tenants would pay one and a half times or two times the normal rentals, some tenants were unhappy. The current proposal to require tenants owning more than a certain level of assets to pay market rentals will also arouse much controversy, and could be the subject of another heated debate in this Chamber next week.

The seed of discontent can easily be inflamed. The reason is that no one can feel truly happy when he or she is not living in ownership flats but under some sort of public subsidy. We must find ways to restore to these people their sense of pride: owning their homes through their own means. We know for sure that most public housing tenants will find it extremely difficult to own their own homes by buying in the private sector. Though denied by the Government, the high land price policy is perceived by us to be in existence nevertheless. For many public housing tenants, buying Home Ownership Scheme (HOS) flats would also be above their means. Therefore, we propose selling public rental housing to sitting tenants so that the objective of increasing home ownership would be achieved.

Sale of flats to sitting tenants is not a new idea. In 1989, nearly six years ago, the Housing Authority (HA) came up with this idea. An extensive consultation exercise took place from the end of 1990 to the beginning of 1991.

In fact, the HA endorsed the scheme in mid-1991, only to suffer a mysterious demise as it failed to obtain the approval of the Executive Council. The mystery was that the true reason for rejection by Executive Council was never made known to HA members or to the public. There was a rumour that Executive Council was not convinced that the scheme would be successful given that the tenants would have to pay more than four times their housing costs at the then proposed selling prices. I would agree with that assessment.

The HA revised its proposals in November 1992. The revised proposal was again rejected by Executive Council in March 1993. In the discussions leading to the 1993 proposal, six methods of price setting were explored. After certain revisions, 12 different average prices ranging from \$58,000 to \$552,000 were arrived at. It is interesting to note that the Housing Department recommended for HA members' consideration four of these revised methods. They were: the rent times two; the net current value; the replacement cost (with added costs); and the replacement cost (balanced).

My proposal, and the proposal of the Liberal Party, is to use the Original Construction Cost Method. This is a method which is meant to ensure that the HA recoups the costs that it has incurred in providing the flat. The price is simply the sum of the original construction cost plus overheads and interest incurred since completion of the flat. The interest rate is 5% per annum as this is the rate at which the HA borrows money from the Government. There will also be included in the price a Land Cost Payment based on 35% of the replacement cost. The average price of a flat thus calculated would be \$133,000 in 1992. For the same flat, if sold today, the average price should be in the region of \$190,000. This is based on my calculation only. The price may be a little higher or lower depending on the age, the condition or the location of the blocks to be sold.

Although the Original Construction Cost Method would not provide sufficient funds for building a replacement flat, it is much more affordable to the tenants, whose new housing costs including mortgage payments, rates and management fees should be less than two times their housing costs before, not an unreasonable amount, I think, for ownership.

From the tenants' point of view, if the prices are reasonable, they will be able to purchase their own homes and would be free from future rental increases, double rents or market rentals should their incomes and assets increase

substantially. They can also pass the flat to their offspring, or they can move upmarket and switch to better accommodation in the future.

My proposal has deliberately been pitched at a very low price within reason. With one last grant of subsidy, it will end all future subsidy to the particular tenant. The HA will also cease to incur deficits in managing those units, and it can generate funds for the development of more housing units for those in need.

Because of the large subsidy given, there will have to be more restrictions than those related to HOS flats. I propose that the flats can only be resold to public housing tenants. Also, public housing tenants will be eligible to purchase only after they have lived in public housing for a minimum of five years.

Mr President, the Governor pledged in 1992 that the home ownership rate in Hong Kong would reach 60% in 1997. The current home ownership rate stands at 52%, well behind Japan (60%) and the United States (65%). Current projection is that the Governor's pledge will not be fulfilled unless there is a stronger commitment on the part of the Government to promote home ownership. The sale of flats to sitting tenants scheme that I have described earlier is only one of the three ways to promote home ownership. There is also the on-going Home Ownership Scheme. Another proposal of ours is to sell a type of less expensive newly completed public housing to public housing tenants. My colleague, the Honourable Mrs Selina CHOW, will later discuss this particular scheme of home ownership that we are proposing.

Mr President, I strongly believe that the community will benefit greatly from having a greater portion of our population owning their own homes. Although I think we should invest more in the provision of public rental housing, we should not simply focus on this without increasing the provision of HOS flats.

In conclusion, Mr President, let me quote from the HA's Report of the Ad Hoc Committee on Sale of Flats to Sitting Tenants in 1991: "Home Ownership promotes stability in the community. It brings with it a sense of pride as well as commitment to the community." I hope all my colleagues in this Council will support my motion so as to bring long-term benefits to our community.

Question on the motion proposed.

PRESIDENT: Miss CHAN Yuen-han and Mr Frederick FUNG have separately given notices to move amendments to this motion. As there are two amendments to the motion, I propose to have the motion and the amendments debated together in a joint debate.

The Council shall now debate the motion and the amendments together in a joint debate. As Members were informed by circular on 2 February, I shall ask Miss CHAN Yuen-han to speak first, to be followed by Mr Frederick FUNG; but no amendments are to be moved at this stage. Members may then express their views on the main motion as well as on the two proposed amendments listed on the Order Paper.

MISS CHAN YUEN-HAN (in Cantonese): Mr President, we support, in principle, the sale of flats to sitting tenants scheme. We propose to move amendments to the Honourable Edward HO's motion in two aspects and re-iterate our consistent stand with regard to the Government's public housing policy.

First, we think that in order to solve the housing problem of the public, the Government's public housing policy must still "focus on building public rental housing, to be supplemented by the Home Ownership Scheme (HOS)". The 150 000 applicants on the Waiting List now should be housed as soon as possible.

Despite our support for the sale of public housing rental units, to encourage sitting tenants to buy their units should only be regarded as a supplement to the guiding policy of focusing on public rental housing. Sale of public housing units is meant for those who were once eligible for public housing but now have improved income and have accumulated some wealth. These tenants should have the right to choose whether to buy a flat or not and it is entirely within the rights of any public housing tenants.

The original motion conveys a message that some public housing tenants have a demand for home ownership and are prepared to buy at a lower price the flats in which they are living. But I hope this would not be used as an excuse by the Government to cut substantially the production of public rental housing units and shift its focus to the production of HOS flats or the sale of public housing units, being indifferent to the more urgent demand for public rental housing.

Therefore, in our proposed amendment, we particularly emphasize that the leading policy in public housing must be "to produce public rental housing units".

I believe Members must have heard of certain news doing the rounds earlier. It was said that the Housing Authority (HA) intended to cease producing public rental housing units in 2001 and, by then, would only build HOS flats with the purpose of encouraging public housing tenants to buy HOS flats and allocating their vacated units to the Waiting List applicants. Though the Secretary for Housing, Mr Dominic WONG, denied this, there have already been problems in the HA's production policy during recent years or will be in the future. In recent years, the production ratio of public rental housing units to HOS flats has reached 1:1, which is a regression when compared with the ratio in the past. In future, the ratio of HOS flats will be even as high as 60%. Therefore, I was not shocked when I heard the above rumour. I think, in fact, the HA has long had the intention to drop the burden of public rental housing.

We have to admit a fact that while some wish to buy a flat of their own, the basic housing need of most other people has not yet been met. But the HA neglects this most needy group, turning a blind eye to their poor living condition and a deaf ear to their complaints and grievances.

Mr President, I reiterate that the Government should not cease to produce public rental housing units but should maintain a ratio of 60% or more. If the Government ceases to produce public rental housing units in 2001 and, by then, contrary to the Government's expectation, only a small number of public housing tenants can afford or are prepared to buy HOS flats or public housing units, there will not be a large number of vacated public housing units and thus the 150 000 applicants on the Waiting List will still be in a long queue desperately waiting for public housing.

Mr President, more and more immigrants have come to Hong Kong in recent years, increasing from 75 to 105 persons a day and then to 150 a day. Most of them cannot afford to rent or buy a flat in the private sector but have to rely on public rental housing provided by the Government. In view of such an enormous housing demand, the Government should continue to produce more public rental housing units so as to avoid various sorts of social problems that might occur in the future as a result of a serious shortage of public housing.

The second point in our proposed amendment is that the "sale of flats to

sitting tenants scheme" should be carried out on a non-profit making basis and a preferential price should be set to attract sitting tenants to buy their units. In this connection, the Government should sell the public housing units at the replacement cost, neither at a loss nor at a profit.

I propose this amendment because the original motion does not state specifically what "preferential price" means. To my knowledge, there were widespread discussions in society when the HA put forward the sale of flats to sitting tenants scheme in 1992. At that time, quite a lot of people hoped the Government would apply the concept of replacement cost in setting the prices. We propose to include this rationale in my amendment motion. In the then discussions within the Government or among the public, setting the price at replacement cost means using the current cost of building the same unit minus depreciation and plus the location factor and Land Cost Payment. In this process, of course, we are still aware that some points are not very clear. But I think this concept should be encouraged and it reflects public demand. Therefore, I think this is a desirable method and I propose this in my amendment motion.

As for the other proposals in terms of principle concerning the sale of flats to sitting tenants scheme, I do not intend to go on elaborating them now. But I must emphasize one point and that is, the market of public housing cannot be mixed up with that of private housing. To ensure that the price of public housing will not be affected by the ups and downs in the private sector and be maintained at a stable and low level, the HA must directly co-ordinate the public housing market and be responsible for all purchases and sales.

In addition, we also entirely agree to using the proceeds from the sale of public housing for the purpose of expediting the production of new public housing units and the redevelopment of old public housing estates so as to shorten the long queue on the Waiting List.

Mr President, we believe and indeed see that society's demand for public rental housing units will continue to grow and stretch resources to breaking point. I hope the Government will not neglect its commitment in this respect will help those with urgent housing need so that they can "live in contentment". This is indeed our hope.

With these remarks, I move the amendment motion.

THE PRESIDENT'S DEPUTY, DR LEONG CHE-HUNG, took the Chair.

MR FREDERICK FUNG (in Cantonese): Mr Deputy, the sale of public housing flats to sitting tenants scheme was, in fact, first proposed by mass organizations in the mid-1980s and a study by the Housing Authority (HA) began in the late eighties. At the beginning of the 1990s, the scheme was about to be launched, but it suffered a "mysterious death" in 1992 as it failed to obtain the support of the Executive Council. After the issue of "a death certificate" in respect of the scheme by the Exco, the Hong Kong Association for Democracy and People's Livelihood (ADPL) has been hoping for a revival of the scheme. In his 1995 policy address, the Governor broached once again the possibility of selling flats to sitting tenants and was committed to carry out a study of it.

The sales scheme proposed for the first time was nipped in the bud. The ADPL thinks the main reasons for this were that the selling prices did not meet the tenants' expectation and that there was apprehension lest the Housing Department might evade its responsibilities in the management and maintenance of the units for sale. The above factors made the tenants lose much of their interest in buying public housing units.

In fact, the HA once conducted a large-scale study of home ownership in 1991 and 4 000 residents were interviewed at that time. The findings of this study are still of considerable reference value today. With regard to the sale of flats to sitting tenants scheme, over 31% of the residents said that they would not buy the units because of unsatisfactory prices. Therefore, the prices set constitute the prime factor for consideration by the tenants.

We make a proposal concerning the sale of public housing in 1992. On selling prices, we hold the view that the HA's ultimate aim in this scheme should be to raise the home ownership ratio and to use the sale proceeds thus derived for the purpose of production of public housing and redevelopment of old estates. To be fair to the existing public housing tenants, the HA should just recover the replacement cost and should not resort to making a profit again.

But, what is replacement cost? To put it simply, replacement cost means the current cost (including administrative cost) for the HA to rebuild the same

unit minus depreciation based on the age of the housing block. In other words, the depreciated value would be lower for older blocks. In 1992, the HA only proposed to the public a single option with regard to replacement cost (addition). The so-called "addition" means surplus and profit. Under this option, there is an added element to the selling price basing on the location factor, that is, the addition will be greater for closer proximity to urban areas and there will be none for the remote areas. In this way, the HA's final total income will still be higher than the replacement cost and it will end up with a profit. Therefore, we proposed to adopt a replacement cost (balanced) option. The fundamental principle of this option is that the addition to the basic price will be greater for closer proximity to urban areas whereas the deduction will be greater for farther distance from urban areas and thus addition can offset deduction. In this way, the HA will sell the public housing units neither at a profit nor at a loss. Not to aim to profit nor to suffer loss is the spirit of ADPL's proposal and it is also the difference between our proposal and the Honourable Edward HO's of price setting at the original construction cost. According to the consultation document published by the HA in 1992, the replacement cost of a unit is about \$200,000 and the original construction cost is \$130,000. In other words, by comparison, the HA will not have any profit or loss for each unit sold under our proposal of "no profit, no loss", but will incur a loss of \$70,000 for each unit sold under Mr HO's proposal of "original construction cost".

The original motion calls on the Government to implement the sale of flats to sitting tenants scheme. As I understand, this proposal is acceptable to a majority of the residents, public housing concern groups and political parties. On the other hand, the pricing proposed in the scheme is the subject of prime concern to the public. When the Executive Council rejected the scheme, one of the reasons, as I was aware, was that the then proposed selling price might not be acceptable to the residents. Most of the comments from the concern groups and political parties were on the unreasonable pricing by the HA. Therefore, I now propose an amendment to state the principle and the pricing standard clearly so that we may not endorse a "shell" scheme.

In fact, the ADPL's proposal does not only cover the prices but is a whole package. First, we think the HA should sell by batches the Trident 2-4 blocks and the linear blocks of about four to six years old. When it is proved successful, the scheme can then be gradually extended to the slab blocks built after 1979. Of course, the current Harmony blocks should also be considered

for inclusion in the sales scheme.

Our proposal and the idea just presented by Mr Edward HO are also different in such a way that Mr HO asks the HA to drop the burden after the sale of flats without bearing any responsibility whereas we ask the HA to continue to undertake a minimum degree of responsibility. The HA must make necessary repairs before putting a block on sale and give a two-year warranty for the repairs. In case of structural problems after the sale of the block, the HA must take on the responsibility and rehouse the residents involved.

On the resale restriction period, we suggest forbidding the resale of public housing units in the market. In other words, this means that the unit cannot be resold to anyone except the HA when the owner needs to sell it. Its purpose is to prevent speculation and money-making in the public housing market.

On management of the blocks, the Housing Department should take up the responsibility so as to prevent management problems as a result of multiple ownership. The owners of these public housing units should be allowed to retain their right to apply with green forms for Home Ownership Scheme (HOS) flats, and lastly, be allowed to resume their tenant status in case of genuine financial difficulties.

Provided that the questions of pricing and multiple ownership can be resolved properly, the sale of flats to sitting tenants scheme will be able to alleviate effectively the demand for public housing and provide funds for building public rental housing and redeveloping old estates. In fact, I am not worried about funds because the HA has maintained a good financial position in recent years. What I am worried about is whether some members in the HA intend to propose an end to public rental housing. It was reported the other day that the Government might cease to produce public rental housing and focus on the provision of HOS flats after 2001. An official did informally make such suggestion. I hope that the Government, the HA and Housing Branch will not adopt this suggestion. I hope they can listen more to the residents' opinion, build more public rental housing units and make further commitment without shirking responsibility.

Mr Deputy, these are my remarks.

MR LEE WING-TAT (in Cantonese): Mr Deputy, to live comfortably in one's own home is an ideal cherished by all. This is particularly true of Hong Kong where land is limited and it is not easy to purchase a flat. Home ownership, nevertheless, is a major catalyst to social stability, and has the meaning of hoarding wealth among the people. Currently, the price of private housing is so high that it is beyond the purchasing power of an ordinary citizen. Not to mention private housing, nowadays even a Home Ownership Scheme (HOS) flat in the urban area fetches as high as \$1.5 million in price. Such a price is not what most middle and low income families can afford. The Democratic Party supports the sale of flats to sitting tenants scheme in principle, because it would at least provide an opportunity for low income families to own a flat.

Mr Deputy, of the entire sale of flats to sitting tenants scheme, the most controversial question is that of price. It is this question I would like to focus on. I urge the Housing Branch of the Government and the Housing Authority (HA) not to trifle over whether there is a profit to be made because in the whole exercise of selling public housing units, profit is not a major consideration. The question of how to enable more people to automatically purchase their own accommodations thereby achieving social stability is more important.

Mr Deputy, I was a member of the Sale of Flats to Sitting Tenants Scheme Sub-committee in 1990 and had participated in the discussions and consultations of this scheme. If I remember correctly, a total of 12 formulas were raised for the scheme to determine the pricing of the units. The cheapest was the "pay rent as mortgage repayments" option under which the average price for each unit was \$58,000 based on 1990-91 price level. Then there was the Honourable Edward HO's "construction cost" option which came up to \$130,000 for a unit, and the "replacement cost" option of around \$200,000 put forward by the Honourable Frederick FUNG and the Honourable Miss CHAN Yuen-han. I feel that at this present stage, the most important thing is for the Legislative Council and society at large to be in one voice: are we unanimously in favour of proceeding with the sale of public rental units scheme? In my opinion, this is more important than devising a pricing formula as we are presently engaged in.

Last Wednesday, when I learned that some of my colleagues in the Legislative Council had plans to amend Mr Edward HO's motion, I tried my best to persuade Mr Frederick FUNG, Miss CHAN Yuen-han and the Honourable LEUNG Yiu-chung not to propose amendments to it. Mr LEUNG Yiu-chung

took my advice and withdrew his amendment. Regrettably, Mr Frederick FUNG and Miss CHAN Yuen-han insisted on bring forward their own amendments. I approached them and gave them my advice because the question of price would inevitably be raised during the discussions and I was convinced that we could not have a thorough debate in a mere seven minutes. Because I failed my mission, we are trapped in more debates on pricing now. I think it will not be of any good to take such a step at the present stage.

I am not necessarily against the "replacement cost" option raised by Mr Frederick FUNG and Miss CHAN Yuen-han. However, by taking such a step we would then rule out the other 11 formulas of price setting. If the Deputy President asked me which option I preferred, I would certainly say the "pay rent as mortgage repayments" is the best, that is to say, the best option is to use the rentals tenants pay as repayments of their mortgages. Some colleagues asked whether I put up this proposal in order to benefit the tenants so as to win their votes. As a matter of fact, on the part of the public housing tenants, they would have nothing to lose if they continue to pay rent for their units. At present, the monthly rent for an old public housing estate unit is \$1,000 to \$1,500. Even if they live in rental units for 40 years, the rent will not be more than \$3,000, no matter what rate of increase the HA would impose, as long as it is not unreasonable. They will neither have to pay management fees, nor have to worry about maintenance. I am sure Mr Dominic WONG and Mrs Fanny LAW know that there is no profit to be made from rental units. It will always be a deficit account. Thus, it may appear that the "pay rent as mortgage repayments" option favours the sitting tenants, whereas in fact it could be an option that benefits both.

Mr Deputy, to speak the truth, the Democratic Party does not wish to hastily confine ourselves to any pricing benchmark; we hope to have more discussions and more consultations before we make our decision. Therefore, we are sorry that we will have to vote against the amendments put forward by Mr Frederick FUNG and Miss CHAN Yuen-han. The reason may not necessarily be that we are against the "replacement cost" option, but that we do not wish the Democratic Party to decide so soon as to throw our support to any sale option. I have to say sorry again to Miss CHAN Yuen-han, because I am fully in support of the first part of her amendment, namely, "focus on public rental housing and supplemented by Home Ownership Scheme". Unfortunately, today the debate is not focused on this point, but rather on the sale of public rental units and its pricing instead. Hence I regret that I cannot support it.

Mr Deputy, there is another point I would like to raise. Concerning the sale of flats to sitting tenants scheme, apart from the question of pricing we have just discussed, one other thing that the tenants worry about most is the question of maintenance and repair. Many HOS flat owners are much relieved from their financial burden after three or five years of mortgage payments. The greatest headache for them is, if there are building defects in the flats they have chosen, the consequences brought about by the costs incurred in maintenance and repair work in future will be disastrous.

I feel that in promoting the sale of public housing units, the Government should assist the small owners to establish a kind of maintenance fund. I have received a lot of complaints recently, most of which are related to serious maintenance problems in the old HOS estates such as Siu Hong Court in Tuen Mun and Yuet Lai Court in Kwai Chung. Many owners are reluctant to share the costs for the maintenance work required so that even when the sewers broke and the sewage seeped into the house, nothing could be done of the whole building. In this connection, if the Government is to resell these units, a better way of doing is to find some means to oblige the owners to establish a maintenance fund. In this way, when it is necessary to do some renovation work after five or 10 years, the burden of the owners will be lighter. Of course, the best way to do this is to include the factor of future renovation costs in setting the price of the flats. Take for example a \$150,000 flat, if the maintenance and repair costs after 10 years are estimated to be \$20,000 to \$30,000, then \$30,000 is to be deducted to set the price at \$120,000. As to the \$30,000 withheld, it is not to be returned to the small owners, but to pool together to form a maintenance fund to be used for future renovation work.

Mr Deputy, I fully concur with one point put forward by Mr Edward HO, namely, what attitude we should take towards the better-off tenants who continue to occupy public rental units. The solutions currently considered by the HA and the Housing Branch are punitive, by implementing the better-off tenants policy and the present means test scheme. In fact, we can use more attractive ways to encourage those tenants whose livelihood has improved to voluntarily or conscientiously purchase their own flats to improve their living environment so that the rental units they have vacated can be filled by Waiting List applicants and those affected by demolition. In my opinion, if the Housing Branch and the HA accept and promote the HOS, sale of public rental units scheme and other means of encouragement, there is no need at all to implement either the better-off

tenants policy or the means test scheme.

MRS SELINA CHOW (in Cantonese): Mr Deputy, as the Honourable Edward HO has said just now, the sale of public rental housing scheme launched by the Housing Authority (HA) was not quite successful five years ago. However, the strong message the Liberal Party has received from tenants of public housing is that they have never stopped hoping that public housing units could be sold to them.

This shows that there will certainly be a market for the concept of putting up public rental units for sale, and the question is how to work out the rules and details. For this reason, the Liberal Party has all along insisted that we should not give up the scheme to assist public housing tenants to purchase their own flats.

I am sure all of us agree that among the some 700 000 public housing tenants, other than those who have just moved in, many of those who have lived in public rental units for some years have improved considerably in their financial position, and some are even quite well-off. As such many of them would like to improve their living conditions and upgrade their quality of life. And one of the important factors to achieve this is to be able to purchase their own flats.

In considering whether to purchase one's own flat, one has first of all to look at one's financial ability. Once this factor has been solved, the next step one would take is to look for a newer, bigger and better place to live. In order words, offering them more choices will better help them realize their home ownership dreams.

In this regard, the Liberal Party is offering a three-pronged choice to home ownership. The aim is to cater for the financial abilities and requirements of different public housing tenants and to fulfill the Government's goal of helping them realize such a modest dream.

We also consider that our proposal fits in well with the two important studies of the Long Term Housing Strategy and review of the allocation of housing resources. In increasing the ratio of home ownership, we can also shift

the resources for public housing from those tenants who are more capable of self-supporting to those who are less able to support themselves. The latter, of course, include those on the Waiting List, in temporary housing areas, squatter huts, caged flats, roof-top squatters and cottage areas.

The third prong in this three-pronged home ownership approach relates to the existing Home Ownership Scheme (HOS) estates. But the question is the financial position of many public housing tenants may not have reached the level of being able to purchase a HOS flat. For them, they can ill afford to pay some \$10,000 for a monthly instalment. Moreover, even for green form applications, the chance of success is only six to one. The gap is so wide that it is by no means an ideal choice. Hence, the Liberal Party is putting forth two more choices.

The second choice is, when newly completed public housing estates are put up for sale with conditions similar to those of the existing public housing estates, the price set should be half of that of a HOS flat. This is to fully take into account the ability of the public housing tenants to own a flat as well as to balance the advantage they get in improving their living conditions.

The first choice concerns the purchase of the exiting units. On this Mr Edward HO has given a detailed elaboration. I merely wish to stress that the proposal of the Liberal Party is that the price should be based on the construction cost plus interest. The price thus set would definitely be lower than that based on the replacement cost as proposed by the Honourable Miss CHAN Yuen-han and the Honourable Frederick FUNG in their amendment. As such, we cannot support the amendments put forward by the two Members because if we do, it would mean that we support setting a higher price than the one we propose.

Since both the existing and the newly completed public housing units that we are proposing to put up for sale are limited to tenants who have lived in a public rental unit for five years or more, our target of resale is also limited to those tenants of public housing who can meet these requirements. Based on this fact, our resources in this respect will not fall into the hands of those who all along are not targets of public housing subsidy.

At present, there are 440 000 families qualified for public housing, and the number is increasing. Having identified the market, we can foresee that those who have purchased new public housing flats have to surrender their existing

units. In the course of reselling the public housing units purchased to other public housing tenants, the old owners will get a sum of money to pay for the downpayments of private housing. This is a "flat for flat" concept; while the new owner can return another public rental unit which can then be re-allocated to Waiting List applicants, shortening the time they need "to move up to a flat".

As regards the proceeds from the sale of public housing, we strongly feel that they should be ploughed back for the construction or redevelopment of public rental estates. Our goal is that those families which need the support of the Government will be accommodated in public housing as soon as possible, while those public housing tenants who have the intention of owning their homes have three different channels to help them realize their aspiration.

This proposal of integrating all the components together has no harm but benefits whether it is to the Waiting List applicants, public housing tenants hoping to become owners, tenants of public rental units who wish to improve their living conditions, and even to the HA.

Mr Deputy, I understand there have been a lot of talks lately casting doubt on whether we should continue to extensively benefit the public housing tenants, especially when some public housing tenants are reported to be multimillionaires. These are facts, but these are only part of the facts and even a very small part of the facts. I would like to point out that those who can enjoy the benefit of public housing have to pass the means test and must be the economically impoverished low-income or broken families, because they are the vulnerable group in society.

People living in private housing like myself, should not have the "green eye disease", being jealous of others enjoying cheap rent and confining them to rented accommodations depriving their right to home ownership and to lead a better life.

Mr Deputy, today's debate is meant to demand the HA and the Government to provide an opportunity for public housing tenants to own their own homes, and not for discussing the proportions of public housing estates offered for rent and for sale, nor for entering into an argument over the pricing for the sale. I very much hope that Honourable colleagues will support the original motion for its flexibility and its practicability, as well as having the effect of pooling ideas together for our debate. For this reason, I hope Members will support the original motion.

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

MR LO SUK-CHING (in Cantonese): Mr Deputy, living in such a small place as this, amongst the many basic necessities of our daily life, namely, clothing, food, shelter and transportation, shelter is the biggest headache and the most imminent problem for most people in Hong Kong. At present, paying rent for private housing or mortgage repayments often take away half of the income of the "working people". This is rarely the case in most other places in the world, including a vast majority of the developed countries. The reason for such an abnormal situation, apart from the limited land and dense population in Hong Kong, is mainly attributable to the high land price policy adopted by the Government. Many residents therefore have to shoulder a heavy burden for their accommodations. Hard-pressed by the spiralling property prices and the soaring rents, some people who are quite well-off financially have to turn to the Government for support and line up on the Waiting List for public housing supplied by the Housing Authority (HA). Moreover, because of the exorbitant rent and the high operating costs of the business sector, the prices of consumer goods have gone up a great deal. On the surface, Hong Kong follows a low tax rate policy, but in reality, the "working people" have to bear a heavy tax burden — only that the taxes are levied in another form in which the Government makes use of the proceeds from the sale of land instead of directly on their incomes.

According to the Long Term Housing Strategy implemented by the HA in 1987, it was estimated that the housing needs of the 175 000 applicants on the Waiting List would basically be met by 1996. However, it is now 1996 and there are still 150 000 families on the General Waiting List. Based on the Governor's commitment in his policy address last year, this problem still cannot be solved in five years. It can only be hoped that the waiting time needed to be allocated a public housing unit can be shortened to five years from seven.

In recent years, not only that the housing problem in Hong Kong has eased, but the demand has become more pressing. The reason behind is that the

Government has misdirected its housing policies during the past few years. In these years, the Government has reduced the allocation of land for building public sector housing, cutting the building of public rental housing in particular. As a result, the HA cannot fulfill its goal of building 40 000 public housing units annually. Meanwhile, the number of new immigrants from the Mainland has continued to rise. It is regretted that, due to the chain reaction created by this erroneous housing policy of the Government, the price of a flat in Hong Kong had gone up 30% or 40% in 1989 to 1990, and even 200% between 1991 and 1994. It was not until the second half of 1994, when both the price and rent of the premises had soared drastically to a dangerous level, that the Government stepped in and introduced measures to cool down the market, by pushing along the construction of public sector housing and by increasing land allocation in order to raise the number of the units built. However, it is well understood that distant water cannot extinguish nearby fire. In general, from the time of allocating land for construction to the time of completion of the building, five to six years will have elapsed. In this connection, finding some suitable public housing units and selling them to the existing public housing tenants at a preferential price and reinvesting the proceeds from the sale of public housing units to expedite the construction of new public housing units and the redevelopment of older public housing estates is afterall an expedient measure.

Nevertheless, I must emphasize that the Government should not revise the plan of building more public sector housing for the sake of selling the existing public housing units. There is a rumour recently that the Government has plans to modify the Long Term Housing Strategy by discontinuing the construction of public rental housing and focusing on the sale of Home Ownership Scheme estates instead. Although the Secretary for Housing has publicly denied having such plans, yet there is no smoke without fire, and there must be a cause for the rumour. We do not wish to see the Government make use of the sale of public housing units to cut down its commitment on providing public rental housing. As long as the Government adheres to its high premium policy, rents in Hong Kong will remain at a high level, and many middle and lower income families will still have to rely on public rental housing. Besides, it should be remembered that there are tens of thousands of new immigrants taking up residence in Hong Kong from the Mainland every year; this number will increase rather than decrease after 1997; and on average, these new immigrants are not well-off people. In the light of this development, the demand for public rental housing in the foreseeable future will only increase rather than decrease.

Mr Deputy, our housing policy is not only for the purpose of helping the poor and those affected by natural disasters, but it should be looked upon as a means to reallocate resources. Although the Government has no responsibility to enable all people to become home owners, it has a duty to solve the problem of housing for all the people in Hong Kong because it is the first and foremost problem in people's livelihood. Solving this problem will greatly help safeguard our social stability, thus laying a solid foundation for the economic development of Hong Kong.

Mr Deputy, with these remarks, I support the amendment of the Honourable Miss CHAN Yuen-han.

MR CHAN KAM-LAM (in Cantonese): Mr Deputy, to ensure that people can build their own comfortable nests is an important policy that the reigning government should not ignore. People who are settled in their own homes are an important pillar to social stability. Just like every snail has its own shell which should be one it can afford to have, people who can live comfortably in their own homes will naturally be happy with their jobs. Only then can prosperity and stability be ensured in society.

The Democratic Alliance for Betterment of Hong Kong considers the housing policy to be a very important public social policy. The main thrust of the housing policy of Hong Kong should rest on "public sector housing". In the light of this policy direction, we suggest the Government should grant more land to the Housing Authority (HA), in particular formed land, so that the HA can speed up the construction of public housing estates. Nevertheless, we feel that provided it does not upset the ratio between the number of public rental units and Home Ownership Scheme (HOS) flats, we also support implementing a policy to encourage those tenants who are financially capable to purchase their own public rental units or HOS flats to become home owners, thus attaining our goal of home ownership and home purchase.

In drawing up measures for the sale of public rental units, there are quite a number of factors which I think the authorities have to take into consideration: whether the pricing is reasonable; whether the structure of the building is safe; whether the qualities of maintenance and management are guaranteed; and there is also the question of management rights and ownership that have to be determined.

On the other hand, we suggest the authorities can also consider the "pay rent as mortgage repayment" option under which public housing tenants can own their existing rental units having paid rent for a number of years and after certain requirements have been met.

As regards HOS estates, the price of the flats should not be pegged at the market level. We feel that in this way the price will be more reasonable and residents will be able to afford it. As to how to set the prices of public housing units and HOS flats, we consider the "replacement cost" option is the most reasonable criterion.

Of course, if in future the selling price of public housing units can be lower than their construction costs as suggested by the Honourable Mrs Selina CHOW, I think no one will object to it.

Mr Deputy, as the Government was conducting a review of the Long Term Housing Strategy recently to study the supply of and demand for housing up to the year 2006, there are numerous stories disclosing different options and new concepts. There is even a report recently that the HA will discontinue the construction of new public rental estates and only HOS estates would be built. As the saying goes, there will not be a draught in an empty cave without reason. We are deeply suspicious of this proposal.

At present, there are still some 100 000 families on the Waiting List. Coupled with the increasing number of new immigrants coming from the Mainland, there is a great pressure on public housing. In order to save for a rainy day, the HA should in fact focus on the construction of public housing estates on a large scale in order to increase their supply. In the foreseeable future, there is still a definite demand for public rental housing in Hong Kong.

Mr Deputy, although residents have a strong urge for home ownership, their purchasing power in respect of owning a property is in fact declining in recent years. According to statistics of the Government, taking the median income of a worker in Hong Kong as base, it took nine years of his wages to purchase a flat with a floor area of 500 square feet 10 years ago; but today it would take 16 years of his wages. From this it can be seen that the rise in the price of a flat greatly exceeds the increase in wage level. Therefore, we hope the Government will think twice before implementing the sale of public housing scheme. It should not be taken for granted that privatization of public sector

housing will solve all the problems. While the price of flats stands at an unreasonably high level, residents yearning to own a home does not mean they are financially capable of owning it.

Mr Deputy, I hope the Administration will continue to uphold the housing policy of "concentrating on the construction of public housing estates, using public rental housing as the main focus and sale of public housing units as supplement". Such a policy should be followed before and after 1997. This, I believe, is the source of social stability and also a tool with which residents can live in peace and security.

These are my remarks.

THE PRESIDENT resumed the Chair.

MRS MIRIAM LAU (in Cantonese): Mr President, I am sure every resident wishes to be able to live and work happily, and also to have his own nest in which to live comfortably. However, to most public housing tenants, home ownership is almost an unattainable goal. The private property market, with its spiralling prices, is beyond the reach of an ordinary family. The price of a Home Ownership Scheme (HOS) flat is lower than its market value, yet it is by no means cheap. Even if an ordinary resident can afford to buy it, the supply of HOS flats are limited and the supply always falls short of the demand.

The sale of public housing units scheme proposed by the Liberal Party has the advantage of enabling the lower income public housing tenants to realize their dreams of home ownership. People will then live happily and comfortably in their own homes. Peace and harmony will be achieved in society.

The main advantage of this scheme lies in its flexibility to cope with the ever changing financial positions of the public housing tenants and their abilities to afford it. Under this scheme, existing public housing tenants can opt either "to rent or buy" their existing units according to their own economic situations and wishes. In addition to these two options, they can also choose to buy the newly completed public housing units.

The Liberal Party considers that the price of public housing flats should be independent of the market value. The price of existing units should be set at

construction cost plus an annual interest of 5%, while the selling price of newly completed public housing flats should be half of that of a similar HOS flat. In this way, the price will be quite attractive. Additionally, the Liberal Party proposes that those eligible for buying and selling public rental units should have lived in public housing for five years. It should also be required that no transfer of property would be allowed within three years of the purchase, and that transfer of ownership should be limited to public rental tenants.

In a free society, people should have the right to freely sell or buy property without any restrictions, and the same should be applied to the transfer of property. Nevertheless, in the proposed scheme of the Liberal Party, since the public housing units put up for sale do not have to pay a premium for resale, their actual costs are much lower than their market values. In other words, a government subsidy has been involved. Therefore, it is necessary to impose some restrictions to prevent the scheme from abuse.

By imposing certain restrictions on the sale of public housing units such as basic qualifications of purchasers and conditions for transfer of ownership, not only will it really benefit the public housing tenants, but it will also prevent abuse in sale and purchase. In this way, property speculation will be prevented and resources of society can be used more fairly and more adequately.

Mr President, at present there is a 10 years' ban on the transfer of ownership of HOS flats. Ten years is quite a long time. As the saying goes, "things could have changed completely in 10 years". After a period of time, some HOS flat owners may become quite well-off so that they wish to move to another flat. But handicapped by the 10-year restriction, they are not able to do so. It is understood that because of this restriction, many people have engaged in under-the-table transactions of these flats. As a matter of fact, such kind of "dealings" is of no good to both the buyers and the sellers, and it is also of no help to the overall distribution of housing resources. For this reason, the Liberal Party proposes a restriction on the transfer of ownership, requiring that these flats cannot be sold within a stated period of time of their purchase. However, the Liberal Party considers that three years is a reasonable time. After the three-year restriction has lapsed, the owner can move to any HOS flat or private sector flat of his own choice, but he has to sell his unit to other public housing tenants who in turn will vacate their units to Waiting List applicants. In this way, we can kill many birds with one stone.

Maybe someone would query that, since the scope of transfer of ownership of public housing is limited to public housing tenants, the market would become so narrow that there would not be sufficient buyers for the market, and the banks may not approve mortgages for the flats.

I would like to point out that the public housing market should be separated from the private housing market. We are here to create a "home owners' market" and not a "property speculation" market. Moreover, there are at present 3 million people living in public housing of which over 300 000 households have been residents for 10 years or above. Many amongst them have improved economically and have accumulated sufficient purchasing power. Hence there is a huge market in public housing tenants alone.

When there a market, the banks will naturally be willing to offer mortgages. Should there be further difficulties, we can also consider the practice used in the HOS sector. The Housing Authority (HA) can make arrangements with financial institutions to provide mortgages for prospective public housing flats owners at favourable terms. It will act as guarantor for the purchasers so that in case of default of payments by the public housing flats owners, the HA will indemnify the loss of the financial institution concerned.

On the other hand, some people are concerned that by selling a portion of the public housing units, there would be problems of management. As a matter of fact, at present, the management fees have already been included in the rents of public housing. It is wrong to think that you have no need to pay management fees if you live in public housing. Once the tenants have purchased the unit, certainly they will have to pay the management fees, only that these are taken out from the rents and paid separately. Furthermore, in private sector housing at present, there is also a mix of tenants and owners occupation, and there is no problem about management. Besides, once half of the public housing units are sold, the owners can consider forming an owners' corporation to resume the management rights and manage the property themselves. I believe this will foster a stronger sense of belonging among the residents.

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

MR WONG WAI-YIN (in Cantonese): Mr President, in response to the motion on the sale of flats to sitting tenants scheme moved by the Honourable Edward

HO, on behalf of the Democratic Party, I wish to focus on the management and maintenance of public housing estates.

First of all, I consider that selling public housing units to sitting tenants is undeniably a solution to the problem of "enabling every tenant to own a home". But it should be noted that, before selling the units, the Housing Authority (HA) should fully inspect the structure of the buildings and carry out major repair works for the estates, in particular the older public housing estates. The design and quality of these buildings are major areas of our concern, such as concrete peeling off, water seeping through walls, lifts out of service and sewers broken. As far as I know, during the period from April to September last year alone, an inspection carried out by the HA on the fresh water pipes of 259 public housing estates found that the pipes in 171 of them were defective and had to be replaced, causing great inconvenience to the tenants.

In view of the above situation, will the existing public rental housing tenants spend a huge sum to buy a public housing unit which is obsolete or of inferior quality? It will be too late if they find problems in maintenance and repair after they have purchased the flats. I believe that the HA will not be willing to bear the responsibility if that happens. Mr President, for this reason, I sincerely hope that the Government will look after the interests of public housing tenants; inspect all the public housing units put up for sale and carry out a comprehensive renovation process before they are sold to the tenants.

Mr President, as far as management is concerned, I suggest that the HA can select a management company from the list of qualified management companies. The owners should pay a reasonable management fee, whereas public housing tenants will continue to pay their current rents. The Housing Department will then pay the management fees in proportion to the number of tenants in the building. At present, the HA has plans to hand over the management duties of some newly completed public housing estates to private property management companies. Under such practice, if the residents are not satisfied with the service of a management company, they can have it replaced. However, it is important that the Housing Department should carefully assess and approve the applications of qualified management companies. Having entrusted the management duties to the private property management companies, the Housing Department has to continue to keep an eye on the quality of service of the management companies to make sure that the service provided by these

management companies meets the needs of the Government and the residents. For example, at present when public housing tenants complain directly to the Housing Department about the service of the management companies, the Housing Department shifts the responsibilities to the respective management companies of the various housing estates, ending in the residents being caught between the Housing Department and the management companies. This shows a lack of administrative efficiency.

Apart from the above situation, when public housing estates are entrusted to private sector companies for management, a lot of these companies submit tenders for the purpose of making a profit. Under the premise of making a profit, they will submit a lower tender price in order to win the management contract. Then they will run the public housing estates in the cheapest possible way and the quality of service may be compromised. This is something we do not wish to see.

In spite of the above, if the Housing Department can explain to us a set of rules or requirements to monitor the operation of the management companies, in the end hiring private sector management companies for the job would still be a better solution, because it would be a better way to ensure the quality of management. In addition, the companies which have been assessed should be sizable organizations and their management standards should be more satisfactory. In the meantime, it can also exclude substandard companies from the process, preventing them from providing substandard service.

At present, the provisions in the Buildings Ordinance and legislation on owners' corporations regarding the formation of owners' corporations, as well as those on terminating the service of management companies, are only applicable to private sector premises. To solve the problem of both the HA and those individual owners who have purchased the public housing units sharing the management rights over the same building, we propose an owners' corporation be set up in the first instance. The management rights will then be distributed among the HA and the individual owners according to the number of ownership shares each party holds.

Mr President, to sum up the above, I urge once again that the Housing Department should fully inspect the structure of the buildings and carry out

comprehensive renovation work before selling the public housing units to sitting tenants. Individual owners, in turn, should have the right to manage their own property, and that after a qualified management company has been recruited, rules and codes of practice should be laid down to monitor the operation of the company.

Mr President, these are my remarks.

MR RONALD ARCULLI: Mr President, home ownership has been one of the core housing policies of the Liberal Party. Home ownership is more than owning a home. It enables owners to build up their capital assets and participate in the growing affluence of our community. It also demonstrates our confidence and pride in Hong Kong.

To achieve greater home ownership among public rental tenants, we have suggested to the Administration time and time again in the past to sell the existing public rental units at attractive prices to tenants. By doing so, this will not only increase home ownership amongst public rental tenants but will also permit better allocation of resources so that those in the community with real need, and I emphasize "with real need", for low-cost housing, and indeed, subsidized housing, we will ensure that they will receive the benefit.

In conjunction with the Housing Authority's consultation document on safeguarding rational allocation of public housing resources, we have refined our proposal to promote home ownership amongst the public rental tenants. The finer points of our proposal have been raised, and indeed might be raised by my Liberal Party colleagues, and I will therefore not take up too much of Members' time by discussing the details.

I would, however, like to remind the Administration and indeed my colleagues here, that there are two housing markets in Hong Kong. The debate today is centred on public housing, but we must not forget private housing. The private housing market provides homes for half of the population in Hong Kong. Just as we strive to ensure the Government allocates sufficient land for building public housing, whether it be for rental or for ownership, we have to ensure that an adequate supply of land is available for private housing, otherwise we may be faced with an unhealthy scenario of excessive speculation and rocketing property prices.

The long-term objective must be to enable and indeed to encourage ownership of private housing so that only those with real need will have to rely on public housing. Mr President, that ought to be the stated and clear policy of this Administration, and it is really with this in mind that we have put forward our proposal regarding the sale of public rental units to sitting tenants.

Mr President, with these words, I support the Honourable Edward HO's motion but do not support the amendments of the Honourable Miss CHAN Yuen-han and the Honourable Frederick FUNG. Thank you.

MR ALBERT CHAN (in Cantonese): Mr President, with limited land and a dense population, land premium is very high in Hong Kong, and this has become a common fact. As a result of this, ordinary people in Hong Kong, the lower income group in particular, simply cannot afford to own a home. To provide accommodations for this group of people is the duty of a responsible government. The public housing scheme in Hong Kong arises from the huge fire in Shek Kip Mei at Christmas Eve in 1953. For 40 years, the Government has provided permanent accommodations for half of the population.

According to the 1994-95 annual report of the Housing Authority (HA), as at 31 March 1995, there were about 2 365 400 people living in public rental estates and about 396 400 people living in Home Ownership Scheme courts. If the HA is to reach the goal set in the Long Term Housing Strategy promulgated in 1987, about 290 000 new units have to be built in the next six years, or about 48 000 units a year.

In recent years, so little land was allocated by the Government for the HA to build public housing that it is doubtful whether the latter can reach the goal set out in the Long Term Housing Strategy. Because the Government has slowed down the provision of land for the construction of public housing estates and ignored the need for public housing, there is a shortfall in public housing supply. At present, Waiting List applicants for public rental housing in new towns and suburban districts have to wait two to seven years on average before they are allocated a unit, while it would take at least seven years for applicants for urban estates. Owing to the length of time needed for allocation of a public rental unit, some residents who originally could not afford to buy their own flats are forced

to tighten their belts and purchase private sector flats in the remote districts in order to live in their own homes. By so doing, they will add fuel to the private property market. Many critics say, one of the aims of the Government in reducing the allocation of land for public housing is to stimulate the property market so that those real estate developers can continue to make big profits. In addition, it can also raise the land premium so that the Government can derive huge revenues from land auctions.

To put an end to the imbalance between supply of and demand for public housing, to moderate the spiralling property prices, and to satisfy the needs of the general public for public housing, the Government has to develop more new land to meet the needs for public housing. Sale of public rental units to sitting tenants is one of the ways to alleviate the situation.

The Democratic Party agrees in principle the sale of public rental units to sitting tenants by the Government, but the Government must sell the newer public rental estates to the sitting tenants at prices that the low-income households can afford. The proceeds from the sale should be used to expedite the building of new public housing estates and redevelopment of old estates and the scheme should not be aimed at profit-making.

For the purpose of overall planning and projects co-ordination, the Government has a duty to develop more new land for the HA to build public housing estates. This is also the most practical way to solve the problem of demand for public housing. Unfortunately, in the past few years, the Government's projection on manpower demand for land development was too conservative. As a result, a heavy backlog was created owing to the shortage of staff in the relevant departments, which in turn caused a huge imbalance in the supply of and demand for land. For this reason, during the past few years, members of the Democratic Party and formerly the United Democrats of Hong Kong had, on a number of occasions, urged the Government to reassess the manpower needed in land development, and should not disregard the genuine needs on the basis of the traditional policy that the Government has to put a cap on expenditure growth. Such an assessment of manpower needs should include the Lands Department, Territory Development Department, Works Branch and Planning Department, because matters concerning land development and supply and approval of applications are undertaken by these departments. If the Government is sincere in its intention to solve the problem of land shortage, it should speed up land development in order to meet the demand for the

construction of public housing.

Mr President, I would also like to suggest that the Government quickly promulgate a medium-term and a long-term land supply programme to achieve better co-ordination and planning in the overall land supply and land development programme.

Mr President, with these remarks, I support the original motion of the Honourable Edward HO.

MR BRUCE LIU (in Cantonese): Mr President, I request that the Government, in achieving the Long Term Housing Strategy, should find ways to implement the sale of flats to sitting tenants scheme.

Sale of public housing units to sitting tenants can be said as a scheme with "threefold advantages". To the public housing tenants, they can have one more choice. Without having to queue up, they can purchase their own flats and become owners for a reasonable price. In so doing, they can retain both their existing fixtures in the units and maintain their cordial relations with their neighbours. As well, they can fulfill their aspirations of becoming owners of property. As for the Government, it can have another fast-track method to raise the ratio of home ownership. To society, the most important social effect of the sale of public housing units scheme is that social stability will be enhanced.

The Association for Democracy and People's Livelihood (ADPL) proposes to adopt the replacement cost (balanced) option for the sale of public housing units, because we believe that the proposal put forward now is a practical and feasible one. The replacement cost (balanced) option includes the following contents:

- (1) It should allow the Government to recover the costs needed for the construction of an identical unit;
- (2) Administrative costs: To build an identical unit is not to be done by public housing tenants but by the Government, so it is reasonable for the Government to recover the administrative costs concerned;
- (3) Different prices for different locations: In fixing the prices of flats, their locations should be reflected in the prices;

- (4) Discount factor: This concerns the age of the buildings; the older the building, the higher should be the discount rate.

The ADPL hopes the pricing of public housing units will follow an important principle: "no profit to be gained and no loss to be suffered". "No profit to be gained" means the ADPL objects to any intention of the Government to make a profit by selling public housing units. "No loss to be suffered" means the ADPL is against putting up the public housing units on "a grand sale". If for the sale of every public housing unit the Government has to lose \$80,000 to \$100,000, then how is this scheme going to sustain? Concerning the original construction cost option put forward by the Honourable Edward HO, in fact he is open-heartedly asking the Government to subsidize the public housing tenants one last time. Should this option be implemented, the Government has to explain to the public: how is it able to sustain a loss-incurring option forever? And, will it be necessary for the Government to allocate resources from other areas to assist the public housing tenants?

The options that have been raised by the Housing Authority are all profit-making proposals, while the one proposed by Mr Edward HO is a loss-incurring option. Now the ADPL and the Honourable Miss CHAN Yuen-han are proposing a "neither profit nor loss" option. If we are here today merely to discuss which pricing option is the cheapest, it seems that we should adopt what has been reported by some newspapers that one government official has said jokingly as the "one dollar option", that is to sell a public housing unit to the sitting tenant for one dollar. This would be the cheapest and most attractive option. However, I am afraid that this kind of "grand sale" option will not last long, because such a scheme is just another subsidy scheme to be added to the existing ones, in which the public provides subsidy to a portion of public housing tenants to become home owners. The advantage of the replacement cost (balanced) option is that once this scheme is implemented, the Government does not have to worry about funding for the construction of public housing estates. In order to support this dynamic scheme, the ADPL proposes that the Government set up a building fund from which the revenue derived from the sale of public housing can be used to increase the number of public housing units built.

Just now the Honourable LEE Wing-tat stated on behalf of the Democratic Party the reason why they opposed the replacement cost option was that they did not want to exclude the other pricing options for the sale of public housing units

for the sake of supporting the replacement cost option. Of course, he did not elaborate on that. But he gave me the impression that he was returning to the so-called "empty option" which the Democratic Party had used as reason some time ago when they opposed the unemployment assistance motion of Miss CHAN Yuen-han. Today, the Democratic Party is supporting an "empty option" without stating the pricing benchmark as contained in Mr Edward HO's motion. I am indeed amazed.

With these remarks, I support the amendments of the Honourable Frederick FUNG and Miss CHAN Yuen-han.

MR IP KWOK-HIM (in Cantonese): Mr President, clothing, food, shelter and transportation are the basic needs of our daily life. In Hong Kong, land is so limited that to solve the problem of "having one's own roof" is a headache for every resident. In view of the spiralling property prices in these recent years, to own a small flat of a few hundred square feet in order to live comfortably and work happily is by no means easy for many residents. To be able to buy their own flats can be a goal they strive to achieve for their whole lifetime.

Not many of the policies initiated by the Hong Kong Government in recent years were applauded by the residents, and not many of them can be regarded as "benevolent policies". Sir Murray MacLEHOSE, former Governor of Hong Kong, first launched the public housing policy and built public sector housing on a large scale, helping many Hong Kong residents to solve the problem of housing. This is to be applauded. But Chinese people have a traditional belief that it is better to own a flat permanently than to rent one.

In 1992, the Housing Authority (HA) introduced the sale of public housing units to sitting tenants scheme to encourage them to achieve home ownership. But because it was not welcomed by the tenants, the scheme was suspended. In fact, many public housing tenants have the wish and the ability to purchase property. The spirit of the sale of public housing units to sitting tenants scheme is commendable, and is therefore worth to be revived. However, if the pricing of the public housing units put up for sale is unreasonable, the structure of the building is not safe, there is no guarantee about the quality of maintenance and management, and the management rights of owners are not clear-cut, it will be

difficult to attract tenants to buy these units.

For most residents, buying a property is the most expensive transaction in their whole life. Whether the price is reasonable is an important consideration for their purchase of public housing units put up for sale. To attract sitting tenants to purchase the flats, the Democratic Alliance for Betterment of Hong Kong suggests that the HA should devise a plan for the sale of public housing units based on replacement cost and fix a reasonable price acceptable to those tenants who are considering buying their public housing units.

Apart from the price consideration, the HA should not overlook the structural safety and maintenance of the public housing units put up for sale. In recent years, numerous problems came up about the structure of the public housing estates. At one time a piece of concrete peeled off from the ceiling; at another time water seeped in through the wall. For those tenants who are considering buying the units, they certainly do not wish to spend their lifetime savings on buying a flat which is worse than a hillside squatter hut. It is true that the HA plans to carry out inspections of public housing units before putting them up for sale so that any major renovation works can be done before the flats are sold. Then a warranty period of two years would be given for maintenance. But the question is, under what circumstances will the HA carry out the "major renovation works"? This is something the HA has to clarify. Besides, should problems of structural safety appear after the premises are sold, will the HA bear the responsibility?

In spite of the pressing demand of the residents for home ownership, it does not mean that the Government can shift its responsibility in public sector housing. To genuinely solve the problem of housing for the residents, the housing policy of the Government should follow the principle of "focus on public rental housing, with the Home Ownership Scheme as supplement", and should not cut down the ratio of public rental units at will. Meanwhile, proceeds from the sale of public housing units should all be reinvested in the provision of more public housing units and in the redevelopment of older public housing estates. In this way the long queue on the Waiting List will be shortened.

These are my remarks.

DR LAW CHEUNG-KWOK (in Cantonese): Mr President, in our discussions of the motion in respect of the sale of public rental housing in this Council today, if we focus merely on the principles without looking at pricing, excusing ourselves by saying that it would allow flexibility in solving the problem, we are in fact taking the easy way out; at least it shows we are not using our brains. Now that a Member has raised a "pay rent as mortgage repayment" formula to determine the selling prices, why do we not have a formal discussion on it? If anyone says that the present Legislative Council is not representative enough to decide this matter, then when will the Legislative Council be representative enough to make such an important decision?

The replacement cost option for the sale of public housing flats that we, the Hong Kong Association for Democracy and People's Livelihood, have put forward, is a "middle-of-the-road" and reasonable solution. It is neither a "grand sale" option which benefits the tenants entirely, nor a profiteering option which lines the pockets of the Housing Authority. I hope Members will think calmly and support the amendments of the Honourable Frederick FUNG and the Honourable Miss CHAN Yuen-han.

These are my remarks.

PRESIDENT: I now invite Mr Edward HO to speak on the amendments to his motion. He has five minutes to speak on the two proposed amendment.

MR EDWARD HO (in Cantonese): Mr President, first of all, I would like to thank the Honourable LEE Wing-tat for giving various reasons why he cannot support the amendments put forward by the Honourable Miss CHAN Yuen-han and the Honourable Frederick FUNG. As a matter of fact, my motion is one of principle, and as such, it is not necessary for us to go into the details. Nevertheless, I agree with Dr the Honourable LAW Cheung-kwok that we have to briefly discuss the question of pricing.

I would like to respond to the points raised by Mr Frederick FUNG, but unfortunately he is not in the Chamber now. I do not know how he came to his calculations in saying that if my proposal was implemented, we would lose \$70,000 for each unit. He also said that the pricing derived from his calculations is similar to that of my proposal. From what I perceive, his so-called replacement cost is the same as our method of calculation when we discussed the sale of public rental units five years ago. Those buildings should be seven years old by now. The original construction cost of a seven-year-old building should be the building cost of 10 years ago. By replacement cost, it means the cost of erecting the same building today. Compared with that of 10 years ago, the building cost should now be at least doubled. If, based on my formula, the price of a unit is \$190,000, then it should be \$400,000 based on the formula of Miss CHAN Yuen-han and his. Of course, Mr Frederick FUNG has mentioned about the factor of depreciation, but how do we calculate depreciation if replacement cost is taken? Probably he had overheard that I would propose the option of construction cost while we were outside the Chamber just now, and so he came up with this counter-measure of adding a depreciation factor to give a price similar to that derived from my proposal. I do not wish to further debate on this point, and as Mr LEE Wing-tat has said, this is not the subject of our discussion today.

Mr Frederick FUNG also said I suggested that the Housing Authority did not have to bear any responsibility from now on. I went over my speech again, but I did not find that I had mentioned such a point at all. I merely said we had to provide subsidy to them once and for all. What then does subsidy mean? It means waiving the land premium so that the Government does not have to subsidize them any more once this subsidy has been provided to them. I also agree that renovation works have to be carried out prior to the sale of the units, and that the Government has to be responsible for the future management of the buildings.

The Honourable Bruce LIU mentioned that he hoped this option would not be loss-incurring. He seems to have implied that my option is probably a "one dollar option", putting up a "grand sale". In fact, I have made myself very clear that the option I propose should be able to recover all the costs, not only the costs for the initial constructions, but also the subsequent interest payments. The only thing that we do not recover is the land premium. For this reason, we have imposed restrictions, namely, that they cannot engage in "property speculation"

to make a profit, and that they can only sell their units to public housing tenants. I do not wish to go into details about the question of pricing.

Miss CHAN Yuen-han said we should proceed along the principle of "focus on public rental housing, with the Home Ownership Scheme as supplement". I quite agree to this concept because there are still many households waiting to be accommodated in public housing. I have said over and over again that the Government has to fulfill its commitments to complete the Long Term Housing Strategy by the year 2001, so that every Hong Kong resident will have a reasonable accommodation. I feel that there is no conflict between my motion and the amendments just raised, because after we have sold the public rental units, we shall have more resources which can be used to build more public housing units. I am not requesting the Government to build less public rental housing units.

SECRETARY FOR HOUSING: Mr President, I have listened with interest to comments made by Honourable Members on the proposal to sell public rental flats to sitting tenants, and am grateful for their views and suggestions.

Importance of home ownership

Home ownership fosters a sense of belonging, and is a cornerstone of stability in any society. To borrow a fashionable phrase nowadays, it makes the members of a community stockholders. It is also the goal to which more and more of ordinary Hong Kong households aspire. Hence, one of the main objectives of our housing policy is to encourage home ownership. Where necessary, we will do so through the provision of subsidized housing or financial assistance. I welcome Members' support of this objective, but I must take this opportunity also to emphasize that the Government is still firmly committed to providing public rental housing to those who are in genuine need of housing assistance. As long as there is a demand from this group of people, we will continue to provide public rental housing. There is therefore no truth in any suggestion that the Government only attends to the demand of home ownership and ignores the continued need of public rental housing. In fact, we work on both.

Existing schemes

The means by which families in Hong Kong attain the goal of home ownership are various. The private sector provides the bulk of our supply: 41% of households in Hong Kong now own accommodation in the private sector. On the other hand, we have long recognized that private property prices are out of reach for many households. Thus, since 1978, we have successfully implemented four Home Ownership Schemes and two Loan Schemes to enable 11% of households in Hong Kong to acquire their own homes in the public sector.

These public schemes have helped to push the home ownership rate up from 23% in 1978 to 52% in 1995. But for the many less well-off families living in public rental housing, even assisted home ownership still remains out of reach at present. I agree therefore with the Honourable Edward HO and other Members that much needs to be done to encourage home ownership.

Housing Authority's proposed sale of flats to sitting tenants scheme in 1991

In recognition of the benefit of home ownership, the Housing Authority launched its first attempt to sell flats to sitting tenants in 1991. Support in principle was widespread in the community — not least, Mr President, in this Council then where many Members, including some still present today, spoke in favour of it during the course of two debates in May and November 1991. However, the response from tenants was poor, with only more than 7% of eligible families indicating their intention to purchase.

There was much discussion over the causes of this poor response. Why did not more families come forward? Was the scheme too limited in scope? Were prices too high? Were tenants concerned over possible changes in their financial circumstances? Were tenants concerned over the responsibility for maintenance which comes with home ownership? Well, the main cause for the unpopularity of the scheme then seemed to have been the pricing level and the lack of incentive for tenants to incur much higher monthly expenditure in order to own a flat which they could rent easily for substantially less. This is a lesson we will need to remember. It may also be that the ideal of home ownership had not yet caught the public eye to the same extent as it has today. I believe that it was a good idea whose time for success had not yet come.

1995 Policy Commitments

The Government is mindful both of the attractiveness in principle of a scheme to sell public rental flats to tenants and of the need to avoid a repetition of the 1991 situation. In my 1995 Policy Commitments, I have undertaken to "examine ways to make it easier for tenants of public rental flats to own their own homes, including the option of selling public rental flats to existing tenants". I am indeed greatly encouraged this afternoon by the support implied for this commitment of Members of different political groupings in the debate today.

Major considerations in implementing sale of flats to tenants scheme

How then should we proceed? We need to devise a scheme which will actually work. I thank Members for providing some useful pointers this afternoon. At this initial stage, I would like to mention three areas to which we need to pay particular attention. The first concerns the responsibility for maintenance after acquisition by the tenant. We know that this may burden him financially or even put him off participating in the first place. Yet it would be wrong in principle for the seller to maintain continuously the property he had sold. The buyer must also have a genuine responsibility for the property in which he has invested. The Honourable LEE Wing-tat has suggested that one possible way forward would be the introduction of a compulsory maintenance fund right from the start. Some Members have mentioned something similar to this. All these are good suggestions which we will need to think through carefully.

The second area concerns the choice of blocks to be sold. In 1991, only 11 blocks with less than 7 000 flats were chosen. This was too limited a base from which to expect dramatic results. So we must choose the housing blocks carefully. If sales were confined only to the newer blocks, we would face a dilemma. If priced too high, there would be little incentive for tenants to come forward. If prices were pitched too low, we could undermine our existing subsidized Home Ownership Schemes since families could become owners of flats virtually comparable to HOS/PSPS units, but at a much reduced cost. At the other extreme, I must point out that it would be difficult to justify selling old or the oldest flats due for redevelopment. So we need to strike a balance.

The third area concerns pricing generally which is the key to the exercise. Our objective in selling flats, I agree, is to increase home ownership. I therefore agree with Members that the price must be realistic and genuinely affordable to the target group. On the other hand, I must point out that we cannot give away public assets for a notional sum. Here again, we must strike a balance. I have

noted the amendments put forward by the Honourable Frederick FUNG and the Honourable Miss CHAN Yuen-han, suggesting that "replacement cost" be used as the pricing benchmark. This needs careful and more thorough consideration, and I am afraid I cannot respond to that immediately. In any case, I agree with Members that the profits or savings, which accrue to the Housing Authority as a result of the introduction of such a new scheme, should be ploughed back into the public housing programme.

Way forward

If we are to sell public rental flats to existing tenants, we must get the components of that scheme right. This idea is being carefully examined in our current review of the Long Term Housing Strategy and, if feasible, should feature in the public consultation document which I shall issue in the middle of this year.

With these remarks, Mr President, we support the spirit of the Honourable Edward HO's motion.

PRESIDENT: Miss CHAN Yuen-han has given notice to move an amendment to the motion. Her amendment has been printed on the Order Paper and circularized to Members. I now call upon her to move her amendment.

MISS CHAN YUEN-HAN's amendment to MR EDWARD HO's motion:

"To delete "and achieve the aim of real 'full home ownership'" and substitute with "the Government's public housing policy should focus on public rental housing and be supplemented by the Home Ownership Scheme"; to delete "proceed with the sale of public housing rental units to" and substitute with "devise a new scheme under which public housing units are sold at replacement cost so as to attract"; and to delete "as soon as possible" and substitute with "to purchase their housing units"."

MISS CHAN YUEN-HAN (in Cantonese): Mr President, I move that Mr Edward HO's motion be amended as set out under my name on the Order Paper.

Question on Miss CHAN Yuen-han's amendment proposed and put.

Voice vote taken.

THE PRESIDENT said he thought the "Noes" had it.

MRS SELINA CHOW: Division.

PRESIDENT: Council shall proceed to a division.

PRESIDENT: I would like to remind Members that they are now called upon to vote on the question that the amendment moved by Miss CHAN Yuen-han be made to Mr Edward HO's motion. Will Members please register their presence by pressing the top button and then proceed to vote by choosing one of the three buttons below?

PRESIDENT: Before I declare the result, would Members please check their votes? Are there any queries? The result will now be displayed.

Mr Frederick FUNG, Miss Emily LAU, Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr CHAN Wing-chan, Miss CHAN Yuen-han, Mr CHENG Yiu-tong, Mr CHEUNG Hon-chung, Mr CHOY Kan-pui, Mr IP Kwok-him, Mr LAU Chin-shek, Dr LAW Cheung-kwok, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr LO Suk-ching, Mr MOK Ying-fan and Mr NGAN Kam-chuen voted for the amendment.

Mr Allen LEE, Mrs Selina CHOW, Mr Martin LEE, Mr SZETO Wah, Mr Edward HO, Mrs Miriam LAU, Dr LEONG Che-hung, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Michael HO, Dr HUANG Chen-ya, Mr LEE Wing-tat, Mr Eric LI, Mr Fred LI, Mr Henry TANG, Mr James TO, Dr YEUNG Sum, Mr Howard YOUNG, Mr WONG Wai-yin, Mr James TIEN, Mr Andrew CHENG, Dr Anthony CHEUNG, Mr Albert HO, Mr LAW Chi-kwong, Mr TSANG Kin-shing and Dr John TSE voted against the amendment.

Mrs Elizabeth WONG and Mr YUM Sin-ling abstained.

THE PRESIDENT announced that there were 18 votes in favour of the amendment and 26 votes against it. He therefore declared that the amendment was negatived.

PRESIDENT: Now that we have disposed of Miss CHAN Yuen-han's amendment, Mr Frederick FUNG may formally move his amendment so that Members may take a vote on it.

MR FREDERICK FUNG's amendment to MR EDWARD HO's motion:

"To add "suitable" after "proceed with the sale of"; and to insert "at replacement cost" before "as soon as possible"."

MR FREDERICK FUNG (in Cantonese): Mr President, I move that Mr Edward HO's motion be amended as set out under my name on the Order Paper.

Question on Mr Frederick FUNG's amendment proposed and put.

Voice vote taken.

THE PRESIDENT said he thought the "Noes" had it.

Mr Frederick FUNG and Mr Bruce LIU claimed a division.

PRESIDENT: Council shall proceed to a division.

PRESIDENT: I would like to remind Members that they are now called upon to vote on the question that the amendment moved by Mr Frederick FUNG be made

to Mr Edward HO's motion. Will Members please register their presence by pressing the top button and then proceed to vote by choosing one of the three buttons below?

PRESIDENT: Before I declare the result, Members may wish to check their votes. Are there any queries? The result will now be displayed.

Mr Frederick FUNG, Miss Emily LAU, Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr CHAN Wing-chan, Miss CHAN Yuen-han, Mr CHENG Yiu-tong, Mr CHEUNG Hon-chung, Mr IP Kwok-him, Mr LAU Chin-shek, Dr LAW Cheung-kwok, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr LO Suk-ching, Mr MOK Ying-fan and Mr NGAN Kam-chuen voted for the amendment.

Mr Allen LEE, Mrs Selina CHOW, Mr Martin LEE, Mr SZETO Wah, Mr Edward HO, Mrs Miriam LAU, Dr LEONG Che-hung, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Michael HO, Dr HUANG Chen-ya, Mr LEE Wing-tat, Mr Eric LI, Mr Fred LI, Mr Henry TANG, Mr James TO, Dr YEUNG Sum, Mr Howard YOUNG, Mr WONG Wai-yin, Mr James TIEN, Mr Andrew CHENG, Dr Anthony CHEUNG, Mr CHOY Kan-pui, Mr Albert HO, Mr LAW Chi-kwong, Mr TSANG Kin-shing, Dr John TSE and Mrs Elizabeth WONG voted against the amendment.

Mr YUM Sin-ling abstained.

THE PRESIDENT announced that there were 17 votes in favour of the amendment and 28 votes against it. He therefore declared that the amendment was negatived.

PRESIDENT: Now that we have also disposed of Mr Frederick FUNG's amendment, Mr Edward HO, you are now entitled to make your final reply and you have exactly three minutes out of your original 15 minutes.

MR EDWARD HO (in Cantonese): First of all, I am pleased that many colleagues have risen to speak in support of my motion. I would like also to thank those Members who have proposed amendments to my motion, because we have given a lot of valuable advice to the Government.

The Secretary for Housing just said that when consultations were conducted in 1991, only 7% of the respondents expressed the wish to purchase public housing units. However, what he did not mention is that in fact, at that time many people had wanted to buy, but were deterred by the prices. Nevertheless, he was being honest because he raised the question of price afterwards and said he had learned a lesson from it. I hope he will learn another lesson today because in fact, we all hope more people will be able to purchase property and that the price has to be reasonable. As I have just said, we do not want to put on a "grand sale"; instead, we hope that in setting the price, the Housing Authority (HA) will not suffer a loss on the one hand, and it has to be one that residents can afford on the other.

Lastly, I hope the Secretary for Housing, the Director of Housing, and all the members of the HA will study the various suggestions raised in this Council today as soon as possible and implement this home ownership scheme, so that more people can have their dreams realized.

Question on the original motion put.

Voice vote taken.

THE PRESIDENT said he thought the "Ayes" had it.

MR LEE WING-TAT: I claim a division.

PRESIDENT: Council shall proceed to a division.

PRESIDENT: I am sure Members need no reminding that they are now called upon to vote on the original motion moved by Mr Edward HO. Will Members please register their presence by pressing the top button and then proceed to vote by choosing one of the three buttons below?

PRESIDENT: Before I declare the result, will Members please check their votes? Are there any queries? The result will now be displayed.

Mr Allen LEE, Mrs Selina CHOW, Mr Martin LEE, Mr SZETO Wah, Mr Edward HO, Mrs Miriam LAU, Dr LEONG Che-hung, Mr Albert CHAN, Mr CHEUNG Man-kwong, Mr Frederick FUNG, Mr Michael HO, Dr HUANG Chen-ya, Miss Emily LAU, Mr LEE Wing-tat, Mr Eric LI, Mr Fred LI, Mr Henry TANG, Mr James TO, Dr YEUNG Sum, Mr Howard YOUNG, Mr WONG Wai-yin, Mr James TIEN, Mr LEE Cheuk-yan, Mr CHAN Kam-lam, Mr CHAN Wing-chan, Mr Andrew CHENG, Mr Paul CHENG, Mr CHENG Yiu-tong, Dr Anthony CHEUNG, Mr CHEUNG Hon-chung, Mr CHOY Kan-pui, Mr Albert HO, Mr IP Kwok-him, Mr LAU Chin-shek, Dr LAW Cheung-kwok, Mr LAW Chi-kwong, Mr LEE Kai-ming, Mr LEUNG Yiu-chung, Mr Bruce LIU, Mr LO Suk-ching, Mr MOK Ying-fan, Mr NGAN Kam-chuen, Mr TSANG Kin-shing, Dr John TSE, Mrs Elizabeth WONG and Mr YUM Sin-ling voted for the motion.

THE PRESIDENT announced that there were 46 votes in favour of the motion and none against it. He therefore declared that the motion was carried.

ADJOURNMENT AND NEXT SITTING

PRESIDENT: In accordance with Standing Orders, I now adjourn the Council until 2.30 pm on Wednesday, 14 February 1996, Valentine's Day.

Adjourned accordingly at nine minutes past Eight o'clock.

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