

1 HONG KONG LEGISLATIVE COUNCIL -- 24 October 1990

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OFFICIAL REPORT OF PROCEEDINGS

Wednesday, 24 October 1990

The Council met at half-past Two o'clock

PRESENT

HIS EXCELLENCY THE GOVERNOR (PRESIDENT)

SIR DAVID CLIVE WILSON, K.C.M.G.

THE CHIEF SECRETARY

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

THE FINANCIAL SECRETARY

THE HONOURABLE SIR PIERS JACOBS, K.B.E., J.P.

THE ATTORNEY GENERAL

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

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

THE HONOURABLE STEPHEN CHEONG KAM-CHUEN, C.B.E., J.P.

THE HONOURABLE MARIA TAM WAI-CHU, C.B.E., J.P.

DR THE HONOURABLE HENRIETTA IP MAN-HING, O.B.E., J.P.

THE HONOURABLE CHAN YING-LUN, O.B.E., J.P.

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

THE HONOURABLE PETER POON WING-CHEUNG, O.B.E., J.P.

THE HONOURABLE CHENG HON-KWAN, O.B.E., J.P.

THE HONOURABLE CHUNG PUI-LAM, J.P.

THE HONOURABLE HO SAI-CHU, O.B.E., J.P.

THE HONOURABLE HUI YIN-FAT, O.B.E., J.P.

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

THE HONOURABLE DAVID LI KWOK-PO, J.P.

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

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

PROF. THE HONOURABLE POON CHUNG-KWONG, J.P.

THE HONOURABLE SZETO WAH

THE HONOURABLE MRS ROSANNA TAM WONG YICK-MING, O.B.E., J.P.

THE HONOURABLE TAM YIU-CHUNG

DR THE HONOURABLE DANIEL TSE, O.B.E., J.P.

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

THE HONOURABLE GRAHAM BARNES, C.B.E., J.P.
SECRETARY FOR PLANNING, ENVIRONMENT AND LANDS

THE HONOURABLE EDWARD HO SING-TIN, J.P.

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

THE HONOURABLE PAUL CHENG MING-FUN

THE HONOURABLE MICHAEL CHENG TAK-KIN, J.P.

THE HONOURABLE DAVID CHEUNG CHI-KONG, J.P.

THE HONOURABLE RONALD CHOW MEI-TAK

THE HONOURABLE MRS NELLIE FONG WONG KUT-MAN, J.P.

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

THE HONOURABLE DANIEL LAM WAI-KEUNG, J.P.

THE HONOURABLE MRS MIRIAM LAU KIN-YEE

THE HONOURABLE LAU WAH-SUM, J.P.

DR THE HONOURABLE LEONG CHE-HUNG

THE HONOURABLE LEUNG WAI-TUNG, J.P.

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

THE HONOURABLE KINGSLEY SIT HO-YIN

THE HONOURABLE MRS SO CHAU YIM-PING, J.P.

THE HONOURABLE JAMES TIEN PEI-CHUN, J.P.

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

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

THE HONOURABLE YEUNG KAI-YIN, J.P.
SECRETARY FOR EDUCATION AND MANPOWER

THE HONOURABLE MRS ANSON CHAN, J.P.
SECRETARY FOR ECONOMIC SERVICES

THE HONOURABLE PETER TSAO KWANG-YUNG, C.B.E., C.P.M., J.P.
SECRETARY FOR HOME AFFAIRS

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

THE HONOURABLE ALISTAIR PETER ASPREY, O.B.E., A.E., J.P.
SECRETARY FOR SECURITY

ABSENT

THE HONOURABLE CHEUNG YAN-LUNG, O.B.E., J.P.

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

THE HONOURABLE POON CHI-FAI, J.P.

THE HONOURABLE TAI CHIN-WAH, J.P.

THE HONOURABLE ANDREW WONG WANG-FAT, J.P.

THE HONOURABLE MICHAEL LEUNG MAN-KIN, J.P.
SECRETARY FOR TRANSPORT

THE HONOURABLE RONALD JOSEPH ARCULLI, J.P.

IN ATTENDANCE

THE CLERK TO THE LEGISLATIVE COUNCIL
MR LAW KAM-SANG

Papers

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

Subject

Subsidiary Legislation

L.N. No.

Gas Safety Ordinance 1990 1990.....	317/90	Gas Safety (Gas Quality) Regulations
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Gas Safety Ordinance 1990 1990.....	318/90	Gas Safety (Gas Supply) Regulations
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Gas Safety Ordinance 1990 Gas Safety (Installation and Use) Regulations 1990.....	319/90	
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Gas Safety Ordinance 1990 Gas Safety (Miscellaneous) Regulations 1990.....	320/90	
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Gas Safety Ordinance 1990 Gas Safety (Registration of Gas Installers and Gas Contractors) Regulations 1990.....	321/90	
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Gas Safety Ordinance 1990 Gas Safety (Registration of Gas Supply Companies) Regulations 1990.....	322/90	
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Boilers and Pressure Vessels Ordinance Boilers and Pressure Vessels (Exemption) (Consolidation) (Amendment) (No. 2) Order 1990.....		
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324/90

Public Health and Municipal Services Ordinance
Public Health and Municipal Services (Public
Markets) (Designation and Amendment of
Tenth Schedule) (No. 2) Order 1990..... 325/90

Public Health and Municipal Services Ordinance
Public Health and Municipal Services (Public
Pleasure Grounds) (Amendment of Fourth
Schedule) (No. 7) Order 1990.....
326/90

Registration of Persons Ordinance
Registration of Persons (Application for
New Identity Cards) (No. 17) Order 1990..... 327/90

Public Health and Municipal Services Ordinance
Pleasure Grounds (Urban Council) (Amendment)
(No. 3) Bylaws 1990.....
328/90

Public Health and Municipal Services Ordinance
Slaughterhouses (Urban Council) Bylaws 1990..... 329/90

Banking Ordinance Specification of Terms for Restricted
Licence Banks Notice 1990.....
330/90

Public Health and Municipal Services Ordinance
Declaration of Markets in the Urban Council
Area 1990.....
331/90

Revised Edition of the Laws Ordinance 1965
Annual Revision 1989.....
332/90

Tax Reserve Certificates (Fourth Series) Rules

Tax Reserve Certificates (Rate of Interest)
(No. 4) Notice 1990.....
333/90

Sessional Papers 1990-91

No. 10 -- Urban Council Annual Report 1990

No. 11 -- Urban Council, Hong Kong -- Accounts for the year ended 31 March 1990 with Report and Certificate of the Director of Audit

No. 12 -- Vegetable Marketing Organization -- Statement of Accounts for the year ended 31st March 1990

No. 13 -- Fish Marketing Organization -- Statement of Accounts for the year ended 31st March 1990

No. 14 -- Agricultural Products Scholarship Fund Report for the period 1st April 1989 to 31st March 1990

No. 15 -- Marine Fish Scholarship Fund Report for the period 1st April 1989 to 31st March 1990

No. 16 -- Report by the Trustee of the Correctional Services Children's Education Trust for the period 1st September 1988 to 31st August 1989

CHIEF SECRETARY: Sir, with your consent I move that Standing Order 11 be suspended to enable Mrs Helen YU to make an affirmation when the Council reconvenes tomorrow.

Question on the motion proposed, put and agreed to.

Member's motion

MOTION OF THANKS

MR ALLEN LEE moved the following motion:

"That this Council thanks the Governor for his address."

MR ALLEN LEE: Sir, I move that this Council thanks the Governor for his address.

In your opening address, you have covered a wide variety of subjects. I am tempted to respond to every subject that you have raised because I believe all of them are important and vital to Hong Kong particularly at this point of our historic transition. But I realize the time constraint of this policy debate where Members of this Council will comment on your speech today and tomorrow. Therefore I will select some subjects that I want to express my opinion on and hopefully not to be too long-winded during the process. But first, I want to talk about you, Sir, as the Governor of Hong Kong. It is difficult to be the Governor of Hong Kong and it is doubly difficult at this point of our history to sit in that hot seat. You can choose not to do anything because it is only six and a half years before the transition of sovereignty. You could have an armchair ride and not to make any difficult decisions nor choices and perhaps not to be blamed because people would understand your situation. However, for those of us who work closely with you, we know how hard you have worked for Hong Kong, we know that you have travelled around the world to speak on behalf of Hong Kong and we know that there are tough decisions that need to be made. I want to pay tribute to you and I hope the people of Hong Kong appreciate your efforts and what you are trying to do for Hong Kong. At a time when we need forward planning and foresight, you have provided just that in your opening address. You have told us and the people of Hong Kong what the Government's plans are for the future in housing, education, medical and health services, social welfare. You have stressed the Government's commitment in the physical infrastructure in port and airport development. You have guided us about our relationship with China and have encouraged our civil servants to come in closer contact at all levels with China to establish the much-needed mutual understanding and trust. Sir, as a Hong Kong person, I cannot but appreciate your dedication, commitment and contribution for a better future for the people of Hong Kong.

Now I turn to the subjects that I want to speak on this afternoon.

Economy

First and foremost is our economy. On 9 November last year, I spoke on the importance of our economy and the shifting of our economic base. Today, it is more

visible that our manufacturing base has shifted to Southern China. What we are facing today is a downturn of economic growth. It is mainly due to the economic conditions of our major markets, compounded by high inflation rate and the recent Gulf crisis. It is high time that we must tighten our belts. We had experience of previous economic recessions in 1973-74 and 1981-82; each time we came out stronger than ever before. This time, I feel different because the size of our economy has grown and we are facing more complicated problems. We must first tackle inflation and tackle it vigorously. Sir, I entirely agree with you that we must tighten public sector growth and introduce, in many areas, zero growth and we must not increase salary more than inflation rate both in the public and private sectors. I am of the opinion, during this belt tightening exercise, that we should be conscious of our competitiveness so that we would not sink deeper into the recessionary state. I always appreciate the difficulty that our community as a whole must face, but I believe that some difficult choices must be made in order to ensure our longer-term economic prosperity. The Government's role in the economy is clearly stated in paragraphs 12 to 16 of your speech. I agree, and I do not wish to repeat what you said. I just want to say that our Government must take the lead and, being the biggest employer, maintain our philosophy of free trade and free enterprise and, in the meantime, invest where there is a necessity for the future. I hope our people will understand when difficult choices are being made in the future.

Port and Airport Development Strategy (PADS)

Speaking about investment, our Government has embarked on the ambitious infrastructural project, PADS. Since your announcement in this Council, a lot has happened. I noticed that this Council welcomed this project at the time of the announcement. Now a year has elapsed, and it seems that some Members, even though not too many, are doubting various aspects of this project and there are some concern in our community about the intention of this project. Sir, even though you have expressed clearly in your speech about the cost of the airport, the scheme of port development and the potential land sale revenue in the future, I am afraid that the concerns of some Members will not be alleviated. I feel we must start from the basic premise to ask ourselves whether we need a new airport. I hear quite a few noises about the need for a new airport, the questions are: where, when, how much it will cost and whether we can afford it. Sir, after our Government spent millions of dollars in consultants' studies to address these questions, I have no doubt in my mind that we need to build a new airport at Chek Lap Kok and we need to go ahead urgently. The new airport represents enormous opportunities for the future of Hong Kong. It will

open up the whole of the development of Lantau Island and it will strengthen our position as the hub of the Asia-Pacific region. It will ensure our future growth in many directions. Can we afford it? I think you have answered this question. But most of all, we must have vision and foresight. If past records are anything to go by, Hong Kong Government is known to build things on time and within budget. I remembered there were voices against the construction of the Mass Transit Railway (MTR); it was said that it was too costly and it would disturb the people of Hong Kong. Yes, we went through some anxious years waiting for the opening of the MTR. Today, can anyone imagine what Hong Kong traffic would be without the MTR? We would need consultants to tell us about the economic disbenefits. The airport is vital to our future economic growth. Whilst we were witnessing Singapore, Taipei, Bangkok building new airports in the past, and we look at Kai Tak Airport, we must ask ourselves: how could we remain as a centre of trade, finance, commerce and communications in the region in the future? Sir, as far as financing is concerned, Members of this Council are very conscious of our role as members of the Finance Committee. A special ad hoc group has been set up to look at the question of financing. We have a duty and responsibility towards the people of Hong Kong that we will not agree to spend the taxpayers' money lightly. This, I can commit to the people of Hong Kong.

Education

Now, I turn to my pet subject, education. During the past, I have always talked about education, particularly tertiary sector education. I praised the Government last year in increasing the intake of first-year, first-degree students, but I must stress that we must pay as much attention to the quality of education as the quantity. No doubt we need both. I said I prefer a credit unitary system for our institutions because it provides the flexibility. I also believe it will improve the quality of education. Sir, we must be able to attract good professors and lecturers to teach in Hong Kong. To this end, we must increase our research budget and activities. I have said it time and again: to invest in education is a very worthwhile investment towards the future. When the institutions produce these graduates, the Hong Kong community will benefit. Sir, recently, I attended a graduation ceremony at the Chinese University of Hong Kong. I talked to the parents of graduates. I noticed quite a few were not from the well-to-do families, but their parents were very proud that their sons and daughters were graduating from the university. I sensed great achievement and I shared their pride. This is what Hong Kong can offer and it is delightful to see that our own young men and women are ready to take up the challenges of the future.

Civil Service

Sir, I agree that there is a need to pay careful attention to civil service morale. We have seen and read about some of the recent disputes that some civil servants are disgruntled about their conditions of service and some of them feel that they have been mistreated. But I observe that the majority of our civil servants are loyal, dedicated and discharge their duties honourably. I wish to pay tribute to them because I entirely understand the position that they are in. At the present moment, their anxieties towards the future, their lack of communication with the future sovereign state and their concern about pension are genuine and need to be addressed. Despite all of these, they still carry on performing their duties because they feel it is their responsibility towards Hong Kong. We need a strong Civil Service during the transition and we need an even stronger Civil Service beyond 1997. It is never easy in the management of the civil servants; therefore I entirely agree that the Government should give the senior ranks more responsibility including the size of the establishment and financial accountability. I believe the management of the public sector should be much less bureaucratic in the future and improvement in efficiency and productivity must be the goal for the whole Civil Service. I also believe we should reward those who have achieved these goals.

Relationship with China

Finally, I would like again to address the question of our relationship with China. During the past 10 years we had established strong economic links with China particularly Southern China. China is our largest trading partner and we are China's largest investor. Our growth in trade is phenomenal, the amount of labour force employed across the border is more than double that of Hong Kong. We are growing from strength to strength and year after year. However, our political relationship has not been flourishing as our economic relationship. There are many historic reasons for the presentday status. However, it is time to change and there are only six and a half years left before the change of sovereignty. I urge Beijing, particularly those who are responsible for Hong Kong, to begin a dialogue with Members of this Council and also to begin a dialogue with civil servants of Hong Kong to establish the much needed mutual understanding. I am afraid this is not an easy task. I am sure the people of Hong Kong want to see the frank exchange of views between the two places. I am not disappointed nor discouraged with the current situation, but I feel I must bring it to the open in order to improve the situation. For the

moment, we would like to learn at first hand what is happening across the border. Therefore we are currently arranging a visit in January next year to see for ourselves the developments there and I hope Members of this Council will respond well to such a visit.

Conclusion

Sir, I did not mention the 1991 elections, particularly direct election, to this Council because I have already chosen the subjects I wish to speak on. I only want to call upon the people of Hong Kong to respond to the election by going to the poll station and casting their ballots for the future leaders of Hong Kong. I am looking forward to a successful election year in 1991.

Sir, we are facing many changes and challenges in the 1990s. With the determination of our Government and the response of our people, I am confident that we will build a new Hong Kong. Our people thrive on changes and challenges. It is because of our people that we shall continue to build. I am certain that by 1997, Hong Kong will be a different place with a new airport, a new bridge, a new skyline and a new breed of people who call Hong Kong their home. It is with this in mind that I hope we can all contribute towards the future in unity.

Sir, I beg to move.

Question on the motion proposed.

MR CHEONG (in Cantonese): Sir, allow me first to give my full support to the Honourable Allen LEE's motion of thanks to Your Excellency. Some people say that your opening address to the Legislative Council this year is insipid and uneventful. Others even criticize it as lacking in vision. It is not at all surprising that those who are always looking for excitement would make such comments. However, in my personal opinion, Sir, your policy address has realistically mapped out the direction for the future of Hong Kong.

In the past year, Hong Kong had gone through a period of emotional ups and downs, during which the whole community was imbued with a strong sense of pressure and anxiety. Moreover, in the face of the frequent mass rallies, demonstrations as well as verbal exchanges, members of the public were having a ride on the emotional roller coaster.

Now it is time for us to calm down and consolidate our foundation. This year's policy address may appear to be boring, but it also illustrates the fact that the people of Hong Kong really need this cooling-off period. The roller coaster has to stop in any event. We should look at the scene in front of us with peace of mind, pull ourselves together and get on with our roles in society. Let us not forget, our primary task is to identify ways to make this renowned trading, financial and commercial centre keep on functioning and developing.

But regrettably, some people are unable to get rid of the pessimistic attitude. They maintain that the future of Hong Kong is gloomy and that Hong Kong is now at the end of an era. Indeed, no matter what we say or do, we can hardly reverse those people's decision to leave Hong Kong. As these people are so sceptical about the sincerity of China and are so determined to leave, they should refrain from making adverse comments on the future of Hong Kong, nor should they play up or exaggerate certain incidents, for such behaviour will bring about undue effects on the majority of people who are willing to stay, affecting their career prospects and well-being at the same time.

Sir, I believe most Hong Kong people should be clearly told that the future of Hong Kong is full of major challenges. The "one country, two systems" is an innovative idea. No document or person can guarantee the success of our future. Adopting a pragmatic approach to work towards this goal is definitely a first step in the right direction. Should we not think carefully whether the opening up of China's economy and the implementation of the Four-Modernization Programme had contributed substantially to the sustained economic growth of Hong Kong in the past few years? As a matter of fact, the total volume of local exports and the level of personal income have been steadily rising in the past few years. Is this not spearheaded by China's open economic and trade policies? In respect of employment opportunities the rapid economic development of Hong Kong in recent years has brought about an acute manpower shortage. Hence, the chances of getting promoted to fill vacancies at a higher level are bountiful. It is indeed a heavenly opportunity for the younger generation in Hong Kong to establish their career at a quicker pace.

Some people allege that emigration in recent years has hampered the normal operation of various quarters in Hong Kong. I consider this to be an overstatement. Indeed, the tendency to move abroad has long been a special feature of the Hong Kong community. The problem only lies in how we should make proper arrangements to fill the gaps left behind.

Owing to our rapid economic development in the early 1970s, all sectors of the community were in want of experienced workers and managerial staff. The demand was subsequently met by our young people, who managed to overcome the difficulties through learning from practical experience. Similarly, the present problem of the so-called "brain drain" will provide a good opportunity for our younger generation. It is true that working experience cannot be gained overnight. However, given the present favourable conditions in Hong Kong and the assistance rendered by the international community in various respects, I am confident that we have adequate means to provide room for development to our young people who are willing to face new challenges and to make the best use of opportunities.

I recall that Hong Kong had experienced many turbulent times in the past few decades, for example, we experienced a mass influx of people from China after World War II, and there was an oil crisis in the 1970s which was followed by a collapse of our stock market. Hong Kong did not fall in those days. Instead, three unique characteristics had emerged. First, it was Hong Kong people's adeptness in making use of opportunities. Many of Hong Kong's men of wealth had managed to make a fortune by grasping at the golden opportunities in those days. Second, Hong Kong people demonstrated their ability to remain unflustered in the face of danger. Such ability had enabled us in the past turbulent days to hold our grounds and prepare for the future. Third, co-operation between the Government and the private sector had resulted in joint efforts to establish a solid foundation for the community. In those days, Hong Kong people managed to overcome all kinds of dangers and obstacles with ease. There is no reason why we cannot do the same today.

Certainly, before we can successfully deal with all the challenges, we must join forces to develop a common goal and adopt a pragmatic attitude. We must meet volatility with steadfastness. In the face of the rapid changes in the international arena and the delicate China-Hongkong relations, if we adopt a pragmatic and prudent approach, we can surely tide over the difficulties.

As regards certain important issues in Hong Kong, I suggest that they should be looked into from a practical point of view. To take the Bill of Rights for example, due consideration should be given to its basic elements, such as the ways of maintaining a balance between the Bill's underlying spirit and the actual social situation. The possibility of having a large number of unnecessary court cases subsequent to the passage of the Bill is another thing to be considered. In studying

the major development projects, such as the construction of the new airport, we should again consider the actual need instead of confining ourselves to political considerations. It is regrettable that recently we were involuntarily vexed by some avoidable political wrangles and all sorts of allegations about stark conspiracies. Such harassment have diverted our attention, undermined our usual capability and dealt a direct blow at our confidence in the future. Admittedly, such situation has, to a certain extent, led to some psychological and physical damage. But we must let bygones be bygones, instead of being unduly moanful. After our emotions have calmed down, we still have to live on with a positive attitude.

Sir, now I would like to respond to the part of your policy address which covers the China-Hongkong economic relations. As people are aware, there are reasons why Hong Kong has secured a place in the international economic, trade and financial markets. In addition to our hard work and the natural and geographical advantages which have attributed to the above achievements, the development of our economy as a whole has taken a long process to accomplish. It is only through our determination to forge ahead, to learn from mistakes and to enrich our experience through learning that we can enjoy the fruits today.

Similarly, China's current policy on reform as well as the Four-Modernization Programme will inevitably have to go through a long process of evolution before any achievements are likely to come by. In my opinion, Hong Kong is China's window to the outside world. Whether we consider it a practical need or from the moral point of view, Sir, as you have rightly said, "we can provide investment, foreign exchange and expertise to help the Chinese economy continue to expand and develop."

As a matter of fact, during the process of economic reform and development, almost every developed country had gone through the same course in the past. Nowadays, we may only focus our attention on the prosperity of the developed countries and have forgotten the bitter experience of these countries during their years of development. Given the important role Hong Kong has to play in the process of China's economic development, we should look back time and again at the same difficulties that Hong Kong encountered during our economic evolution in the past. By adopting an attitude of mutual respect and accommodation, Hong Kong should assist in the development of China, instead of indulging in parochial arrogance and looking down on this trading partner in our vicinity.

I think that the enhancement of economic ties between China and Hong Kong should

not be restricted to the working level of official and business organizations. They should be further extended to cover the academic and training fields and also the private sector. Hong Kong is well aware that economic development requires concerted action from various quarters throughout the whole process. If contacts and exchanges are improved in this aspect, the effect can be doubled with only half the effort. It is with this concept in mind that the Hong Kong Polytechnic will set up the Hongkong-China Business Development Centre at the end of next month.

Sir, some people may say that my pet phrase is "to unite together and hold fast to our posts." They may also say that it is boring to hear me play the old tune too often. Nevertheless, I consider that it is only natural for one to reaffirm his firm beliefs. Sir, you are sure that we can build a rose garden for Hong Kong and lay special emphasis on some pragmatic procedures this year. I think this is the most proper thing to do. It is my belief that an ordinary and honest man can always lead a happier and more relaxed life than one who racks his brains to please people by claptrap.

Sir, with these remarks, I support the motion.

MISS TAM (in Cantonese): Sir, shortly after you succeeded the late Sir Edward YOUDE as the Governor of Hong Kong in May 1987, this territory was beset by the stock market crash that took place later in the same year. Before it has quite recovered from the shock of last year's June 4 incident, Hong Kong is now being affected by a fresh cycle of worldwide economic recession subsequent to the outbreak of the Gulf crisis this year. Nonetheless, in spite of the various problems confronting Hong Kong over the past three-odd years, you, as leader, have been able to overcome all hurdles one by one. Internally, you have successfully stabilized the pace of political development and made an all out attempt to upgrade local infrastructural facilities. Externally, apart from making lobbying tours around countries in both America and Europe to help Hong Kong promote its foreign trade, you have, on behalf of Hong Kong, travelled immensely to strive for the right of abode and settle issues concerning the repatriation of Vietnamese refugees. It is gratifying to learn that, notwithstanding the arduous work you have been doing in your official capacity, you are no less agile and vigorous than you were in your hiking trips. It is indeed a true blessing to Hong Kong.

Of all the issues you dealt with in your policy address this year, the "rose

garden" project is, beyond dispute, a matter of utmost concern to the public. I consider the project title "rose garden" misleading because it can easily give the false impression that, given fine weather, optimum rainfall and time, the rose garden will run its course and become strewn with beautiful blossoms. As a matter of fact, this misconception is not exactly what it will be like in reality. The "rose garden" is a massive project which can only be brought about by the concerted efforts of the Hong Kong people. In order to keep abreast with the rapid progress in this modern age, the Hong Kong people of this generation must be prepared to go as far as to sacrifice to a certain extent. This is necessary if favourable conditions are to be created for the future survival of Hong Kong. The idea of the rose garden project has taken more than 13 years to conceive. In the policy address last year, you outlined an attractive picture of what the rose garden would look like after completion. It is now time this year that actions should be taken to draw up plans for the realization of this perfect model.

Dilemma in the face of difficulties

While debates on this issue are still going on, the Hong Kong Government finds itself trapped in an embarrassing situation. It is now confronted with the following unresolved problems relating to the infrastructural and airport projects:

(1) If an expression of support is required from China, what then should be done to persuade China into accepting the programme in whole?

(2) How can the Hong Kong Government manage to obtain the support of China on the one hand and to avoid the risk of being mocked as "a lame duck government" on the other hand?

(3) How can it be proved to the public that the whole package of infrastructural projects is not mainly intended to serve the British interest?

The need for mutual understanding and respect

I am by no means a China expert. Yet, I have made my observation on China's way of handling business from my five-year experience at the conference table with China. It is my opinion that China always wants to avoid open confrontation, no matter how divided the negotiating parties' views may be. The more recommendable approach is to iron out differences through consultation and negotiation. In handling the issue

of the airport and port projects, the Hong Kong Government has not taken the confrontation approach. Instead, it has, on many occasions, expressed its wish to obtain the support of China. Hence, the Hong Kong Government should make use of every available opportunity to explain to China that the construction of the Chek Lap Kok airport is beneficial to the longer-term development of Hong Kong and that there is no other motive behind the project.

In your policy address, you have mentioned that an increase in the exchange of information between China and Hong Kong is unavoidable as we get nearer to 1997. This, and I quote, "should not be seen as giving the Chinese Government a veto over decisions which are properly for the Hong Kong Government to take. They have not sought this; nor would I expect them to do so." I think that in saying so, you have already drawn a clear baseline for discussing Hong Kong affairs with China.

You have also remarked, "The new airport will make a significant contribution to the economic development of South China in general and Guangdong in particular." This is a statement which, I believe, can easily be brought to the proof. Both the Chinese and Hong Kong sides may try to consider this issue in the light of the economic interest of South China on the basis of mutual understanding and respect. Disputes on political points should be toned down and reduced to the minimum.

Hence, I find it a positive approach for the Chinese expert team to arrive and take part in discussions on the financial arrangements of the new airport project. I am also pleased to witness that the Hong Kong Government has released more and more information recently and that the Chinese experts have made numerous site visits to see things for themselves. I hope that the Chinese experts will frankly and sincerely put forth their views so that the Hong Kong Government will be able to avail itself of the opportunity to make further elaboration on the subject. I believe there is no more direct way of gaining mutual understanding than a face-to-face discussion. If this approach is not adopted, we will have to rely on the reports of the media and individual views deduced therefrom to serve as a bridge of communication. It is indeed a most dangerous thing to do. There have been too many cases of misunderstanding and misconceptions resulting from distorted and misleading accounts. I do not wish to see this massive airport and port programme fall through because of inadequate communication.

In order to push ahead with the airport and port projects, dialogues between the Chinese and British Governments should be maintained. Attempts should be made

through exchange of views in a frank and sincere manner to dispel unnecessary suspicions and prejudice and establish a good relationship for co-operation.

To hear views and allow no interference in domestic affairs

In the past three months, I have been following the press reports on the responses of various sectors to the new airport project. In general, the majority express no doubt about the point that the Hong Kong Government should be responsible for the construction of the new airport, nor do they object to releasing information to the Chinese authorities for study or consulting their views in appropriate circumstances. Hence, I think the Hong Kong Government needs not worry that it may, in so doing, be ridiculed as a lame duck government. As a matter of fact, if part of the new airport project is to be completed after 1997, then the responsibility of supervising the unfinished project will rest on the Government of the Hong Kong Special Administrative Region. Besides, the attitude of foreign investors will be largely determined by whether the Chinese authorities are in support of this infrastructural project. It is therefore a realistic approach to hear the views of the Chinese Government.

On the other hand, I hope that China will help Hong Kong maintain its prosperity and stability in the spirit of the "Sino-British Joint Declaration". However, such obligation and commitment should under no circumstances be developed into attempts for interference in Hong Kong's domestic affairs. Otherwise, the Hong Kong Government will be deterred in its contact with the Chinese authorities.

The site of the airport must fit in with the port facilities

With regard to the site of the airport, I personally believe that Chek Lap Kok is an appropriate option. The prosperity of Hong Kong does not depend on the air transport facilities alone. For more than a century, Hong Kong's economic lifeline has been its exceptionally fine harbour endowed by nature. With this harbour which is deemed to be the best of all deep water harbours along the coast of Southeast China, Hong Kong has now developed into a major re-export centre in Southeast Asia. In the previous year, Hong Kong netted an income of \$645 billion from its re-export trade, representing 75% of the income generated from its visible trade -- an evidence of the importance of port facilities. I put weight on this point in the 1988 and 1989 policy debates. On many occasions, I have also highlighted the importance of freight transport between China and Hong Kong in explaining the intermodal co-ordination of the relevant facilities in our transport network. It is my view that the site of

the new airport must fit in with the location and the development of the port. The new airport site at Chek Lap Kok currently proposed by the Government can satisfy the requirements essential to the development of our port and the opening-up of Lantau Island and I therefore must stress that this is an excellent choice.

Sufficient financial back-up for commitment in this fully-funded project

In what ways can we ensure the expenditure on the whole package of infrastructural projects achieve the maximum economic effect and get the best value for money? Apart from the need to hear expert views from various sectors, I believe that the Government's determination to reveal to this Council and the public details of the project may help. I support the building of the Tsing Ma Bridge. I have sought clarification and have been told that the Hong Kong Government is financially capable of funding this project fully without resorting to tax increases. In the 1989 policy debate, I suggested that the airport and port programme together with its related project of a back-up transport network should require proper co-ordination and planning to avoid the risk of drastic inflation and substantial tax increases in any one fiscal year. I find it necessary to emphasize this point once again.

To put a stop to rumours by publishing details of the cost

A current gossip of the town has it that: the objective of the new airport project is to siphon money off from Hong Kong into Britain. So far, no one has yet been able to show any evidence in support of this claim. Most unfortunately, there is, however, the danger that a rumour, if allowed to feed itself for a length of time, may stand a good chance of being accepted as the truth. I feel that the Government is able to take the initiative in changing this unfortunate situation by providing the public with the opportunity of seeing clearly for themselves how the money has been spent in a cost-effective way. Apart from its work reports for the newly formed Legislative Council ad hoc group to study the financial arrangements of the new airport and its related projects, the Government should regularly, for example, once every three months, furnish the Land and Works Panel of this Council with information showing the expenditure on the airport and port programme or its supporting transport network, the names of the contractor companies involved and relevant information for public inspection. Besides, regular briefings on the number of additional government staff recruited for the work of these infrastructural projects, their respective ranks and pay scales should also be made to the Manpower Panel of this Council. When greater transparency is given to the information on the cost of the project, rumours of this

kind will automatically fall apart.

To explore new sources of revenue, trim expenditure and tackle problems in a flexible manner

The Government has already spelled out its intention to encourage maximum participation of private consortia in the infrastructural projects. Since the Government has now decided to finance the construction of the Tsing Ma Bridge with public fund, corresponding arrangements should be made to enable private investors to share the financial commitments in other infrastructural projects or in the operation and management of these projects, thus lessening the financial burden of the Government. Take for instance the Aberdeen Tunnel, the Government has recently decided to call for competitive bids from private companies to operate the tunnel. Consideration may be given to extending this practice to other government tunnels in future. Under such arrangements, the toll charges will be subject to government approval while the operation cost is to be borne by the private companies concerned.

We should continue to find out the feasibility of privatizing other infrastructural projects and even metered parking spaces and trunk road projects in the New Territories.

Another feasible alternative is to impose strict control over the priority of road use with a view to ensuring higher road utilization rate of public transport modes with large carrying capacity by minimizing the growth rate of other transport modes with low carrying capacity and restricting their right to use the roads. This will help alleviate the increasing demand for the construction of new roads.

Conclusion

I have, at the outset of my speech, pointed out that "rose garden" is a misnomer that fails to reflect truly the formidable task which the Hong Kong people are going to face in carrying out this proposed infrastructural project and the sacrifice they should be prepared to make. It is undeniable that with the support of China, the financing of the project will become less of a problem. Yet, during the construction period, the people of Hong Kong will need to live with a certain level of inflation, some possible increase in taxation and a larger quota of imported labour. Hence, it is necessary that the public should be systematically briefed on the expenditure of this project.

I have spent the better part of my speech on the relationship between Hong Kong and China because it is my firm belief that the Hong Kong Government will eventually have the final say on this issue. I am also confident that the Chinese, British and Hong Kong Governments will be able to clear all obstacles and work out a solution to the problem for Hong Kong. This was the case and so will it be in the days to come.

Sir, with these remarks, I support the motion.

DR IP: Sir, with the active training of the mentally handicapped for open employment these last two years, there is increasing evidence that mentally handicapped adults in sheltered workshops are so happy with the services they receive that they are reluctant to move on to open employment although capability exists. There must be a declared policy that entry into sheltered workshops is for training only, with the eventual aim to open employment. Parents and guardians are then not given a false expectation that the mentally handicapped may stay there permanently. It is only fair that when adequate training results in the capability of open employment, a mentally handicapped person must vacate his space for others on the long waiting list.

Such a declared policy would, in the long run, be a financial saving for the community, when more mentally handicapped people enter open employment and the need for sheltered workshops reduces. In the interim, these "training centres", I will call them, must be granted more manpower to give physical and social skills training and to iron out social problems which is often the stumbling block in this whole process.

Furthermore, unless and until adequate ancillary support are given to the mentally handicapped in open employment, sheltered workshops with its established social, transport and other services would still remain more attractive in spite of higher income with open employment.

I turn now to another facet of my involvement, namely the Travel Industry Council Reserve Fund (TICRF). It must be reassuring for the public to know that there is now an accumulation of some \$30 million in that Fund. I would like to use this opportunity to pre-empt a formal application to you, Sir, to waive tax for this Fund, since two applications for tax exemption have been rejected by the Inland Revenue

Department. Since this Fund was created for public protection, taxing the Fund is a contradiction to the spirit of the legislation.

I am aware that Government is preparing, as promised, a review two years after legislating for this Fund. I would like this Council to be aware that, invisible to the public eye, there is one constant conflict between the aims of the respective boards of the Travel Industry Council (TIC) and the TICRF.

Whereas the TICRF Board confines expenditure of the Reserve Fund only to the actual collection of the 1% levy and compensation for aggrieved travellers, the TIC, which the TICRF relies on to perform the above two functions, has wider aims. The proposed budget by TIC for the TICRF therefore very often reflects a greater scope of work, such as in the operation of pure TIC matters. The TICRF, which at present relies completely on the TIC for its operation, is often powerless to object. I have no doubt that the public would like to see that as much of the 1% levy go towards compensation for aggrieved travellers. It is therefore my firm belief that this review must result in legislative amendment to remedy this conflict once and for all.

I would like to end with a few words on medical and health matters. The public may not be aware of it, but during these last few years government medical and health services have been constantly improving while awaiting the formation of the Hospital Authority. I hope very much that the public will be patient in giving the Authority, under the able leadership of Sir S.Y. CHUNG and his top executives, time to consolidate these improvements further.

Sir, I also see major improvements to come in the medical and health field beyond that of hospital services namely, the Academy of Medicine with its colleges (by the way I am delighted to learn that there will be a College of Paediatrics after all!), the review on traditional Chinese medical practice, the possible scrapping of the duplicative school medical services, the registration of chiropractors, the improved training of ambulancemen and the push towards medical insurance. My views on these matters are published in the Hansard and I will not elaborate here. Suffice it to say I have confidence that Government will put all these into practice in due course without my further need to cry out privately or publicly for these changes, since many doctors, legislators and the public at large have taken all these on board. And I hope, Sir, that these changes will also have your support.

With these words, I support the motion before Council.

MR CHAN (in Cantonese): Sir, you have raised in your policy address quite a number of issues which warrant discussion and call for a solution. Today, I would like to comment on three areas in particular, namely, Hong Kong's place in the world, law and order, and education.

Although Hong Kong is a tiny place, it has become well-known worldwide because of the 1997 issue. Many people in other parts of the world know about Hong Kong. Whenever they meet people from this territory, they will always ask whether Hong Kong people are afraid of 1997 because a large number of them have run away. They figure that Hong Kong will soon become a deserted place with tens of thousands of people leaving every year.

Since we know that the problem is not in the least as serious as they would have thought, we are obliged to put the record straight. Sir, you have been paying regular visits overseas with this in mind. I think every citizen in Hong Kong should help present a true picture of Hong Kong by word of mouth when travelling abroad. These efforts made in conjunction with Government's massive infrastructural programmes extending beyond 1997 will not only enable Hong Kong to retain the good reputation it has all along been enjoying, but also help Hong Kong citizens to save face.

Sir, your policy address is not only aimed at Hong Kong citizens but also people all over the world. The Government has put forward a number of large-scale development programmes to demonstrate its confidence in the future. These projects cater to the practical needs of our society and are in line with OMELCO's objective to strengthen and promote Hong Kong as an international city. The rest of the world will know that Hong Kong remains stable and prosperous, thus enhancing their understanding of and confidence in Hong Kong. This is in effect an important guarantee of Hong Kong's continual progress.

Here, I would like to narrate an episode which happened during one of my overseas trips. I was recently on a trip in company with my colleagues, the Honourable CHEUNG Yan-lung and the Honourable LEUNG Wai-tung to Zimbabwe in Africa to attend a Commonwealth Parliamentary Association Conference. On transit through South Africa, we were required to apply for visas. We waited for two hours and approval had yet to be granted for our entry. Finally, we had no alternative but to reveal our Legislative Council Member status. Thirty minutes later, we were granted permission

for entry at last. Had the South African authorities changed their entry requirements lest Hong Kong people might disappear after entry? That incident has made me realize how important it is to put the right message across and to maintain Hong Kong's international status!

Commenting on Hong Kong's relationship with China, you, Sir, cite the British nationality package and the draft Bill of Rights as examples to illustrate actions taken by Hong Kong over which the Chinese Government has expressed doubt. But why is it so? I find it hard to understand and answer. Maybe we should take the initiative to do something about it. I therefore fully agree with you, Sir, that we need to make members of our Civil Service better-informed about China and encourage more personal contact at all levels. Sir, as you have said, an increase in the exchange of information should not be seen as giving the Chinese Government a veto over decisions which the Hong Kong Government should make. I believe what administrators and politicians should consider at this moment is no longer the question of whether to leave or to stay, but how we can actually get along with China.

I am confident that given Hong Kong's remarkable success to date, the way we handle our affairs will command the trust of the Chinese authorities. But China will need to know thoroughly whether our civil servants and councillors will continue to work for British interests or for the well-being of Hong Kong, so that it can remove any doubt about us.

Sir, the state of law and order in Hong Kong is deteriorating. The Fight Crime Committee recently held a meeting with the chairmen of the 19 District Fight Crime Committees to discuss how heavier penalties can be imposed through legislation as a deterrent to crime. I believe this is what our law-abiding citizens would like to see. Meanwhile, I also hope the Administration will study how young offenders can be safeguarded from recidivist behaviours. Juvenile delinquents will become more daring if they fail to turn over a new leaf and will pose an even greater threat to law and order. Efforts should therefore be made to prevent them from committing crime again.

According to the Fight Crime Committee, the Government is examining the feasibility of introducing a supervision scheme for adult criminals who have served their sentences. So long as it does not infringe upon human rights, such a scheme can help prevent recidivism. It will be particularly effective for mental patients with a propensity to violence, to whom I made a reference during last year's policy

debate. I, therefore, welcome the introduction of the supervision scheme.

I think the rehabilitation of young offenders should be addressed by the Fight Crime Committee as a matter of priority. In this regard, Sir, I would like to put forward some suggestions.

Sir, the effectiveness of a penalty does not hinge upon its severity. Rather, it depends on how it works on the offenders. As far as education is concerned, we must teach "according to a student's ability to learn"; similarly, penalty is to be meted out "according to an offender's ability to rehabilitate". To put it more aptly, and I quote from the Beijing rehabilitation authorities: "There is a different key to every lock". In this connection, I would like to put forward the idea of "penalty diversification" for Members' consideration.

The introduction of the Community Service Order Scheme in Hong Kong is virtually a way of practising "penalty diversification". Having been successfully tried out, the scheme which was initially implemented in three magistracies has been extended to cover all magistracies throughout the territory. And I believe there are still other effective substitutes for custodial penalty.

In the United Kingdom, apart from Community Service Orders, possible punishments for young soccer hooligans may include banning them from playing soccer on football pitches for several weeks.

In Australia, the Government has introduced a Home Detention Scheme for people committing minor offences in general and for juvenile delinquents in particular. Under this scheme, electronic devices are used to make sure that the offender is confined to his home during a certain period of time. The merits of such a scheme are that it can save the manpower needed to guard the prisoners and enable the offenders to rehabilitate under the guidance of their families.

In Europe and the United States, one prevailing form of punishment comes close to that between imprisonment and supervision, which includes fines and house arrest.

From the above suggestions, we can see that the penal system, like social institutions, needs to evolve with society so that it can help offenders more effectively. With law and order becoming a matter of grave concern lately, while it is essential to enhance the efficiency of the police force, to impose more severe penalties and to foster co-operation between police and the public, the

diversification of our penal system and the prevention of recidivism of young offenders are also suggestions which warrant indepth study.

The Government is committed to expanding tertiary education for the benefit of our younger generation. I would like to put forward a suggestion which will in effect help promote civic education and environmental awareness, that is, students should help clean up their own classrooms. This suggestion may seem too trivial for today's forum but we must not overlook its educational value. It will certainly help students to become more civic-minded and accustomed to environmental protection right from their childhood, and will be more effective than classroom teaching. It will also help students develop a greater community spirit and a stronger sense of belonging to their schools.

I remember when I was in primary school, students had to take turns to clean up their own classrooms, but not so when I attended secondary classes. Even for today, I think it should be acceptable if students are required to clean up the litter they leave behind in their classrooms. Of course, we should not ask them to clean the toilets and the windows. I think primary students may do the cleaning work during recess while secondary students may perform this duty after school. I hope both students and parents will find this proposal acceptable.

Sir, with these remarks, I support the motion.

MRS FAN: Sir, in this afternoon's debate, I wish to offer views on four topics.

Firstly, law and order. Stability in our community is an essential foundation for economic prosperity. We have been able to maintain an acceptable standard of stability through the provision of housing, education, health and welfare services, and enforcement of law and order. Our stability however cannot be taken for granted. It can be threatened by an increase in the number of violent crime cases, an open challenge to law and order by criminal elements, or a mismanaged demonstration which degenerates into a disturbance. Activities which pose a threat to law and to social order, and hence to stability, will attract unfavourable reactions from the people. At the same time such activities also attract sensational coverage overseas, which can adversely affect the perception of Hong Kong by potential visitors and investors. Sir, you have noted in your speech the public's concern on law and order. This recognition is both timely and appropriate. I agree that the community has a role

to play in maintaining law and order by reporting crime, by helping the investigations, by serving as witnesses and so on. However, it must also be appreciated that people who have confidence in the level of protection afforded by law enforcement agencies against retaliation by criminals are more likely to serve as witnesses and assist in investigations. This is particularly valid for extortion cases. The law enforcement agencies play a crucial role in building up that confidence. All law-abiding citizens in Hong Kong want to see crackdown on crimes, particularly on smuggling of firearms and organized crime, and they are prepared to lend support provided their livelihood, their personal safety, and their family's safety are not placed in jeopardy as a result of such co-operation. Hong Kong is a closely knitted community, and the character of such community is that news spreads fast. In the final analysis, the proof of the pudding is in the eating. Publicity campaign by itself is not going to be really effective if this is not backed up by action and proven result.

Secondly, Sir, there is a tendency recently by certain groups to seek the interference of either the British Government or the Chinese Government or both on issues which are internal matters for Hong Kong. Anyone with a grievance has the freedom to relay this to any person or organization of his choice. This I agree with. What puzzles me is whether such action really benefits their cause or would it work against them? Furthermore, does the interest of a group of people in Hong Kong justify the risk of setting a precedent by inviting interferences from our sovereign states, present and future, in an internal matter which is not associated with defence or foreign affairs? I respect the right of any organization to decide on what course of action to take. I sincerely hope that they would also carefully consider the interest of Hong Kong as a whole.

Thirdly, I personally see the need for full-time degree courses in education catering for Form VII leavers who aspire to become teachers. At present, there is very few such courses provided by University and Polytechnic Grants Committee institutions and few are planned up to the year 1995. The majority of graduate teachers are not trained in education when they started their teaching careers. They are hardly prepared to tackle the range of problems facing them in a secondary school environment. Those who stay on will enrol in part-time or full-time postgraduate courses in education. But many left during the first two to three years. It is not surprising that the turnover rate is high during these initial years because teaching in schools nowadays without any training in education is not easy at all, and the demand for graduates in the job market is also high. To offer Form VII leavers the

chance of enrolling in a full-time degree course in education enables them to be properly equipped for a teaching career and also ensures the supply of more better qualified teachers. Sir, I understand that the Education Commission may well discuss this in a not too distant future. I only simply wish to put down a marker now hoping that some tertiary institutions might be interested in this idea and give it further consideration rather than to wait for the result of the deliberation of the Education Commission.

Fourthly, the problem of Vietnamese boat people (VBP). The influx in 1989 fortunately has not repeated itself in 1990. The cumulative arrival of boat people from 1 January to 22 October this year was 5 622 while the departure for the same period stood at 5 955. One may derive from this that 333 more boat people left than arrived. However, this figure is more than offset by the high birth rate among VBP for the same period which resulted in 2 363 babies. Hong Kong therefore had a net gain of VBP population in the first ten months of 1990. Sir, the VBP situation has not worsened substantially compared to last year, but it has not improved either. How many of the 54 000 will still be here in three years' time and what the total population of VBP will be by then is anybody's guess. In the meantime, Hong Kong goes on paying and accommodating VBP, a responsibility which should be shouldered by the international community.

The Hong Kong and the British Governments' efforts to encourage the full implementation of the 1989 Comprehensive Plan of Action are very much appreciated. Unfortunately, no real breakthrough has been achieved on this front so far due to the self-interest policy of Vietnamese Government and the guilt complex and double standard of the United States Administration. The latter has to be reminded regularly that they have not fulfilled their responsibility in a manner commensurate with the influence they carry in the international community.

On another front, however, things seem to be moving. It was reported that at this Monday's meeting of the Foreign Ministers of European Economic Community countries, agreement was reached to establish diplomatic relationship with Vietnam. No doubt the British Government must have been deeply involved in this development. I am hopeful that in the longer term this may improve the economic conditions in Vietnam and reduce the arrival number of VBP. In the short and medium term, Sir, I firmly and fully support our Government's policy that all those who do not qualify for refugee status must return to their homes in Vietnam.

Sir, we will face some difficult times ahead, and we will have to make some hard decisions. I am confident that the people of Hong Kong will show their usual resilience and good sense. Members of this Council will be expected to exercise fair and objective judgement on the controversial issues without fear or favour, and always with public interest in mind. I sincerely hope that we will all perform well during the times of need and we do not disappoint the people of Hong Kong.

Sir, I support the motion.

MR PETER POON: Sir, your opening address this year is frank and pragmatic. It has given us a clear picture of the progress we have made in the last decade, the problems that we are facing today and the accomplishments that we can expect in the coming years.

The economy

1991 will not be an easy year. GDP growth is estimated to be only 2.5%, while inflation is forecast to be 9.5%. With the prevailing sluggish world markets, the unexpected crisis in the Middle East, the persistent shortage of labour and the rising labour and other costs, our economic expansion will undoubtedly be affected. I am afraid that despite the Government's resolve to keep a tight control on public expenditure, we will have double digit inflation.

Our industrialists have been able to overcome some of these problems by seeking support from the Pearl River Delta and modernizing their production lines. Admittedly, the Government has also endeavoured to play its part. The introduction of the importation of labour scheme is one of the many good examples. However, I think what we need most is developing new markets for our goods, particularly in Europe and Southeast Asia. Sir, you have said this in your address, and I quote: "The transformed political climate in Eastern Europe will give our exporters new, long-term business opportunities." In this regard, Sir, may I ask the Government to seriously consider relaxing our very restrictive immigration policy towards East Europeans, which has consistently proven to be serious obstacle to our trade.

Sir, I totally agree with you that Hong Kong should maintain its free market and private enterprises environment. I also agree that it is equally important for us to maintain a system of low taxation in order to attract businesses to operate here.

Regarding government intervention, I agree that we have got the balance just about right. We must not over-regulate nor should we allow Hong Kong to become a place where money is free for all to grab.

Inflation

There is clear evidence that we will continue to face inflation. There are three main causes. The linked exchange rate, rise in local wages and costs and the Middle East crisis.

Despite its being one of the main causes of inflation, I do not agree that the linked exchange rate should be changed. Businessmen need certainty in our exchange rate. During financial and political crises such linked exchange rate has proven its steadying power. Besides, even if we changed to a basket of currencies, the US dollar component would still be high and there would be the problem of how to deal with the RMB.

As regards the rise in wages and costs, we must be prepared to face hard times and to restrain wage claims both in the public and private sectors and profit margins. We must also restrain our ever growing demand for goods and services that we were used to at times of higher growth and income.

Increased transport costs will be unavoidable as a result of the increase in oil prices from the Middle East. It is imperative therefore that the Government should take appropriate measures to remind the people of Hong Kong of the need to conserve energy.

Sir, the impact of large-scale investment in our new infrastructural projects on inflation has also to be watched very carefully. We should ensure that the projects are under proper financial control and good management.

Emigration

Emigration is truly a worrying trend. The estimate of 62 000 people leaving Hong Kong this year is a severe drain; especially a quarter of them are professionals or at mid-management level. Everything possible should be done to instil confidence in the people of Hong Kong and to persuade them to stay. I hope that the British Nationality (Hong Kong) Act may go some way to retain 50 000 key personnel and their

immediate families to stay and serve Hong Kong up to and beyond 1997. I also hope that the recent arrangement for Chinese nationals who have resided overseas for over two years to work in Hong Kong may give us some needed supply of talents. Sir, there are now already signs that those who have emigrated overseas and have obtained their passports are prepared to return to Hong Kong at this particular point of time when their career prospects overseas in the next two or three years are jeopardized by recession. Again, I hope we should try to bring back these people and to persuade them to stay.

The right to choose

Sir, one of the main themes in your speech is that as many of our people are getting comparatively better off than before; they are now expecting higher quality of service and better control over their families' life, such as more sophisticated medical care, better homes and access to good private schools. Such costs, as you, Sir, have said, should be borne by the users of these facilities who opt for better quality services and not by the general taxpayers. I think we are moving in the right direction. If Government no longer needs to subsidize those people who can afford higher charges for better services, Government will be able to provide more and better services to those who need such services but cannot afford them. One can visualize the time when two-thirds of the people own their own houses, camp beds and long queues at the hospitals no longer exist and access to higher education is available to more. If we can achieve what you, Sir, have planned, we can truly be proud of ourselves in the year 2000.

Naturally, there will be dissent, as people will object to losing the free or highly subsidized services. Therefore in moving ahead, we must be wary of not bringing in too much disruptions or unfairness. We should also try our best to ensure that the poor, the disabled and the aged should be specially looked after if they ever need help.

The new airport

The decision of building a new airport is already overdue. It is likely that Kai Tak will reach saturation by as early as 1993 or 1994. If Hong Kong is to remain an international city, we cannot afford to be choked for lack of airport facilities and capacity. Experience in Singapore and Bangkok has told us that both places have benefited immensely from their new airports. In Hong Kong's case, by building a new

airport, new land will be formed, the existing valuable site in Kai Tak can be developed, and the height restriction in the vicinity of Kai Tak Airport can be removed. All these will contribute substantially to government revenue. So all in all, the decision to build a new airport now to last beyond 1997 is imperative for the future prosperity of Hong Kong. The only worry that I have is cost over-run, and I would like to reiterate therefore that the project has to be carefully and constantly monitored as to the final cost.

Government expenditure

We must watch public expenditure very carefully. I recognize that the Government has already taken very stringent policy decisions in restraining expansion, increasing productivity and setting proper priorities at a time when our economic growth is slowing down and yet many of our services have still to be expanded to satisfy higher public aspirations. I have confidence in our civil servants that they will see the need for these policy decisions and strive for quality, efficiency and higher productivity. I know this is not an easy task but I hope that with joint efforts our Civil Service will finally become "thinner but fitter".

Education

It is proposed that without lowering standards, the decided policy is to expand our tertiary institutions so that by 1994, six out of 10 students leaving the sixth form will have an opportunity to study for a first-degree course. This will no doubt help to alleviate the loss of talents due to the brain drain. My only concern is that with our low birth rate, and more youngsters going to tertiary education, who are going to fill the gaps in the working force of the 17 to 19-year-olds? This problem, however, is not unique in Hong Kong; the United Kingdom and America are having the same problem.

Finally, let me refer to two important messages that you, Sir, have given to us. The first message is that we are facing tougher economic environment, possible recession in our major trading partners, and higher costs and prices. In this respect, let us face the realities, tighten our belts and work hard to overcome all difficulties. The second message is that Government will continue to provide and improve our various services. In this respect, let those who can afford pay more so that the less fortunate can have better services. I am sure we will take heed of such advice and work together to achieve these goals.

Sir, with these remarks, I support the motion.

MR CHENG HON-KWAN: Sir, a good beginning is half way to success. At the start of this crucial decade, it is important to ensure that what we have planned for the benefit of Hong Kong and its people should take off with a good start. Your speech has given us a general review of the progress on the implementation of major government plans and set the direction of how we should best provide our services and continue with our programmes in the decade ahead.

An area which is of vital importance in keeping Hong Kong competitive is the provision of more higher education places for our youth -- the cornerstone of a stable and prosperous Hong Kong. I believe many would be pleased to note that by 1994, six out of 10 students leaving the sixth form will have an opportunity to study for a degree course at one of our tertiary institutions, as proposed by the University and Polytechnic Grants Committee. But we must not forget that the increase in the number of degree places for our future leaders automatically means the need to recruit more qualified academic staff. You mentioned in your speech, Sir, that we shall need up to 3 000 new university teachers to cope with the planned expansion. And you rightly pointed out that with a worldwide shortage of academics and a local background of losses through emigration, this will certainly be no easy task.

In this respect, I fully welcome the Government's decision to allow the private sector to recruit students from China who have completed two years of study overseas and who are properly qualified to work in Hong Kong. I am aware that many of these students have demonstrated excellence in their academic achievements and have undertaken research work. In the wake of the aggravating "brain drain" problem, the permission to recruit these highly-educated Chinese students presently overseas would surely facilitate the recruitment of academic staff which has posed a problem to the local tertiary institutions, in particular the non-university institutions. Such a decision should also be able to ease the manpower shortage in the industrial and commercial sectors, the business field and in other areas. This flexibility of approach, I firmly believe, will benefit the Hong Kong community as a whole and is one which deserves praise.

Another area which bears considerable significance on the livelihood of our people is the morale of our civil servants. This is because the quality of services they provide would have a direct bearing on the large number of people who rely on

these services. Recent reports on the low morale of certain sectors of the Civil Service have indeed caused some concern within the local community. To boost the morale of our civil servants of course relates to the terms of appointment, which include salary and conditions of service, and the security of pension. But there is something which goes beyond all that -- the fair treatment of local staff. I am conscious that there are members of the Civil Service in the professional grades who still hold the view that there is unfair treatment in promotion within the Civil Service and that the implementation of the localization policy is too slow. It is high time that Government should do its best to minimize these problems in order to upgrade and maintain a high degree of morale among its employees -- especially if we have to increase the productivity of civil servants in view of the virtually zero growth within the Civil Service next year.

Ways should also be found to further improve the quality of management to better the efficiency of the overall government operation. As you said, Sir, "A well-motivated and committed civil service is essential to the success of Hong Kong in the 1990s and beyond."

To maintain Hong Kong as an international city and a service centre in the region, the construction of the new airport at Chek Lap Kok is vital. I am glad, Sir, that you have, in your speech, dispelled the common misconceptions about the long-term costs and benefits of the Port and Airport Development Strategy (PADS). It is necessary that members of the public should know clearly that it would only be in the long-term interests of Hong Kong that such an airport be built, and that PADS offers excellent future returns as a sound investment. In my policy debate speech last year, I pointed out that the new airport project would generate extra proceeds from land sales by opening up new land for development and by making available the whole Kai Tak Airport area for redevelopment. I am therefore pleased to note that you have explicitly listed some of the hectares of land which will be available for development and the potential revenue of some \$40 billion (at present-day prices) from land sales as a result of the new airport project.

China's support and participation in this ambitious project is of paramount importance. I hope that China, through recent talks with Hong Kong government officials, will understand the purpose and the financial viability of this mammoth project, and will pledge its full support to it.

Indeed, Hong Kong cannot afford to lose its status as an international city, or

to be replaced by other cities as the region's key financial, trading and commercial centre. It is therefore all the more crucial for the new airport to be built "to move increasing volumes of passenger and cargo traffic quickly and efficiently." It is gratifying to note we have made a good beginning in this project this year. And I wish to see China's support in the not too distant future as its participation, in my opinion, is a demonstration of its willingness to work hand in hand with the Hong Kong Government towards a common goal of maintaining the long-term interests and prosperity of the territory. I must add that if we do not build the new airport today, Hong Kong will not have a future.

1991 will see the first direct elections to the Legislative Council. This will be an important exercise not only for those who plan to run for election but also for those who want to contribute to the shaping of Hong Kong's future. As far as candidates are concerned, we need people of high calibre, with integrity, as well as with the experience and dedication of serving Hong Kong. These candidates should put the overall interests of Hong Kong over their own interests. As for the voters, they have the responsibility of making their own sensible judgement to choose the right candidates. They must choose the candidates rationally and not emotionally. For these candidates will be the ones to reflect their views on future government policies -- policies which bear far-reaching consequences.

The forthcoming direct elections are an epoch-making event in the history of Hong Kong and we cannot afford mistakes -- in particular major mistakes -- in this significant exercise. I would like to echo your call, Sir, for the public to exercise its right to vote. It is only through this means that we can choose for ourselves the appropriate candidates to represent us. Let us all exercise our right to vote and make the election a great success.

1990s will be a decade when Hong Kong is destined to attract worldwide attention. We, Hong Kong people, should make a concerted effort to maintain -- and further boost -- Hong Kong's image as an international city. But efforts on our side alone are not enough. China's co-operation is also essential. We need to dispel the misunderstandings that exist between Hong Kong and the mainland. We need to strengthen our relationship with China and establish mutual trust if we are to keep Hong Kong stable and prosperous.

With these remarks, Sir, I support the motion.

MR PETER WONG: Sir, I have conducted a survey among members of my functional constituency as to what they thought would be the most pertinent subjects to talk about this afternoon. By far the most popular choice was the financial arrangements for the airport.

First, let me reiterate that the airport itself should cost HK\$35 billion, the port, HK\$52 billion and the transport infrastructure, HK\$40 billion; all at 1989 prices. The port project will remain to be financed by the private sector as and when demand requires, hence it is unfortunate that they were all lumped together in the HK\$127 billion price tag for the airport. It is only the HK\$75 billion required for constructing the airport and transport network that may be burdened onto taxpayers.

Complicated project

Even then, the HK\$35 billion for the airport and the HK\$40 billion for the transport system are no small sums, sums about which the people of Hong Kong should be justly concerned. We have to make sure that we are paying for something that is really needed and that we are completing the project at the appropriate time, place and cost. China has rightly expressed its concerns that this project is highly complicated, costs a great deal of money and must be handled in the best way.

With a project as complicated and technical as Port and Airport Development Strategy, it is exceedingly difficult for non-specialists to come to grips with the problems in each of the disciplines, let alone come up with a balanced and objective view of the project as a whole. Although individually we will go over the project in varying depths depending on our respective expertise and interest, we can but gain superficial understanding of the technical arguments. What we should seek to do is to obtain an overall understanding of the needs of Hong Kong, the pros and cons of the various options to meet those needs and make a decision based on existing knowledge on which option is best for Hong Kong.

We should be very foolish not to fully consult both the British and Chinese Governments to obtain their backing for the project. It is just as important to win over the United States and Japanese Governments since their companies are likely to be major contractors in the building of those structures. If we are satisfied that the Administration has done its homework and are absolutely sure that Hong Kong needs the PADS project, then it is up to Hong Kong and Hong Kong alone, to decide whether

to proceed. We are and will be fully responsible for this project.

Right place

Having listened to the experts, especially the ones who have lived with this project for many years, I am satisfied that the airport is being built in the right place.

Trim cost

We are all concerned that having put emphasis on private sector participation, the Administration announced without any apparent warning on 5 October that it would go ahead on the Tsing Ma Bridge without any private participation. Sir, I believe that we should have a clear explanation of the reasons for this move and its timing so that the air can be cleared.

I would also like to hear the Administration reiterate its commitment to involving private participation in the PADS projects. I would like to be assured that the scheduled 60% private participation can be maintained, since those whose personal money is on the line will spare no opportunities to trim costs or to finish the project on time.

The Administration has assumed the dual roles of risk taker as well as protector of the public purse. They are incompatible and will require very careful division of responsibilities and authorities to ensure that there are proper checks and balances. Nothing frightens me more than civil servants or professionals taking commercial risks. We professionals have been trained, to eliminate risks, not to take them.

There is also an all consuming need to have the chief executive of the airport project appointed and in place as soon as possible. Although the Administration has moved surprisingly quickly to get the three wise men of the nascent Hospital Authority in place, all records must be broken to get the airport supremo installed.

Good timing

The present mode of building the Tsing Ma Bridge will place the full burden of cost over-runs on the public purse. When it comes to the award of the tender to build

the bridge, I would commend the acceptance of the tender that gives us the least chances of cost escalation due to changes.

We will have to bear the cost of both domestic and international inflation. Domestic inflation is to some extent under our control whilst international inflation is not subject to our influence. We can only pick a course which gives us the maximum flexibility, allowing us to pick the next stages which offer us the maximum advantages. We must not embark on a road with no turnings. It is also critical for us to make the right decision about currency cover since most of our contractors will require to be paid in a currency other than Hong Kong Dollars. Timing will be critical.

Nevertheless, it is now a good time for us to start building major infrastructure projects in Hong Kong when the world economy is depressed. We are assured of the best terms and prices because all the major contracting companies will want our business. Also the disruption during the construction period is less when we have an economy that is anything less than a full boom.

We must remember that infrastructure building is not necessarily inflationary. Whereas increases in recurrent expenditure during the stagnant period of economy will definitely be so, we also must remember that profitable trading activities build good relations and common interests. In awarding the contracts, we must have regards to all other factors to see what will bring Hong Kong the maximum dividends. Whether we like it or not, the decision on the Tsing Ma Bridge is seen to be political. The two shores are divided now, but I sincerely hope that its building will prove to be a bridge over troubled waters.

Professional liability

If the Administration really intended the PADS project to be a "Rose Garden", it need have done no more than grant a gambling franchise to the "Royal Special Administrative Region Jockey Club" at the airport site. This it did not do but chose instead to do it the hard, and I say, the right way.

I now turn to a subject which is very dear to the hearts of accountants. We practise with unlimited liability and in Hong Kong, we have been faced with very substantial claims as a result of the spectacular corporate failures in the early 1980s. Rumours of settlements in nine figures have been reported.

Claims for such astronomical sums, some quite without merit, have been unsettling to the professional because it is impossible to obtain realistic insurance cover at these levels. The recent Caparo case in the House of Lords has restored some sort of sanity to the insurance market place in that it has reversed the trend of increasing liability for the auditor. It can even be argued that it has gone too far in that we are only responsible to those shareholders to whom we gave a specific assurance about the accuracy of the audited accounts.

The timing is therefore right for the accounting profession to discuss rationally with the Administration our dilemma of unlimited liability. This has been spelt out in the submission by the Hong Kong Society of Accountants and I will not rehearse them here.

In April this year, the Society submitted a further proposal to permit auditors the choice of remaining with unlimited liability and no mandatory insurance, or incorporate as limited companies with set capital rules and appropriate mandatory professional indemnity insurance.

This means that practitioners will not be completely wiped out even to the extent of their personal fortune because of the mistake of a partner. The partner who made the error will still be personally liable for his own work, but he will not drag down all his other innocent partners. The public should benefit because the minimum capitalization of the company plus the set level of insurance will ensure that there will always be a certain minimum pool of assets in the audit company to meet claims. At present people have no idea how much the partnership to which they may have recourse is worth.

England, to which we look for developments in the accounting and company law fields, will be permitting auditors to incorporate with limited liability starting on 1 January 1991. I am sure that all accountants as well as other professionals in Hong Kong will join me in urging the Administration to grant us a just and fair deal.

Environmental protection

Sir, I was very pleasantly surprised at how many accountants felt it was appropriate for me to speak on the topic of environment protection. The press carried an article last Sunday which said that there was a right way, a Hong Kong way, and

a wrong way to do things. With the environment, I believe it is the same story.

In the past, the environmentalist was seen to be too idealistic. Being a voice in the wilderness, he could afford to take the high moral road and could condemn anyone who did not reach his very high standards.

Slowly but surely, these pioneers are being proved right and public opinion is swinging their way. We are all highly concerned about the ozone hole, and once shown the way, the opposition to the banning of CFC and Halons has melted away. We are seeing the beneficial effects of the lowering of the sulphur content of our industrial fuels, although the lack of the smoke haze has cut down the number of spectacular sunsets over Tsuen Wan. I am even looking forward to buying a new car next year to run on lead-free petrol because I now know that my original (state-of-the-art) diesel car is no longer the most environmentally friendly.

There is a growing awareness in Hong Kong that the protection of the environment is not something that industrialists only pay lip service to; and actions are beginning to be taken. I note that the Secretary for Planning, Environment and Lands was not particularly proud when he admitted that the Government had a nil score when it came to funding education on energy conservation. Our industrial, commercial and building associations, together with the related professions, can and must do a great deal more to bring education on conservation and environmental protection to all sectors of Hong Kong. We will find that it is money well spent and will save money in the long term as well as to create a better environment for Hong Kong.

However, the environmentalists have by no means won the war on pollution in Hong Kong. We only have to look to the problems over the Technical Memorandum of the Water Pollution Control Ordinance, as well as the battlelines that are being drawn up over the Town Planning (Amendment) Bill 1990.

I would like to think that we now have a Hong Kong way of dealing successfully with the environment. We have to balance the cost against what is desirable. We also have to honestly and clearly assess the likely outcome if present trends continue unchanged. The results could be so drastic that they affect not only Hong Kong but the whole world. We must work together to hammer out a feasible solution. This is the right Hong Kong way to proceed.

Sir, with these words, I support the motion.

MR HUI (in Cantonese): Sir, I fully agree with your remark in this year's policy address that "our primary concern is with the vast majority of our people who will stay here permanently -- the real Hong Kong belongsers." But we know all too well that it is no good simply to say how concerned we are without doing something concrete for those who are prepared to settle down and get on with their pursuits here. Unfortunately, after reading the first policy address for the 1990s, I am somewhat disappointed. The most striking message people get from your speech is only that in the face of a more austere economic climate and stringent public finances, Hong Kong needs to prune its public expenditure and, what is more, to reinforce the concept of "payment by users" for social services. This apart, there is nothing in your speech that the reader finds stimulating.

Our people's basic requirements in life are in fact very simple. They include protection for their lives and property, stable commodity prices, self-owned permanent accommodation, and a happy family life. However, taking stock of the present situation and looking forward to the future, I think the well-being of quite a large number of people, particularly the sandwich class, is subjected to constant exploitation in various respects. What they greatly need is the Government's prompt decision and action to reform the unfair aspects of our taxation system and community service policy, and to make them feel that it is still worthwhile to stay in Hong Kong and continue to strive for the well-being of this place where they were born and brought up.

I believe that even with its financial stringency, the Government should be able to come to grips with the following problems that may affect the average families' earnest desire to lead a peaceful and happy life:

(1) Law and order. Sir, though I agree with your remark in the policy address that "our crime rates, in relation to the size of the population, remain significantly below those of major cities in the west", I must point out that, to the pragmatic Hong Kong people, the seriousness or otherwise of crime rates is only a concept. What is important is that no crime-related mishaps should befall them. Members of the community are concerned about the recent robbery at the Commissioner of Police Mr K.H. LI's residence, because even someone like the Commissioner of Police, who symbolizes the highest law enforcement authority, has become the victim of a robbery. Such being the case, can the ordinary citizens expect to live in peace? Another

worrying phenomenon is that robbers frequently resort to the use of firearms against ordinary citizens who carry only a small amount of cash.

Therefore, it is now the time for adopting measures designed to deal head-on blows to criminals. As people's worry is that the shortage of police manpower may affect day-to-day police patrol duties, the Government should not expect the people to wait for draft legislation specifically aimed at organized crime syndicates as a solution to their fear that their lives and property are at stake, because such legislation will take some time to formulate. The police must lose no time in adopting the two remedial measures that are feasible and will not unduly strain public resources. First, the non-professional work that does not call for police expertise should be handed over to civilian staff and others who can discharge such duties more competently. This includes the work now performed by duty officers at a police station and police drivers. The police manpower thus saved should then be redeployed to beef up police patrol work. Secondly, according to police records, there is at present a total of more than 5 000 auxiliary policemen, but owing to limited funds available, only 800 of them are deployed daily to assist in constabulary duties. The police should therefore request the Finance Committee of the Legislative Council to set aside more funds for this purpose, so that more auxiliary policemen can be deployed to take up patrol duties as a deterrent to criminal activities.

(2) Housing. You say that more families owning their own homes "means greater family cohesion; deeper commitment to Hong Kong; and the reinforcement of individual responsibility and self-respect." I fully agree with you on this point. However, I would like to point out that there are still a batch of much neglected "sandwich families" who do not have their own permanent homes and whose living conditions badly need improvement. Statistics provided by the Housing Authority show that of the 1 574 000 families in Hong Kong, 28 900 families with monthly incomes ranging from \$11,501 to \$17,000 neither qualify for various housing subsidy schemes offered by the Housing Authority or the Housing Society, nor can afford to purchase private sector flats on mortgage terms. These families have therefore been recognized by the Housing Authority as the "sandwich families". Among them, 24 600 families live in rented flats in the private sector while the remaining 4 300 are accommodated in private temporary housing. These two categories make up only 1.9% of all households in Hong Kong.

In fact, the Housing Authority is already prepared to extend the Home Purchase Loan Scheme to the "sandwich families". Unfortunately, its present financial

hardship has led to a set-back in the scheme, thus forestalling those families' dream of purchasing flats of their own. As this latest development is contrary to the principles laid down in your policy address, Sir, I suggest the Government should grant salaries tax concessions to downpayments and subsequent monthly repayments for mortgage loans incurred by those families in purchasing flats. This will encourage them to purchase their own homes, improve their living environment and foster a stronger sense of belonging. My proposal is based on the following two principles:

(i) In line with the requirements of the Home Ownership Scheme (HOS), applicants can only purchase new private sector flats of 45 sq m at a price of \$17,000 per sq m or below. With a 15% downpayment, and at the prevailing interest rate of 11.5%, applicants should expect to repay about \$6,700 per month if their loans are repayable in 20 years. Taking their median income at \$13,700, this represents a monthly repayment income ratio of 48.9%, which is roughly the same as in the case of "sandwich families" renting private sector flats in Sha Tin. This proposal should sound attractive to the applicants who only have to undergo income and assets screening.

(ii) In order not to stimulate property prices further, the Government should map out measures in conjunction with property developers to curb speculation in the property market. This may include using a quota system and accepting applications by stages. Quotas may be determined according to market conditions and the demands of applicants.

Based on the salaries tax rates for the current fiscal year and data supplied by the Housing Authority, if the Government should decide to implement the above scheme in accordance with the first principle, and limiting the quota to 10 000 each year, then the annual cost to the Treasury in terms of salaries tax revenue loss will amount to some \$58.60 million only. Supposing the number of families in this income bracket remains unchanged, the Government will take only three years to solve the housing problem of "sandwich families" at a cost of some \$170 million. This is more practical but less costly than building more HOS flats or expanding the scope of the Home Purchase Loan Scheme. As a celebrated saying in Chinese goes, "There is no fear of scantiness, but rather fear of uneven distribution." Thus, although these "sandwich families" are a minority group in the community, the Government must not disregard their right to be treated fairly. Another area of serious neglect can be found in elderly singletons' special need for independent accommodation. I hope the Government will deploy resources with flexibility with a view to solving their housing problem.

(3) The family. Your reference to the role of the family in various parts of your policy address demonstrates the Government's determination to strengthen the function of the family in various respects, to cope with the impact brought about by drastic political, economic and social changes in the 1990s. In fact, the family is the basic unit that maintains and unites social strength. The family has a crucial role in bringing about mutual support among its members. We can say that no welfare organization can perform the same function. The part played by the family in maintaining social stability is all the more essential. In this respect, no matter whether the Government intends to reduce its responsibility of looking after the lower classes' need for public services under the pretext of elevating the role of the family, I still believe that the provision of social services specifically geared to the needs of the family will be the goal for which Hong Kong should strive in social welfare development into the 1990s.

Nevertheless, unless the Government is prepared to deploy more resources and improve the existing social security system, so that the single-parent families and families with working parents which have begun to emerge in the late 1980s are adequately provided with support services, the family cannot play an active role in preventing social problems. Therefore, I have the following suggestions to make:

(i) To gradually improve the social security system and raise the level of assistance, so that the recipients with improved living conditions can actively participate in community life and perform the role of providing mutual support to other members of the community. In fact, from the viewpoint of social welfare, the Government should, through the provision of assistance, explore the recipients' potential in making contributions to the community, rather than just asking them to wait regularly for the provision of a pittance of assistance as a long-term practice. I must emphasize that the vast majority of Hong Kong people are unwilling to depend on the Government for relief unless they face an impasse. So the Government need not stress time and again its apprehension that Hong Kong might develop into a "western style welfare state" and that Hong Kong people might become "over-dependent on relief funds".

(ii) To promptly set up a contributory Central Provident Fund and medical insurance schemes. On the one hand, the productivity of young people can thus be utilized to cope with future needs while the Government's financial commitment will be reduced; on the other hand, the capability of the family will be reinforced in

looking after the needs of the elderly on retirement as well as in meeting exigencies. This is essential to maintaining emotional security to the family.

(iii) To provide adequate support service and counseling to families in general, and single-parent families and families with working parents in particular. It involves the provision of more child care and after-school care services as well as home help service, raising children's education allowance for families receiving public assistance, and teaching parents how to prepare their children to grow up and face any possible changes in the future.

The Government is indeed duty-bound to reinforce social services in order to improve the quality of family life. It must on no account pass its responsibility on to the family because of the need to meet enormous expenses on ambitious infrastructure projects. In this connection, in response to the principle of "payment by users" for social services, I must state my view that only when the Government can satisfy the needs for basic social services both in terms of quality and quantity should it consider the provision of high-quality services that require recovery of part of the costs incurred. To illustrate my point, I would say that I cannot accept the introduction of "B" wards at a time when our hospitals are still inundated with camp beds.

Finally, though I have decided to reserve my views on future welfare services until November 7 when this Council debates the draft White Paper on Social Welfare, I must emphasize now that the Government should promptly conduct an overall review on the pay and ranking structure of social workers, assist in setting up a voluntary registration scheme for them and make firm financial commitment on future welfare services. If we cannot effectively curb staff wastage in these areas, even with the provision of more training places for social workers, the supply of manpower will still be unable to cope with the development of services. As a result, whatever great aspirations we have for our future social welfare services will be hard to achieve.

Sir, I have never heard of anyone asking to develop Hong Kong into a "western style welfare state". But more and more people who are determined to take root here, including investors, have become deeply aware that social welfare has a crucial role to play in stabilizing our society and investing in the future. This is particularly so at a time of social unrest or economic depression. Bearing in mind this undeniable fact, now is the opportune moment for the Government to take resolute action to fulfil the community's aspirations. If we want to build a caring society, we must first

of all have a caring government.

Sir, with these remarks, I support the motion.

MR PAUL CHENG: Sir, may I join my honourable colleagues who spoke before me in extending congratulations to you on your comprehensive review of the status of administrative planning for the future. You have put forward a pragmatic and frank approach to policy implementation this year. I share your confidence in the community's ability to tackle and resolve problems coming out of a difficult world economy and amidst our transition years to a new sovereignty.

With emphasis this year on consolidation and continued commitment to the direction set in your 1989 address, we must not lose sight of the important balance between both local and international confidence. As a result of political development, we are turning increasingly inward in our attitudes and outlook. In fact, I would hope that we do not have our priorities mixed up and that we neglect the international side of what makes Hong Kong tick. As I see it, we must focus on three important elements:

Foremost, we must not lose sight of what has made Hong Kong the thriving city that it is. From its very inception approximately 150 years ago, Hong Kong has been able to thrive because of its international relationships. We must not neglect them now.

Secondly, I recommend the Administration to take a complete structural review of the Civil Service. As a vital engine driving us into the 21st century, our Civil Service must be running optimally so that all of the other inter-related parts of Hong Kong operate without accident during these crucial years of transition. We must keep recurrent expenses in check.

Third, human resource development must be optimized. Systems and people deserve more attention. We can spend all the money in the world on truly wonderful projects like new universities and necessary infrastructural projects; but if we do not get systems and people right, we will not get anywhere.

Before I elaborate on each of these three specific areas, I would like to make some general remarks affecting all of them. If we are to have confidence in ourselves, as you rightly ask of us, we must have strong local leadership on every front. This

will enable us to better communicate our abilities and prosperity abroad. It is this thread of leadership that I believe should be a part of every policy area noted in your address. We owe it to "the real Hong Kong belongers" to whom you made a firm commitment of support when you spoke two weeks ago. These are the people who will continue to contribute to what has made us the great success story that we are.

Now I will turn to my first point, the importance of our international image. We must take care that we do not allow immediate budgetary constraints to cause us to focus too much on things local -- too much on looking inward. It is just as important that we look outward. Your mention of the establishment of the International Business Committee is a valuable and worthwhile undertaking. Yet it is but one part of what needs to be a larger, well co-ordinated effort.

Even if we did not have uncertain political times as a part of our current situation, these are tough times for everybody to maintain a competitive edge in the world marketplace. We are in need of a more intentional, unified voice on the international scene so as to preserve our global position. There are many concern groups in the private sector, and a group of us businessmen are now trying to pull together the efforts of these various groups. Co-ordination with Government is vital. We must search out and exploit opportunities to make ourselves and our abilities known and well understood.

Such opportunities include widening our forums of communication, moving ahead more quickly with the opening of overseas economic and trade offices, and identifying mindblocks to remove incongruities in governmental policy decision-making. For example, Sir, much of your address this year contained reassurances on the importance of maintaining free market forces to support ongoing economic growth. How is it, then, that Government continues to respond to local lobby groups that run counter to this important trend? Such issues as the practice of foreign lawyers here should be viewed in terms of the importance of Hong Kong's international image and our involvement in GATT whose agenda includes the service sector.

Or, why, as another example, do we continue to refrain from agreeing to direct flights to Vietnam? This would help them to get on their own feet and contribute to the longer-term solution of our boat people problem. And, once again, as I have asked in past policy debates, would it not be appropriate to set up a Tax Review Committee to assess long-term revenue-generating sources that would enable us to maintain our competitive edge as a most attractive place for doing business? It is

these sort of actions that will contribute to our community's economic growth while making our abilities well understood in the global community.

There is no question but that bankers, economists and businessmen welcomed the increased emphasis of the policy address on fiscal restraint. It is right and necessary that Government play its part in restraining inflation fuelled by a wage-push spiral. Inflation is largely home grown -- as substantiated by a comparison of increases in the domestic export prices with those in consumer prices and services. With tighter fiscal responsibility, Government will serve as a model and leader for the rest of the community.

Government leadership also comes to the fore by enabling the ready availability of necessary and sufficient resources to support the efficient operation of free markets. And it is here that I particularly welcomed reconfirmation of, and firm commitment to, the two central policy initiatives of last year -- that is, the policies for infrastructural developments and tertiary education expansion. They support both local and international goals.

Provision of an up-to-date physical infrastructure has far-ranging consequences. Hong Kong's future prosperity rests on the ability of our economy to finance future expenditure on social and non-economic areas. To talk in terms of curtailing the Port and Airport Development Strategy (PADS) is to be incredibly short-sighted. I commend Government's commitment to strike the right balance between the demands of current and medium-term projects and those from PADS. It is physical infrastructure that allows an economy to continue to grow. We must not lose sight of this as we try to make our budget dollars stretch in an effort to meet the needs of our society.

I must caution those pressure groups who are accusing Government of sacrificing public services to massive building projects. We cannot have one without the other. The ability to finance public services is tied with a Gordian knot to the provision of economic growth. A healthy infrastructure enables economic growth. In turn, economic growth lets us provide attractive public services. Ambitious infrastructural development plans contribute to the longer-term solution of maintaining a healthy Hong Kong.

Likewise, ambitious tertiary expansion contributes to a longer-term solution and is essential for a healthy Hong Kong. Yet we must supplement this initiative with other short-term measures to meet the needs created by our current tight labour market.

We must identify fruitful short-term initiatives now. The government projection that graduate manpower will be sufficient to meet only 66% of forecast demand for professional, technical and managerial workers by 1996 does not happen on the turn of a switch. This is an evolving situation that can be remedied with a series of short-term measures.

Recently, the Secretary for Education and Manpower has stated, "The time has come when we must start adopting a more pro-active approach towards attracting valuable manpower." It is this kind of leadership initiative that will help us to meet the challenge of a labour crunch aggravated by the brain drain. It is also found in courageous leadership decisions like that of increased, selective importation of labour including making it possible for companies to recruit students from China who have studied abroad. We also need more and careful action in building an educated labour force. Good resource management would see us supporting even further management and business courses as well as other mid-career training courses. It would also see us encouraging private sector initiatives for in-house training and education programmes. It is this sort of communication that reaches our wider listening audience of the international community.

I would now like to return to my second point in preparing for a smooth transition in 1997. It, too, deals with effective communication and leadership. This time, with the Civil Service. Amidst a time when we are seeing more widespread disputes, unease and a general case of "the jitters", leadership must be endemic. We must go beyond calling upon our civil servants to remain politically neutral while keeping up their fine tradition of service to the public. It is time to build strong bridges with the officers of our disciplined services and with the directorate of our civil services departments.

While faced with the reality of having to talk in terms of zero growth and increased productivity, we can still be empathic. You touched on this aspect in your call for effective management. Government's ability to govern well rests on a well-motivated and committed Civil Service. Effective human resource management is paramount. It is time to give department heads more authority and a higher leadership profile. Plans to devolve central authority for improving the quality of personnel management throughout the service is a helpful first step. Another positive step is the effort to provide intentional opportunities for civil servants to come to better understand the People's Republic of China (PRC) and its system of operation.

One more step would be a thoughtful assessment and realignment of the civil

service structure itself. The current span of management control is unwieldy and inefficient. There are far too many one-on-one or one-on-two reporting relationships. The ideal management span of control is between four to six direct reports for each manager. It seems to me that zero growth for the Civil Service is not good enough. We need to be thinking about the structure itself, so we can reduce overhead and enhance working relationships for improved productivity in the service.

This leads me to the third important element I mentioned when I began speaking -- the importance of systems and people. Their organization is essential to make successes of projects that are undertaken. In other words, we have been focusing on the "hardware" of organization; and we must also have good "software" to run the best programmes possible. This applies to such major commitments as PADS and new tertiary education facilities, but it should flow to the numerous smaller projects as well. In sports, for instance, the grant of \$46 million is valuable and appreciated. But to make it work well, we must also give adequate attention to the system and people who make the grant of money produce benefits.

Similarly, Sir, you devoted a good part of your address to how we will go about improving working relations with Beijing on Hong Kong affairs. This joint effort with the PRC, based on an increase in the exchange of information, is most welcome. It is a good example of government attention to people and systems. Better dialogue and information flow in the next few years will go a long way in helping to remove the stresses and strains as we work toward a constructive relationship.

Sir, you also mentioned in your address that there would be a greater Legislative Council role in the conduct of government business after the 1991 elections. Perhaps this can be taken a few steps further. Leadership from Legislative Council Members must start now -- we must not wait until after the 1991 elections. This is especially relevant in view of electioneering already having tentatively begun for the 18 directly-elected seats and the 21 functional constituencies.

I would like to see the Government administration and OMELCO Members take a strong positive position in support of civic education. I think this is important follow-up to your call on community members to exercise their voting rights and contribute to the future of Hong Kong. Not all of us Legislative Council Members will choose to be candidates in the upcoming elections. The fact remains, however, that we did reach an OMELCO consensus on the composition of the Legislative Council in past debates; and this signals our commitment to fair and honest representation of the people we

serve. Strong, positive leadership on our part can help our community members play their part in the development of our system of government.

In closing, we will achieve greater success in communication with those who live within our borders and with those who are outside them if there is more focus on three areas:

1. We must be more aware of what we are communicating on diverse fronts, taking special care not to neglect our international relationships through diffuse communication and through actions that do not match our words;
2. We must improve our partnership with our civil servants whose work and commitment are fundamental to our moving forward and being ready for the transfer of sovereignty; and
3. We must be more thoughtful in human resource management. Systems and people need more of our attention.

I continue to be amazed at the perspective on Hong Kong that visitors bring. Almost without fail, they reflect the inordinately bad press that we continue to receive abroad -- in North America particularly. Until we get serious about how and what we communicate to the world, we ourselves will be part and parcel to perpetuating the unease and uncertainty about Hong Kong. It is time we had confidence in ourselves and it is time we told others about it. With these remarks, Sir, I support the motion.

4.44 pm

HIS EXCELLENCY THE PRESIDENT: There is still a considerable number of Members who are due to speak this afternoon. Members might appreciate a short break at this point.

5.14 pm

HIS EXCELLENCY THE PRESIDENT: The Council will now resume.

MR CHUNG (in Cantonese): Sir, there are times when Hong Kong has to face rapid external changes and withstand all sorts of impacts brought by the transition. Our Government, however, is able to demonstrate its strong determination and vitality to fight against

these odds by actively pursuing internationalization of our economy, democratization of the political system and liberalization of human rights to cater for the present development of the territory. Sir, you have commanded support of the general public and have lived up to the expectation of the people by adopting the principle of trying to maintain stability in the midst of changes and to make progress along with stability in making policies as the Governor of Hong Kong.

In my opinion, Sir, your opening address for the 1990-91 Legislative Council Session represents the first policy statement leading Hong Kong into the 1990s on basis of the present situation. Your address has clearly indicated that the development of various infrastructural projects and the provision of social services have to be implemented step by step. It has also highlighted two major policy areas namely law and order and housing and stressed the need for public consultation and appropriate measures to achieve the set objectives.

Top priorities in our policy for law and order

"Security comes first". We must effectively prevent the state of law and order from deteriorating during the transition. The problem has lingered for a long time. I have repeatedly reminded the Administration in previous policy debates in this Council that it should prepare for the bad times in days of stability and proposed to expand the establishment of the police force and reasonably improve their pay and conditions of service so as to strengthen internal security for combating triad activities as well as to prepare ourselves for the security arrangement at crucial points when the British garrison gradually withdraw from the territory from 1992. The number of armed robberies has sharply increased lately. Even the residence of the Commissioner of Police was not immune from being robbed and the limousine of the Urban Council's chairman was stolen. These sequential "shocking" criminal incidents underline my worries and proposals previously made in this Council.

I have great confidence that the Government will have their ways to contain the growth of organized crimes in Hong Kong. However, in view of the situation during the transitional period, it is hoped that the Government will accord priority to expanding the police force and if necessary providing more financial support to the force as the first measure in maintaining law and order. In fact, the annual spending on the force now only counts for 0.9% of our gross domestic product.

Under the present circumstances of full employment and good career prospect for

every person in Hong Kong, salary perks may not be as effective in retaining or ensuring sufficient local recruits to man the police force which is regarded as a kind "sensitive career" in keeping our community in order. To deal with the problem, we have to assess the actual response. We cannot and should not be made to pay through the nose for our security, nor should we allow a vacuum in law and order. In this connection, should we not consider the feasibility of recruiting mercenary policemen from abroad if necessary? In other words, when there is a genuine shortage of local recruits, the hiring of policemen from outside on reasonable pay levels after sincere negotiation with relevant parties is a solution to the problem. My proposal is in fact no different from the current practice of employing Gurkha regiments to assist in border security.

Greater legal sanction against triad and criminal activities is, after all, a means to maintain social order during the transition period. However, the foremost task in maintaining law and order is to prevent crime. The legislation should therefore be able to provide for the power of the police. Some people worry that the police may have excessive power and may abuse it. I believe that with the rule of law, the Bill of Rights which will be enacted, the safeguards provided by the Complaints Against Police Office and a strengthened monitoring system, the abuse of power will not be a greater problem than that relating to security.

The Administration should make proper assessment on the situation and recognize that the promotion of police and public co-operation at all levels can enhance the strength to maintain order. There are many good citizens who are willing to help the police in fighting crimes, but effective protection for citizens reporting crimes and for witnesses is also a matter of concern.

I believe that public relations efforts by the police should gear to the actual co-operation between the police and the public. Practical arrangements should be made to provide a 24-hour service to facilitate contact between witnesses of crimes and the police. The police may alternatively set up district hotlines for this purpose.

When citizens reporting crimes or giving evidence in relation to the crimes are confident of the protection provided by the police and are offered valid incentive by the Government, they will not be afraid of becoming targets of revenge and triad and syndicate crimes will no longer be a threat to Hong Kong.

The departments concerned in Hong Kong must step up their investigations in order to block criminal links and eliminate activities involving illegal importation of firearms and cross-border robberies. We should also seek close liaison and effective co-operation with the Chinese side in the prevention of illegal immigration, smuggling and violent crimes.

Housing policy and building management problems

In your policy address, Sir, you have also outlined the housing programme in the years ahead. By the end of the 1990s, it is estimated that two out of three families will most likely own their own homes while nearly all the rest of the population will be allocated homes in public housing. Sir, you are determined that everyone should have his own home, and you also expect that every household will become a healthy unit of our social infrastructure under the support of a new welfare system.

By comparison with the recent development of the "Rose Garden" project, I would take a more optimistic view in your housing policy which is a practical way of development. The laws of Hong Kong provide protection to private property. If the vast majority of the population own their homes, they would have a deep-rooted sense of belonging to the territory which consequently will play a significant role in maintaining the stability of the territory in the long run.

However problems do exist. Home buyers have all the time become the victims of speculation activities in sales of new flats. According to some reports, many home buyers have been suffering from unfair prices and unjust ways of transaction against their free will. If such allegations are true, I would like to raise the following questions: Should there be some control over the property agents and middlemen? Is there a need for specific legal provisions to be made in respect of transaction procedures including the choice of lawyers? Would it be appropriate to consider tightening our legislation to protect consumers purely from an angle of fair transactions? In my opinion, whatever the answers to these questions will be, it is noteworthy that if preventive measures are not put in place, the order of the real estate market will be hampered increasingly. The property market may even go out of control and hinder the development of our overall housing policy.

There is much to be desired regarding the management of private buildings which have a direct and utmost effect on the benefits of all the occupants of the buildings. All along, the attitude taken by the Government is to encourage self-management in

the buildings within the bounds of property rights, and to provide assistance and improvement measures if necessary. In October 1988, Sir, you announced in your policy address the establishment of an Advisory Committee on Private Building Management. I understand that the terms of reference, stance and working principle of the committee are to propose ways to further assist owners to improve the management of their own buildings.

Generally speaking, most of the problems encountered in building management originated from the deeds of mutual covenants. In some cases, even if all the individual flats of the buildings are sold, the developers of these buildings can still by means of the deeds of mutual covenants retain control of the management right for a lengthy period. Although flat owners have the majority ownership of these buildings, they are not given the management right. The deeds of mutual covenants drawn up by the developers do carry legal force, hence the flat owners can do nothing to rectify the injustice created from these deeds. As a result, owner corporations fail to operate partly due to the unwillingness of the owners and partly due to the impracticality of the situation. As time goes by, numerous problems emerge in the management of these buildings.

The committee submitted that in order to cure the "syndrome of poorly-managed buildings" once and for all, a new and comprehensive system on building management has to be put in place and the flat owners should be provided with a set of building management criteria which are supported by a proper legal framework as well as relevant administrative measures.

After conducting extensive observation and consultation as well as consolidating all valuable opinions, the committee recommended that a set of fair provisions overriding all deeds of mutual covenants should be made as soon as possible; the Multi-storey Buildings (Owners Incorporation) Ordinance should be amended and a Building Management Tribunal should be established. Furthermore, since the Government has deployed special resources to deal with the problems of guesthouses and clubs located in private buildings, I wonder if the management of all these facilities could be grouped under the same administrative authority. Therefore I hope the Government will consider the feasibility of appointing a Commission for Building Management who should be responsible for the co-ordination and allocation of necessary resources to be provided by various government departments and public bodies in building management.

To maintain the various basic facilities in the buildings, direct contact has to be made with at least 10 departments in the public sector. In building management as a whole, I believe the appointment of the Commissioner for Building Management will be conducive to increasing the effectiveness and efficiency of the necessary supporting services, and in turn, manpower resources and administration costs originally allocated to the relevant authorities for that purpose will certainly be reduced.

The work of the Advisory Committee on Private Building Management has largely been well received. It is hoped that the improvement measures recommended by the committee will be put into practice through legislation as soon as possible. In my view, there is still much to be done, such as amending the deeds of mutual covenants to provide fair provisions for industrial buildings; solving the problems relating to lease conditions and property management right; the registration of management staff and watchmen of the buildings; promoting public awareness of the significance of building management and encouraging public participation in building management. As we all know, the more housing developments in the territory, the greater significance will be on building management.

Sir, you have pointed out in your address that the work of our infrastructural projects will commence in 1991. You have also stressed that a constructive relationship with China is fundamental to the future well-being of Hong Kong. As I pointed out in the last policy debate, co-operation between China and Hong Kong will be one of the crucial factors for the successful implementation of our infrastructural projects into the next century. Hong Kong is situated at the southern coast of China with a vast hinterland. The fact is that Hong Kong will always be a bridge linking the West with China. Therefore friendly co-operation between Hong Kong and China will only be beneficial to both sides and also to the international community. Let us continue to work hard for this common goal.

Sir, with these remarks, I support the motion.

MR HO SAI-CHU (in Cantonese): Sir, your policy address this year is pragmatic. While you set out in your policy address last year the prospects of a magnificent rose garden, you now show us that the road to the rose garden is no boulevard but rugged mountain path which demands courage and perseverance every step of the way.

In the face of a world-wide economic slowdown and in particular, the sudden outbreak of the Middle East crisis, our economy is beset with new difficulties. It is estimated that our Gross Domestic Product will increase this year by only 2.5% and whilst inflation will be over 9.5%. The soaring oil price leads to a higher production cost and an increase in consumer prices. The implementation of large-scale infrastructural development programmes under such circumstances would mean that we have to face a rather harsh economic environment. A major solution to these problems as mentioned in your address is to keep public expenditure under tight control, which includes restricting the growth of the Civil Service and lessening the financial commitments to social welfare services. Such measures will, of course, correspondingly increase the burden of the public and arouse criticisms. Yet, it seems that no better alternatives are available. Fortunately, tax increase proposals have not been part of your policy address, which should be a temporary relief to the general public.

Sir, I have a cautiously optimistic view about the present situation. While we realize that we have to face some difficulties, we should also be able to identify some beneficial factors. In terms of external trade, figures published by the Census and Statistics Department show that although the total value of our domestic exports from January to August this year experienced a slight drop of 1.6% compared with figures in the corresponding period last year, the total value of our re-exports achieved a significant growth rate of 14.8%. Such a growth rate is attributed to the improvement of the economy in China, which brings benefits to Hong Kong as well. In the domestic sector, I highly appreciate the foresight and flexibility of the people of Hong Kong. We are better placed than other countries in dealing with the soaring oil prices fueled by the Middle East crisis. The reason is that our electricity, a principal source of energy, is generated by coal instead of oil. The joint venture by the China Light and Power Company Limited and China in building the Daya Bay nuclear power plant is also a farsighted move. With the development of the world economy and the advancement of technology, the generation of energy by sophisticated technology becomes a trend. At present, the Government should take steps and educate the public as well to further save oil and other forms of energy.

Regarding the relationship between Hong Kong and China, it is stated in your policy address that "a constructive relationship with China is fundamental to the future well-being of Hong Kong, both before 1997 and after." I absolutely agree to such a view. As a matter of fact, the relationship between Hong Kong and China has further developed recently. There is more exchange of visits between officials from

both sides, during which problems of common concern are discussed and tackled. For example, significant results have already been achieved in intercepting the flow of firearms from China into Hong Kong, which is a problem of great concern for the general public. Black market prices of firearms go up by more than two times, indicating a marked reduction in supplies. A delegation of Chinese experts is now in Hong Kong to discuss the new airport and port development strategy and to exchange views frankly with Hong Kong officials. Hong Kong is adjacent to China and sovereignty will be returned to China after 1997. It would be more advantageous to get the support and understanding of China on major issues despite the fact that the right of administration is still vested with the British Government during the transition period. To gain the support and understanding of the Chinese Government does not mean the power to veto is left to China. Moreover, the Chinese authorities have stressed time and again that they have no intention to interfere with the internal affairs of Hong Kong. I think that the relationship between Hong Kong and China hinges on sincerity as well as mutual respect and trust. Any deviation from this principle will hamper the good bilateral relationship and will cause unnecessary misunderstandings.

Finally, on the question of manpower, I have previously mentioned that owing to various factors such as a low birth rate, the large number of young people receiving school education and the increase in the number of families emigrating overseas, there have been restraints in the growth of the local workforce. Recent statistics have also shown that the number of students going overseas for studies last year has increased by 25% as compared to the figure the year before; the number of students going abroad for secondary schooling has also increased and they are getting younger in age. Thus, local manpower resources will have difficulty in meeting the requirements of our economic development and large-scale projects. It is a pragmatic decision of the Government to import some skilled labour and to allow Chinese students who have resided overseas for two years to apply for employment here in the private sector. As for civil service morale, I think that our civil servants are known for their hard work, dedication and high efficiency. Recently the petitions by the staff of some government departments and the disciplinary forces in particular have caused widespread public concern. The Government should take into consideration the reasonable demands made by the civil servants and improve the conditions of pay and the promotion system and so on, in the light of the situation of different departments. At the same time I would like to call upon the civil servants to show understanding to the difficulties that we are facing at the moment. I also urge them to continue with their good spirit in serving the community and to keep up with their sense of

responsibility and commitment to work. They should give their best in performing their duties especially in maintaining law and order and protecting the life and property of the public. I believe this is also the earnest wish of the entire community.

Sir, with these remarks I support the motion.

MR MARTIN LEE: Sir, in listening to your speech two weeks ago, I was struck by the Government's lack of any clear vision. The speech revealed the lack of willingness to confront the problems facing Hong Kong today and the absence of any plan to deal with those problems. Behind the rosy picture you painted of what Hong Kong would look like in the year 2000, you gave us little substance or justification for believing the future will be as you describe.

It is one thing, Sir, to declare what your destination is 10 years hence; it is quite another to find the way and means to bring us to the Promised Land. Unless we have a clear vision of where we are going and the means to get there, I fear that the rosy picture in your mind will remain a dream.

Two years ago, in your annual address, you stated that "the Government does not shrink from scrutiny" -- that we must be "prepared to face our problems honestly and tackle them realistically." That attitude and commitment is now gone. In its place is an official attitude that nothing is seriously wrong, and that no new initiatives from the Government are needed. Indeed in your speech, you seem to suggest that the major problem facing Hong Kong today is the crisis in the Middle East!

The essence of leadership is an ability to recognize problems and then take affirmative steps to solve them. This Government, however, seems to take the attitude that to admit to the existence of difficulties is a sign of weakness rather than strength. It seems to believe that if -- with the aid of an obedient media -- it can deny the existence of any difficulties, it will somehow be able to convince the people of Hong Kong that all is well. The people of Hong Kong, though, are no fools. They know when their Government is not telling them the truth. And, with each omission and distortion, they lose more and more confidence in the Government.

Sir, your speech conveys the impression of a government content to tread water, pretending that we are drifting happily towards a bright 2000. Yet, it is a truism

that in public affairs if we do not advance, we will retreat: (" "). I am afraid, Sir, that in treading water and refusing to consider new initiatives, this Government is going backwards.

Over the next seven years, we cannot adopt an attitude of trying merely to hold on, afraid of any form of change. Rather, we must attempt to improve and seek new policies and new ideas that will benefit our community. For the greatest strength of Hong Kong has always been our ability to change and to move forward. As we head into a new decade, we must confront all the problems that come our way and have confidence in our ability to solve them.

In order to move forward, we must come together as a community and realize our common interests. We must not listen to those who try to divide us or who argue that any change will lead to "instability." Those persons who blindly follow the Government on every issue and discourage any form of criticism of the Government serve only to prevent progress. For, ultimately, the Hong Kong community will only be able to remain vibrant if we welcome new ideas and attempt to move forward together.

Sir, I want to make it clear that these remarks are in no way intended to be a personal attack on you or an attempt to bring about a change of government. We accept the fact that the colonial system of government will continue in Hong Kong until 1997, and we are prepared to work within that system. It is imperative, however, that our Government be one of vigor and strength. The Government must acknowledge that there is great urgency in dealing with the problems it now faces. The seven years remaining before 1997 are absolutely critical for Hong Kong's future; and we cannot afford to waste even one day!

As we examine our policies and chart our course for the future, the focus of our vision must be on the people of Hong Kong. For Hong Kong has no natural resources and our people are our only asset and our future.

The Government, however, seems to think that a new airport is more important than our people. You stated, Sir, that the new airport is to be the "cornerstone" of the post-1997 Hong Kong Special Administrative Region (HKSAR). I cannot agree. The cornerstone of Hong Kong is now and will always be the hard-working and talented people who have made the territory such a success. The new airport is indeed important for the future of the territory, but we need to remember that new infrastructure projects cannot replace the tens of thousands of people who are leaving Hong Kong every year.

Indeed, Sir, what doth it profit Hong Kong if it gains a new airport but suffers the loss of its own people?

We must have the courage to face up to the central problem confronting us. Why is it that so many tens of thousands are emigrating? Why is it that the morale in the Civil Service, particularly in the police force, is so low? Why is it that, despite the great support in our community for democracy, so few of our citizens have registered to vote? Certainly, it is not because of the Joint Declaration, whereby Great Britain agreed to allow China resume sovereignty over Hong Kong in 1997, for that agreement was found to be good or very good by 81% of our people polled in 1984. Not one word of the Joint Declaration has been changed, and yet our citizens have lost confidence in the future of Hong Kong.

The crisis of confidence stems from China's breaches of the Joint Declaration, which I discussed at length in our two debates earlier this year on the Basic Law. Yet, the fault lies not only with China, for the British administration here has repeatedly ignored the well-articulated wishes of the people of Hong Kong and sought to justify China's departures from the central promises of the Joint Declaration. The first example was the Government's decision to deny direct elections for the Legislative Council in 1988. And, in the year following the Tiananmen Square massacre, we have seen only a litany of broken promises from Messrs MAUDE and HURD about respecting the wishes of the people of Hong Kong and establishing a democratic system here before 1997 with or without Chinese agreement. Britain, in effect, has abdicated its responsibility under Clause 4 of the Joint Declaration to administer Hong Kong until 1997, and in doing so, has utterly failed to represent the people of Hong Kong. If China is guilty of breaking the Joint Declaration, then Great Britain is a willing party as an aider and abettor.

The Government's solution to the lack of confidence in the Joint Declaration is to sweep the issue under the carpet and hope that the people of Hong Kong will somehow overlook the severe shortcomings of the Basic Law. In contrast to the stress you placed in your policy speeches in the last three years on the importance of having a good Basic Law, this year you made absolutely no mention of the passage or the acceptability of the Basic Law. A rather significant omission, I would think. Similarly, in the annual White Paper to Parliament on the state of Hong Kong, the British Government deliberately omitted to mention the fact that this Council had -- on the afternoon of the very same day that the Basic Law was promulgated in Beijing on 4 April of this year -- overwhelmingly passed a motion calling on the People's

Republic of China (PRC) to extensively amend the Basic Law. In that White Paper, the British Government declares the Basic Law to be a "remarkable document."

Rather than acting as China's cheer-leader, the Government should be acting with and on behalf of the people of Hong Kong to restore life to the Joint Declaration. The Government must do all that it can to persuade China to alter its present attitudes and to demonstrate to our people that Hong Kong will indeed have its high degree of autonomy after 1997 as promised. At the same time, however, we, the people of Hong Kong, cannot adopt the Government's current line of just sitting, hoping that China will change, and doing nothing here in the mean time. We still have seven long years before 1997 in which to bring the Basic Law back into line with the Joint Declaration and to develop the political institutions that will enable Hong Kong people to rule Hong Kong.

Though the Hong Kong Government appears to have given up, and its masters in London seem to wish nothing more than to remove the issue of Hong Kong from its public agenda, the people of Hong Kong must not give up. We will still be living here after 1997. We cannot relent on the demand that the Joint Declaration be implemented fully, for we know that our political and economic futures are inextricably linked. History has made it only too clear that a free economy can flourish only within the framework of political freedom, the rule of law, and human rights. Hence, though we were not allowed to be a party to the Joint Declaration in 1984, we must decide ourselves whether we still want the promises of the Joint Declaration to be fulfilled or whether they are to be discarded as inconvenient words from another era.

Just as you have ignored in your speech the issue of the Basic Law, so you have also refused to address the issue of democratic development in Hong Kong. We are now almost halfway through the 13-year transition period, and the record of this Government brings shame to Great Britain, the fountain of democracy. The very cornerstone of the Joint Declaration -- that Hong Kong people would rule Hong Kong through a democratically elected legislature -- has been ripped away by the secret deal reached last February between Britain and China.

The Government pays lip service to the idea of democratic development in Hong Kong, but its actions belie its words. You declare, Sir, that "now is the time for Hong Kong to develop its own leaders." Yet, what have you and your Government done to help Hong Kong develop its leaders? Indeed, almost every decision taken by this Government over the past year has served only to frustrate the development of local

leadership and to stymie the establishment of the institutions necessary to make real the promise of Hong Kong people ruling Hong Kong.

The list of examples is long. I start with the decision to abandon the consensus reached by OMELCO on democratic development and cave in to Chinese demands to limit the number of democratically elected members of the Legislative Council to 18 in 1991 and only 20 by 1995. The next example is the continued refusal to establish the separation of powers between the Executive and Legislature as envisaged in the Joint Declaration by allowing the Legislative Council to elect its own President. Though we are to have a Vice-President next year, that person will not be elected by Members of this Council but appointed by the Governor.

Further examples of government decisions that have stymied public participation in the political process include the denial of the right to vote to adults between 18 and 20 years old, the retention of large numbers of government-appointed members on the districts boards and municipal councils, the refusal to accept political parties, the refusal to implement a scheme of automatic registration to register all eligible voters, and the gerrymandering of electoral district boundaries in violation of the principle of one-person, one-vote.

A tragic result of the Government's failure to establish democracy in Hong Kong and to prepare adequately for our post-1997 future is that the emigration rate has increased a staggering 50% this year to 62 000 people. I am acutely disappointed by the Government's attitude towards the loss of so many of our most talented citizens. That attitude is one of disregard, even dismissal. Essentially, the Government has no initiatives to convince our people to stay. Rather, Sir, you dismiss the subject by stating brusquely that "the Government has done what it can." As for those who have left, you seem to suggest that they are not "the real Hong Kong belongers." Consistent with this attitude of disdain, the Government has announced that, unlike citizens from Great Britain and most countries in the free world, no Hong Kong citizen studying or living overseas will have the right to vote in next year's democratic elections to this Council.

This is a clear departure from the course charted for us in 1984 and 1985, and it will not bring us to the Promised Land. Sir, I insist that the Government deal urgently with the crisis by making every effort to persuade China to amend the Basic Law as recommended by this Council and to ensure that Hong Kong will be transferred to China in 1997 in strict accordance with the letter and spirit of the Joint Declaration: a Hong Kong ruled by Hong Kong people through a fully elected

legislature to which the executive is accountable; and an independent judiciary enjoying the power of final adjudication, which includes the right to interpret the Basic Law without any restrictions.

Equally important, we must dedicate ourselves to improving Hong Kong and moving forward. We must make sure that our economy will continue to thrive and that Hong Kong will become a city where the quality of life is such that no one would wish to leave. The Hong Kong that becomes an SAR of China in 1997 should have advanced as far in the 13 years since 1984 as did the territory in the 13 years from 1971 to 1984.

In order to reach this goal, my colleagues the Honourable SZETO Wah and the Honourable Ronald CHOW will put forward several important proposals in the fields of education and health care. In addition, I will briefly discuss the issues of Hong Kong's place in the world economy, the rule of law, security, the environment, housing, the proposed infrastructure developments, co-operation with China, the 1991 democratic elections, and reforms to this Council. As the United Democrats of Hong Kong matures over the next year, I expect that we will continue to address the steps Hong Kong must take if we are to move towards 1997 with the same momentum and energy that has brought us to where we are today.

The importance of Hong Kong to the world economy

As the heart of the Pacific rim and the world's eleventh largest trading economy, Hong Kong plays a critical role in the world economy. Like many of my colleagues, I have tried to emphasize the importance of the continued vitality of Hong Kong in the trips I have taken this year to the United States, Japan, Europe, and, later this week, Canada. I have been impressed by the degree to which policymakers in these countries are beginning to appreciate this message.

During my trips, I have stressed several points:

- that each of our major trading partners should have a specific policy on Hong Kong so that it will take into full account what impact its economic and political policies have upon us as a separate territory;

- that Hong Kong be allowed to join the Pacific Economic Co-operation Conference (PECC) and the Asian Pacific Economic Co-operation forum (APEC);

-- that on economic and trade issues such as air services agreements, the Hong Kong Government rather than the British Government, be responsible for negotiating on Hong Kong's behalf;

-- and that these countries take positive steps towards freer trade in this final stage of Uruguay round of GATT, particularly in respect to the liberalization of the restrictive Multi-Fibre Agreement.

If our economy is to continue to thrive, we must find ways to resolve these issues successfully.

The rule of law

The second subject is the rule of law. We must maintain the highest standards of law if we are to preserve people's confidence in the future. A critical step towards this goal is the passage of a Bill of Rights, which would make certain that our cherished rights and freedoms will be protected by law -- and enforceable by the courts -- both now and after 1997. Because of the great importance of the Bill of Rights, I am particularly dismayed by the Government's decision to water down the proposed Bill almost to the point of irrelevancy.

I urgently call upon the Government to take three critical steps to implement a meaningful Bill of Rights: first, do not cripple the Bill through a blanket freeze period; second, amend the Crown Proceedings Ordinance to allow citizens to obtain interim relief against threatened violations of their rights; and third, amend the Letters Patent so that any Hong Kong law -- present or future -- that is in violation of our obligations under the International Covenant on Civil and Political Rights will be struck down by the courts.

In addition to making real the promise of an effective Bill of Rights, the Government must take action to restore the faith of the public in the administration of the law in Hong Kong. Vigorous steps must be taken to resolve the troubles plaguing the Legal Department; stronger leadership and increased public accountability are needed if we are to prevent a recurrence of the scandals and corruption of the past year. The Government, furthermore, must not again abuse its prosecutorial discretion for political reasons as it did in prosecuting prominent United Democrats of Hong Kong leaders under the ludicrous charge of using a loudhailer without the written consent of the Commissioner of Police. Such abuses serve to undermine the

faith of people here and overseas in the rule of law in Hong Kong. Finally, the Legal Department must have the courage to admit its errors and rectify them. It cannot continue for reasons of face to adhere to the misguided prosecution policy of seeking 15-month jail sentences for a selected minority of illegal immigrant labourers from China when the Government itself has acknowledged the ineffectiveness of that policy in halting illegal immigration from China.

Security

Closely linked with the rule of law is the matter of security in Hong Kong. The Government is right to point out that Hong Kong is one of the world's safest cities. Nevertheless, we cannot tolerate the rapid increase in violent crimes that we have seen this year. We must put more police on street patrol to deter potential crime and to display our resolve to maintain public safety. But more importantly, the public must be assured that the police will be able to protect them from triad retribution if they report triad-related crime. Second, I suggest the police force should re-establish a centrally run anti-triad bureau so that police officers with experience in dealing with triads will deal exclusively with this particular problem in the same manner as their counterparts in the Commercial Crime Bureau and the Narcotics Bureau specialize on their tasks. Third, we need legislation which would enable the courts to confiscate the ill-begotten gains of those engaged in triad activities. Above all, we need to improve the morale of the police force by responding to their legitimate grievances and making it clear to them that this community recognizes their contribution to Hong Kong.

Environmental protection

A moment ago, I mentioned the importance of improving the quality of life in Hong Kong as a means of stemming the emigration crisis. A central aspect of this effort must be a determination to clean up and keep Hong Kong's environment clean. Much progress has been made in this regard this year, and I applaud the Government for its efforts. For example, the limitation on sulfur content in fuel oils is already helping improve air quality. The next step is to promote the use of lead-free petrol in motor vehicles.

The recently enacted Water Pollution Control Ordinance has potential to provide much needed relief to the disgraceful condition of Hong Kong's waters. But, the Government must ensure that the pollution control standards to be included in the

Ordinance are not watered down by industrial interests. The Government has also recently come forward with its controversial proposals to amend the Town Planning Ordinance. While several aspects, such as the lack of public participation in the planning process and the constitution of the appeal board are flawed, the Government's decision to extend planning control to the New Territories and preserve the threatened environment there is welcome.

Much more, however, remains to be done. We must increase public education on environmental issues, as promised in your address last year, but for some reason omitted from this year's. In addition, the Environmental Protection Department must be given the resources and manpower to carry out its ambitious objectives. Indeed, on few other issues do we have such an obligation to our children as we do on the matter of protecting the wonderful environmental resources with which we have been blessed.

Housing

Sir, as to the many aspects of social policy covered in your annual address, I will reserve my views until the 7 November debate on the social welfare White Paper. Nevertheless, I wish to use this opportunity to renew my call for the Government to encourage home ownership by allowing a tax deduction for interest on mortgage loans. Buying one's own home is the aspiration of every member of our community, and we must make every effort to encourage and enable our people to realize this dream. I also call on the Government to study the forthcoming recommendations of the Consumer Council, which will address the problem of triad speculation and violence in the sale of flats.

For the working class, I support the Government in its plan to sell public housing units to tenants. Such a scheme will offer more choices in the property market and help meet the pressing housing needs of this group. I suggest that the Housing Authority be allowed to retain the money gained from the sale of public housing units so that it could build more units.

The new airport

I turn now to the subject of the new airport and related infrastructure developments. Amidst the wrangling over the new airport, the critical point at issue has been lost: decisions concerning the new airport ought to be for the people of

Hong Kong to make, for they lie entirely within the limits of Hong Kong's autonomy. The airport will be built in Hong Kong and will be paid for by the people of Hong Kong both before and after 1997.

Contrary to the assertion by Lord CAITHNESS, China will assume no liability from any debts incurred in Hong Kong relating to the airport. Similarly, I must take issue with the argument first propounded by Sir S.Y. CHUNG that the Hong Kong relationship with China is like that of a subsidiary to a holding company. This argument constitutes a unilateral renunciation of the provisions of the Joint Declaration that stipulate the post-1997 HKSAR shall have complete financial autonomy. It envisions that the HKSAR Government will have to obtain Beijing's approval for local economic decisions that have nothing to do with defence or foreign affairs.

Because this is an issue for the people of Hong Kong, I urgently call on the Government to release more information on the Port and Airport Development Strategy proposals. This Council and the public must have the opportunity to participate in decisions regarding the structure, financing, and timing of the infrastructure development plans. In addition, the Government needs to take the long overdue step of appointing a manager responsible for the entire project. In the absence of an overall manager, no one has been able to provide the necessary leadership and co-ordination in the year since the project's announcement.

I also welcome the current round of meetings between representatives of the Hong Kong and PRC Governments. It is important that experts from the PRC receive extensive information on the technical and financial aspects of the development, for the port and airport development will have far-reaching effects on the economy of Southern China. I fully agree, Sir, with your point that consultation and information must not turn into a situation where the Hong Kong Government allows China a power of veto over matters within the limits of Hong Kong's autonomy -- like it did in the fiasco over direct elections in 1988.

Relations with China

Just as we must co-operate with China in co-ordinating plans for port and airport development in this region, so there are a host of other subjects on which we need to increase communication and co-operation. Such co-operation must be open and honest, and it must be a two-way street. Above all, it must be based on the letter and spirit of the Joint Declaration.

Examples of the need for greater co-operation would include joint environmental protection projects (such as the Hong Kong-Guangdong Environmental Protection Liaison Group), increased co-operation to prevent smuggling and the importation of firearms, and efforts to stem cross-border crime. One very tangible step would be for Hong Kong to conclude an extradition agreement with China so that criminals who commit unlawful acts in Hong Kong will be returned to the territory to face trial. Such an extradition agreement would be based on the principle that one who commits a crime in one jurisdiction would face trial in that jurisdiction -- as long as the crime constitutes an offence in both jurisdictions.

6.00 pm

HIS EXCELLENCY THE PRESIDENT: It is now six o'clock and under Standing Order 8(2), the Council should now adjourn.

CHIEF SECRETARY: Sir, with your consent I move that Standing Order 8(2) should be suspended so as to allow the Council's business this afternoon to be concluded.

Question proposed, put and agreed to.

HIS EXCELLENCY THE PRESIDENT: Mr LEE, please continue.

1991 democratic elections

MR MARTIN LEE: I now turn to domestic political questions. Next year, we will have the first ever democratic election for 18 Members of this Council. It is of great importance that we have an election law and framework that will ensure a free and fair election in which there is widespread participation from a well-informed electorate. We must establish this framework now so that it will be firmly in place and functioning smoothly by 1997.

The Government, however, is refusing to introduce a system of electoral laws and practices that democratic countries have found indispensable to conducting successful elections. Though the Government in its White Paper of February 1988

already declared its intention to hold democratic elections in 1991, the constant refrain now is that there is not enough time to do anything for the 1991 elections and that we must wait until 1995. I refuse to accept this short-sighted excuse. For, in light of this Government's track record, few believe that the Government will be able to make independent decisions on the subject of election law in 1995.

Rather, I call on the Government to take several important steps now for the 1991 elections. First, legislate criteria for the impartial division of electoral district boundaries and empower an independent commission to divide districts according to these criteria. Civil servants should not be making such inherently political decisions. Already, the Government's demarcation of electoral districts for the 1991 Legislative Council elections violates the principle of one-person, one-vote. The situation in the New Territories, where the Government has combined Sai Kung with Sha Tin, thereby giving NT East over 65% more voters than NT North, appears to be a clear case of gerrymandering.

Second, allow for automatic voter registration using the Registration of Persons data-base so that all potential voters will be automatically registered. Third, follow the practice in Great Britain and allow Hong Kong residents temporarily overseas to vote in Legislative Council elections. Fourth, lower the voting age to 18 to bring it into conformity with the age of majority and allow for the participation of the young people who will shape the future of Hong Kong. And fifth, establish an independent, non-partisan electoral commission to consider, administer, and publicize electoral matters in a non-political manner.

Reforms to the Legislative Council

My final points consider reforms to this Council itself. As we make our first steps towards democracy, this Council must change from its original role of a non-accountable, closed body which served to ratify the Government's decisions. I was very impressed by the success that the Ad Hoc Group on the Draft Bill of Rights experienced in opening its meetings to the public. Surely, both the Members of that group and the general public benefited greatly from openness of the process, and the result was that the conclusions of the ad hoc group had widespread support in the community.

Judging from this success, why does this Council insist on keeping other issues from the public? The Honourable Allen LEE stated in a press briefing last year that

"panel and ad hoc group meetings were held in camera to facilitate uninhibited exchange among Members." I respect his view, but I must ask if he thought that the wide-ranging discussion of the sensitive issues involved in the draft Bill of Rights had been stifled as a result of the ad hoc group's public meetings? I think his answer would be a resounding "No".

Opening our panel, ad hoc group, and in-house meetings to the public would both increase the community's understanding of the issues facing Hong Kong and make Members of this Council more accountable to the public. I believe that such a step would only heighten public support for the decisions we make, for citizens would better understand the pros and cons behind those decisions.

A further step in increasing our accountability is to ensure that public policy decisions taken by this Council are not influenced by private interests. We are not full-time legislators, and clearly some of our decisions will have an impact on our own financial interests. Nevertheless, in the interest of public confidence in this body, we need to tighten up the rules requiring Members to declare their interest in any possible conflict of interest situation and abstain from voting on any decision which directly affects their own personal financial interests.

Finally, I call on the Government to budget money to allow legislators to employ their own assistants. With the introduction of democratic elections next year, Members will need assistants in order to liaise with their constituents on the district level. Similarly, as this legislature takes on increasing responsibilities, Members will need assistants to research issues and assist in legislative proposals. I appreciate the excellent work done by the OMELCO staff, yet it is contradictory to the idea of a balance of powers if legislators are dependent on government civil servants for all assistance.

Conclusion

In conclusion, the choice Hong Kong now faces is clear. As we move towards the future, are we to take the high road or the low road? Are we going to stand tall and insist that the promises of the Joint Declaration be honoured to the full? Or, are we to kneel down and pursue a policy of appeasement and meekly accept what is given to us by our masters?

Sir, I am afraid that the Government appears to be leading us along the low road.

The Government has given up any attempt to hold the Chinese Government to the Joint Declaration or to fulfil its promises of democracy and Hong Kong people ruling Hong Kong. Trying desperately to construct an airport that will serve as a tangible symbol of Britain's commitment to Hong Kong, the Government has refused to consider any other initiatives. It is content to drift along until 1997, hoping to bow out with as little shame as possible.

No, Sir, we the people of Hong Kong will not take the low road. We will summon up our courage and take the high road. We are not content with the status quo, and we want to create a bright future for ourselves and our children: a future of Hong Kong people ruling Hong Kong through a Basic Law that lives up to the Joint Declaration; a future of continued economic growth and vitality; a future of respect for human rights and the rule of law; and a future of a city whose housing, education, health care, and quality of life are second to none.

Our attitude must be that of "united we stand" (" ") and not "united we kneel" (" ").

For, ultimately, we the people of Hong Kong will have the future that we deserve.

MRLI: Sir, last year, you presented Hong Kong a bold, thoughtful and courageous vision -- a vision which offered focus and hope.

The announcement of the Port and Airport Development Programme as well as initiatives in housing, health care, anti-pollution, human rights and social welfare, was a difficult act to follow. Understandably, this year's address pales by comparison.

But if this year's speech has not been as well received, it is not so much because of unfulfilled new expectations. Rather, it stems from unfulfilled old expectations.

The snail's pace at which work on the initiatives announced last year has moved ahead -- or at least, has seemed to move ahead -- has tested the patience of both the Hong Kong people and the Hong Kong business community.

Sir, last year, you sounded a call to action. You declared your commitment to

Hong Kong, you asked us to do the same.

We in the financial community have been ready to work with you. But, regrettably, we still await your blueprints.

We share your hope that we put the false starts of the past year behind us and begin afresh -- facing Hong Kong's problems and challenges with realism and determination.

We are heartened by much of what you said in this year's address.

We value your advocacy of free market policies and welcome your pledge to moderate government taxation and regulation. We support your intention to foster a more constructive relationship with China. We commend your pledges to keep a tight rein on public expenditure and civil service growth, as well as to boost public sector productivity.

The Financial Constituency, among others, has long advocated these policies, and we are pleased that they featured so prominently in your address.

Equally encouraging were the goals for Hong Kong in the year 2000 which the speech outlined. The financial community looks forward to working closely with you towards their realization.

Our only regret is that there were few details as to how we will get there from where we are now.

Regardless of the path chosen, getting from "Point A" to "Point B" will require "bridges" to be built across the territory's problems.

Major "chasms" which remain as yet "unspanned" include: convincing the people of Hong Kong, the Chinese Government and the international financial community of the merits of the Port and Airport Development Strategy (PADS); extinguishing the territory's inflationary fires; and revamping our outdated and inadequate education system.

Hong Kong needs a new airport -- this fact cannot be denied. And, as a means to this end, the Government's Chek Lap Kok Plan appears promising. But Government

must be more forthcoming on PADS.

Times have changed. The Government must make its thinking clear. It must explain -- in detail -- both what it is doing and why.

Among other things, Hong Kong deserves to know how the Government's \$127 billion cost estimate was calculated. We do not want to have another financial fiasco like the third university -- if the cost over-runs of the third university were painful, the cost of the airport would be devastating.

The selection of the chief executive for the as-yet-to-be established Airport Authority provides the Government with a vital opportunity to restore faith in the project.

That individual must possess both the personal and professional credibility to win the confidence of Hong Kong, the international financial community and all other parties concerned.

The chief executive should be given the widest possible authority, so as to free other valuable members of Government to concentrate on their primary responsibilities, rather than worrying about the new airport. The airport must not be allowed to become a political football.

Closely related to the airport and the issue of cost is the spectre of inflation.

Inflation has been too high for too long. If it remains at or around its present level, it will threaten the entire Port and Airport Development Programme -- the higher inflation is during the construction and loan repayment periods, the higher the programme's ultimate price-tag.

Sir, your pledges to maintain tight control over public expenditure and to restrain civil service growth are significant. The Government's recent decisions on the importation of labour are also encouraging.

But much more can -- and must -- be done if some semblance of local wage and price stability is to be restored.

There are steps which can -- and should -- be taken to fight inflation, such as:

rolling back the real cost of Government through "zero-based budgeting"; providing tax incentives for companies to invest in automation and other labour-saving technology; and placing a higher priority on vocational and professional training, as well as worker re-training.

These have been pointed out to the Government on numerous occasions by myself and other Members of this Council. But, thus far, the Government has chosen not to act.

Fears abound that the Finance Branch may use the Government's recent decision to "go it alone" on the Lantau Fixed Crossing to justify new or higher taxes at Budget time next year. Let us hope that such fears will not be realized.

As with the Budget, it is with a mixture of hope and fear that we await the Education Commission's fourth report.

In an attempt to allay fears about the loss of talent through the brain drain, the Government appears dangerously close to creating a system which is overly biased towards tertiary-level education, at the expense of vocational and professional training and worker re-training.

To remain competitive, Hong Kong does need more university graduates. But Hong Kong also needs more managers, technicians and skilled labourers.

To remain competitive, we also need lower inflation and a new airport -- in that order.

Competitiveness is the "bridge" which will take Hong Kong from where it is today to where you, Sir, see us in the year 2000.

We in the financial community will do all that we can to help build this "bridge". But we need Government's leadership -- Vision, Sir, must become action.

With these remarks, Sir, I support the motion.

MR NGAI (in Cantonese): Sir, in your policy address this year, you have adopted a positive and pragmatic attitude in laying out the vital plan to launch the various

physical infrastructural programmes and attached importance to the future development of our relation with China. All these policy objectives which aim at directing our efforts towards the building of our future prosperity show that the Government has not evaded its responsibility to steer our course in the face of a global economic downturn but set down clearly the direction of our development. We certainly appreciate the unwavering confidence that you have shown in leading us to shape our future.

However, it is disappointing that the policy speech this year only gives a general account of the progress of the policies launched last year. Strategies and new initiatives for several important policy areas have been left out. For instance, strategies for industrial development and promotion of industrial technology have been rarely touched in the policy speech.

Economy and inflation

It has been a fact beyond dispute that inflation is the number one common enemy of our economy. Indeed by the wage and price spiral and its resultant acceleration in production cost, inflation has created a pressure which is becoming more worrying when set against a background of confidence crisis and labour shortage. It behoves me, as a representative of the industrial sector, to express my concern over this inflationary trend which has outgrown our actual productivity rate. In face of the keen competition with our rivals for markets, the prospect of our external trade is indeed a cause for concern if the vicious circle of this self-inflated production cost is allowed to continue.

Sir, many colleagues of this Council and I have on different occasions urged the Government to fight inflation. It is true that given the constraints of a free market economy and linked exchange rate, we cannot take appropriate measures adequately in our fiscal or monetary policies to curb inflation. However, the Government should all the same try its best to tackle the problem and convey to the public an unmistakable message that it is determined to fight inflation. In your policy speech, we appreciate that you have reminded the private sector to make better use of the existing resources, improve the standard of management, and set prices, profit margins and wages at realistic levels. Besides, you have clearly reiterated the determination of the Government to exercise strict control over public expenditure. Your suggestions are highly commendable.

In fact, the general public, particularly the lower income groups, suffer most in the inflation. I have made it clear in the Budget debate last April that "as for the various tax concessions proposed by the Financial Secretary, those who belong to the lower income group and are outside the tax net are not benefited in the least. Instead, tax increases on various revenue items will readily lead to soaring prices and high pressure of inflation on the public at large. The spiral increase in the operation cost for various trades will generate a spate of increases which will in turn be passed on to the consumers. As a result, people from the grassroots level, especially the lower income group, will be hardest hit and they will feel aggrieved." Sir, I support the point you made at paragraph 11 of your policy speech that we have a responsibility to protect the disadvantaged members of the community from the worst damaging effects of inflation. I hope you will stand firm in the exercise of strict control over public expenditure and lead us out of this storm.

Sir, problems in the Middle East will no doubt bring about an adverse effect on the economy. There are already indications that the world market is becoming sluggish and a sluggish world market will inevitably become a breeding ground for protectionism in trade. As in the case of a recent United States textile bill which aimed at imposing drastic restrictions on the import of foreign-made garments and footwear, those who favoured the bill needed only 10 more votes to override the President's veto. It shows that protectionist sentiment is running high and that protectionism often surges in the wake of any global economic downturn. Sir, protectionism finds expression in many ways. Dumping allegations, protection of intellectual property as well as the proposed global quota bidding system may all be used by protectionists as weapons to the disadvantage of our free trade. Sir, you have repeatedly reminded us in your policy address that we must be prepared for a harsher economic climate. However, you have not mentioned what strategy and specific measures the Government has devised to help the industrial and commercial sectors to resist the surge of protectionism. This is indeed regrettable. As a matter of fact, if the Government has been able to break itself away from conventional policies and allow the private sector to recruit overseas Chinese students to work in Hong Kong in a bid to ease the labour demand, why can it not go beyond the rigid "positive non-intervention" policy and set up an anti-dumping fund by drawing on our trade development resources, so as to help manufacturers from different industries to defend against unreasonable dumping allegations? All in all, it would be part of our efforts to promote Hong Kong's external trade. So what is wrong with using our resources for this purpose?

Our economic development takes an ups-and-downs pattern. Adverse circumstances may be turned into favourable ones. It all depends on how we consolidate the factors and basic elements of success and put them to effective use. Based on our past experience, we are confident that with an economy strong and dynamic, Hong Kong should be able to tide over the difficult times. Nevertheless, we still have to depend on the positive support of the Government in a great many areas.

Law and order

At the same time, if our society is permeated with elements of instability, efforts in enhancing the economy will be easily ruined. All of us are aware that our crime rates have been on the rise in recent years. Thefts, armed robberies in busy places and shooting incidents have occurred more frequently than ever. On the other hand, there has been severe manpower wastage of the disciplinary forces and the deployment of them to deal with the disturbing boat people problem has vitiated their strength in maintaining law and order. Public order has been called into question and people are generally worried.

Sir, to keep our community in good order, we need our law enforcement agencies to keep up their morale. Our security and legal departments seem to have been baffled by a great number of challenges and difficulties. In paragraph 17 of the policy address, you described the state of law and order in Hong Kong as having lower crime rates when compared with other cities in the West and the Asian Pacific region. I, however, can hardly agree to gauging the present state of law and order of our community by reference to crime rates. What matters most is the nature of the crimes which should be the reference in point in any assessment. For example, organizing gangs to stir up troubles during flat sale, making use of illegal immigrants and Vietnamese boat people to commit serious crimes as well as challenging our security forces blatantly with fuel bombs are all unruly acts tantamount to showing teeth to the police. Sir, the general public expects to live and work happily in a stable society. We therefore earnestly hope that the Government would pay more attention to the matter and address the problem effectively.

Industrial development and environmental protection

As regards the development of manufacturing industries in Hong Kong, you proposed in the policy address last year an enhancement of industrial technology to make our products more competitive in world markets. You also mentioned the establishment

of a Hong Kong Technology Centre to promote the development of high technology for small companies. The Government has been positive in assisting manufacturing industries to develop themselves and promoting high technology in production in recent years. Some time ago, the Secretary for Education and Manpower announced that the Government was planning to establish a fund for new technology training so as to provide special training opportunities for local staff at middle management level and for those engaged in scientific technology. The implementation of such plans is definitely needed for the continuous growth and development of our economy and is to some extent conducive to assisting the transformation of local manufacturing industries into undertakings that produce high quality products by using high technology. The Government, however, has not drawn up any comprehensively planned strategy for use as overall guidelines in industrial development. Local industrial development remains all the while at a discovery stage; finding their own way to go ahead. Whenever the crucial moment arises, the Government will resort to its "positive non-intervention policy" and make no further deliberation, not to mention introducing more concrete measures to attract foreign investment in developing new technologies. This results in a "muddling along" manner among some major supporting industries. Or to be more accurate, these industries are left to "fend for themselves and run their course". The Government even aggravates the situation by introducing unduly stringent and harsh legislation to impel the small and medium sized factories to "dwindle out by themselves".

Sir, in view of the progress in our society, it is only reasonable and justifiable for our community to have higher expectations and greater demands on environmental protection. As far as efforts on environmental protection are concerned, the industrial sector has all along been zealous supporters. To cite an example, manufacturers are prudent enough to disregard the increase in operation costs by using low sulphur fuels in order to improve the air quality of Hong Kong. Another example is that the industrial sector again expresses their support to the implementation of the water pollution control programme which can further improve our living environment. However, the anti-pollution measures really have brought forth formidable problems to the bleaching, dyeing, printing and finishing industries and the electroplating industries. Some of these problems cannot be in fact overcome. Following this development, some important and related industries such as weaving, knitting and garment industries, which make up 30% of our total exports, are also gravely affected. Other industries like the electronic manufacturing industry have also suffered a heavy blow. On behalf of fellow members of the industrial sector, I would like to take this opportunity to reiterate our standpoint: we support the

environmental protection policies. On the other hand, we are obliged to remind the Government that environmental protection policies on the principle of "killing the hens to get the eggs" would not be in favour of our economic development. The Government ought to pay attention to this point and address the issue. We urge that when relevant legislation are being formulated, consideration should also be given to the pace, procedure and method of their implementation.

The future of Hong Kong

Prosperity and success of our future hinge upon the harmonious and smooth development of our relation with China. We are mutually dependent upon each other in a great number of areas. It should be reckoned that a labour force of more than 2 million people in the mainland has been employed to produce exports for Hong Kong. They bring wealth to Hong Kong and our economy is benefited. On the other hand, investments or joint ventures initiated by Hong Kong in mainland China also constitute 75% of the total value of foreign investments in China, much to the advantage of the continuation of her open door economic policy and trade development.

I am pleased to note that in paragraph 94 of your policy address, you have stressed the importance of our relationship with China, and pointed out that stresses and strains can be overcome by mutual effort and mutual understanding, so that our relationship with China can be developed further. This message should bring some enlightenment to those politicians who are keen on "down with the status quo" or indulged in "extreme confrontation". Sir, despite the differences in political views of the people, I believe that for an estimated population of 5 million people whose homeland is Hong Kong and who are prepared to stay, they would have common interest in mind -- any drastic action that may disrupt the order of their normal living would not be welcomed.

Sir, I fully agree to your opinion that "a constructive relationship with China is fundamental to the future well-being of Hong Kong, both before 1997 and after. Neglecting this truth, or making no attempt to foster such a relationship, would do no service to the people of Hong Kong."

Sir, with these remarks, I support the motion.

DR TSE: Sir, after the most exciting unfolding of development for the next decade in your last year's policy speech, I do not suppose anyone would expect another speech

from you this time to repeat that performance, notwithstanding the present state of the economy and of world affairs. As the Chinese saying goes: "green vegetables and salt fish are just as tasty after a big feast of shark's fin and abalone." I therefore welcome the practical and sober approach you have chosen to deliver your policy speech this year which realistically assessed how the blueprint laid down for the next ten years was to be implemented and evaluated. In fact I would not be surprised if parts of the blueprint needed revision or amendment in the future as the circumstances change.

Sir, in your speech you warned against the possibility of stagflation in the world market in 1991 and advised the private firms to retain their competitive edge by making better use of existing resources. I cannot agree more with your advice and I presume that when you referred to the private firms, you also included the Government.

As a matter of fact, when it comes to the better use of resources, it is even more important for the Government to demonstrate to the community that it is indeed competitive and prudent not only in hard times, but also consistently so in good times. Government should avoid being lavish or overly generous in good times, launching grandiose projects or new services regardless whether the priority is right or Government can afford them in the long run. Otherwise when hard times come and cutbacks are necessary, "white elephants" would be left on the trail or services curtailed, resulting in tremendous wastage of resources and low morale among those who are affected.

Now I would like to briefly comment on law and order. I agree with your assessment that Hong Kong is a safer place now than perhaps ten years ago in terms of personal safety. But in terms of larger scale violent crimes, I think the rising trend is worrying. I support the measures you have proposed to tackle the problem including the drafting of new legislation to combat organized crimes. But I would submit that no matter how we legislate to reflect the concern of the community in the seriousness of criminal activities, in the end, it is the meting out of penalties by the courts which will have the deterrent effect. I have no desire, as a legislator, to interfere with the interpretation of the law by the judiciary, but I do have a duty to reflect the thinking of the common people. They all feel that the light sentences that have been handed down by the courts have not helped deter the hard core criminals from repeating their crimes. My appeal, therefore, is that the judiciary would heed the feeling of the community and make judgements to reflect the standard and expectation of this society.

Sir, so far as education is concerned, my honourable colleague, Mrs Rita FAN, has spoken on the need for full-time teacher's training at the undergraduate level. As a person who has a genuine concern for the overall educational scene of Hong Kong, I totally share her reasoning in support of such training; and as the head of a tertiary institution, I can confirm that the Baptist College has indicated its intention to participate in teacher's training at the degree level in its expansion plan submitted to the UPGC for consideration. Since the proposed degree course can, if necessary, be accommodated within the agreed student number allocated to the college, there is at least one tertiary institution which is willing and ready to take on the task without additional provision outside the planned tertiary expansion programme. I do hope that Government would respond positively to Mrs FAN's plea, taking the intention of Baptist College into consideration.

Sir, in the areas of housing, medical and health services, I totally endorse your philosophy of giving people freer choices according to their ability to pay. This is particularly true in the area of medical services. As a taxpayer, I am quite willing to see my tax money spent to help pay for the medical services of those who cannot afford the payment. But again, as a taxpayer, I do not feel comfortable having to pay for those who actually can afford their share of the cost. And I would be extremely unwilling to pay the hospital cost for those who simply take advantage of the fact that the present charge for staying in a public hospital is lower than staying at home. To me, this is an unacceptable wasting of public resources. Therefore, I am agreeable to the idea of setting the hospital service charges at more realistic levels, but at the same time, providing means-tested mechanism to help those who are less fortunate. Having accepted the free choice principle, I would like to appeal to those who are involved in the medical services to consider their professions as a noble calling to serve humankind, and that while they deserve good and adequate remunerations for their services, they should not make the cost of the services so high that the community would have to cut either the quantity or the quality of the services in order to afford them.

Lastly, I would like to comment on the physical infrastructure. I support Government's decision to go ahead with the construction of the Tsing Ma Bridge on the design-and-construct basis. I have to admit that I am no engineering expert, I cannot vouch that the Tsing Ma Bridge concept is the best one there is, but timing is crucial. Given the present rate of growth of traffic at Kai Tak Airport we need to proceed with the airport project without delay. Also given the less than

forthcoming support from Beijing presently, the private investors would have to increase their profit margin substantially to cushion the risk of their investment, if the "build-operate-transfer" (the BOT) approach is adopted. Therefore I think Government's decision to take the alternative option of "design and construct" and to build the bridge as a government project is a wise one. As a matter of fact, my personal view is even if worst comes to worst when, for some unlikely reasons, the construction of the airport at Chek Lap Kok could not proceed on time as planned, the Tsing Ma Bridge would still be of tremendous benefit to the future of Hong Kong because it would open up the island of Lantau for various kinds of development.

Sir, I just returned from Shanghai last week after an academic visit. While I was there, I went to take a look at Pudong () which had been talked about much recently. I went through the new tunnel which the Municipal Government of Shanghai had built under the Huangpu River to connect Pudong and Puxi (). In addition, a large suspension bridge of some 1 500 m long was under construction. I was told that the development potential of Pudong would be fully realized after the completion of the bridge. I also learnt that the planning of the tunnel and the bridge had been going on for a long time. That being the case, Mr JIANG Zemin who was the mayor and then party secretary of the City of Shanghai must have had a part in the decision making. Mr JIANG had the insight to realize how important it was to have the transport infrastructure in place before Pudong could be developed. Therefore, there should be no question of Mr JIANG "inviting the guests" and Mr ZHU Rongji, the present mayor, "paying for the bill". In fact, I am sure that Mr ZHU should be very grateful that his predecessors had made those right decisions. Otherwise, he would not be able to promote the idea of developing Pudong into one of the world's largest trading and commercial centres. I said this with all sincerity, and no mockery. I do hope that the top leadership in China would understand why our Government took the decision as it did and give the project its favourable nod. In any case, I think this Government must take decision once it is fully convinced that it is for the long-term benefit of the territory. Now that the bridge is to be built on the design-and-construct basis with financial commitment from Government, I hope the prospective bidders will do their best to come up with the most economic and practical design that will meet the needs of Hong Kong at a substantial saving.

Sir, after I finalized the text of my speech last Monday, I returned home rather late at night. To my pleasant surprise, I discovered that two of my Chinese orchid plants had started to blossom after five bloomless years. Also to my great delight, my Chinese roses were all in bloom under a clear autumn sky. Immediately I thought

of them as good omens. I went up to my study and jotted down a few thoughts which were later turned into a Chinese poem of eight lines. I would like to end my speech with the poem in Chinese to give my last remarks a touch of feeling.

Sir, with these remarks and the poem, I support the motion.

MR PANG (in Cantonese): Sir, this year's policy address has at last brought us a message that the whole community of Hong Kong has to be psychologically prepared to face the impact of economic recession over a period of time. We are also expected to make concerted efforts to overcome difficulties.

During the past year or two, the public at large, particularly the working class, has already been experiencing the pressure of inflation and the difficulties in maintaining a reasonable living standard. Contrary to what you, Sir, have said, real wages have not "kept ahead of increases in consumer prices."

All along, certain local manufacturing industries have been the main driving forces behind our economic and social developments. Coupled with the support of an industrious labour force, Hongkong-made products have become famous all over the world and gained enormous foreign exchange earnings for us. This, in turn, has enabled Hong Kong to maintain a persistent economic growth, providing the Government with abundant funds for infrastructural projects which help lay a foundation upon which today's prosperity is based. However, starting from the late 1970s, the Government took the lead in pushing up the cost of land supply, resulting in overheated internal economic activities. Many major industrialists curtailed their business or even closed down the enterprises that were handed down through generations, in a bid to change over to the real estate market and the construction industry for greater profits. At that time, men of insight already pointed out that such an unhealthy trend would not only widen the gap between the rich and the poor, but also lead to very serious consequences in the event of a worldwide economic crisis. I remember that the Government at that time also realized such a potential risk and warned that Hong Kong must maintain a growth in its industrial exports in order to

maintain a steady development of its economy and to improve the living standard of its people. It was also pointed out that any overheated internal economic activities would undermine such a goal. Unfortunately, in the 1980s, the Government's high land price policy was aggravated and a speculative trend took the place of genuine investments. The manufacturing industries moved out of Hong Kong or relocated a large part of their manufacturing processes to mainland China. Despite the Government's repeated appeal to industrialists that Hong Kong must develop high-technology industries, such a call was, unfortunately, echoed and supported by very few people. Besides, as 1997 is drawing near, the problems of brain drain and capital outflow are becoming very serious. Who should be held responsible for such a phenomenon? The problem has actually been brewing for quite some time and I think the Government should at least be partly held responsible for that.

Sir, you estimated that "inflation will average 9.5% for 1990 as a whole" and there is "the prospect of it rising". You also said "to interfere in the free play of market forces would not be in character for Hong Kong. But we can, as well as being sensible about wages, try to limit the damaging effects of rising prices." This shows very clearly that what the Government could do is to take the lead and join hands with capitalists in adopting certain measures to contain the wages of the employees. Is this the only viable solution to alleviate the inflation problem? I cannot but cast doubts over it.

Sir, in fact the Government has long been interfering with natural adjustments on the labour market. It has completely ignored the views of the labour sector and failed to sympathize with the plight of manual workers who constitute the majority of the local work force. For purpose of favouring the capitalists, the Government has relaxed its control on the importation of labour and has taken an indifferent attitude over the disappointment of and repeated appeals by the labour sector. The Government, in my opinion, has acted perversely and persisted in having its own way.

Sir, you said "we have relaxed the controls on the importation of labour in certain crucial areas of the economy. This does not mean cheap labour: employers will be required to pay imported workers market wages." Is this really the case? The employers have time and again criticized that the median wages for imported workers have been set too high. The wages of workers in Hong Kong are calculated according to the piece rate and hours or days they have worked. Thus it can be seen that the method of calculation of wages for local workers has all along been unreasonable. Now that the world is experiencing economic recession, Hong Kong will sustain a period

of economic slowdown. On behalf of the labour sector, I once again urge the Government to shelve its programme of labour importation, particularly in regard to the manufacturing industry where under employment often prevails.

Sir, the Government has suddenly expedited the implementation of the new airport and port development projects. On 5 October, the Chief Secretary announced at the Legislative Council In-House meeting that the Government has decided to spend \$6 to \$7 billion from its reserve fund to finance singlehandedly the construction of the Lantau Fixed Crossing which would provide a link to the new airport. In reply to Members' enquiries, the Chief Secretary ruled out the possibility of adding a burden to the public by tax increases.

Sir, in your policy address, you described in specific terms that the package of the new airport project would be completed by stages in 10 years. By that time, the outlook of Hong Kong would be substantially transformed. When the new airport is put in operation, a series of roads, bridges, railways and tunnels would link it up with Kowloon. A splendid and majestic "rose garden" would emerge for beholders from around the world, giving pride to the general public of Hong Kong.

However, the public is not only concerned but in fact much worried about the source of funds for this unprecedentedly colossal programme. They are worried that the Government would strive to spend its funds on this physical infrastructure, while the development programmes of housing, medical services, welfare services and environmental protection would be affected. Would there be no improvements in these aspects as a result of the austerity programme? I hope the Government can give assurance that development of the social infrastructure would not be slowed down, so that the doubts and worries of the public would be cleared.

Sir, I support the motion.

PROF. POON: Sir, let me begin by agreeing with you that we are going into a period of consolidation in Hong Kong. We have had a period of sustained high rate of growth. As a predominantly externally driven economy, Hong Kong is sensitive to the changing conditions of our trade partners. Because of less favourable economic conditions around the world, Hong Kong people must accept the fact that we will not be growing as fast as we have been. It cannot be sunshine all the time. Let us now tighten our belts and brace up for the rainy day.

Your suggestion of wage restraint is a prudent measure to combat inflation. To

be effective, wage restraints must be motivated and voluntary, and exude from all sectors and all levels of Hong Kong.

Sir, you have highlighted investments in physical infrastructure. You have also spoken at length about developments in the social infrastructure. I am astonished not to find a single mention of the development of science and technology in your address.

Like education, science and technology is a long-ranged effort. The benefits of an investment in technology are long-term and may not be returned directly to the investor. Many companies will spend money to hire an educated man but very few companies would spend money on education. In the same way, the private sector is ready to buy technological products but less ready to invest in science and technology. And sure enough in Hong Kong, we have technological products. But that is not the same as having a technological capability. We have computers but we do not have the technology to design and make computers. Because market forces and profit motives are essentially short-term, they will not bring about investment in science and technology which is very long-term and brings only indirect returns.

Apart from considerations of funding, the leadership focus must come from Government. The proper organizational auspices and institutional frameworks have to be provided by Government. Although the private sector and the academic sector may be ready to come forward with support in providing money and offering advice, without this focus they would not find a way to direct their support.

Sir, you have drawn our attention to the fact that we may be looking forward to only a modest 2.5% economic growth rate this year. Does that not point to the need to increase our productivity? And as we move into an increasingly knowledge-intensive society and technology-oriented economy in the 1990s is not science and technology the key to enhancing our productivity? We need science and technology to produce products of higher value-added in manufacturing. We need science and technology to support our service sector because increasingly the services we are going to offer to China and the Asian region will be technology related.

Even the ambitious physical infrastructure projects need science and technology. We need science and technology to build the airport and the container terminals. And then we need science and technology to run the airport and the terminals.

Can we rely entirely on technology transferred from outside? Certainly not. We

can buy technology products but we cannot buy a technological capability. In order to make use of the internationally transferred technology, we need to have our own core expertise. We need to have in-house competence and knowledge before we can commission the services of external consultants. To make use of the advice of international experts, we need to have indigenous expertise to interpret the advice.

In order to have a local core of expertise, we must have a sound research base. Sir, in your policy address in 1987, you announced that funds for research at the tertiary education institutions would be increased to \$120 million for the three years from 1988 to 1991. If we were to make the generous estimate that the total amount spent on research in all sectors is equal to five times this amount, the average expenditure on research in one year is about \$200 million. This amount is equivalent to only 0.04% of our estimated Gross Domestic Product of \$492 billion in 1989-90. 0.04% of GDP is a very low level of support by any international standard. Our competitors, the other newly industrialized economies, spend much much more on research: Singapore 0.9%, Taiwan 1.2%, and South Korea 2.2%.

It would only be a drop in the bucket compared to the price-tag of \$127 billion for the port and airport project. If our Government is prepared to commit Hong Kong to spending the huge amount on physical infrastructure, can we not spend a little bit more to support science and technology infrastructure?

Sir, I am sure you are aware of the deliberations regarding the setting up of an Industry Development Council. The Committee on Science and Technology has been looking into science and technology infrastructure in neighbouring countries with a view to recommending the strengthening of science and technology infrastructure in Hong Kong. The six tertiary education institutions have been involved in a project to develop technology road maps for Hong Kong. Earlier a group of private sector sponsors have commissioned a study by SRI International on an economic strategy for Hong Kong's future which includes specific recommendations on science and technology. I think the reason that you, Sir, have not discussed science and technology in your policy address was that you would like to wait till the results of these deliberations are available.

Let me reiterate my view that the Committee on Science and Technology should be upgraded to a Science and Technology Council charged with responsibilities of the formulation and review of science and technology policy, as well as the implementation of plans and strategies for the promotion and development of science and technology.

It will be the focus of co-ordination of efforts relating to science and technology and will serve as a channel of consultation for various parties having interests in science and technology. The Science and Technology Council should be given executive powers and allocated funds so that it can promote and implement scientific and technological activities.

In order for the Council to carry out its work effectively, it must have an executive office staffed by professionals, to assist in the tasks of drafting policies and plans, and of implementing programme activities.

While I am encouraged by developments in thinking towards setting up an Industry Development Council, I feel the two are essentially parallel developments. The remit of science and technology goes beyond industry. While one would expect a loss of interaction and synergy between a Science and Technology Council and an Industry Development Council, there is no question of one replacing the other because the remits of the two are different. Hong Kong needs both a Science and Technology Council and an Industry Development Council, and we can afford it.

Sir, three years ago in your policy address to this Council you have said:

"Research is an important element of the work done in the field of higher education. Good research contributes to the intellectual liveliness of the institutions themselves. It also provides the skills for the industrial innovation on which our economy will increasingly depend."

Let me express the hope that the importance you have placed on research will not be diminished in our effort to greatly increase the number of degree places in tertiary education.

There must be adequate support for research and development up to internationally acceptable standards compatible with degree granting institutions.

You have mentioned the need to recruit over 3 000 teachers in the tertiary education sector in the years to come. What can be more important to attract and retain academic staff than proper and adequate support for research and the provision of a positive and encouraging environment for academic and research activities?

With the hope of hearing from you your commitment to develop science and

technology, Sir, I support the motion.

MR SZETO (in Cantonese): Sir, in your policy address, you have come straight to the point at the outset that "Hong Kong is, and must remain, a community facing its future with realism and the determination to succeed". Obviously, "realism" and "the determination to succeed" are the main themes of your policy address and at the same time policy guidelines for the current year and the years ahead.

Have we abided by the principle of "realism" and "determination to succeed"?

Let us first examine the principle of "realism". To be realistic is not only to face reality squarely and not to brush problems aside, but further still, we have to identify and address the most difficult and most crucial areas of our problems in actual life. To be realistic is not simply presenting facts and issues. We have to go further to identify the "core" problem and not just the "minor" ones.

The "core" problem now and for the years ahead is to find out ways to truly implement the fundamental spirit and the provisions of the Sino-British Joint Declaration and to put into full effect the principles of "one country, two systems" and "a high degree of autonomy". It is a political problem, as well as a problem that affects the confidence of the people of Hong Kong in their outlook towards the future. Should this "core" problem be put aside untackled, any other efforts to solve the "minor" problems will become superfluous.

Take for instance the economic problems. There were times in the past when we suffered in the face of unfavourable economic conditions. However we recovered quickly with resilience. Can we do the same now and in the years ahead? Last year, our economy suffered a significant slowdown. This year, the sluggish atmosphere hangs on. It appears that good sunny days will be something remote in the following year. The time being taken to recover and bounce back is longer than any previous setbacks. We cannot help doubting if we still have the ability to recover quickly and bounce back with vigour like what we did before in the face of changes in our circumstances. The problem of confidence in the future keeps undermining people's willingness to invest and keeps escalating manpower wastage. Such being the case, resources and manpower factors will prevent our economy from gaining the momentum to recover with resilience.

Take for instance the problem of law and order in our society. The greatest underlying threats to public order are that illegal firearms keep infiltrating into Hong Kong, smuggling activities remain rampant, local gangs collaborate with vagabonds across the border to commit crimes in Hong Kong, and unilateral efforts to tighten up border security proves unsuccessful. The muddy river overflows and finds its way into the well. It is a test on the determination of the Chinese authorities to take practical measures to implement the principle of "one country, two systems" at this moment, not to mention after 1997.

Take for instance the Civil Service which is suffering from low morale. The spate of industrial actions in the Civil Service is actually a reflection of further deterioration in the confidence crisis. You refer to the pensions of the civil servants in your policy address. It is indeed their greatest worry, which is again an expression of the confidence crisis. If the crisis is not resolved, what effective means shall we have to dispel this worry completely?

Take for instance the direct elections in 1991. You appeal to the public for positive participation in the elections both as candidates and voters. How can this appeal draw response and support from the majority whose confidence has been shaken?

If we are to be genuinely "realistic", we cannot but address the "core" problem in our "reality" so as to find out ways to truly implement the provisions of the Sino-British Joint Declaration in letter and in spirit to put into full effect the principles of "one country, two systems" and "a high degree of autonomy" and to restore our confidence in the future.

Next, I would like to talk about the "determination to succeed". To achieve the goal, surely we have to pay attention to methods and strategies. Yet a strong will is even more important. Without it, one will not care to study or to make bold but painstaking attempts to identify and plan for the methods and strategies, not to mention undaunted efforts to implement the methods and strategies and perseverance to overcome all difficulties in order to succeed.

It has been mentioned in your policy address that "an increase in the exchange of information in this way should not be seen as giving the Chinese Government a veto over decisions which are properly for the Hong Kong Government to take. They have not sought this; nor would I expect them to do so." What a statement full of good will! I cannot help raising a question: What if our decisions have been vetoed and

such demands have been made? How can the authority uphold its determination to succeed?

Finally, it behoves me as representative of the education sector to have a word on education.

Perhaps, in view of the fact that the Education Commission Report No. 4 has not yet been published, there is nothing new about education in the policy address.

In the policy address last year, "ambitious" goals and programmes were proposed on the development of tertiary education. At that time, I stressed during the policy debate that we should never neglect foundation education (pre-primary education and nine-year free education) while developing tertiary education, otherwise the towering building would collapse because of a lack of solid foundation. I would like to stress the same point again: if we do not improve the quality of foundation education, there will not be a sufficient number of good students even with more provision of tertiary places.

Being a member of the Education Commission, I understand that the main theme of the Education Commission Report No. 4 is to find solutions to the entailing problems of the nine-year free education, and to tackle these problems in order to enhance the quality of the nine-year free education. All these are compelling tasks. May I call upon members of the public, especially those of the education sector, to generously give their comments on the report once it is published.

Manpower is the only asset of Hong Kong. The upsurge of brain drain has put our only asset at risk. Apart from restoring people's confidence, the key solution lies in strengthening education. It is hoped that the authority will invest in education programmes with the same stamina and resolution as it renders to the "rose garden" project.

Each and every recommendation in the Education Commission Report No. 4 involves the use of resources. It is impossible to implement these recommendations without financial commitments. I hope that the Government will attach importance to the development of our only asset and not to use competition in the allocation of resources as a pretext to veto, slash or delay the implementation of any justifiable recommendations of the report.

If the "rose garden" is to be put in place, roses have to be grown in it. The people is our "roses".

Sir, with these remarks, I support the motion.

Suspension of sitting

HIS EXCELLENCY THE PRESIDENT: About half the Members of the Council are still on the list to speak in this debate but I expect that Members would like a pause before continuing. Therefore, in accordance with Standing Orders I suspend the sitting until 2.30 pm tomorrow afternoon.

Suspended accordingly at thirteen minutes past Seven o'clock.

Note: The short title of the motion listed in the Hansard has been translated into Chinese for information and guidance only; it does not have authoritative effect in Chinese.