



DAILY INFORMATION BULLETIN

ISSUED BY GOVERNMENT INFORMATION SERVICES
BEACONSFIELD HOUSE, HONG KONG. TEL.: 842 8777

Wednesday, March 29, 1995

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Transcript of Financial Secretary's media session

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Following is the transcript of the media session by the Financial Secretary, Sir Hamish Macleod, after the Legislative Council meeting today (Wednesday):

I have two reasons for being happy this afternoon. The first, of course, is the Budget Appropriation Bill has gone through with a very healthy 48-1 vote, so that is extremely pleasing. Secondly, the important question of the Expert Talks on the Transitional Budget; it's good news that they have now resolved whatever problems they had about defining the scope of the talks and that is going ahead, as planned, tomorrow. So, Donald Tsang and his team will be travelling up and those talks will take place tomorrow.

I know that on our side, we've done a lot of detailed preparation and so I hope that those talks can get off to a good start tomorrow and we will then be entering into quite a long process, obviously, right up to the transitional Budget, of talking in that group of experts, so I look forward to that being a success too.

QUESTION AND ANSWER SESSION

Question: What was the problem and how was it resolved?

FS: The problem, I believe, was to do with the scope of the talks, although the scope of the talks had been, we thought, clear for a very long time. But anyway, there were some discussion of the wording but that has now been resolved. There will be an official announcement, I believe, by the JLG Officers with the precise wording of the announcement but basically, they are going to discuss the transitional budget and related matters.

Question: So is (inaudible) the 1997-98 Budget or the 1996-97 Budget?

FS: It's very clear: the transitional budget is the 1997-98 Budget. Actually, it has been very clear from the start what we were talking about.

Question: But this doesn't solve (inaudible) I mean (inaudible) the problem this morning (inaudible)

FS: I don't think anyone would talk about threats in this one. We had thought it was clear what the discussions were about and apparently there emerged at a rather late stage some uncertainties, and I am very glad those have been resolved. I'm not going to dwell on the uncertainties. I think the main thing is to get on with it and have good talks.

Question: But Donald Tsang had been supposed to go to Beijing this afternoon but can you say that he's delayed his trip to Beijing today?

FS: Well, I don't know exactly what flight he is catching but he is certainly going today and he will be there in time for the talks, that's the main thing.

Question: So there was a delay?

FS: I think JLG Officers had better answered that question. I don't know which flights they are actually going on.

Question: When did you discover the problem - till this late afternoon?

FS: Only rather recently, I understand. Obviously, I've been in there only rather recently.

Question: You mean today?

FS: Of course today, yes.

Question: This afternoon?

FS: This afternoon. Thank you very much indeed.

End/Wednesday, March 29, 1995

Public views sought on provision of legal services

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A public consultation paper seeking the views of the public on how to improve the provision of legal services in Hong Kong was published by the Legal Department today (Wednesday).

Releasing details of the consultation paper at a press conference today, the Attorney General, Mr Jeremy Mathews, said the document covered a wide range of issues related to the provision of legal services and set out the Administration's provisional views in respect of them.

He emphasised that the paper looks at legal services from the angle of the consumer, and urged members of the public to read the paper and comment on it.

Mr Mathews explained that the issues discussed in the paper include rights of audience; lawyers' fees; legal representation in conveyancing transactions; restrictions on competition; advertising; quality and remedies; interest on solicitors' clients' accounts; touting and the payment of commissions; lawyers' business organisation; and entry to the legal profession by foreign lawyers.

Mr Mathews referred to the Law Society's paper on "The Future of the Legal Profession" published in January 1993 and the Bar Association's Position Paper published a year later. He said that in recent years, there had been much discussion, both within and outside the legal profession, about the structure of the profession and other issues such as the need to combat "touting", and scale fees for conveyancing.

"The time has come for the Government to take the lead in bringing together all these issues and in seeking the views of the community on them," Mr Mathews said.

Mr Mathews said we all knew the importance of the rule of law, the continuity of our legal system, and the vital role played by the legal profession.

"But if the legal services do not meet the needs of the consumer, or if they are too expensive, or inefficient, the community may lose faith not only in the legal profession but in our legal system. That is not a development we wish to see," he said.

"As Hong Kong prepares to enter into the 21st century, we must be sure that the legal services available are the best that can be provided in this dynamic, international city," he added.

Mr Mathews said there were many aspects of professional practice that were obsolete or obsolescent and had been abandoned elsewhere; many restrictions on the ways in which legal services might be offered; and many practices that were non-competitive and might not be in the public interest.

"However, we are interested in soliciting views. The recommendations we make are by no means cast in stone. We need public feedback. I hope the paper will provoke debate, not just amongst lawyers, but in the community at large on issues that go to the heart of our legal system," Mr Mathews said.

He noted that the consultation period would end on June 30 this year and called on members of the public and lawyers to express their views before then.

All written submissions should be sent to the Attorney General, Legal Department, 4th floor, High Block, Queensway Government Offices, 66 Queensway, Hong Kong, or transmitted by facsimile to the Attorney General on 2869 0720.

"Anyone who wishes to study the consultation paper in detail can obtain a copy, in either English or Chinese, from the District Offices or the Legal Department from next Monday," Mr Mathews said.

On the structure and practices of the legal profession, Mr Mathews said the paper had covered and made recommendations in respect of the rights of audience of solicitors, access to counsel, attendance on counsel, and the two-counsel rule.

He said if the recommendations made by the Administration on those matters were implemented, there would be no strong case for formally unifying the two branches of the profession.

Some of these recommendations are:

- * It should be possible for solicitors to acquire rights of audience in all courts under statutory provisions similar to those in England and Scotland.

- * Recognised professional bodies should have direct access to barristers, as in England and Australia.

- * Barristers should be permitted to appear unattended in court if they consider that the absence of the solicitor or his representative will not prejudice the interests of the lay client or the interests of justice.

- * The two-counsel rule, which prevents a Queen's Counsel from appearing as an advocate without a junior in any court or tribunal, should be abolished.

Some other recommendations made by the Administration in the paper are as follows:

Lawyers fees

The main recommendations in respect of lawyers' fees are that scale fees should be abolished in respect of conveyancing transactions, and that "conditional fees" should be possible in respect of certain proceedings.

A conditional fee arrangement is one whereby a lawyer agrees that he will receive no payment if the case is lost and that, if the case is won, he will receive a fee which does not exceed the normal fee by more than a permitted amount.

Legal representation in conveyancing transactions

It is recommended that joint legal representation of the parties to a sale and purchase, mortgage or lease of property should be prohibited, because of the potential conflict of interest involved. At the moment, developers and mortgagees normally require a consumer who is separately represented to pay their legal costs as well as his own. This practice increases the cost of separate representation and is considered to be contrary to the public interest. It is therefore recommended that such a requirement should be made legally invalid.

Restrictions on competition

The only services in which lawyers currently have a monopoly are those of advocacy in the courts, the conduct of litigation, and the undertaking of conveyancing and probate work. No relaxation is recommended in respect of advocacy and the conduct of litigation since the proper administration of justice in the courts depends upon the training and skills of those representing lay clients.

With regard to conveyancing and probate, the paper recommends that there should not be complete deregulation, as this could seriously undermine consumer protection. It is noted that reforms are underway in England to allow suitably qualified and regulated authorised persons to undertake this work, but it is too early to assess the effect of those reforms. In the circumstances, it is recommended that no change be made at this time, but that the issues may need to be addressed when the developments in England can be fully assessed.

Business organisation

At present, solicitors can practise only as sole practitioners or in partnership with other solicitors. The paper recommends that the Law Society should be able to permit solicitors to practise in multi-disciplinary practices (that is, in partnership with other professionals) and that, subject to proper safeguards, solicitors should be permitted to incorporate their practices.

Recent developments in respect of the regulation of foreign lawyers in Hong Kong are discussed and the paper asks whether the time has come to allow solicitors to enter into partnerships with foreign lawyers.

Admission as a barrister

The paper describes the obligations that Hong Kong is under by virtue of the General Agreement on Trade in Services, and states that the present criteria for admission as a barrister need to be amended so as to be objective, reasonable, non-discriminatory and standards-based.

Advertising

The Administration considers that there should be a general relaxation of the rules restricting advertising. The only restriction on advertising and promotion by lawyers should be that it must not be false, misleading or deceptive.

The Bar Association should actively encourage the dissemination of information about the services offered and fees charged by barristers.

Miscellaneous

Other important recommendations are that -

- * a statutory fidelity fund, financed by a levy on solicitors, should be established to protect consumers from the dishonesty of solicitors or their employees;

- * solicitors should be required to pay interest to clients, where it is reasonable to do so, in respect of clients' money held by them; and

- * barristers should be required to take out adequate indemnity insurance in respect of their liability for negligence.

End/Wednesday, March 29, 1995

Exchange Fund at end-1994 stands at \$408 billion

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In a statement to the Legislative Council today (Wednesday) the Financial Secretary, Sir Hamish Macleod, announced that the Exchange Fund stood at HK\$408 billion at end-1994.

According to the unaudited figures, total assets of the Fund were up 17 per cent from HK\$348 billion at end-1993. Of the total, HK\$384 billion (US\$49 billion) were denominated in foreign currencies, placing Hong Kong seventh in the world in overall foreign exchange reserves and second in the world in reserves per capita.

These reserves are equivalent to more than nine months retained imports of goods and five times the size of Hong Kong's note issue.

"The continued strength of the Fund gives added credibility to our long-standing commitment to defend the currency and its link with the US dollar," Sir Hamish said.

The accumulated earnings of the Fund increased by just over HK\$1 billion to about HK\$129 billion at end-1994, according to the unaudited figures.

Prevailing market conditions in bond markets of the world last year were very unfavourable for holders of fixed income assets.

The Fund, as a large net holder of assets, was not immune to this adverse investment climate.

However, the Hong Kong Monetary Authority (HKMA) took action to reset the Fund to a very defensive stance early in 1994 and this enabled the Fund to avoid the worst effects of the fall in markets.

"By careful defensive positioning we have managed not only to preserve 1993's exceptional gains but also to add to those gains," said Mr Joseph Yam, Chief Executive of the Hong Kong Monetary Authority (HKMA).

"We are satisfied with the results."

In his address to the Legislative Council, Sir Hamish also announced that the balance sheet of the Fund would be published more frequently in a move towards improving the transparency of the Fund's operation. From now on, the accounts of the Fund will be published semi-annually.

The balance sheet of the Fund showing the overall size and accumulated surplus was revealed in July 1992 and the accounts have since then been published on an annual basis.

Today, the six-monthly data on the Fund for end-June 1993 and end-June 1994 were also disclosed.

The decision to publish the Fund's accounts more frequently underscores the Government's firm belief in the policy of greater openness and public accountability on important policy matters.

"More frequent disclosure of the Fund's position will also bring Hong Kong more into line with international practice," Sir Hamish said.

In another move toward greater accountability and transparency, the HKMA has adopted new accounting principles in the 1994 accounts.

Under these principles, all assets and liabilities of the Fund are now valued at mark to market values, thus removing the inconsistency between the accounting basis for assets and liabilities, and presenting a clearer picture of the Fund's position.

Under the old accounting principles, most assets were marked to market while liabilities were valued at cost.

For comparison, the 1993 accounts were restated to reflect the new accounting principles adopted.

Exchange Fund Abridged Balance Sheet

		Based on New Accounting Policies			Based on Old Accounting Policies	
	Notes	DEC 94 (Unaudited) HK\$ mn	JUN 94 (Unaudited) HK\$ mn	DEC 93 (Unaudited) HK\$ mn	DEC 93 (As previously published) HK\$ mn	JUN 93 (Unaudited) HK\$ mn
ASSETS						
Foreign Currency Assets	2	384,359	367,543	335,499	335,421	299,186
Hong Kong Dollar Assets	2	24,126	20,782	12,987	12,973	28,606
		<u>408,485</u>	<u>388,325</u>	<u>348,486</u>	<u>348,394</u>	<u>327,792</u>
LIABILITIES						
Certificates of Indebtedness	3	74,301	69,571	68,801	68,801	62,591
Fiscal Reserves Account	4	131,240	131,171	115,683	115,683	115,469
Coins in Circulation		3,372	2,573	2,604	2,604	2,394
Exchange Fund Bills and Notes		46,140	39,221	25,157	25,168	23,818
Balance of Banking System	5	2,208	2,858	1,385	1,385	2,690
Other Liabilities	6	22,614	18,819	7,314	7,135	5,232
		<u>279,875</u>	<u>264,213</u>	<u>220,944</u>	<u>220,776</u>	<u>212,194</u>
ACCUMULATED SURPLUS						
		<u>128,610</u>	<u>124,112</u>	<u>127,542</u>	<u>127,618</u>	<u>115,598</u>

Notes to the Abridged Accounts

The abridged accounts, including Notes to the Abridged Accounts, agree with the detailed audited accounts in all material aspects, except that some of the smaller items have been consolidated in the abridged accounts.

1. PRINCIPAL ACCOUNTING POLICIES

(a) VALUATION OF ASSETS AND LIABILITIES

In order to give a more appropriate presentation of the results and financial position of the Exchange Fund, the accounting policy with respect to the valuation of assets and liabilities has been changed in accordance with the recommendation of the International Accounting Standards Committee Exposure Draft E48. In prior years, all assets were shown at market value, with the exception of fixed deposits, which were shown at cost. All liabilities were shown at their face amount, with the exception of Exchange Fund Bills and Notes, which were shown at discounted or amortized value. This policy has been changed. All assets of the Exchange Fund, and its liabilities in respect of Exchange Fund Bills and Notes and other borrowings, are now shown at market value on the last day of each accounting period. The Fiscal Reserves Account is still shown at its face amount, with the difference between its market value and the face amount being included in other liabilities.

To reflect the above change in accounting policy, the abridged accounts for the year ended 31 December 1993 have been restated as follows:

	<u>Revised</u>	<u>As Previously Published</u>	<u>Change</u>
	HK\$m	HK\$m	HK\$m
Assets	348,486	348,394	+92
Liabilities	220,944	220,776	+168
Net Assets	127,542	127,618	-76

The effect of the above restatement has been reflected in the 1993 Abridged Income and Expenditure Account and Abridged Balance Sheet. For practical reasons, the change of the accounting policy has not been retrospectively applied to periods prior to those included in these Abridged Accounts.

(b) TRANSLATION OF FOREIGN CURRENCY ASSETS AND LIABILITIES

US dollar assets and liabilities are translated into HK dollars at the linked exchange rate of US\$1 = HK\$7.80. Assets and liabilities in other foreign currencies are translated into HK dollars based on US dollar middle market cross rates in London at the close of business on the last business day of the accounting period.

(c) OFF BALANCE SHEET ITEMS

The Exchange Fund, as part of its reserves and monetary management operations, enters into interest rate swap contracts and foreign exchange contracts.

Interest rate swap contracts are contractual agreements between two counterparties for the exchange of periodic interest payments based on a notional principal amount and agreed-upon fixed and floating rates. Foreign exchange contracts include spot and forward contracts and involve the exchange of two currencies at a rate agreeable to the contracting parties.

These interest rate swap contracts and foreign exchange contracts are marked to market on the last day of each accounting period and any gains and losses are recognized in the Income and Expenditure Account as they arise.

2. ASSETS

(a) INVESTMENTS

The Fund is invested in interest-bearing deposits with banks in Hong Kong and overseas and in a variety of financial instruments, including bonds, notes, treasury bills and US equities.

(b) FOREIGN CURRENCY ASSETS DISTRIBUTION

A large proportion of the Fund's foreign currency assets are held in US dollars. Apart from the US dollar, the Fund also holds assets denominated in other major foreign currencies, such as the Australian dollar, Belgian franc, Canadian dollar, Danish krone, Deutschmark, Dutch guilder, the ECU, French franc, Japanese yen, pound sterling, Swiss franc, etc.

(c) LOCATION OF ASSETS

The assets are held in deposit, trustee and safe-keeping accounts with banks, central banks and custodial organisations situated in Hong Kong and other major financial centres.

3. CERTIFICATES OF INDEBTEDNESS

As backing for their bank note issues, the three note-issuing banks are required to hold non-interest bearing Certificates of Indebtedness issued by the Exchange Fund. Issuance and redemption of these Certificates are made against payments in US dollars at a fixed rate of US\$1 = HK\$7.80.

4. FISCAL RESERVES ACCOUNT

This comprises the fiscal reserves which have been transferred from the General Revenue Account, Capital Investment Fund, Loan Fund and Capital Works Reserve Fund of the Hong Kong Government to the Exchange Fund on an interest earning basis.

5. BALANCE OF BANKING SYSTEM

In accordance with the Accounting Arrangements introduced in July 1988, The Hongkong and Shanghai Banking Corporation Limited, as the Management Bank of the Clearing House of HKAB, is required to maintain a Clearing Account with the Exchange Fund. The balance in the Account, which represents the level of liquidity in the interbank market, is determined by the Monetary Authority. The Accounting Arrangements enable the Monetary Authority to maintain exchange rate stability more effectively by influencing the level of interbank liquidity through money market operations.

6. OTHER LIABILITIES

Other liabilities comprise expenses accrued at the year end, in the main interest due on transfers from fiscal reserves, other borrowings, provision for contingency related to Overseas Trust Bank Limited and the difference between the market value and the face amount of the Fiscal Reserves Account (see Note 1).

End/Wednesday, March 29, 1995

Joint Liaison Group to hold expert talks

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The Sino-British Joint Liaison Group will hold their first round of expert talks on March 30 in Beijing to discuss the preparation for Hong Kong's transitional Budget and related matters.

The Chinese team will be led by Mr Chen Zuo'er, Chinese Representative on the Sino-British Joint Liaison Group. The British team will be led by Mr Donald Tsang, Secretary for the Treasury of the Hong Kong Government. They will be assisted by experts.

End/Wednesday, March 29, 1995

Agreement on Airport Bill reached with China

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In response to media enquiries on the Airport Bill, a Government spokesman said today (Wednesday): "Agreement has been reached with the Chinese side on the Airport Bill.

"The Government is now proceeding with the drafting of the Blue Bill, in line with the amendments agreed with the Chinese side and taking into account views of the members of the Legislative Council, the Airport Consultative Committee and members of the public.

"We will introduce the Blue Bill into the Legislative Council once it is ready, hopefully in early May."

End/Wednesday, March 29, 1995

Appointments to the Housing Authority

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The Secretary for Housing, Mr Dominic S W Wong, announced today (Wednesday) that the Governor has approved the reappointments of the Chairman and 10 serving members to the Hong Kong Housing Authority. Three new members have also been appointed.

The Chairman of the Housing Authority, Ms Rosanna Wong, and serving members Ms Leung Wai-tung, Mr Victor So Hing-woh, Mr Hau Shui-pui, Mr Leung Chun-ying, Ms Ho On-nei, Mr Chan Kam-man, Mr Nicholas Brooke, Mr Daniel Lam Chun, Mr Yeung Ka-sing and Mr Anthony Wong Luen-kin have been reappointed for a further term of two years with effect from April 1, 1995.

Three new members, Mr Raymond Chow Wai-kam, an architect, Mr Eddy Fong Ching, an accountant, and Dr Joseph Lian Yi-zheng, an economist, have been appointed for a period of two years starting from the same date. They have been serving on some of the Authority's committees.

Mr Pao Ping-wing, and the Rev Sean Patrick Burke, will retire from the Authority after serving for 10 years and 11 years respectively.

"In view of the diverse nature of the work of the Housing Authority, ranging from construction, management, flat allocation, financial control, fund management and so on, a wide cross-section of membership is necessary," Mr Wong said.

"The appointments and re-appointments will provide a good balance of interests and expertise on the Housing Authority. These include members of the Legislative Council, Municipal Councils and District Boards, professionals, academics and public housing residents."

The appointments will be gazetted on Friday (March 31).

End/Wednesday, March 29, 1995

Government purchasing a "big business"

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The Government Supplies Department will call for tenders with an estimated total value of \$4.7 billion in goods and services in the coming financial year.

Speaking at a roundtable luncheon of the Hong Kong General Chamber of Commerce today (Wednesday), the Director of Government Supplies, Mr Nigel Shipman, described the Government purchasing as "big business".

"This means that selling to the Hong Kong Government can be big business too, for those who can provide good quality products at competitive prices," he said.

He stressed that the Government was keen to encourage more competition in the tenders from local and overseas suppliers, without giving preference to any particular source of supply.

The aim is to select the product that represents best value for money for the Government.

"This aim is best secured through fair and open competition in our tendering system," he said.

Open tenders are used whenever the items to be purchased can be satisfactorily obtained in this way.

In cases where open tendering would not be an effective means of obtaining the requisite supplies, restricted or selective tender procedures are used.

Although most of the contracts are awarded on the basis of competitive tendering, Mr Shipman said: "We try to identify sources that offer reliability and value and seek long-term relationships with them."

Therefore, lists of registered suppliers are maintained in which local and overseas companies may apply for registration, he said.

An information centre for enquiries relating to supplier registration and tendering matters has been established.

Interested parties may contact Senior Supplies Officer (Procurement Administration), Government Supplies Department, 12 Oil Street, North Point, Hong Kong. The telephone number is 2802 6253.

The Government Supplies Department is the Hong Kong Government's principal purchasing agent for goods and certain services, serving over 80 Government departments and agencies, and many non-government organisations that are wholly or partly financed by the Government.

Last year the purchases of goods valued at \$50,000 and above amounted to \$4.2 billion.

End/Wednesday, March 29, 1995

Four lots of land up for auction

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The Lands Department will auction four lots of land in Kowloon and the New Territories tomorrow (Thursday).

The public auction will begin at 2.30 pm in the Concert Hall of the Hong Kong Cultural Centre, Tsim Sha Tsui.

The first lot for private residential use is located in King's Park Rise, and has an area of 15,644 square metres. The second residential lot is located in Sha Ha, Sai Kung, having an area of 900 square metres.

Covering an area of 16,301 square metres for residential use, the third lot is at Town Park Road North, Yuen Long.

The fourth lot situated in Area 11, at the junction of On Lai Street and On Yiu Street, Sha Tin, has an area of 9,600 square metres for (i) industrial or godown or both; or (ii) offices ancillary and directly related to an industrial operation; or any combination of (i) and (ii).

Attention News Editors:

Your representatives are invited to cover the auction.

A press area will be designated. Photographers are advised to bring along telephoto lenses.

End/Wednesday, March 29, 1995

Closure of Quarry Bay illegal structure sought

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The Building Authority is seeking to close an unauthorised structure in Quarry Bay so that it can be demolished without endangering the occupants and the public. The unauthorised structure used as office premises is located on the third floor of a commercial building in 28 Hoi Chak Street.

A notice applying for a Closure Order from the District Court under the Buildings Ordinance on June 28 was posted on the premises today (Wednesday).

Demolition work is expected to start as soon as the Closure Order is issued.

End/Wednesday, March 29, 1995

Firemen praise for fighting factory fire

Firemen were thanked for their high efficiency and professionalism in putting out a fire at a San Po Kong factory two weeks ago.

The administration officer of the Star Industrial Co. Ltd, Miss Veronica Grace Leung, today (Wednesday) called on Wong Tai Sin Fire Station to thank the fire-fighters personally.

During her visit, she presented a pennant to the Chief Fire Officer (Kowloon), Mr Henry Tang Siu, and a cash cheque to the Fire Services Welfare Fund in recognition of their distinguished performance.

The fire broke out at the factory, which was situated on the fifth floor of an industrial building at 25 Tai Yau Street, at 10.28 am on March 10. Firemen from Wong Tai Sin and Ma Tau Chung Fire Stations arrived at the scene three minutes later.

They immediately started battling the blaze and put it out within 13 minutes, causing little damage to the factory which could resume normal operation the same morning.

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Tai Po lot to let

The Lands Department is inviting tenders for the short-term tenancy of a piece of Government land in Tai Po.

Covering an area of 2,030 square metres, the lot is for use as a fee-paying public car park and the tenancy is for two years, renewable quarterly.

Closing date for submission of tenders is noon, April 21.

Tender forms, tender notice and conditions may be obtained from the District Lands Office, Tai Po; the District Lands Offices, Kowloon, 10th floor, Yau Ma Tei Car Park Building, 250 Shanghai Street, Kowloon and the Lands Department, 14th floor, Murray Building, Garden Road.

Tender plan can also be inspected at these offices.

End/Wednesday, March 29, 1995

Flushing water cuts in southwest Kowloon and Tsuen Wan

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Flushing water supply to all premises in Tai Kok Tsui, Mong Kok, Yau Ma Tei and Tsim Sha Tsui will be temporarily suspended from 10 pm on Friday (March 31) to 6 am the following day to facilitate maintenance works.

Meanwhile, flushing water supply to some premises in Tsuen Wan will also be cut off from 10 pm on Saturday (April 1) to 7 am the next day to facilitate water mains connection.

The affected areas will include Yuen Tun Circuit, Sha Tsui Road, Tso Kung Street, Hoi Pa Street, Castle Peak Road, Tsuen King Circuit, On Yin Street, Tsuen King Garden, Tsuen Wan Centre, Allway Gardens and Tsuen Wan Adventist Hospital.

End/Wednesday, March 29, 1994

Hong Kong Monetary Authority money market operations

	\$ million	Time (hours)	Cumulative change (\$million)
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Opening balance in the account	1,167	0930	+1,406
Closing balance in the account	2,292	1000	+1,572
Change attributable to :		1100	+1,597
Money market activity	+1,445	1200	+1,445
LAF today	-320	1500	+1,445
		1600	+1,445

LAF rate 4.25% bid/6.25% offer TWI 117.7 *-0.4* 29.3.95

Hong Kong Monetary Authority

EF bills		EF notes/Hong Kong Government bonds				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	5.15	14 months	2605	6.35	100.44	6.02
1 month	5.13	23 months	2702	7.50	102.05	6.43
3 months	5.40	28 months	3707	6.95	100.99	6.59
6 months	5.60	34 months	3801	8.00	103.20	6.85
12 months	5.90	60 months	5003	7.75	102.08	7.38

Total turnover of bills and bonds - \$26,512 million

Closed March 29, 1995

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Commitment to defending currency link unshaken

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The continued strength of the Exchange Fund gives added credibility to the Government's long-standing commitment to defend the currency and its link with the US dollar, the Financial Secretary, the Hon Sir Hamish Macleod, said today (Wednesday).

The commitment is unshaken by the fact that a couple of Legislative Council members questioned its usefulness, he said when concluding the debate on the second reading of the Appropriation Bill 1995.

This fact should be assessed against the background that the link has wide support both in this Chamber and in the wider community, and, helpfully, that China too has made clear its support for the link, Sir Hamish added.

Although the figures are as yet unaudited, at the end of 1994, the Exchange Fund stood at \$408 billion, an increase of 17% over the previous year.

Sir Hamish said 1994 was a very difficult year for fixed income markets, with every major market showing negative returns.

Despite this, the Fund's accumulated earnings rose by just over \$1 billion to \$129 billion.

Sir Hamish also announced the decision to publish the accounts of the Exchange Fund every six months in order to further increase its transparency.

"This more frequent disclosure of the Fund's position will also bring Hong Kong more into line with international practice," he said.

End/Wednesday, March 29, 1995

Sensible action to contain inflation

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The Government is doing all that it sensibly can to contain inflation, bearing in mind the sensitivities over labour importation, the Financial Secretary, the Hon Sir Hamish Macleod, told the Legislative Council in his concluding speech on the 1995/96 Budget.

"We exercise firm control over government expenditure. We avoid fuelling inflation through excessive tax cuts.

"We protect the weak and the vulnerable by adjusting Comprehensive Social Security Assistance payments annually in line with inflation, augmented by real increases from time to time," he said.

And in the longer term, the Government is increasing the supply of land and seeking to remove bottlenecks by investing in the development of infrastructure.

"And in this connection, I am heartened by the recent remarks of Director Lu Ping indicating that there should be good news on the financial arrangements for the airport in a few days," he said.

Sir Hamish pointed out that there were no easy answers to inflation, adding that "the community would not thank us if we reduced inflation by driving the economy into recession."

Turning to the reliability of unemployment statistics, he said the Government would look further at the statistics to try and ensure they accurately reflect the scale and the nature of the problem.

End/Wednesday, March 29, 1995

Solid support for simple tax system

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There is solid support for the Government's overall aim of maintaining a simple and predictable tax system, based on low tax rates, the Financial Secretary, the Hon Sir Hamish Macleod, said today (Wednesday).

"But I entirely accept that this still leaves considerable scope for choices to be made, and improvements introduced."

"That said, one key to financial stability is likely to continue to be maintaining the revenue in real terms from a mix of sources, be they fees and charges, duties or taxes."

Sir Hamish said it was largely for this reason that he had proposed increases in duties this year in line with inflation.

He explained that the tax concessions this year sought to achieve a balance between generosity and caution; between leaving money in the pockets of taxpayers, especially those with extra financial responsibilities; and maintaining strong reserves.

"I am encouraged that most Members generally believe that I have found a reasonable balance, though obviously not agreeing in every respect, on every detail."

He said Legislative Council Members had made a number of useful suggestions about ways to further improve the tax system, for example, the need to provide greater relief for certain groups of taxpayer, and the need to broaden the tax base.

"We will look at all these suggestions carefully," he said.

End/Wednesday, March 29, 1995

Budget consultation needs mutual trust and understanding

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The Financial Secretary, the Hon Sir Hamish Macleod, said consultation with China on the preparation of the 1997-98 Budget could only be achieved successfully through mutual trust and understanding.

"We start this exercise in a spirit of sincerity and goodwill," he said in his speech to conclude the debate on the 1995-96 Budget.

Sir Hamish said he was pleased to note the broad support for the proposal to co-operate fully with the Chinese side on the 1997-98 Budget.

He said he believed consultation on this transitional budget was entirely compatible with preserving the autonomy which the Special Administrative Region Government had in such matters under the Basic Law, but the Government must be very careful not to do anything which might weaken that autonomy.

The expert group provides a forum in which the Government can consult on the budget for 1997-98, with the aim of ensuring that public services will continue through the transfer of sovereignty without interruption.

During the preceding year, the team will be given ample opportunity to observe the budgetary and resource allocation processes to help them understand the system.

"We are entirely relaxed about the possible involvement of the Chief Executive-designate in the process, as suggested by some members.

"No doubt this and other matters can be resolved in the experts' discussions," he said.

End/Wednesday, March 29, 1995

FS thanks LegCo for constructive budget debate

The Financial Secretary, the Hon Sir Hamish Macleod, in his final budget speech before retirement, thanked the Legislative Council members for "a particularly good-natured, thoughtful and constructive debate."

"We face the challenges of the transition with cautious optimism. We have reason for confidence. Our past achievements are clear for all to see. Our economy is in good shape.

"But at the same time, we recognise that it will take hard work, imagination and perseverance to ensure continued success through to 1997 and beyond."

"I shall leave behind me a talented new team who will without doubt help Hong Kong reach new heights," he said.

Noting that Legislative Council members had stated very clearly their support for the budget consultation exercises he initiated, Sir Hamish assured them that genuine consultation would continue to be a keynote under his successor, Mr Donald Tsang.

End/Wednesday, March 29, 1995

Speech by Chief Secretary on budget debate

Following is the speech by the Chief Secretary, the Hon Mrs Anson Chan, at the Legislative Council budget debate today (Wednesday):

Mr President,

I would like to start by thanking all Honourable Members who have spoken in this Budget debate. My colleagues and I are grateful for their constructive suggestions and words of encouragement.

I am pleased to know that Members generally approve of our policy of managing the public finances in a prudent manner. I am fully aware that some Members are concerned that Hong Kong needs to maintain its economic competitiveness and that the Government should not allow changes that would cause inefficiency and stifle economic growth. I am also aware that other Members expect us to do more to take care of our working population and the less fortunate members of our society, in particular our elderly population. Some people may think that these two objectives cannot be reconciled. I do not agree. I believe we can strike a balance between maintaining our competitive edge and devoting more of our resources to helping those in need. The Financial Secretary's Budget does that admirably.

This afternoon, the Financial Secretary and my other colleagues will be replying to a number of points raised by Members during the debate, but I would now like to respond to Members' comments on the following subjects - Deregulation, the Efficiency of the Public Sector, the Civil Service, Equal opportunities, Funding for the Arts and the Judiciary.

Deregulation

The question of deregulation was raised by the Hon Martin Barrow and the Hon Vincent Cheng. Hong Kong, as a general rule, is not over-regulated. The Government firmly believes in intervening only when this will bring net economic and social benefits for the community. But there are inevitably areas where, over time, regulatory requirements - or the way in which these requirements are applied - may need to be reviewed. I have therefore asked the Efficiency Unit to consider how such a review might be carried out in a pragmatic way, drawing on the useful suggestions made by the Hon Martin Barrow.

Efficiency of the Public Sector

I briefed this Council in February on our comprehensive "Serving the Community" programme and described this as the basis on which the Government would develop a culture that was based on performance and on meeting the needs of our customers - by which we mean those whom we serve directly, either as individuals or as businesses. Much of this work, which is being co-ordinated by the Efficiency Unit, focuses on our developing management and service practices that are customer-friendly to enable people to conduct their business with the Government in an expedient and efficient manner.

The benefits of this approach are already filtering through, particularly in the areas of performance pledges, programme management, performance measurement and trading funds. All departments are being encouraged to pursue these initiatives where they are appropriate in their service area. And within this overall approach, departments are also encouraged to improve their services continuously, and to focus on specific services where this is necessary. This is an on-going programme of work that should go a long way towards allaying any fears that the Hon Moses Cheng and other Council Members may have about our commitment to improving overall efficiency.

The Hon David Li raised the related question of privatisation. I can assure him that the Hong Kong Government does not, as a general rule, aim to provide services that can be better provided for by the private sector. There are, however, areas where for various reasons we have developed certain services in the Government that might on the face of it be better carried out by the private sector. The Hon Member referred in this context to the Kowloon-Canton Railway Corporation, the Mass Transit Railway Corporation and the Post Office.

Of these, the first two enjoy considerable autonomy as public corporations and provide efficient and effective services, and we therefore have no plans to change their status. We do, however, intend to introduce a trading fund into the Post Office later this year so that it can operate on a more commercial basis, and thereby improve its levels of service, while remaining a government department. This follows the good results that we have obtained in the Land and Companies Registries since Members passed the Trading Funds Bill in 1993.

The Civil Service

Turning to the Civil Service, I am grateful for the encouraging remarks made by the Hon Cheung Man-kwong, the Hon Martin Barrow and the Hon Jimmy McGregor. The civil service is one of the foundation stones of Hong Kong's stability and prosperity. Much has and will continue to be expected of it as society's aspirations grow and as 1997 comes closer. We must however be conscious of the need to do nothing to destabilise the service, or cause unease to our civil servants.

The civil service's strength rests on the fact that we have a body of highly motivated and loyal men and women who are committed to serving the community. We work as a team and important decisions are taken, in many instances, collectively in the interest of the community. I believe we have a first class team and I value the contribution that each individual officer makes. In developing our policies and programmes, we do our best to respond positively to the views of this Council and of the wider public. But it is not always possible to satisfy the interest of each and every sector, particularly in some of the more controversial policy areas. In such instances, it is incumbent upon us to explain why. The transition years place a particularly heavy burden on the Civil Service and create uncertainties which perhaps prey more heavily on the minds of civil servants than on other sectors of the community. More than ever it is crucial to maintain morale and stability within all ranks of the Civil Service if we are to continue to serve Hong Kong well. In this task, I hope we can count on the support and fair-mindedness of this Council and of the wider public including the media.

The Hon Cheung Man-kwong spoke of the future challenges facing civil servants. I can assure him that we are facing up squarely to the future. Localisation continues to be a firm policy of this administration. We are improving our capacity and ability to work in Chinese at all levels - but it is also important that we maintain and indeed strengthen our ability in English, in keeping with Hong Kong's position as an international city. Training in all areas of Chinese is being considerably stepped up and opportunities taken to make us more user friendly to the public. Where legislation may state that English must be used, we are seeking to change this. The Secretary for the Civil Service has just set up a Working Group to see what more can be done in this general area. He will be looking into the suggestions made by the Honourable Member.

I can also assure the Hon Tang Siu-tong that growth in the civil service is kept on a very tight rein and is targeted at those areas where the community wants to see more done - for example, more policemen on the beat, better social services and a cleaner environment. To meet the community's expectations we have had to become more productive and efficient, and we continue to explore ways to achieve this. Through our human resources management initiatives, we have delegated more power to Heads of Departments to enable them both to better manage and to bring the best out of their staff. This includes simplifying disciplinary procedures - for all levels of staff - in clear cut cases. Proper safeguards will of course continue to be in place.

Both the Hon Emily Lau and the Hon Tang Siu-tong questioned whether civil servants were worth their pay. The government's aim is, and must remain, to be a good employer, to attract and retain individuals of quality, who are committed to serving the community. The fact that it is generally recognised that we have an efficient and effective civil service points to the success of this policy. But if we are to maintain this situation, we must provide a remuneration package that both Government officials - and the community which pays us - feel is reasonable.

We regularly review this package, and I believe that it is broadly appropriate to the circumstances of today. But we are aware of changing private sector practice and the need to modernise our terms and conditions of service. The new Common Terms of appointment, which we intend to implement as soon as possible following agreement with the Chinese side, recognise that some of our terms are out of date. To give one example, we do not propose to provide overseas education allowances to new appointees when the new Common Terms are implemented. But we need to maintain the morale and the integrity of the civil service in the next few crucial years ahead - and beyond that. Reducing benefits just for the sake of it would surely be counter-productive.

Equal Opportunities

I fully agree with the Hon Anna Wu that in principle each individual should be given an equal opportunity in society. But anti-discrimination legislation is a relatively new area of law in Hong Kong. It will affect practically every individual in almost all areas of activity. The social and economic implications of such legislation are real and significant and should not be overlooked.

We therefore consider it only sensible to adopt a step by step approach. We have identified a clear need for legislation against discrimination on the grounds of sex and disability, and two Bills have been prepared to that effect. We will also set up a statutory Equal Opportunities Commission to take on the enforcement functions provided in this legislation.

As far as other types of discrimination are concerned, we do not think it is wise to proceed down the legislative route without first having had a chance to examine in detail whether action is really needed in these areas, and if so, what the best approach would be. In this regard, I believe that Members are particularly concerned about three types of discrimination - on the grounds of age, family status and sexual preference. The Government is prepared to look into these three areas. As a first step, we propose to carry out research to determine whether a problem exists in these areas, and if so what the size and nature of the problem is.

Funding for the Arts

I would also like to say a few words on funding for the Arts. Since the Governor announced in his 1993 Policy Address our aim to promote further culture and the arts in Hong Kong, we have taken steps to set up the Hong Kong Arts Development Council and have provided it with a grant of \$100 million as seed money. We have also placed at the disposal of the Council a further \$30 million from the Sir David Trench Arts Development Fund. To date, only some \$10.6 million from these two funds has been spent. The Council therefore has ample resources at its disposal for promoting the arts and culture in the next few years. I do not believe that it is necessary to provide additional public funds for arts promotion in the current budget. I am sure that the Hon Man Sai-cheong, and those other members who are interested in promoting the arts in Hong Kong and have been following the activities of the Arts Development Council, are well aware that the Council is currently drawing up a Five-Year Strategic Plan. The justification for any additional funding for the arts will be looked at when this Plan is finalised, which I understand will be towards the end of this year.

The Judiciary

Finally I would like to turn to the Judiciary. As the Chief Justice has said on many occasions, the Judiciary will continue to press ahead with its "quiet management revolution" to ensure that Hong Kong's system of justice is effective and efficient. This is clearly an important priority. The rule of law, and its administration by a strong, independent and credible Judiciary, underpins Hong Kong's long-term prosperity and stability.

The Hon Moses Cheng said that technology must be complemented by adequate support staff and training. I entirely agree. One of the Judiciary's immediate priorities is indeed the training of its non-judicial staff so as to enhance their professionalism, job satisfaction and career development.

The Judiciary is also fully aware of Mr Cheng's concern about what he called the "chronic shortage of judges". With the planned increase in judicial manpower in 1995-96, the fine-tuning of listing and the streamlining of court procedures, the Judiciary's manpower situation should be manageable. The Judiciary will, of course, closely monitor the situation to ensure that there is sufficient judicial manpower to cope with the workload facing the courts.

The Chief Justice is fully committed to stepping up the pace of localisation of the Bench. Apart from encouraging suitable practitioners from the private sector to take up a judicial career, the Judiciary is also providing more acting and training opportunities for local judicial officers to gain wider exposure and experience. The Judiciary is encouraged by the growing interest that members of the legal professions in Hong Kong have shown in possible judicial appointments.

Mr President, with these remarks, I commend the Bill to Members.

End/Wednesday, March 29, 1995

Speech by Secretary for Education and Manpower on budget debate

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Following is the speech by the Secretary for Education and Manpower, Mr Michael Leung, at the Legislative Council budget debate today (Wednesday):

Mr President,

I am grateful for the many relevant comments and helpful suggestions from Members on the education and manpower programmes in the Debate last week. I wish to respond to the main concerns expressed by Members this afternoon. First education.

Education

One common concern is about the relatively smaller percentage increase in recurrent spending on the school sector than in the tertiary sector in the coming year, and its possible impact on the quality of school education, in particular primary education. As Members are aware, of a total recurrent expenditure of \$30.3 billion included in the 1995-96 Draft Estimates, 62% or \$18.8 billion is for schools, 34% or \$10.3 billion for the tertiary sector and 4% or \$1.2 billion for vocational training. It is obvious that the school sector has continued to enjoy a major share, reflecting fully its fundamental importance in our education system. This has been the pattern for the past few years and is expected to continue. The fact that the past five years have seen a more steep increase in spending in the tertiary sector is to achieve the policy objective of providing, by 1994-95, first year first degree places for at least 18% of the relevant age group. But this has certainly not been achieved at the expense of the school sector.

School Education

On the contrary, spending for the school sector has continued to grow - by \$2,275 million or a real increase of 3.24% in the coming year. Although smaller than the overall real increase of 4.9% for the education programme as a whole, such increase is nevertheless significant, particularly when viewed against a declining school population - a forecast decrease of 11,000 school children in 1995-96.

Indeed, the continued allocation of additional resources for the school sector has ensured the timely implementation of various improvement measures. Let me list some of these major improvements.

First, the upgrading of another 180 primary school teacher posts to graduate level.

Second, the extension of the class-size reduction programme from 40 to 35 to Primary Three - or to 30 for those schools adopting the activity approach.

Third, the introduction of the Target Oriented Curriculum for Chinese, English and Mathematics in Primary One classes in over 70 schools.

Fourth, continued special assistance for low achievers by providing 60 more graduate teachers to schools with a higher proportion of low achievers this September, in addition to helping the schools tailor their curriculum to the needs of such students.

Fifth, capital spending of \$1.3 billion to improve the teaching and learning environment in 240 schools - 130 primary and 110 secondary - between now and 1997. Among the many extra facilities, this improvement programme will provide an additional 160 secondary classrooms. Together with the new secondary schools coming on stream in the next few years, this will eliminate most if not all of the floating classes now operating at Secondary One to Five.

And last but not least, the Hong Kong Institute of Education introduced in 1994-95 separate Certificate Courses in Education for primary and secondary school teachers in their first major effort to upgrade the quality of our school teachers.

Another major area of concern is on the introduction of some form of direct subsidy to kindergartens. I wish to reassure Members that this is our top priority within the Government. We are working hard to meet the target implementation date in September. We have already made substantial progress in the formulation of detailed proposals. Together with the Secretary for Health and Welfare and taking the advice of the Working Party on Kindergarten Education, we are currently examining the implications of the kindergarten subsidy scheme on the child care sector and necessary improvements. We expect to complete this study within April and seek policy approval as soon as possible thereafter.

Another area of concern is on the temporary shortage of Secondary One places in parts of the New Territories. This is being tackled actively and in a practicable manner. As Members understand already, to ensure cost-effectiveness, secondary school places are provided on a territory-wide basis, with shortfalls in one district being met by surpluses in others, and new schools built only to meet persistent shortfalls in the territory as a whole. To build all secondary schools on a district basis would have meant a complete wasteful use of resources. Meanwhile, district shortfalls are being tackled urgently by a combination of measures, including the advance opening of new schools, operating extra classes and allocating extra students per class in existing schools. Schools are of course given extra resources and assistance to meet these additional requirements. In the longer term, new schools in the pipeline should provide the more permanent solution.

Tertiary Education

Some Members have commented on the quality of tertiary education. The tertiary institutions have experienced a period of rapid expansion and development over the past six or seven years, but in 1994-95 we have achieved our target of 14,500 first year first degree places for 18% of the age group. Thereafter it would be a period of consolidation in the growth of first year places. The challenge has been and remain to ensure that academic standards are maintained at internationally recognised levels. More emphasis will be therefore placed on improving the quality of teaching. To this end, the University Grants Committee will conduct academic process audits of each of the institutions over the next few years. These audits will review the institutions' teaching and learning quality assurance and improvement processes, and involve visits to institutions to review departmental performance as well as faculty and student perceptions of these processes.

Several Members have raised concern about a number of management issues within the institutions concerned. As Members are aware, tertiary institutions are independent statutory bodies with autonomy in respect of their internal management of staff. We hold them fully accountable, for example, for the terms and conditions of employment, the discipline and management of staff and the viability of their superannuation schemes. The governing councils of these institutions take full responsibility under the respective ordinances for these duties. The Government accepts that there should be a high degree of transparency in these processes. The University Grants Committee in its advisory role on funding and policy development will continue its monitoring role in these respects.

Employment

Policy

The Government's basic labour policy is to ensure that there is a stable, well-trained and well-motivated workforce to support economic growth, and that Hong Kong maintains a level of labour standards broadly comparable to those of its neighbouring countries with similar economic development and socio-cultural backgrounds. To this end, we are committed to -

- * providing well-trained personnel through the courses offered by our tertiary institutions and the Vocational Training Council;
- * promoting the health, welfare and safety of the working population;
- * promoting harmonious labour relations; and
- * safeguarding the rights and benefits of employees.

To achieve these policy objectives involves taking account of the intricate and dynamic combinations of interests between the vast number of employers and employees and striking a balance in the light of the changing economic situations and circumstances, and expectations of our community. It is not an easy task. Over the years, the step by step approach we have taken on labour and employment issues has served Hong Kong well. In the pursuit of our policy objectives, we will continue with this approach in the best interests of the public.

Employment / Importation of Labour

Members have commented on the employment situation in Hong Kong and questions have been raised on the reliability of our employment statistics. These statistics are collected by the Census and Statistics Department through the General Household Survey. The concepts and definitions used in surveys to measure employment, underemployment and unemployment follow closely the recommendations of the International Labour Organisation. The statistics are scientifically obtained and are reliable for comparison and projection purposes. Nevertheless, we recognise the need for better coverage and more indepth, detailed analysis of the employment statistics and will discuss the feasibility of further improvement with the Census and Statistics Department.

The findings of the latest General Household Survey confirm that our labour market remains tight, with consistently low unemployment and underemployment rates. Many sectors are suffering from shortage of labour. The labour importation schemes are devised to ease temporary bottlenecks in our labour market in order to sustain economic growth. The need for the schemes was reaffirmed by this Council at a recent debate. During last week's debate, again many Members raised the same views on the schemes. I agree that the schemes must be flexible and targeted to meet the specific needs of industries where there is a shortage of labour. Members' comments on the need to enhance the effectiveness in the allocation of quota under the General Scheme have been carefully noted. We will look into these suggestions in our review on the operation of the scheme and consult the Labour Advisory Board and this Council over the next six months, so that any necessary improvements could be incorporated into the scheme before the next allocation exercise.

Members have also expressed concern about the possible impact of imported labour on the employment opportunities of local workers. The stringent vetting and monitoring measures under the current schemes are precisely to safeguard the interests of local workers by ensuring that they are given first priority in filling vacancies and that they will not be displaced by imported workers through abuse of the system. Every application for imported workers is meticulously scrutinised to ensure that there is a genuine need to do so. Furthermore, we are bringing together contractors and local construction workers for Airport Core Programme projects to ensure that our workforce are made fully aware of the job opportunities available. This is why a Special Placement Service has been launched to help local workers find jobs related to ACP projects. The Special Placement drive received over 780 enquiries since it started operation on 20 March and we have now been able to arrange job interviews for over 300 workers.

That said, we are not indifferent to the unemployment situation and will continue to do our best to help those workers who encounter difficulties in finding jobs. We have not forgotten for one moment that the unemployment rates, low as they are, represent real people, majority of whom are displaced workers affected by the structural changes in our economy. These people want to work and we respect that. We believe that the solution lies in job placement assistance and retraining.

The Local Employment Services of the Labour Department provide free service to unemployed persons by matching employers with applicants. We have also set up the Employees Retraining Board to retrain workers with new, marketable skills. To effect a synergy of these services, we will launch this week a Pilot Employment Placement Matching Scheme which is an integration of the Local Employment Services and the Employees Retraining Scheme. Under this new Scheme, an unemployed persons over the age of 30 can enlist under a Special Register at 5 Local Employment Services offices. Through direct job referrals and tailor-made retraining, we seek to maximise the employment opportunities of the registrants. We shall review the effectiveness of this new scheme at the end of this year.

Industrial Safety

Whilst our record in recent years improved gradually, the accident rate particularly in construction sites is still far from acceptable. A comprehensive review of industrial safety is now being conducted. The Steering Group on Industrial Safety which I chair, supported by two working groups is making good progress in its deliberations on measures to improve and promote industrial safety. As part of the review, visits to Australia, Japan and Singapore were undertaken to learn from the merits of these systems and policies in preventing industrial accidents and promoting a safety culture. Specialist advice has been provided to the Steering Group by an expert on industrial safety with in-depth knowledge of Hong Kong. A firm of management consultants has just been appointed to carry out a comprehensive review on the organisational structure, functioning and establishment of the Factory Inspectorate.

We are on track to complete the review by the summer and will publish our proposals for consultation later in the year.

Retirement Protection

Finally, a progress on retirement protection. Since this Council passed a motion on 8 March urging Government to introduce as expeditiously as possible a mandatory, privately managed occupational retirement protection system we have been making good progress. We have established a multi-disciplinary Task Force dedicated to follow up on this proposal. A consultant team has just been appointed to advise us on the detailed aspects of the MPF. We expect to receive preliminary findings in early April, and the final report by 18 April. We shall keep this Council informed of progress through the Manpower Panel.

End/Wednesday, March 29, 1995

Speech by Secretary for Health and Welfare on budget debate

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Following is the speech by the Secretary for Health and Welfare, Mrs Katherine Fok, on budget debate in the Legislative Council today (Wednesday):

Mr President,

I have good reason to be pleased with this year's Budget and most Members have also welcomed the increasingly significant proportion of Government's spending which is being channelled to the health and welfare sectors. Since 1991/92, the proportion of total government spending given to these sectors has grown from just under 16% to over 18%. Of the \$37 billion allocated for health and welfare next year, \$22.1 billion is for health and \$14.9 billion is for welfare. Although one Member queried the precise level of increase this represents over last year, I can confirm that these figures represent in real terms, that is over and above inflation, increases of 7.7% for health and a massive 24.1% for welfare.

These are significant increases reflecting the priority the Administration is placing in particular on upgrading our welfare services and support. But they are increases we can afford. Taxes are not being increased to pay for these improvements; we can afford them while remaining in line with our longstanding expenditure guidelines.

I note one Member has urged us to proceed more gradually. I hope what I have just said will reassure him and others that, while we are engaged in a necessary expansion, especially of our welfare services, we are doing so in a responsible and affordable way.

Another Member was concerned that after 1997 we should not continue to rely on the Lotteries Fund for recurrent welfare expenditure. I would like to repeat our assurance, first given in 1992 when we sought Finance Committee's approval for the \$2.3 billion injection into the fund, that the General Revenue Account will absorb this expenditure after 1996/97. We do not see any difficulty in this. Indeed, we have already taken this into account in our current five year forecast (1994/95 to 1998/99).

Not all that we propose to do in this area needs new money. We are also actively engaged in seeking new ways of redeploying existing resources to provide new services and to recognise the changing priorities for services. An important part of re-examining the way in which we spend the public's money on welfare services will be the major study we have just started on the way we subvent non-governmental organizations (NGO's) who provide services on our behalf. I can assure Mr Hui Yin-fat, amongst others, that this Review will be conducted with the fullest possible involvement of the NGO's. It is in the interest of both Government and the NGO's that we get these arrangements right so that services to those who need them are provided in a cost effective and professional way.

Social Security Assistance

Many members raised the issue of what we should be doing to ease the problems faced by growing numbers of elderly persons. With the recent debate over the most appropriate form of retirement protection system, it is understandable that attention has focussed in parallel on the most appropriate forms and level of social security assistance available for elderly persons. Members have pointed out that there will be some in lower income groups who may not necessarily receive adequate financial support in their old age from the mandatory privately managed provident fund (the MPF) system. Hence, calls for higher levels of payments for elderly persons under the Comprehensive Social Security Assistance (the CSSA) scheme or under the Old Age Allowance scheme.

The Review we are conducting of CSSA arrangements will be thorough and fair. It will examine all aspects of this scheme, including, for example, the way in which 'absence rules' are applied. We fully intend to complete and implement it in the shortest possible timeframe. But the need for data from the Household Expenditure Survey places real constraints on how fast the Review can progress. Although the results of the Review will become available only late in the preparations for the 1996/97 budget, we shall do all we can to ensure funding is made available to start to implement in that financial year most of the changes recommended. That is why the Financial Secretary has agreed that some funds should be reserved for this purpose before the Review is completed.

Our aim will be to ensure that all elderly persons genuinely in need of financial support are given that support through the CSSA system. We do not believe that the Old Age Allowance system is the appropriate vehicle for providing financial support to elderly persons in need because it is not means-tested. Some Members have called for substantial increases in this allowance and Mr McGregor has also suggested that it should become means-tested. Any substantial increase in the allowance without a means-test would create a heavy burden on the taxpayer and use up funds which could be better spent on direct services or CSSA payments channelled to those in need.

A means-tested old age allowance would, in effect, become the same as a CSSA payment which is means-tested and paid to those in need. As Christine Loh said, the important point is to recognise that there may be elderly persons ineligible to receive sufficient financial support in due course from the new MPF system but who currently are also ineligible for CSSA support. If we can attempt to bridge or at least greatly narrow that gap in our Review of CSSA payments to elderly persons, I believe we shall have addressed most of Members' concerns in this regard.

Services for the Elderly

But we must remember that the Government does much more than provide cash payments to elderly persons in need. We provide a comprehensive range of welfare and health support services for them at no cost or only a token charge. We shall be spending \$1.1 billion on direct services for the elderly in 1995/96 - a 20% increase over last year. I have noted that some Members wish us to do even more. Before we expand further, we must analyse carefully the needs of elderly persons. A study on this subject later this year will provide us with useful information on the specific needs of elderly persons for welfare services. As for Elderly Health Centres, I want to repeat our commitment to providing a total of seven health centres for our elderly citizens by 1997. The first one started operation in 1994. Three more will do so in the coming year.

Children

Let me turn now to that other very vulnerable age group in our society - children. We aim to provide the support needed for children to develop fully and safely especially when parental support, for one reason or another, is inadequate or not available at all. Our services recognize that some parents are often not able to care for their children during the day and we have in hand an ambitious expansion of Child Care Centre places to cope with this. In 1995/96 we shall provide a further 1,400 places in day nurseries, 250 places in day creches and 225 places in occasional day care units for children who may need less than full day care. I can assure Mr Li Wah-ming that we remain on target to meet the Government's commitment to provide in a phased programme a total of 5,600 additional child care places between 1993/94 and 1996/97.

Child Care Centres

Many Members mentioned the interface between kindergartens and child care centres. The Working Party on Kindergarten Education, which includes representatives from both the kindergarten and Child Care Centre sectors, has been tasked with reviewing, as its first priority, the qualifications, training and pay of workers in both sectors. Our aim is for the Administration to decide the way forward on those key issues well before the subsidy to kindergartens starts in September and, in this way, avoid any adverse impact the subsidy scheme may have on the Child Care sector.

In dealing with problems faced by children, our priority is prevention. And in this case, prevention means doing all we can to support the family which should, when functioning well, provide the best support for a child. For this reason in 1995/96, we are providing 92 more family case workers and 9 more clinical psychologists to improve counselling services. But I agree with Members, including Messrs Eric Li and Tam Yiu-chung, that the caseloads of our case workers remain too high in spite of our ongoing efforts to increase staff resources to bring loads down. The problem, of course, is that with increasing public awareness of our services and of the nature of the problems involved which, in turn, reflects the success of our own educational programmes, the demand for services is increasing. And this unfortunately neutralises our best efforts to bring caseloads down by increasing staff numbers. I know the Director of Social Welfare would like to do more in this regard and I shall be examining with him options for diverting even more of our welfare resources towards tackling the caseload problem in future.

Rehabilitation

On rehabilitation, I am grateful to a number of Members for their concern about employment for people with a disability. We believe that our goal of community acceptance would be undermined if people with a disability were only given jobs because their employers would get tax concessions. But we are firmly committed to increase job opportunities for people with a disability. For example, this month we are providing 330 more supported employment places. And our ongoing public education programmes combined with the Disability Discrimination Bill, which we will introduce into this Council shortly, will be powerful tools in promoting further integration.

I should now like to turn to healthcare -

Monitoring of the Hospital Authority

In response to the calls for greater transparency, Hon Members would have noticed that positive efforts have been made to expand the scope of information available in the Draft Estimates regarding the Hospital Authority's expenditure. The Authority was established to transform hospital management to enhance effectiveness and efficiency in service delivery, to improve the hospital environment and introduce a patient-centred culture to meet patients' needs, to encourage public participation and to ensure accountability in the public hospital system. Its efforts to strengthen its interface with the community are evident from the work of the Hospital Governing Committees and Regional Advisory Committees, and the many community relations activities organised by hospitals on an ongoing basis. Recent examples include the highly successful Open Day at Tuen Mun Hospital and the Nursing Promotion Campaign opened last week.

Much has been achieved by the Hospital Authority in the past few years to revitalise our public hospital system and to introduce a patient centred culture. Visible improvements can be seen in the facilities, standard of accommodation, staff attitude, quality of service and communication with the general public. However, it is now an appropriate time to review the progress so far and explore the way forward. I will bear in mind the views expressed by Honourable Members when doing this.

Government sees an important and continuing role for private hospitals and wishes to maintain a vigorous private sector providing greater choice in healthcare services. In keeping with Government's policy that no one should be denied adequate healthcare through lack of means, the Hospital Authority is there provides a safety net for those in need who require public hospital services. But it is not intended to be the sole provider of such services.

Remuneration Package of Hospital Authority Employees

There is a common perception that the remuneration package of Hospital Authority employees may be too generous. Let me take the opportunity to clarify some of the points raised by Members.

The terms and conditions offered to former civil servants joining the Hospital Authority were drawn up according to the broad principle that there will be no additional cost to the employer. The main difference with the salary package offered to civil servants is in the form of payment due to the encashment of fringe benefits. The encashment of benefits was necessary to recognise the independent statutory status of the Authority and to facilitate the integration of staff working in former subvented hospitals.

The choice of whether to opt for the new employment terms is very much a personal decision, as indicated by the fact that over 8,000 (41%) civil servants working in the Hospital Authority have chosen to retain their present status. Given the prevalence of concern among Honourable Members, we will initiate discussion with the Authority on questions related to staff employment terms. We must, however, proceed with caution in the interest of staff morale and quality of service.

Health Care and Promotion Fund

Turning to primary health care, I have emphasised many times in the past the importance which I attach to the shift in focus towards promotion of health and prevention of disease. I am therefore pleased and encouraged by Honourable Members' support for the Health Care and Promotion Fund, which will provide a considerable boost to this process. The purpose of the Fund is to finance worthwhile projects relating to health promotion, preventive care and related research as well as for treatment of rare diseases. It will have a capital injection of \$80 million.

Health Education

Dr Hon Huang Chen-ya quite rightly pointed out the importance of health education. Apart from the Health Care and Promotion Fund, the new Student Health Service, woman health centres, elderly health centres and the many activities organised by the Department of Health, the Hospital Authority and many community organisations, form an integrated and comprehensive approach to improving the general health of our community.

Preventive Healthcare Services

On disease prevention, we agree with the views expressed by Hon Members that our healthcare policy should focus increasingly on the prevention of modern "killer" diseases such as cancer, stroke and heart disease. We are therefore aiming to reduce the incidence of such diseases. However, it is necessary to bear in mind that the general health of the community depends not only on our healthcare services, but also other factors, such as housing, education, environment, nutrition and lifestyle. These do not normally show their effect in the short term. It is, therefore, often difficult to set measurable health targets. However, we remain fully committed to strengthening our activities in this area.

We share Members' view that we should also look to alternative medicine as a cost effective way to provide preventive healthcare services. We are taking steps to recognise, promote and regulate traditional Chinese medicine so that it can develop in a more healthy, systematic and proactive manner for the benefit of the community. This is part of our philosophy of encouraging the private sector to provide primary health care. The Preparatory Committee on Chinese Medicine has just been formed and I look forward to the Committee's advice on a number of important issues related to this complex subject.

Nursing Degree Programme

I am pleased to note Hon Michael Ho's support for our plans to increase the number of first year first degree places for school leavers wishing to start their career in the nursing profession. This could not have been possible without the prompt response and co-operation by the University Grants Committee and individual tertiary institutions. The phased increase from 40 to 180 places is already a significant achievement, and we will review the need for further expansion of this programme in the light of prevailing demand and manpower requirements.

Conclusion

I should like to conclude by referring to one of the most significant new initiatives for 1995 contained in the Budget. Most Members have welcomed the \$2.5 billion which has been earmarked by the Financial Secretary to purchase premises over the next two years for welfare and rehabilitation services. This is a positive response to a major problem we had been facing in keeping our ambitious expansion programme on track. We will now be able to meet our targets by 1997 for elderly, family and child care services, and for rehabilitation one year later.

I thank Members for their support for the ambitious programme of work which I shall be undertaking in 1995/96 and I look forward to significant progress being made in that year.

Thank you.

End/Wednesday, March 29, 1995

Speech by Secretary for Transport on budget debate

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Following is the speech by the Secretary for Transport, Mr Haider Barma, on budget debate in the Legislative Council today (Wednesday):

Mr President,

May I start by thanking especially the Honourable Miriam Lau and the Honourable Zachary Wong for devoting their entire speech to transport-related issues. In so doing, they have reflected the views of their respective parties. This is most helpful. May I also acknowledge the constructive comments made by other Members and the interest they have shown during the special session of the Finance Committee on the transport portfolio.

Many of the points raised by Members in this debate have been raised by them before. No doubt this has been for emphasis and, indeed, most comments have focused on our proposals in the two strategy documents on traffic congestion and railway development.

It was, perhaps, to be expected that, as in past years, some members of the public queued up for hours at our licensing offices in an attempt to beat "anticipated" increases in vehicle licence fees. But what I found a little amusing was the few quizzical looks in this Chamber when several Members realised there was in fact no mention by the Financial Secretary in his Budget Speech of any move in that direction. The simple fact is that the proposed increases in annual licence fees and first registration tax are purely for transport reasons and not to generate revenue per se. I have made this point very clear on general occasions and indeed during the motion debate on traffic congestion. At this point in time, all I can say is that we are now evaluating feedback from the consultation exercise and we shall certainly take careful note of the points made by Honourable Members. I expect to be able to present firm recommendations on the Administration's package to tackle traffic congestion, or perhaps announce decisions, within the next 2 to 3 months. This will, of course include the implementation of electronic road pricing which has received such strong support. Honourable Members will appreciate and must recognise that fiscal, and legislative, measures require the approval of this Council and if we are to tackle traffic congestion, as we must, then unpopular decisions are unavoidable, difficult though they may be in an election year.

Some Members have continued to plead that we should build more roads. I make no apology for stressing, once again, that we can never hope to build our way out of congestion. In reading a recent article, I have learnt that transport theorists have coined a new phrase for the phenomenon experienced in major cities when new roads are built. They call it "triple convergence" because when a new road is opened, what happens is that it immediately draws extra rush hour traffic :-

- a) first from drivers who formerly used alternative routes;
- b) second from drivers who formerly commuted during off peak periods, and
- c) third from drivers who formerly relied on mass transport.

We have proof of this theory right here in Hong Kong. Route 6 from Sha Tin to the Eastern part of Hong Kong Island, via Tate's Cairn Tunnel and the Eastern Harbour Crossing was completed in 1991 and reached capacity 2 years later. Ridership on the KCR dropped significantly in the same period. More roads means more cars. Of course this does not mean that we should not build more roads. In fact we are committed to the biggest road building programme in the territory's history, with \$30 billion to be spent over the next 5 years.

In response to a point made by one Member, let me make it clear that our success in attracting private sector investment for transport infrastructure, for example the Western Harbour Crossing and the Route 3 (Country Park Section), has not and will not be used as an excuse for reducing expenditure on roads under the Public Works Programme. Let me set the record straight. The overall reduction in expenditure on transport in the 1995/96 estimates was due entirely to the fact that spending on many Airport Core Projects has peaked. Expenditure on non ACP projects will actually rise by almost 30% in the coming year.

In particular I am glad that we have been able to make progress with the Duplicate Tsing Yi South Bridge. We will be approaching Finance Committee within the next couple of months for funds, so that work can start on the project at the end of this year. The bridge should be completed some time in 1998.

I have noted Members' concerns about the need for providing more parking facilities. This is being addressed through the Parking Demand Study, which is now expected to be completed by the middle of the year. I fully support the "park and ride" concept and we will see how best this can be implemented. But the difficulties in finding suitable sites in urban areas is a constraint and should be recognised. Also it would be naive to regard the provision of better parking facilities as the ultimate solution to the congestion problem, although of course this may be beneficial in some respects.

I now turn to our top three priorities for new railway systems which we plan to implement by the year 2001. We have already invited the KCRC and the MTRC to submit proposals for the Western Corridor and the Tseung Kwan O MTR extension respectively and require expert advice on how best to pursue the Ma On Shan to Tai Wai line and the Hung Hom to Tsim Sha Tsui KCR extension. The workload is very heavy. The fact is that we have but a very small establishment of professional staff in the Railway Division in Highways Department and in my view the most cost effective way of proceeding is to engage consultants. Unfortunately our submission for \$45 million was turned down by Finance Committee. I intend to revert shortly with further justification. At this point, to put this extra expenditure in perspective, the \$45 million being sought is less than a meagre 0.1% of the \$50 billion 1994 price tag for our top 3 priority railways.

Several Members have repeatedly requested that the Western Corridor spur line should extend to Tuen Mun Central. I am prepared to ask the KCRC to take a fresh look at this option in the context of their own studies which are being undertaken in firming up their proposals. I hope that this reassures Members that we are doing all we can to respond to the views on this matter.

Some Members have also expressed concern that other railway proposals, notably on Hong Kong Island, have not been recommended for early implementation as part of the Railway Development Strategy. But the fact is that we must prioritise our efforts, and the Administration is satisfied that the three projects already designated for early implementation, are in fact the most urgent projects and those which deserve our immediate attention. The need for other railway projects will be reviewed.

The need to provide more infrastructure for cross border traffic is high on our agenda. For example, the Western Corridor Railway will greatly improve the flow of passengers and freight across the border. The Route 3 (Country Park Section) will shorten journey times from the border to the container port. And we have on going plans to improve and upgrade our other the border road crossing points. Moreover, the Infrastructure Co-ordinating Committee provides a practical working forum for discussion with our Chinese colleagues. All the signs are that a pragmatic approach will be adopted.

Mr President, may I now turn to some other points raised by Honourable Members. The Administration fully accepts that much more should be done to meet the travel needs of the disabled. Much progress has been achieved in the past 2 years. For example, all new franchised buses are now equipped with special features to make them more accessible to the elderly and the infirm, taxis are permitted to pick up and discharge disabled passengers in restricted zones, the MTRC and KCRC have installed lifts and other equipment to facilitate access. I am pleased to say the Governor will convene the third annual summit meeting on transport facilities for the disabled in early May to help identify new initiatives and to keep up the momentum.

On concessionary fares for the elderly we shall continue to encourage public transport operators to improve on what is already in place, but it must be recognised that this is a voluntary scheme. If concessionary fares were to be made a mandatory requirement, then it would be difficult to resist the argument from operators that the costs to them should be recovered through the adjustment of fares for other passengers.

As regards improvements in ferry services as a means of addressing road congestion, this is also high on our agenda. The Hong Kong Ferry Co Ltd now deploys 3 high speed catamarans on the Tuen Mun to Central route, each with capacity of 400 people. More such vessels will be brought into service. We are now close to the completing negotiations with the company to allow property development above their new piers in Central District, which in turn will provide for a part of the profits from the developments to be channelled into a fund for ferry service improvements.

Mr President, transport affects everyone in the community. Different schemes impact on commuters in different ways. Whilst some benefit, others may be disadvantaged. Thus, some controversy is inevitable. The Tuen Mun bus-only lane experiment, now in hand, illustrates this very point. The Administration's fundamental approach has always been to adopt policies and pursue objectives that serve the widest public interest. This is precisely what we will continue to strive for. Thank you.

End/Wednesday, March 29, 1995

Speech by Secretary for Planning, Environment and Lands on budget debate

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Following is the speech by the Secretary for Planning, Environment and Lands, Mr Tony Eason, on budget debate in the Legislative Council today (Wednesday):

Mr President,

Harbour Reclamations

Quite a lot has been said, both in this debate and elsewhere recently about harbour reclamations. I would like to briefly reiterate the Administration's position on the subject.

The occurrence of several major public works projects, including extensive harbour reclamations, within such a short time span and in such a small area in and around Victoria Harbour, can cause both unsightliness and inconvenience. But we should not allow these temporary problems to overshadow the long-term benefits to Hong Kong. When all the current and committed projects are completed, Hong Kong will be much better off in terms of land supply and infrastructure and the environment, including visual impact; and the benefits will accrue well into the next century.

In Hong Kong, reclamations have always been a major way of supplying much needed land for housing and infrastructure development both to improve the quality of life and to sustain economic growth. We approve reclamation projects only when we are fully satisfied with the results of very comprehensive studies to assess feasibility, and in particular the impact on the environment and marine traffic.

Those who suggest the harbour is shrinking may have forgotten that the harbour has already expanded westwards very considerably. Most of the traditional dockyards and godowns in Kowloon and on Hong Kong Island are gone. Beyond the container port at Kwai Chung we will be developing a new one on Northeast Lantau, initially for terminals 10 and 11, and providing new cargo-handling facilities at Tuen Mun for the fast-growing river trade.

The current reclamation programme is the product of a series of extensive studies which began in the early 1980's with the Study on Harbour Reclamations and Urban Growth and continued through the Territorial Development Strategy, the Port and Airport Development Strategy and Metroplan. In moving our proposals forward, we have consulted widely to make sure that public views are taken into account each step of the way.

Some people seem to be under the impression that the bulk of the reclaimed land will be used for commercial or residential development. This is not true. Of the 1,100 hectares of reclamation under construction or planning, only 27% will be used for commercial or residential development. In the case of schemes currently being implemented, almost 40% of the new land on the West Kowloon Reclamation is set aside for the Airport Railway, the West Kowloon Expressway and other new roads connecting the Western Harbour Crossing. Commercial or residential development will only take up 26% of the land there. The same applies to the Central and Wanchai Reclamation. It will produce land for the HK Terminal of the Airport Railway, the extension of the Convention Centre and a major new road to relieve traffic congestion. Only 23% of the new land there will be used for commercial or residential purposes, including hotels which, as a few Members have said, will be needed in the next few years to serve the tourist industry.

Some have said that reclamations in Victoria Harbour could have an adverse effect on its scenic value. I want to point out that the role of the harbour as a visual amenity, especially the central part, is being carefully respected. A basic principle of our planning is to "bring the harbour to the city and the city to the harbour" by means of 33 km of interconnected waterfront promenade and civic spaces. Of the 1,100 hectares of new land, 28% will be for open space or amenities.

Another 30%, about 330 hectares, will be used for major new roads. There is a call to put all major roads on the newly reclaimed land underground for better environmental protection and to allow more land for development. The ultimate design of transport links on reclamations is the outcome of a balanced view being taken on inter-related matters concerning design standards, environmental protection, limitations of space, land development economics, aesthetics, programming, etc. It is such considerations that have led to the proposed Central-Wanchai by-pass being designed as an underground highway project.

As regards harbour reclamations and land supply, I must say it is both misleading and simply unrealistic to suggest we will release the reclaimed land onto the market all at once. Our plans have a 10-15 year horizon. New land designated for residential or commercial purposes will be produced gradually over a period of years and form a "land bank" to ensure there is a steady and continuous supply to meet demand. There is therefore no question of flooding the market with land. But the production of land and the related infrastructure requires a long lead time and we need to keep the momentum going.

We are of course aware of concerns expressed in the community about the effect of our plans and programmes. This has led us to recognise the need to step up our efforts to make sure that the public is more fully briefed on what we are planning and doing. We believe that given more information, the community will understand and support the need for the new reclamations.

Similarly, we will continue to try to ensure that our Chinese colleagues are aware of the rationale for all our current and committed projects. We have also informed them that we would be happy to arrange a briefing for them.

Land Supply

In drawing up our Land Disposal Programmes, we follow the basic aim to provide adequate land to meet the economic and social needs of Hong Kong, taking into consideration not only current market conditions but also forecast demand in the medium to long term. To this end, we conduct an annual assessment of land requirements and supply for the next 10 years. The assessment is contained in a report which is available to the public and to LegCo Members. The next Report will be completed in July this year. Our current system of assessing overall land supply requirements works well and we can see no reason to change it. However, post- 1997, the SARG will make its own decisions.

Statistics suggest that office rentals have softened since the last quarter of 1994. This is attributed to increased supply and a slight fall in demand. The Government will continue to monitor the market situation and aim to supply sufficient land to meet demand. On hotels, the Government fully appreciates the importance of the tourism industry. The recommendations of the consultants who have studied its needs are currently being considered and decisions will be made as soon as possible. We need to ensure the future supply of hotel rooms is adequate while also ensuring that we do not introduce unnecessary rigidities in the land market.

Strategic Sewage Disposal Scheme (SSDS)

Some Members expressed views on the cost effectiveness of and the speed with which we are developing and implementing our sewage strategy. May I take this opportunity to once again remind everyone that Strategic Sewage Disposal Scheme is the result of a 2-year intensive study, completed in 1989, in which over 1,000 possible disposal arrangements were considered. To enable early relief to our serious harbour pollution problems, the Government has embarked upon a High Priority Programme of sewage services, which comprises Stage I of the SSDS and several related district Sewage Master Plans (SMPs). Work started in April 1993 and, upon completion in 1997, the HPP will abate 70% of the pollution in the central harbour.

We are now reviewing options for Stage II of the SSDS, the original concept of which involved an oceanic outfall and the discharge of treated effluent to the south of Hong Kong. It is our intention that the public should be consulted on the outcome of the review before a final decision is made. Thereafter, a comprehensive EIA of the selected option will be conducted in line with the standard requirements. The SSDS will continue to be discussed in the JLG expert group and the associated technical group to ensure that it is fully understood by our Chinese colleagues and that the selected solution for Stage II is an acceptable one.

Diesel Vehicles

A few Members expressed concern about the proposal to require light-duty vehicles to switch to unleaded petrol from diesel. Vehicle emissions, especially those from diesel vehicles, have been identified as one of the major sources of air pollution in the urban areas. The Administration is therefore examining how our reliance on light-duty diesel vehicles can be reduced in favour of the cleaner unleaded petrol alternatives which are readily available on the market. We are well aware of the potential impact of such a switch on the operating costs of the vehicles and on transport fares. We are therefore examining this and other related problems and we intend to consult the transport trade and the public on our proposals soon. We are also monitoring developments, both locally and overseas, in the field of electric vehicle technology.

Waste Reduction

We have heard some recycled comments on Hong Kong's recycling efforts. I wish to point out once again that our recycling record is a good one by international standards. In 1994, our recovery rate for waste paper was 56%, for non-ferrous metals 73% and for ferrous metals 80%. However, we accept that there is no room for complacency. Once our study on waste reduction has been completed, we intend to devise plans to reduce our reliance on valuable landfill disposal space. The public will be consulted on these plans later this year.

Environment and Conservation Fund

A Member expressed concern about the allocation criteria for the Environment and Conservation Fund. To assist potential applicants to formulate proposals which fall within the ambit of the Fund, we have issued guidelines and drawn applicants' attention to them in the application form. Very simply, the main allocation criterion is the extent to which a proposal can bring direct and practical benefit to the local environment. The application of this criterion involves a degree of subjective judgement and each application has to be considered on its merits. Nevertheless, we will seek to ensure that applicants will have a clear idea of how they should present their proposals and budget for expenditure items. Although the Fund is still in its early days, we have already approved grants amounting to over \$8.2 million for 24 projects. Interest in the Fund remains keen.

Infrastructure Co-ordinating Committee

In response to Members's comments on the work of the Infrastructure Co-ordinating Committee, I would like to remind them of the brisk progress the committee has made since its establishment last December. The ICC had its first plenary session in January, at which it decided to set up four panels to cover railways, roads and bridges, air traffic control, and marine channels. A full programme of visits to Zhuhai, Shenzhen and Hong Kong was arranged in early March and a seminar for members, experts and advisers was held in Hong Kong following the visits. During the four-day visits-seminar programme, we exchanged views and information on major proposals such as the Lingdingyang Bridge, which if built would link Zhuhai with Hong Kong, the Western Corridor (road and rail) Project between Shenzhen and Hong Kong, and the Western Corridor Railway in Hong Kong. We received briefings, paid site visits, exchanged copies of reports and studies and listened to presentations on each other's proposals and problems. In short, we all gained a better understanding of the issues to be resolved. A series of four panel meetings will be held in Beijing at the end of March and the beginning of April. The panels will report progress to the main committee at its second meeting to be held in April and the way forward is also likely to be discussed then.

The ICC has therefore made a very good start, both sides taking the opportunity to establish new contacts and good working relationships with each other. Open channels of communication and firm foundations for co-operation and co-ordination have been established. The work of the ICC has been characterized by goodwill and professionalism on both sides. On this basis, there is a reasonable expectation that good progress can be made. I am sure that the ICC will continue to be a successful feature of the close relationship between Hong Kong and China.

End/Wednesday, March 29, 1995

Speech by Secretary for Security on budget debate

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Following is the speech by the Secretary for Security, Mr Peter Lai, on budget debate in the Legislative Council today (Wednesday):

Mr President,

I should first like to deal with issues raised by Honourable Members on Law and Order.

Law and Order

I fully appreciate Honourable Members' concern about the adequacy of police presence on our streets, but they should rest assured that we have sufficient police officers on patrol. Hong Kong is one of the safest cities in the world. By international standards, we are a well-policed community. Apart from the many uniformed police officers who patrol particular beats, there are a considerable number of officers who may be less visible, but are no less involved in "front-line" operational duties. These include officers in Emergency Units, in District Traffic Teams, in Police Tactical Units and various Crime Investigation Units. Altogether, some 79% of our police officers are directly engaged in 'front-line' duties.

In response to the community's concern about visible police presence, we propose to deploy 400 additional Police officers on the streets and 81 additional Police officers to strengthen the Police Tactical Unit in the coming year.

The Police will continue to deploy officers in an effective and flexible manner, assisted by advanced communication and computer support systems. We realise the importance of technology in modern policing. We, therefore, propose to spend some \$40 million and \$52 million respectively on enhancing Police communication and computer systems. With this enhanced support, our Police Force will be able to react to incidents more quickly and more effectively. This is one of the reasons why the more manpower intensive Neighbourhood Police Units can be replaced, with no reduction in effective policing.

I am aware of Honourable Members' interest over the progress and outcome of the Police Management Review. The objective of the review is to determine the appropriate level of manning for the Police Force to carry out its functions efficiently. It also critically examines whether certain tasks should continue to be performed by the Police; whether more modern technology can be used; and the maximum extent of civilianisation. This is the most comprehensive study of the Police establishment ever undertaken and obviously takes time to complete; we must get it right. Initial examination of the 42 reports has just recently been completed, and I am working at presenting the reports to the Security Panel of this Council for examination next month. I am sure that Honourable Members will find that many of the detailed points expressed in this debate will be addressed there.

Turning to specific law and order issues, the problem of youth crime remains a matter of concern to the Government. While the proportion of young offenders arrested dropped last year, the actual number of young offenders arrested has increased. We need to make more effort to encourage our young people to stay away from crime. To establish a strong, scientific basis for our future course of action, the Fight Crime Committee has commissioned a study into the social causes of juvenile crime. That study is now complete, and the Committee will examine its findings and recommendations next month. The study has proposed some new initiatives which can be taken to tackle the problem.

The Hon Selina Chow has suggested that greater use be made of the Junior Police Call. We agree. The Police are planning to give new momentum to the scheme, in order to foster a closer police-youth partnership in the fight against crime. Indeed expect that the number of Junior Police Call members will increase this year.

The Government is dedicated to the fight against triads and organised crime, and to protect witnesses who assist in bringing these criminals to justice. The Organised and Serious Crimes Ordinance, which was enacted in October last year, will be fully implemented shortly. We will allocate 45 additional police posts to enhance the surveillance and investigative capabilities of the Organised Crime and Triad Bureau. We will also provide 32 additional police posts to reinforce the Police Central Witness Protection Unit.

I share the Honourable James To's concern about the recent increase in drug abuse by young persons, but we are taking steps to tackle it. The Draft Estimates, for example, provide for the creation of 38 additional Police posts to improve the enforcement work of the Narcotics Bureau. But, enforcement alone does not solve the drugs problem. Treatment and rehabilitation, as well as preventive education and publicity, are equally important. I shall return to this subject later in my speech.

Immigration

I now turn to immigration issues. Honourable Members expressed concern about the problem of illegal workers. As we have emphasised on other occasions, the problem of illegal workers is one to which we give a high priority. Last year, we established an Immigration Task Force to take action against immigration offenders, including illegal workers. The Draft Estimates this year provide for the strengthening of the Task Force by an additional of 46 posts, so that more vigorous and timely action can be taken against immigration offenders. Last year, 5,404 illegal workers were arrested; 2,906 of them were prosecuted. They were either fined, or given a prison sentence, and returned to their home country. Employers of illegal immigrants are, of course, also subject to prosecution, fines and imprisonment. We will keep under review the effectiveness of these measures as a deterrent, taking account also of the effect on our prison population.

Members raised the problem of foreign domestic helpers engaging in unauthorized work. This is one area where strengthening our Immigration Task Force can help us to make an impact. Last year, we investigated 345 cases, which led to the prosecution of 162 foreign domestic helpers and 38 employers. Convicted domestic helpers are usually fined; some are also sentenced to jail. In addition, they are returned to their home country. Employers convicted in these cases are also subject to the penalties of fine or imprisonment. I should emphasize that it is most important that members of the public help us bring these offenders to justice, by reporting cases or other relevant information.

Honourable Members also expressed concern about illegal immigrants and Two-way Permit visitors giving birth while in Hong Kong. The real solution, however, lies in prevention at source. We have raised this with the Chinese side, most recently at the Border Liaison Annual Review.

Vietnamese Migrants

I turn now to the problem of Vietnamese Migrants. The Government is mindful of the debt owed to the community by the UNHCR. Whenever the opportunity arises, we remind the Office of the United Nations High Commissioner for Refugees of the outstanding amount. The UNHCR, of course, relies on donations from the international community for its resources. At the Sixth meeting of the Steering Committee of the International Conference on Indochinese Refugees held in Geneva on 16 March, the UNHCR once again appealed to the international community for funds for its programmes under the Comprehensive Plan of Action (CPA). The statement adopted by the Conference made a specific reference to the amount owed to Hong Kong, and called upon donor countries to contribute to the Hong Kong programme.

Some Honourable Members also referred to the need to live up to the agreements reached at the Geneva Conference. Mr President, let me take this opportunity to recap briefly on the outcome of that conference.

At Geneva, the participating countries re-affirmed that all non-refugees must return to Vietnam, and that the process of returning them should be expedited. The end of 1995 was set as the target for closing all the camps but, recognizing that Hong Kong now holds about half of the Vietnamese migrant population in the region, it was also agreed that the target date for closing camps in Hong Kong should be shortly after the end of 1995. As part of this objective, the Vietnamese Government has also agreed to simplify the procedures for clearing the migrants for return.

The Vietnamese Government has agreed to take back 3,600 Vietnamese migrants per month; 1,800 via the reception centre in Hanoi; and the remaining 1,800 via Ho Chi Minh City. Since the reception centre in Hanoi is used solely by Hong Kong, this in effect means that the Vietnamese Government has agreed to receive 1,800 Vietnamese migrants per month from Hong Kong.

These are important steps forward in expediting the return of the Vietnamese migrants. The message promulgated by the international community at the Geneva Conference is clear :

- * First: the status determination procedures have been completed. There will be no review of the outcome of the status determination process.
- * Secondly: there is no prospect whatsoever of the Vietnamese migrants being resettled overseas from the camps. It is in their best interests to return to Vietnam voluntarily as soon as possible, in order to benefit from the re-integration programmes and the economic development taking place in Vietnam.
- * Thirdly: if the migrants still refuse to return to Vietnam under the Voluntary Repatriation Programme, they will be returned under the Orderly Return Programme (ORP), which is the internationally recognized alternative to voluntary repatriation.

We welcome the decisions reached in the Geneva Conference, which sets the framework for a speedier resolution of the VM problem. The quicker we can effect their return to Vietnam, the quicker we can reduce the financial burden on Hong Kong. Nevertheless, this is only the beginning of a new chapter in the handling of the Vietnamese Migrants problem. There is still a lot of work to be done to translate what has been promised into reality. That will impose a particularly heavy burden on the UNHCR and all the departments involved in the Hong Kong Government, in particular the Correctional Services Department, which have risen to this challenge in difficult circumstances. We are determined to push ahead, building on the framework agreed recently in Geneva.

Drug Abuse

Lastly, I turn to the problem of drug abuse. I assure Honourable Members that we do recognise the seriousness of the problem. The Government is committed to tackling drug abuse, as exemplified by the package of measures set out in the Forward Action Plan, with a total cost of some \$30 million, announced at the Governor's Summit Meeting on Drugs earlier this month. We have also received many other valuable suggestions on how to halt the growing trend of drug abuse by young people. These include the idea of establishing an anti-drug abuse fund to support drug demand reduction work, which was also mentioned by the Hon Dr K C Lam. All of these ideas will be given serious consideration by the Action Committee Against Narcotics in the months ahead. We will also study the effectiveness of different treatment approaches, including those adopted by religious agencies, to help determine the future direction of the provision of treatment and rehabilitation services.

Honourable Members, let me stress once again: enforcement action alone does not solve the drugs problem. Treatment and rehabilitation, preventive education and publicity are equally important. Effort by the Government alone is not enough; we need the support, indeed active participation, by voluntary agencies, parents, teachers, social workers, indeed the community as a whole. We in the Government are determined to fight this evil; I urge the community to join us in our common aim to "beat drugs".

Thank you, Mr President.

End/Wednesday, March 29, 1995

Speech by Secretary for Housing on budget debate

* * * * *

Following is the speech by the Secretary for Housing, Mr Dominic S W Wong, at the budget debate in the Legislative Council today (Wednesday):

Mr President,

I am grateful to Honourable Members for their views on various housing matters.

I shall speak on the four dominant themes in this year's Budget debate: property prices, supply of land for housing development, supply of flats and housing needs of specific groups.

Residential property market

On residential property prices, some Members have suggested that the Government should relax the anti-speculation measures introduced in June last year, while others have called for the imposition of more punitive measures. As the Financial Secretary said in his Budget Speech, the anti-speculation measures introduced last year are achieving the desired result. Speculative activities in the property market have subsided significantly. This is reflected in the drastic reduction of 85% in the number of short-term re-sales in February this year as compared with the peak in April last year. The latest information also shows that, compared with peak prices in April last year, prices of flats have fallen by an average of 19% in February this year, which is five more percentage points than in January. The need to step up controls has therefore not been indicated. We have no intention of introducing further intervention measures to influence the market. On the other hand, we will take positive measures to provide more land for housing and to increase the supply of flats, and let the property market adjust itself according to market economics. We will monitor developments closely, and will take note of views which Members of this Council, individuals and organisations wish to express on this subject.

An allegation was made, Mr President, in the Budget Debate regarding hoarding of new flats by private developers. We have no evidence of such activities. A vacancy rate of 4.7% of total private housing stock in 1994 is no cause for concern, and is indeed consistent with the average vacancy rate of around 4% in the past 15 years. I would point out also that hoarding would not be in the interest of developers, whose business it is to build and sell flats. Vacant flats would attract payment of rates and other finance charges, and developers' own liquidity would also be affected. For these reasons, on the other hand, developers have been urging the Government to relax the nine-month restriction on the pre-sale of uncompleted flats so that they can be sold early.

Land supply for housing development

I agree with Members that the most effective way of stabilising residential property prices in the long run is to increase the supply of land and accelerate housing production. Our declared aim has always been to make available sufficient land to meet the additional requirements arising from regular reviews of public and private housing demand. We have already announced the target of providing 504,000 new flats in the next six years. In order to establish how much land is required for the different categories of housing after that date and at what time the flats should come on stream, we have started a systematic and comprehensive assessment of the scale and composition of housing demand in both the public and private sectors. This assessment is expected to be completed in a few months' time. The findings will provide the basis for a review of the Long Term Housing Strategy. The review will commence at the end of this year and will make recommendations on the Government's housing policy after the year 2001. Before proceeding with the review, I intend to solicit widely for views from Members of this Council, the Housing Authority, interested organisations, concern groups and the general public. Subject to the Government's final decision on the way ahead, we will then identify and allocate sites to the Housing Authority and the Housing Society to produce more public housing flats to meet confirmed demand. Similarly, sufficient sites will also be made available for private housing, subject to the agreement of the Sino-British Land Commission.

I would add that apart from new land, redevelopment is also a major source of flat supply in the private sector. We have just commissioned a study of the redevelopment potential of the entire territory for housing development, starting with the metropolitan area. This study is expected to be completed around March next year. In addition, five other studies will also be undertaken shortly to explore specifically the housing development potential of another 170 hectares of land in various parts of Hong Kong.

Housing production

Good planning is essential in housing production as it takes a relatively long lead time to produce flats to meet demand. In the next six years we have pledged to provide 310,000 new flats in the public sector and to enable the production of 195,000 flats in the private sector. This is equivalent to an average production of 84,000 flats a year. To achieve these targets, a high-powered Housing Project Action Team, chaired by me personally, has been established to strengthen inter-departmental co-operation, and to monitor, facilitate and accelerate the process of housing development. At present, we are fast-tracking and monitoring 38 large housing projects, with a potential production of about 94,000 flats, to ensure that not only is the land available on time for development, but that the required infrastructure will be completed on schedule or even accelerated to match the population intake.

Waiting list for public rental housing

Some Members have expressed concern at the backlog of about 150,000 applications on the Housing Authority's general waiting list for public rental housing. In reality, not all these applications constitute a real demand because a significant proportion are either ineligible applicants or are sitting tenants wishing to change flats. Also, the majority of Temporary Housing Area residents and urban squatters who are on the general waiting list will be rehoused through the clearance allocation quota, rather than the general waiting list. The Housing Authority estimates that by 1997/98, about 70% of the backlog on the general waiting list as at August 1993 will be cleared. After that year, when most Temporary Housing Areas and all urban squatters on Government land have been cleared and given the increase in public housing production, we should be able to rehouse the remaining backlog in the following two years and to process new waiting list applicants much faster.

Occupants of rooftop structures, bedspace apartments and squatter areas

Two Members have expressed concern at the poor living conditions of rooftop structures, bedspace apartments and squatter areas. I appeal again to occupants of these structures to come forward to register with the Housing Department and place themselves on the general waiting list. This is the proper way to ensure that they will be considered for rehousing together with other eligible applicants on the general waiting list on a fair and equitable basis and then obtain public rental housing in due course. Indeed this will also give us a better idea of the demand. I wish to reiterate that the fundamental principle in our rehousing policy is that no one will be rendered homeless as a result of any Government enforcement action. Those in need can be rehoused in either public rental flats or Temporary Housing Areas, depending on their eligibility.

Home ownership

Mr President, I wish to thank Members for their support of our subsidised home ownership schemes because of their contribution to social stability and the fostering of a sense of belonging. We will continue to allocate more land for these schemes and to promote them in future among existing public rental housing tenants who can afford home purchase, and others eligible for them. This will also have the effect of releasing a substantial quantity of rental flats for further allocation to others in need, and thus reducing the waiting time for public rental housing applicants as well. Members will wish to know that the Housing Authority is now examining ways of encouraging those public rental housing tenants whose family income greatly exceeds the General Waiting List Income Limit or who own private property to move out of their flats, thus also freeing up existing rental stock for those in genuine need.

Housing for the elderly

Two Members have asked the Government to accord priority to the elderly's housing need. I wish to point out that we have already introduced various preferential schemes to give elderly applicants priority allocation. For example, an elderly singleton on the Single Person Waiting List can normally be rehoused within two years of registration if he or she is willing to accept hostel accommodation or flats in the extended urban areas or the New Territories. Elderly couples or singletons who apply in groups of two or three will also be allocated housing within two years. Eligible families with elderly members will be allocated housing three years earlier than normal. In addition to these arrangements, the Government has pledged to :

- (a) rehouse, by 1997, the 4,000 elderly single people who were on the waiting list in 1993; and
- (b) build, over the next four years, an additional 22,300 flats for the elderly on four new urban sites and in a number of existing public housing estates.

All these arrangements, which we are pursuing vigorously, will go a long way towards meeting the housing needs of the elderly.

Conclusion

In conclusion, Mr President, I would like to reassure this Council that the Government and the public housing agencies are fully committed to improving housing conditions in Hong Kong, and that we are doing a great deal of positive and constructive work to meet the housing needs of the community.

Thank you.

End/Wednesday, March 29, 1995

Speech by Secretary for Trade and Industry on budget debate

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Following is the speech by the acting Secretary for Trade and Industry, Mrs Regina Ip, on budget debate in the Legislative Council today (Wednesday):

Mr President,

I am grateful to a number of Members for drawing attention to the continued need to upgrade the technological infrastructure for our industries and to promote Hong Kong as a world-class service centre for the Asia Pacific Region.

We believe that manufacturing will continue to play a vital role in the economy in the foreseeable future. To reinforce the competitive strength of Hong Kong's manufacturers, we have been consistently targetting our support towards higher value-added activities. Many of these initiatives benefit small and medium-sized enterprises, which make up nearly 98% of companies in the manufacturing sector in Hong Kong. One example is the Technology Centre, which has reserved a large part of its new premises for small and medium-sized enterprises. Another is the Hong Kong Productivity Council, which is investing more in product development assistance to local companies, thanks to a substantial grant from the Industrial Support Fund. A third is the Applied R&D Fund, offering financial support to local companies.

These and similar initiatives have contributed to the successful transformation of Hong Kong's industries from labour-intensive operations making low value-added products to technology-intensive industries producing high value-added goods and services. Of course, much of the credit goes to Hong Kong entrepreneurs. But the Government has certainly played its part by providing the appropriate physical and technological infrastructure. As a result of sustained government investment in productivity improvement, and corresponding action by manufacturers, labour productivity tripled in the ten years from 1982 to 1992. As a result, Hong Kong's domestic exports are worth more in real terms today than they were in 1983, despite a halving of the industrial workforce. The value-added by each member of the industrial workforce has also more than doubled in real terms, from just over \$40,000 in 1982 to well over \$80,000 in 1992.

We plan to continue supporting the evolution of the manufacturing sector towards higher value-added activities. In this budget, we are seeking Members' approval to increase the Industrial Support Fund by nearly 17%. Within the next few weeks, we shall be seeking Members' support for the establishment of the Applied Research Council. Later this year, we shall be considering the case for a fourth Industrial Estate and a Science Park.

Turning now to the services side of the economy, the same forces which have fostered the evolution of our manufacturing industries have contributed to the burgeoning of the service sector. The growing importance of the service sector to our economy, in terms of contribution to GDP and exports and the numbers employed is now well known. But the forces which have shaped this development are less well documented. We believe this development is attributable first and foremost to technology change, particularly the rapid development in telecommunications and information technology, which has made new ways of doing business and organising production possible. Technology advance has made cross-border production, whether of manufactured goods or service products, possible on an unprecedented scale. It has also increased significantly the opportunities for the sale of services across borders. Secondly, the continued strong economic growth of countries in the Asia Pacific region, together with the steady increase in intra-region trade and investment, have accentuated the need for a regional services centre of excellence such as Hong Kong, which is strategically located at the vortex of the dynamically growing Asia Pacific region, and which excels in the provision of a wide range of closely-related, specialised services in support of trade and investment expansion.

With these developments in mind, as the Financial Secretary has announced, we have commissioned a consultancy study into the extent to which Hong Kong's services will benefit from additional Government promotion. This study is about how Hong Kong can position itself for the global economy of the 21st century: an economy which will become increasingly globalised in nature and where the distinction between a manufactured product and a service product will become increasingly blurred. It is also about how Hong Kong can sharpen its comparative advantage for the future. Not being a low-cost economy, we no longer have any cost advantage in the production of low-value added mass merchandise. We need to examine critically how we can build on our existing strengths as a services provider. As the Asia Pacific region continues to develop, we need to continue to play a vital role in servicing the production and distribution networks across the region which our entrepreneurs have built up, and in servicing other budding regional economies.

The report of the consultants is being finalised and we should soon be in a position to consult the service sectors, as well as other interested trade bodies, on the recommendations in the final report. We are grateful to Members for the interest in the study, and look forward to working with Members and the representatives of the service sector in implementing the recommendations.

Thank you, Mr President.

End/Wednesday, March 29, 1995

Speech by Secretary for Works on budget debate

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Following is the speech by the Secretary for Works, Mr James Blake, on budget debate in the Legislative Council today (Wednesday):

Mr President,

Although the record shows that we continue to close the gap between budgeted and actual expenditure on capital works, some Members have voiced their concern at delays in infrastructural developments, in particular those of a larger scale, such as the sewage strategy and major road projects. One or two Members have also mentioned the possibility of delays in important projects during the transitional period.

I speak today to reassure Members on these important issues. Our achievements in implementing large-scale capital projects according to programme are good, and are improving. The Capital Works Reserve Fund airport core programme is proceeding very much in line with a tight schedule and strict budget limits. My colleague has spoken on high priority stage of the Strategic Sewage Disposal Scheme which is under construction and running according to a timetable that will get significant improvements in the quality of harbour water from 1997. Major highways and other key infrastructure projects are currently firmly on track for implementation within set programme and budget targets, as members will know from sighting the quarterly Public Works Programme reports sent out by Works Branch.

Members are aware however that the next few years will see significant increases in our capacity to implement on capital works. Whilst we are currently managing to keep works expenditure in line with targets, we are also enhancing the Works group capacity to deliver according to schedule. In this connection, I shall shortly be asking the Finance Committee to approve the setting up of dedicated project management teams in the Works departments, to help ensure the continued effective management of an increasingly complex and extensive capital works programme. This is a further action arising from the major report on uplifting our performance in delivering the PWP, which was completed last year.

Members have also noted that delays in land acquisition can lead to underspending on public works projects. A co-ordinating committee chaired by the Works Branch has been established and is now working to match priorities with resources, as well as restructuring land acquisition procedures so as to improve the predictability of land availability for development. This is another proposal from the report on uplifting performance. I am confident therefore that the transition period will not signal a "tailing off" in Hong Kong's drive to tailor its infrastructure to the social and economic needs of the next century. Our planned PWP for the next five years also underlines my confidence.

Once again this year, questions on the problem of flooding in the North-west New Territories have been raised. Within the PWP this year we have embarked upon over \$3 billion worth of major drainage projects in the northern New Territories, including the huge Shenzhen river training project which we are carrying out jointly with our colleagues across the border. Obviously a programme of works such as this has taken a substantial period of time to design and prepare for implementation. We are now poised to see the implementation of the necessary work, and a rigorous programme has been adopted to ensure completion of these works on schedule. These large-scale drainage schemes will complement existing local level flood protection measures, and will help to reduce greatly the effects of heavy rainfall in the northern New Territories.

Finally, Mr President, I would like to acknowledge some Members' concerns for the safety of the people at the "sharp end" of our capital works programme, namely construction workers. The Works Branch is introducing many new initiatives which enable Government as the Employer to ensure that safety practices on Government sites are rigorously applied. As the ACP is already showing, this level of active management by the Employer does produce good results, and downward trends in the accident statistics. Regulation and training are the ways to ensure compliance with and awareness of safety practices and techniques. But as Dr Samuel Wong Ping-wai has pointed out, as well as applying pressure, there is also scope for rewarding safe practice. It is therefore our intention this year to implement a scheme whereby we will give high-profile public recognition to contractors who have consistently enabled their staff to work in a secure and clean environment.

With these remarks, Mr President, I conclude my response to Members' comments on the Budget.

End/Wednesday, March 29, 1995

Criminal Procedure Ordinance

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Following is the speech by the Chief Secretary, the Hon Mrs Anson Chan, in moving the resolution regarding legal aid in Criminal Cases (Amendment) Rules 1995 in the Legislative Council today (Wednesday):

Mr President,

I move the resolution standing in my name on the Order Paper.

A scale of maximum fees payable to lawyers in private practice who are engaged by the Director of Legal Aid in criminal cases is set out in Rule 21(1) of the Legal Aid in Criminal Cases Rules under the Criminal Procedure Ordinance. Under section 9A of that Ordinance, these Rules are made by the Chief Justice and approved by this Council.

At the Finance Committee meeting on 16 October 1992, Members approved a two-phase increase, to take place on 1 November 1992 and 1 April 1994, in the fees prescribed in Rule 21(1) of the Legal Aid in Criminal Cases Rules. Members also agreed that the fees prescribed in the Rule 21(1) should be reviewed biennially in future and that the Secretary for the Treasury should be delegated the authority to approve future revisions of the fees provided that the increases were no greater than inflation as measured by Hang Seng Consumer Price Index.

Accordingly, the Administration conducted a review of the fees in 1994. We concluded that the fees should be increased by 20.34% to reflect the level of inflation since the present fees were last reviewed in April 1992. The increased fees were approved by the Secretary for the Treasury under the authority delegated to him by the Finance Committee, for implementation on 1 April this year.

The Chief Justice has made the Legal Aid in Criminal Cases (Amendment) Rules 1995, in order to bring the increased fees into operation on 1 April. In accordance with section 9A of the Criminal Procedure Ordinance, the Rules now require the approval of this Council by Resolution.

Mr President, I beg to move.

End/Wednesday, March 29, 1995

Copyright (Amendment) Bill 1995

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Following is the speech by the Acting Secretary for Trade and Industry, Mrs Regina Ip, in moving the second reading of the Copyright (Amendment) Bill 1995 in the Legislative Council today (Wednesday):

Mr President,

I move that the Copyright (Amendment) Bill 1995 be read a second time.

The purpose of this Bill is to increase the existing statutory maximum penalties against copyright infringement so as to increase the deterrent effect on piracy activities. The Bill also seeks to introduce a second tier of higher penalties for repeated offenders.

Copyright protection has recently become the focus of much public attention, both locally and internationally. Although we continue to pull out all the stops in fighting copyright piracy, undeniably the piracy situation in Hong Kong has deteriorated, particularly in regard to the piracy of compact discs, computer software and video games. Our enforcement efforts need to be matched by tougher statutory penalties to produce the maximum deterrent effect.

The Copyright Ordinance provides for two copyright piracy offences, namely the possession of infringing copies of copyrighted works for trade and business purposes and the possession of a plate for making infringing copies of copyrighted works.

Currently the offence of possessing infringing copies attracts a maximum penalty of a fine of only \$1,000 per infringing copy and imprisonment of 12 months. To increase the deterrent effect on those involved in the sale of pirated compact discs, computer software and video games, we propose to raise the penalties to a fine of \$25,000 per infringing copy and imprisonment for 2 years. Repeated offenders will be liable to a fine of \$50,000 per copy and imprisonment for 4 years.

The other offence of possessing a plate for making infringing copies currently attracts a maximum penalty of a fine of \$50,000 and imprisonment for 2 years. This sanction is targeted at the manufacture of pirated copies of copyrighted works. We propose to raise the fine to \$250,000 and imprisonment to 4 years on first conviction. Repeated offenders will be liable to a fine of \$500,000 and imprisonment for 8 years.

Apart from increasing the maximum statutory penalties, the Bill also seeks to plug an existing loophole in the Ordinance. Clause 4 seeks to ensure that persons managing a body corporate or a partnership found engaged in copyright infringement activities are liable to the same penalties.

Mr President, owing to its more intangible nature, the importance of protecting intellectual property rights is not as readily appreciated as, for example, the importance of protecting real property rights. Nevertheless, protection of intellectual property rights is crucial to the continuous development of our society in that without such protection, scientific invention and artistic creation will be stifled. Trade, investment and technology exchange will be diverted from Hong Kong and Hong Kong's international reputation will suffer. It is therefore vitally important that we make every effort to ensure that we have the necessary legislative tools to fight copyright piracy. The proposed amendments to increase the statutory maximum penalties for possessing or producing infringing copies of copyrighted works are moves in this direction. Mr President, I recommend this Bill to this Council.

End/Wednesday, March 29, 1995

Inland Revenue (Amendment) Bill 1995

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Following is the speech by the Acting Secretary for the Treasury, Mr Mike Rowse, in moving the second reading of the Inland Revenue (Amendment) Bill 1995 in the Legislative Council today (Wednesday):

Mr President,

I move that the Inland Revenue (Amendment) Bill 1995 be read a second time.

It is a principle of our taxation system that individuals have the right to order their affairs so as to pay the least tax consistent with their legal obligations. At the same time, however, we must act to close tax loopholes as they emerge, because the net result of tax avoidance is to shift the burden of financing public services unfairly on to the rest of the community.

In the 1994 Budget Speech, the Financial Secretary highlighted the widespread use of service companies to avoid or significantly reduce tax liability, and announced our intention to remedy the situation by legislation.

The Bill now before Members seeks to tackle one of the main areas of concern, namely the use of a service company to disguise what is, in substance, an employer-employee relationship. Under this type of arrangement, an individual engaged under employment-like conditions has the remuneration for his services paid, not as a salary to himself, but as a consultancy fee to an interposed company he controls. The fee is then chargeable to profits tax in the hands of the service company which is entitled to a wider range of deductions than would otherwise be available to the individual under salaries tax. In addition, remuneration is provided to the individual by the service company in a tax-efficient manner so as to result in little or no liability to salaries tax.

To counter this type of arrangement, we propose that remuneration paid to a company for services rendered by an individual who controls that company, directly or indirectly, will in future be treated as being income derived by that individual from employment and thus chargeable to salaries tax. However, to ensure that genuine contracts for services are not caught, we propose to exclude arrangements which do not bear common characteristics of contracts of employment or which, in the judgement of the Commissioner of Inland Revenue, are not, in substance, contracts of employment.

Mr President, I move that the debate be now adjourned.

End/Wednesday, March 29, 1995

Dumping at Sea Bill passed

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A Bill which sought to localise the provisions of the Dumping at Sea Act 1974 (Overseas Territories) Order 1975 so that existing control on marine dumping activities could continue after June 30, 1997 was passed by the Legislative Council today (Wednesday).

The Dumping at Sea Bill also seeks to address deficiencies in the operation of the existing control scheme and the need to increase penalties.

The Bill specifies that a waste producer should apply for a permit from the authority before commissioning a dumping or incineration act at sea.

An operator engaged by the waste producer to carry out dumping should not take on board waste for dumping unless he is satisfied that the waste producer has a permit as required.

Speaking at the resumed debate on the Bill, the Secretary for Planning, Environment and Lands, Mr Tony Eason, said if toxicity tests were carried out for the issue of a dumping permit, the results would be made available to the public on request.

He said the Government aimed to introduce the Environmental Impact Assessment Bill, which would cover the environmental impact assessment of potential marine dumping areas, into the Legislative Council before the end of 1995.

In the meantime, he said the Government would continue the current practice of designating a new dumping ground only after an environmental impact assessment study has confirmed the suitability of the site concerned.

End/Wednesday, March 29, 1995

Prisoners' Education Trust Fund Bill

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Following is the speech by the Secretary for Security, Mr Peter Lai, on the LegCo committee stage amendment to the Prisoners' Education Trust Fund Bill today (Wednesday):

Mr Chairman,

I move that the Clause (7) be amended as set out in the paper circulated to Members.

The amendment put forward is technical in nature. As advised by the Director of Audit, it is the Director of Accounting Services who is responsible for giving advice on account-keeping. Therefore, it is appropriate to replace the "Director of Audit" with the "Director of Accounting Services" in Clause 7(1) of the Bill. This does not affect the provision that the accounts of the Fund will be audited by the Director of Audit before it is tabled in the Legislative Council each year.

Mr Chairman, I beg to move.

End/Wednesday, March 29, 1995

Prisoners' Education Trust Fund passes its 3rd reading

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More financial resources would be available to prisoners who wished to further pursue their academic studies in prisons following the passage of Prisoners' Education Trust Fund Bill at the Legislative Council today (Wednesday).

A government spokesman said today that the Fund was part of a scheme to encourage prisoners to obtain better educational qualifications while in prison.

The aim was to help them better prepare for reintegration into the community upon their release from prison, he said.

"At present, young offenders aged between 14 and 21 are provided with general and vocational courses in penal institutions on a compulsory basis.

"However, some prisoners, in particular adult prisoners, were unable to pursue academic studies through the lack of money," he pointed out.

"Opportunities for academic pursuits are offered to adult offenders on a voluntary basis. These are provided in the form of remedial classes, correspondence courses and self-study courses.

"Although every assistance is provided to prisoners in their academic studies, it is not possible for the Correctional Services Department (CSD) to cater for the individual needs of every prisoners, such as conducting courses at an appropriate level or purchasing books and similar materials for a particular prisoner," he said.

"With the establishment of the Prisoners' Education Trust Fund, financial assistance would be provided to prisoners for academic pursuits and will be used to set up appropriate educational facilities, such as computer room and language laboratory, for use by prisoners," the spokesman said.

"The Fund will be available for all prisoners although it is intended primarily to assist those adult offenders with no alternative educational opportunities available," he added.

Donations amounting to \$1.31 millions have been offered by the Royal Hong Kong Jockey Club (\$1.01 million), the Hongkong Bank (0.25 million) and Duty Free Shoppers Limited (0.05 million) to set up the Fund.

The Commissioner of Correctional Services will be the trustee and a Trust Fund Committee will be set up to manage the Fund.

In order to facilitate the investment of the Fund, the Secretary for Security will soon appoint an Investment Advisory Committee on the best investment strategy.

The accounts of the Funds will be tabled each year at the Legislative Council.

End/Wednesday, March 29, 1995

Internationally Protected Persons and Taking of Hostages Bill

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Following is the speech by the Secretary for Security, Mr Peter Lai, on the LegCo committee stage amendments on Internationally Protected Persons and Taking of Hostages Bill today (Wednesday):

Mr Chairman,

I move that clauses 5 and 6 be amended as set out in the paper circulated to Members.

Three technical amendments are proposed. The first amendment clarifies the precise meaning of Clause 5. The second amendment is to correct a typographical error. The third amendment removes the unnecessary distinction between Commonwealth countries and foreign states in Clause 6(2).

Mr Chairman, I beg to move.

End/Wednesday, March 29, 1995

Bus commuting times

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Following is a question by the Hon Christine Loh Kung-wai and a written reply by the Secretary for Transport, Mr Haider Barma, in the Legislative Council today (Wednesday):

Question:

The recent Report of the Working Party on Measures to Reduce Traffic Congestion stated that the Government's transport policy "is founded on improving transport infrastructure, expanding the provision and improving the quality of public transport and managing road use." To this end, will the Administration inform this Council:

- (a) of the respective commuting times by public transport from 17 major population centres throughout the territory (namely Chai Wan, North Point, Causeway Bay, Wan Chai, Kennedy Town, Aberdeen, Kwun Tong, Sha Tin, Tai Po, Sham Shui Po, Kowloon City, Wong Tai Sin, Kwai Tsing, Tsuen Wan, Tuen Mun, Yuen Long and Mui Wo) to the main business districts of Tsim Sha Tsui and Central;
- (b) of the respective increase/decrease in these commuting times in the last two years; and
- (c) whether the Transport Branch will set performance targets to lower these commuting times?

Reply :

Mr President,

Bus commuting times from major population centres to Tsim Sha Tsui and Central are provided in the Annex. These figures are based on data provided by the franchised bus operators and statistics from surveys conducted by Transport Department.

Although each bus route has a specified frequency, no comprehensive or systematic records have been kept of the actual journey times. Regrettably, therefore, no useful comparative figures can be provided for the last two years. This will be rectified and Transport Department will henceforth collate the necessary data.

In principle, I support the Honourable Christine Loh's suggestion to set performance targets. Such targets must be realistic if they are to have any meaning. It is difficult to do so against a background of deteriorating traffic conditions but I shall consider how this can best be achieved in the coming months.

Annex

<u>From</u>	<u>To</u>	<u>Route Number</u>	<u>Average Journey Times in minutes (in 1994)</u>
Chai Wan	Central	CMB Route 80 (via King's Road)	81
		CMB Route 781 (via Island Eastern Corridor)	41
North Point	Central	CMB Route 10A	31
Causeway Bay	Central	CMB Route 11	48
Wan Chai	Central	Several bus routes	22
Kennedy Town	Central	Citybus Route 5M	30
Aberdeen	Central	Citybus Route 70 (via Aberdeen Tunnel)	39

		CMB Route 7 (via Pok Fu Lam Road)	38
Sham Shui Po	Central	KMB Route 105	40
Sham Shui Po	Tsim Sha Tsui	KMB Route 6	36
Kowloon City	Central	KMB Route 101	47
Kowloon City	Tsim Sha Tsui	KMB Route 5A	25
Wong Tai Sin	Central	KMB Route 103	57
Wong Tai Sin	Tsim Sha Tsui	KMB Route 7	43
Kwun Tong	Central	KMB Route 101	57
Kwun Tong	Tsim Sha Tsui	KMB Route 1A	57
Yuen Long	Central	KMB Route 368	129
Yuen Long	Tsim Sha Tsui	KMB Route 69X	112
Tuen Mun	Tsim Sha Tsui	KMB Route 259B	79
Tsuen Wan	Central	KMB Route 334	64
Tsuen Wan	Tsim Sha Tsui	KMB Route 238X	47

Kwai Tsing	Central	KMB Route 337	72
Kwai Tsing	Tsim Sha Tsui	KMB Route 244X	57
Sai Kung	Central	KMB Route 690	65
Sai Kung	Tsim Sha Tsui	KMB Route 98D	51
Sha Tin	Central	KMB Route 182	67
Sha Tin	Tsim Sha Tsui	KMB Route 81C	73
North	Central	KMB Route 373	115
Tai Po	Central	KMB Route 307	84
Tai Po	Tsim Sha Tsui	KMB Route 271	77

Note : Information on bus journey times is based on average figures obtained from records of franchised bus companies and surveys conducted by Transport Department. The figures are for reference only.

End/Wednesday, March 29, 1995

Shutting down of six Internet access providers

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Following is a question by the Hon Simon Ip Sik-on and a written reply by the Secretary for Economic Services, Mr Gordon Siu, in the Legislative Council today (Wednesday):

Question:

Will the Government inform this Council of the reasons for the recent raiding and shutting down of six Internet access providers in the territory and why it was considered that those reasons were significant enough to justify such a potentially costly disruption of the exchange of academic and commercial information through on-line services?

Reply:

During the past few months the Royal Hong Kong Police Force's Commercial Crime Bureau (CCB) has been investigating a number of cases involving computer hacking (unauthorised access to a computer system via a telecommunication device). In co-operation with overseas law enforcers the CCB established that the hacker or hackers have been entering the Internet system via service providers in Hong Kong and from there to overseas computer systems.

Through contact with the Office of the Telecommunication Authority (OFTA) the CCB established that of the nine Internet service providers in Hong Kong seven were operating without the required licence, in contravention of section 8 of the Telecommunication Ordinance. While OFTA was aware of this situation and was in discussion with the service providers to regularise it, the view of the CCB, supported by legal advice, was that they were duty bound to take action. The reasons were to stop the continuing offences of operating without a licence and to prevent the unlicensed service providers from providing a platform for the computer hackers to commit further offences. If the service providers had been licensed the CCB would have approached them for co-operation in investigating the computer hacking offences. However, as the service providers were unlicensed and thus of unknown probity the CCB considered it entirely inappropriate to seek such co-operation and there was no alternative but to close the operations, in order to prevent further offences from taking place.

End/Wednesday, March 29, 1995

Autotoll lanes

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Following is a question by Dr the Hon Conrad Lam Kui-shing and a written reply by the Secretary for Transport, Mr Haider Barma, in the Legislative Council today (Wednesday):

Question:

Regarding the provision of a toll lane for the exclusive use of motorists using the automatic toll collection system in the Cross Harbour Tunnel at Hung Hom, will the Government inform this Council :

- (a) whether the operation of such a system has helped to relieve traffic congestion in the Tunnel; if so, what the effects are; if not, why this system is still being used; and
- (b) whether it is aware that the reduction in toll lanes as a result of the introduction of this system has led to congestion in the normal toll lanes, thus causing inconvenience to motorists not using the automatic toll collection system; if so, whether it will request the tunnel company concerned to take remedial measures?

Reply:

Mr President,

- (a) The automatic toll collection system installed at the Cross Harbour Tunnel was never intended to relieve traffic congestion. The congestion problem in this location is primarily due to the fact that the tunnel itself is operating far beyond its design capacity. The tunnel company introduced autotoll so as to enhance the efficiency and cost-effectiveness of toll collection, and to provide greater convenience for users of the facility.
- (b) • Transport Department has received no complaints from the public in recent months about the autotoll system. The department monitors the operation of the tunnel and has advised that the introduction of autotoll has not led to increased congestion in the normal toll lanes. Before the company is allowed to open any additional autotoll lanes in response to increasing demand, a careful assessment is made to ensure that there will be no adverse effect on the overall traffic flow and in particular on those who continue to use the normal toll lanes.

End/Wednesday, March 29, 1995

Medical services for Peng Chau residents

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Following is a question by Dr the Hon Leong Che-hung and a written reply by the Secretary for Health and Welfare, Mrs Katherine Fok, in the Legislative Council today (Wednesday):

Question :

Will the Administration inform this Council what types of medical services are provided in Peng Chau and whether consideration has been given to expanding such services to meet the increase in the island's population as a result of the completion this year of the new Peng Lai Court which will accommodate 7,000 residents?

Reply :

The Department of Health operates a clinic in Peng Chau providing general out-patient consultations, maternal and child health services as well as a maternity home. Outside normal working hours, first-aid services are provided at the clinic by two nurses. For patients requiring accident and emergency treatment, transport by helicopter or police launch will be arranged. In addition, there are two general clinics operated by private medical practitioners in Peng Chau.

The medical services currently available in Peng Chau will be able to meet the increase in demand arising from completion of the Peng Lai Court and Kam Peng Estate since a large proportion of the 1,300 people to be accommodated in these two developments are existing residents of the island. Nevertheless, we will closely monitor attendance at the Peng Chau clinic to review the situation.

End/Wednesday, March 29, 1995

Banking supervision

Following is a question by the Hon Allen Lee Peng-fei and a written reply by the Secretary for Financial Services, Mr Michael Cartland, in the Legislative Council today (Wednesday):

Question:

The incident concerning the British Barings Banking Group has caused global repercussions, indicating that the mere monitoring of the local business activities of banks is not an effective guarantee of the sound financial state of such institutions. In this connection, will the Government inform this Council:

- (a) what Government policies are currently in place to ensure that both the local and overseas business activities of the banks in the territory are in a sound financial state, and whether the Hong Kong Monetary Authority will step up efforts to monitor such business activities in the light of the Barings incident; and
- (b) whether, in regard to banking groups setting up subsidiary companies to engage in various kinds of investment activities, there are close links between the Securities and Futures Commission and the Hong Kong Monetary Authority to monitor the investment activities of such subsidiary companies, so as to prevent the collapse of banks as a result of losses incurred in such investment activities?

Reply:

- (a) The Hong Kong Monetary Authority (HKMA) adopts a "continuous supervision" approach in respect of banking supervision. This involves the on-going monitoring of institutions through a variety of techniques, aimed at detecting problems at an early stage. Such techniques include on-site examination, off-site reviews, reports by external auditors and other major powers under the Banking Ordinance.

In respect of supervision of banks with international operations, the HKMA follows international practice as embodied in the principles of the revised Concordat and the 1992 Minimum Standards issued by the Basle Committee on Banking Supervision.

In the case of banks incorporated in Hong Kong and for which the HKMA is the lead regulator, this involves the exercise by the HKMA of consolidated supervision of such banks, including their operations outside Hong Kong. In this connection, Hong Kong is one of 12 jurisdictions which have so far met the US Federal Reserve Bank's requirement that home supervisors should conduct "comprehensive and consolidated supervision".

The HKMA is engaged in a continuous process of enhancing the banking supervisory framework in Hong Kong. The Barings collapse has given added impetus to this, particularly in relation to the supervision of banks' derivative activities. Specifically, as an immediate step, the HKMA has written to all authorised institutions to require them to conduct an urgent review of the controls over trading in derivatives and to report on the results of this to the HKMA by 3 April 1995. Institutions which do not currently trade in derivatives are required to consult with HKMA before beginning such activities.

The HKMA has issued a guideline on the risk management of derivative activities back in December 1994. It intends to issue a further detailed guideline later this year. To facilitate preparation of this guideline, the HKMA is currently conducting a series of visits to the treasury operations of major participants in derivative activities in Hong Kong.

As an international financial centre, Hong Kong benefits enormously from the presence of a wide range of foreign banks in the territory. Occasionally, problems may arise in such banks which affect their operations in Hong Kong. In such cases the HKMA tries to reduce any adverse impact on depositors through its direct supervision of the operations in Hong Kong and through the use of its powers under the Banking Ordinance, e.g. to assume control of an institution in trouble.

A key factor in the success of such measures is the ability to obtain timely warnings and assistance from the home supervisor of the foreign bank in question. In the case of Barings, for example, the Bank of England kept closely in touch with the HKMA and sent one of its representatives to Hong Kong. Such co-operation is consistent with the improved arrangements for the supervision of international banks introduced in recent years. It is the intention of the HKMA to develop such co-operative links with other supervisors, both through bilateral discussion and through international organisations such as the Bank for International Settlements.

- (b) We agree that the involvement of banking groups in a variety of banking and investment activities requires close liaison between banking supervisors and securities regulators. For this reason, there are established links between the HKMA and the Securities and Futures Commission (SFC). Apart from routine exchange of information, the HKMA and SFC consult each other closely on issues of common interest; monthly meetings are held to discuss operational issues regarding the activities of institutions subject to contemporaneous regulation by both regulators. In addition, a Working Party on Supervisory Co-operation has been established recently to consider, among other things, how liaison might be further strengthened. The Working Party has recently completed its report. It is intended that this should be used to develop a Memorandum of Understanding between the HKMA and SFC to cover the broad framework of co-ordinated supervision of banking groups.

End/Wednesday, March 29, 1995

Intellectual property rights in schools

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Following is a question by the Hon Timothy Ha Wing-ho and a reply by the Secretary for Education and Manpower, Mr Michael Leung, in the Legislative Council today (Wednesday):

Question:

Teaching and learning activities at schools often involve the use of teaching and learning materials that have intellectual property rights implications, such as photocopies of books and publications, cassette and video tapes, music scores and scripts, and computer software etc. In view of the concern expressed by the international community and various sectors of the local community over the issue of intellectual property rights, will the Government inform this Council whether :

- (a) any survey has been conducted in the last three years on the use of teaching and learning materials involving intellectual property rights in schools; if so, what the findings of the survey are; if not, why not;

- (b) there is any plan to seek full or partial exemption for schools from the provisions of the laws on intellectual property rights, modelling on the United Kingdom's 1988 Copyright, Designs and Patents Act;
- (c) consideration has been given to obtaining permits for schools collectively to enable them to use teaching and learning materials involving intellectual property rights; if so, what the details are; if not, why not;
- (d) additional funding will be provided to enable schools to have sufficient teaching and learning materials to use on the one hand and comply with the intellectual property right laws on the other; if so, what the details are; if not, why not; and
- (e) guidelines have been provided to schools on the issue of intellectual property rights; if so, what the contents are; if not, why not?

Reply:

Mr President,

- (a) No survey has been conducted on the use of teaching and learning materials involving intellectual property rights in schools. Nevertheless, we have issued a circular to draw the attention of schools and teachers to the need to observe the relevant legislation relating to copyright, see part (e) below.
- (b) The Secretary for Trade and Industry is preparing a comprehensive Copyright Bill for introduction to the Legislative Council as soon as possible. This bill will include certain provisions similar to those in the 1988 United Kingdom Copyright, Designs and Patents Act, which would permit the use of certain copyright materials under certain conditions for certain educational purposes without infringing their copyright.
- (c) At present, there is no single organisation in Hong Kong which administers collectively the intellectual property rights of all teaching and learning materials. It is therefore not feasible for the Education Department to obtain permits for schools collectively because of the wide spectrum of such materials in use in our schools.

- (d) Funds are provided for schools in the public sector to meet expenses for teaching and learning materials including copyright. We shall keep such funding under constant review.
- (e) The Education Department issued a circular on copyright on 17 January 1990 to all schools to draw the attention of school heads and teachers to the main requirements of the law relating to copyright.

End/Wednesday, March 29, 1995

Container Terminal 9 project

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Following is a question by the Hon Steven Poon Kwok-lim and a written reply by the Secretary for Economic Services, Mr Gordon Siu, in the Legislative Council today (Wednesday):

Question:

In his 1995-96 Budget, the Financial Secretary stated that the Government's original plan was to entrust the construction of the duplicate Tsing Yi south bridge to the consortium chosen to develop Container Terminal 9 but that the Government has recently decided to make preparations for the bridge to be built separately. In this connection, will the Government inform this Council whether :

- (a) the Government's decision is an indication that the Government has decided to shelve the Container Terminal 9 project;
- (b) its decision to make preparations for the bridge to be built separately will affect the agreement previously reached with the Consortium concerned; if so, whether the agreement will in consequence be invalidated; if not, whether the Government's present decision requires the consent of the consortium;
- (c) it is necessary for the Government to inform the Chinese side of its decision, bearing in mind that it has discussed the development rights of Container Terminal 9 with the Chinese side; if so, when the Chinese side will be informed; and

- (d) the opportunity will be taken to re-tender the Container Terminal 9 project in view of the exclusion of the duplicate Tsing Yi South Bridge from the scope of the project?

Answer:

Mr President,

My replies to the question are, seriatim:

- (a) the Administration has absolutely no intention of shelving Container Terminal No. 9;
- (b) the Administration had originally intended to entrust the construction of the duplicate South Tsing Yi Bridge to the CT9 developers to ensure its timely completion. Given the delay to the CT9 development, and having regard to the urgent need to alleviate traffic congestion and to cater for expected growth in traffic in Tsing Yi, the Administration considers it desirable to proceed with the bridge as a separate public works project. The entrustment arrangement does not directly relate to the land grant. The principal conditions of the draft land grant remain unchanged. The consortium is aware of the Administration's decision;
- (c) the Chinese side has been informed of our intention to proceed with the bridge as a public works project;
- (d) The exclusion of the bridge from the scope of the project makes no difference to our proposals for the development of CT9, which envisage a private treaty grant.

End/Wednesday, March 29, 1995

Importation of architects

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Following is a question by the Hon Edward Ho Sing-tin and a written reply by the Secretary for Education and Manpower, Mr Michael Leung, in the Legislative Council today (Wednesday):

Question :

With regard to applications for the importation of Chinese architects following the introduction of the scheme for importing 1000 graduate professionals and managers from China, will the Government inform this Council of :

- (a) the number of companies which have made such applications and the total number of architects they have applied for, as well as the number of companies which have been successful in their applications together with the total number of architects approved;
- (b) the number of companies which have successfully applied for more than one architect, together with the respective number of architects approved for each company;
- (c) the number of companies whose applications have been rejected and the reasons thereof; and
- (d) the criteria used in approving applications for the importation of architects from China?

Reply :

Mr President,

- (a) We have received a total of 49 applications for the importation of architects from 35 companies under the Pilot Scheme for entry of PRC professionals. A total of 11 companies have been successful in all the four ballot exercises, each with one successful application. So far, 7 applications for the post of architect have been approved and 2 applications have been withdrawn.

(b) No company has been successful in their application for more than one architect post.

(c) None of the successful applications for the importation of architects in the first three ballot exercises have been rejected during the subsequent vetting stage. The detailed vetting of the 2 successful applications in the fourth ballot exercise held on 23.3.95 have not yet started. The results are therefore not available.

(d) There are no separate criteria for the assessment of applications for importation of architects from China under the Pilot Scheme. All applications for quota under the Pilot Scheme for entry of PRC professionals are processed in accordance with the following criteria :

(i) The entrant must be a graduate from one of the 36 key institutions in the PRC.

(ii) The employer submitting applications must be from any companies in Hong Kong other than PRC state enterprises.

(iii) The entrant possesses a special skill, knowledge or experience of value to, but not readily available in Hong Kong.

(iv) The qualifications and experience of the entrant are compatible with the post applied for; and

(v) The entrant must satisfy normal immigration requirements.

End/Wednesday, March 29, 1995

Bus services for Tai Po and North District

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Following is a question by the Hon Tik Chi-yuen and a written reply by the Secretary for Transport, Mr Haider Barma, in the Legislative Council today (Wednesday):

Question:

In view of the continuing population growth in the New Territories North and Tai Po districts which has led to an increasing demand for external transport services, will the Government inform this Council whether there are plans to expand the number of external bus routes serving these two districts?

Reply :

Mr President,

At present, there are 31 Kowloon Motor Bus (KMB) routes serving the North District and Tai Po. 20 of these routes operate within the New Territories whilst 11 routes provide services to Hong Kong Island and urban Kowloon. In total 160 buses are deployed on the 11 external routes. In addition, nine residential coach services also run to the urban areas. Overall the bus services now provided can cope with existing passenger demand.

There are plans to increase the frequency and carrying capacity of public bus services over the next two years to cope with the anticipated growth in demand. KMB's route development programme envisages that 18 new buses will be added and higher capacity buses will also be deployed to serve the two districts. The Transport Department will monitor the situation closely.

End/Wednesday, March 29, 1995

Provident fund schemes of three universities

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Following is a question by the Hon Emily Lau and a written reply by the Secretary for Education and Manpower, Mr Michael Leung, in the Legislative Council today (Wednesday):

Question :

Under the Occupational Retirement Schemes Ordinance, all retirement schemes are required to be registered with the Government by October this year; and for schemes existing prior to the commencement of the Ordinance, they must become solvent by October 1998. It is learnt that the provident fund schemes of the University of Hong Kong, the Chinese University of Hong Kong and the Hong Kong Polytechnic University are all in a deficit situation. In this connection, will the Government inform this Council whether :

- (a) it will maintain its policy of not using the taxpayers' money to make up for the deficits of these provident fund scheme;
- (b) it is aware of how the authorities of the universities concerned will resolve such a serious problem; and
- (c) it will consider exempting the provident fund schemes of the various universities from the Occupational Retirement Schemes Ordinance as suggested by some lecturers?

Reply :

Mr President,

- (a) The Administration will not alter its existing policy of limiting its contribution to the superannuation schemes of the tertiary institutions to 15% of the average staff salaries assumed for the purposes of assessment of recurrent grants. The management and operation of the superannuation schemes, including the responsibility for monitoring and ensuring their financial viability, rest with the institutions concerned.

- (b) The Administration is aware that the three institutions concerned, viz. the University of Hong Kong (HKU), the Chinese University of Hong Kong (CUHK) and the Hong Kong Polytechnic University (PolyU) are actively pursuing measures to improve the long term financial position of their superannuation schemes and to ensure that the schemes comply with the requirements for registration under the Occupational Retirement Scheme Ordinance (ORSO). Having completed its staff consultation, the CUHK has given approval to amend the Regulations of its existing scheme to ensure its solvency and will also introduce a new scheme to which members may opt by which benefits will vary according to the investment return of the pension fund. The HKU is considering amending its existing scheme to a "variable defined benefits" scheme which would provide for negative adjustments when times are unfavourable. Lastly, the PolyU is considering modifying the "defined benefits" nature of its scheme into "variable benefits" to make the scheme registrable under ORSO. The Administration understands that the institutions concerned are already consulting their staff regarding these measures.
- (c) There is no statutory power under the ORSO by which to exempt the superannuation schemes of the tertiary institutions. An exemption would require legislative amendment. However, the ORSO does not require a specified level of contributions to or benefits from occupational retirement schemes. This is a matter for the scheme operators to decide. What ORSO requires is that every scheme be 100 percent solvent, that is, contributions must be sufficient to finance benefits in the long term. To achieve this level of solvency, operators may either reduce benefits or increase contributions. The operators of the schemes in question have not yet sought to register them under the ORSO. Nor have they presented the Registrar with a case for exemption. However, excluding the schemes from the Ordinance would not solve their problem. It would merely defer it to a future date.

End/Wednesday, March 29, 1995

Circulation of ten-dollar coins

Following is a question by the Hon Allen Lee Peng-fei and a written reply by the Secretary for Financial Services, Mr Michael Cartland, in the Legislative Council today (Wednesday):

Question:

With regard to the circulation of ten-dollar coins in the territory, will the Government inform this Council:

- (a) of the respective amounts of ten-dollar coins and ten-dollar bank notes in circulation;
- (b) whether the Government has set a timetable to demagnetise the ten-dollar bank notes; and how the Government will cope with the situation in which the public hoard up ten-dollar bank notes for use in 'lai-see' packets during the Chinese New Year, which will cause delay in the recovery of such bank notes;
- (c) whether the Government will consider amending the relevant provisions in the Coinage Ordinance stipulating the limit on the amount of coins which may be used as legal tender in view of the issue of ten-dollar coins; and
- (d) whether the Government is aware of the public's general dislike of ten-dollar coins; and whether consideration will be given to the concurrent issue of ten-dollar coins and bank notes so as to conform with the public's preference?

Reply:

- (a) There is a total of approximately \$5,630 million in ten-dollar notes and coins in circulation, comprising \$730 million ten-dollar coins and \$4,900 million ten-dollar notes.

- (b) The Government has not set a timetable to demagnetise ten-dollar notes. Our plan is to leave the withdrawal of ten-dollar notes through normal wear and tear to the respective note-issuing banks. As ten-dollar notes remain legal tender, there is no urgency for Government to replace them all with coins and no concern therefore about their continued use in 'lai-see' packets.
- (c) In the drafting of the Coinage Ordinance in 1994, careful thought was given to the limit on the amount of coins which may be accepted as legal tender for payment as stipulated in section 2 of the Ordinance. We do not see a need for changing the limit of \$100 for ten-dollar coins at this moment.
- (d) When new coins are introduced, it always takes some time for the public to get used to them. This is a natural phenomenon which we also encountered when the five-dollar coins were first introduced. We expect the public's acceptance of the ten-dollar coins to increase in due course. We do not intend to issue new ten-dollar notes and coins concurrently.

End/Wednesday, March 29, 1995

Voter registration for the new functional constituencies

Following is a question by the Hon Frederick Fung Kin-kee and a written reply by the Secretary for Constitutional Affairs, Mr Nicholas Ng, in the Legislative Council today (Wednesday):

Question:

The Government has indicated that all working persons engaged in economic activities are eligible for registration as electors of the new functional constituencies in the forthcoming Legislative Council election, provided they are registered electors of geographical constituencies. In connection with this, will the Government inform this Council:

- (a) whether it will write to the employees of organisations registered under the Societies Ordinance inviting them to register as electors of the new functional constituencies; if not, why not;

- (b) how it will ensure that full-time employees of organisations which are neither registered businesses nor registered societies will register as electors of the new functional constituencies; and
- (c) whether the failure of the organisations mentioned in (b) above to take the initiative to provide information on its employees to the Registration and Electoral Office is in contravention of section 23 of the Boundary and Election Commission (Registration of Electors) (Functional Constituencies and Election Committee Constituency) Regulation?

Reply:

- (a) The Registration and Electoral Office (REO) has plans to request organisations registered under the Societies Ordinance to provide information of their employees. On receipt of such information, the REO will write to the employees concerned inviting them to register as electors in the nine new functional constituencies.
- (b) The Government is conducting an extensive publicity campaign to ensure that full-time employees of organisations which are neither registered businesses nor registered societies are aware that they can, if eligible, become electors in one of the new functional constituencies. There are open appeals through television, radio and newspaper advertisements to encourage eligible persons to get themselves registered. They can pick up a voter registration form at any one of 1,500 outlets which include District Offices, Post Offices, housing estate offices and major bank offices. The publicity campaign will intensify and continue until registration closes on 1 June.
- (c) Section 23 of the Boundary and Election Commission (Registration of Electors) (Functional Constituencies and Election Committee Constituency) Regulation provides sanction against organisations which fail to provide information upon request to the Registration Officer for the purpose of voter registration. If an organisation does not take the initiative to provide information on its employees to the Registration Officer, there is no contravention of section 23 of the above Regulation.

End/Wednesday, March 29, 1995

Labour Department's "chips allotment" system

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Following is a question by the Hon Zachary Wong Wai-yin and a written reply by the Secretary for Education and Manpower, Mr Michael Leung, in the Legislative Council today (Wednesday):

Question :

It is learnt that some of the Labour Department's district offices have introduced a "chips allotment" system to regulate the number of cases handled each day. In this regard, will the Government inform this Council :

- (a) which district offices in the Labour Department have adopted the "chips allotment" system in providing services; and
- (b) whether the adoption of the "chips allotment" system is due to staff shortage of those district offices; if so, how and when the situation can be improved; if not, what are the reasons for adopting such a system?

Reply :

Mr President,

- (a) At present, the Labour Department is providing services through a "chips allotment" system at all the nine offices of the Local Employment Services, all the four Occupational Medicine Units, and four of the ten offices of the Labour Relations Service.
- (b) The 'chips allotment' system was not introduced because of staff shortage. This common customer service practice in the private sector was adopted by the Labour Department primarily to improve both the quality and efficiency of the Department's service to the public. This method enables the Department to provide services in an efficient and orderly manner. It is also an appointment system with an obvious advantage that customers waiting to be served can leave to deal with their own business and then return for the services at the scheduled time without unnecessary waiting. This system has so far been working well. The Department will nevertheless keep its effectiveness under constant review and bring about improvements as and when appropriate.

End/Wednesday, March 29, 1995

Pickpocketing at border checkpoints

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Following is a question by the Hon Mrs Selina Chow Liang Shuk-ye and a written reply by the Secretary for Security, Mr Peter Lai, in the Legislative Council today (Wednesday):

Question :

In view of recent complaints from local residents about their identity cards being stolen by pickpockets in the restricted areas of the Lowu/Shenzhen border checkpoints, will the Government inform this Council:-

- (a) of the number of such cases reported in the past year;
- (b) whether the Government has taken any action on the reported cases; and
- (c) whether the Government has discussed with the relevant Chinese authorities regarding the measures to be taken to combat these illegal activities?

Reply :

Mr President,

- (a) In 1994, the Police received 14 reports of pickpocketing in the Lowu/Shenzhen border checkpoints. Out of these 14 cases, only two involved loss of identity cards. In the same year, a total of 234 "Lost or Stolen" reports were made at the Lowu Police Post; however, we do not keep statistics on how many of these cases involved loss of identity cards, nor whether they happened in the border check point area.
- (b) The Police in Border District have formed a special Task Force to combat pickpocketing activities in the Lowu/Shenzhen border checkpoints since August 1994. Eight of the 14 pickpocketing cases were detected, with arrests made.
- (c) The Police have addressed the Shenzhen authorities, through both Interpol and the Border Liaison Channel, regarding pickpocketing activities at the Lowu/Shenzhen border checkpoints. The Police maintain close liaison with their Shenzhen counterparts on this matter.

End/Wednesday, March 29, 1995

Investment returns of retirement schemes

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Following is a question by the Hon Marvin Cheung and a written reply by the Secretary for Financial Services, Mr Michael Cartland, in the Legislative Council today (Wednesday):

Question:

Is the Government aware of the investment returns achieved by retirement schemes in the territory; if so, will the Government inform this Council:

- (a) of the total number of retirement schemes for which information on investment returns is available ("the known population");
- (b) of the period of time which this information covers ("the relevant period");
- (c) of the total value of investments of such schemes during the relevant period;
- (d) of the total number of retirement schemes in existence in the territory during the relevant period;
- (e) of the total value of funds invested in the totality of retirement schemes in the territory during the relevant period;
- (f) of the average annual rate of return on investments in the known population of retirement schemes during the relevant period;
- (g) if the answers to (a) and (d) are different, whether the information on investment returns of the known population is representative of all retirement schemes in the territory during the relevant period and if so, what is the basis of this deduction; and
- (h) if the information on investment returns of the known population is not representative of all retirement schemes in the territory, what information does the Government have in relation to the average investment returns of all retirement schemes in the territory during the past 20 years?

Reply:

- (a) So far, the Registrar of Occupational Retirement Schemes has received only 3,000 applications for registration of schemes under the Occupational Retirement Schemes Ordinance. As there is no requirement for such applications to be accompanied by audited scheme accounts, the Registrar does not have comprehensive statistics on the investments of the schemes.

However, the Registrar has access to some investment statistics from market sources. Wyatt's Annual Reports on Measurement of Investment Performance Survey for Hong Kong Retirement Schemes are one reliable source of such information. The answers to the remaining questions are based on these reports.

- (b) The latest (1994) Wyatt report covers the period from 1983 to 1994, and statistics for each intervening period (e.g. 1984/1994, 1985/1994, 1986/1994, etc.) and for the year 1994.
- (c) The survey conducted by Wyatt covers 39 investment managers and 281 funds with a total investment value of HK\$46.6 billion. It is not known how many schemes are covered.
- (d) The number of existing occupational retirement schemes is estimated at about 20,000-25,000, of which 15,000 have been approved by the Inland Revenue Department for tax purposes. The numbers of such tax approved schemes during the relevant period are:-

<u>Year</u>	<u>Schemes Approved by IRD</u>
1994	14,911
1993	13,400
1992	11,687
1991	10,266
1990	8,615
1989	7,181
1988	5,802
1987	4,826
1986	4,105
1985	3,658
1984	3,325
1983	2,943

- (e) According to Wyatt, the HK\$46.6 billion of investment funds surveyed represents about 40% of the total estimated funds under management in the retirement schemes industry. Using information from the Wyatt reports the aggregate value of retirement schemes should be as follows:

<u>Year</u>	Wyatt's Surveyed Schemes <u>Total value of funds</u> HK\$b	Total value of funds (÷40%) HK\$b	Growth Rate %
1994	46.6	117	-11%
1993	52.6	132	61%
1992	32.7	82	9%
1991	30.0	75	20%
1990	25.0	63	0%
1989	25.0	63	25%
1988	20.0	50	0%
1987	20.0	50	18%
1986	17.0	43	70%
1985	10.0	25	33%
1984	7.5	19	150%
1983	3.0	8	-

- (f) Based on Wyatt's survey on investment returns for the total population of retirement schemes in Hong Kong from 1983-1994 (as shown below), the median annual rate of return is 16.3% per annum over the 12-year period. Discounting the average annual inflation factor of 8.8% (Hang Seng CPI) over the same 12-year period, there is a real rate of return of 7.5% per annum (after deduction of a fund management fee of about 1%).

<u>Year</u>	<u>Return in %</u>
1994	-13.3
1993	53.3
1992	5.2
1991	16.1
1990	-3.4
1989	17.9
1988	11.7
1987	5.4
1986	41.2
1985	34.6
1984	4.4
1983	36.0

The real rate of return is reduced by administrative fees of between 3.5% on a monthly contribution of \$2,000 and 6.5% on a monthly contribution of \$400. During the initial years of contribution, the administrative charges may reduce the investment return by a considerable amount. However, as assets accumulate, the administrative charges become insignificant. A summary of the impact of these charges is annexed.

(g)&(h)

The Wyatt surveys, covering about 40% of the market, are used to assess the investment performance of existing schemes.

The Registrar does not have other reliable sources of information to gauge the investment returns achieved by retirement schemes during the past 20 years.

(1) Based on Wyatt's survey of investment returns for the total population of retirement schemes in Hong Kong from 1975-1994 (as shown below), the median annual rate of return is 10.0% per annum over the 15-year period. Discounting for average annual inflation factor of 8.8% (from Hong Kong CPI) over the same period, the real rate of return is 1.2% per annum (after adjustment of a fund management fee of 1.0%).

Year	Median
1994	11.3
1993	10.3
1992	10.2
1991	10.1
1990	10.1
1989	10.0
1988	10.0
1987	10.0
1986	10.0
1985	10.0
1984	10.0
1983	10.0

Annex

Impact of Administrative Charges on Investment Return

The following tables assume an investment return, net of investment expenses, at 16.3% -

Scenario I: After 1 Year

Monthly Salary	Annual Contribution	Asset	Administration Fees (as % of cont)	Reduction in return
4,000	4,800	4,800	6.5	4.69%
8,000	9,600	9,600	5.5	3.97%
20,000	24,000	24,000	3.5	2.52%

Scenario II: After 5 Years

Monthly Salary	Annual Contribution	Asset	Administration Fees (as % of cont)	Reduction in return
4,000	4,800	28,800	6.5	1.08%
8,000	9,600	57,600	5.5	0.92%
20,000	24,000	144,000	3.5	0.58%

Scenario III: After 10 Years

Monthly Salary	Annual Contribution	Asset	Administration Fees (as % of cont)	Reduction in return
4,000	4,800	72,000	6.5	0.45%
8,000	9,600	144,000	5.5	0.38%
20,000	24,000	360,000	3.5	0.24%

Scenario IV: After 15 Years

Monthly Salary	Annual Contribution	Asset	Administration Fees (as % of cont)	Reduction in return
4,000	4,800	144,000	6.5	0.23%
8,000	9,600	288,000	5.5	0.20%
20,000	24,000	720,000	3.5	0.12%

End/Wednesday, March 29, 1995

Student loan scheme for the Open Learning Institute

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Following is a question by Dr the Hon Samuel Wong Ping-wai and a written reply by the Secretary for Education and Manpower, Mr Michael Leung, in the Legislative Council today (Wednesday):

Question :

The Open Learning Institute (OLI) ceased receiving subvention from the Government at the start of the 1993-94 fiscal year and has become self-financing since then. Many students of the OLI are full-time workers who contribute to the well-being of the territory and are also prepared to sacrifice their spare time to study. The high course fees however discourage some of these workers from pursuing courses with the OLI. In this connection, will the Government inform this Council whether it will consider introducing a Student Finance Scheme for students of the OLI similar to that provided to students of local universities, so as to reduce the financial burden of workers pursuing courses with the OLI; if not, why not?

Reply :

Mr President,

The Open Learning Institute was established to cater for the needs of people for self-enrichment and enhancement on a self-financing basis. As most of the students of the OLI are working adults who have decided to devote their time and money to further their studies on a part-time basis, it is not unreasonable to require them to meet the costs of their continuing education. The principle of self-financing ensures that the OLI will remain sensitive to the changing nature and level of demand for continuing education by working adults in Hong Kong.

The OLI has been self-financing since 1993/94. Despite several fee increases to cover inflation and rising real costs of meeting required academic standards, its attraction to people seeking opportunities for continuing higher education in Hong Kong has not been adversely affected. This is reflected in the continuous increase in the student population of the OLI in recent years as follows -

<u>Semester</u>	<u>Percentage increase in fees</u>	<u>Student population</u>	<u>Percentage increase in student population</u>
April 1993	-	13,902	-
Oct 1993	13.0%	15,058	8.3%
April 1994	-	16,182	7.4%
Oct 1994	21.2%	18,311	13.1%

There is no justification for introducing a Student Finance Scheme for the students of the OLI which is similar to that provided to needy full-time students studying in Hong Kong's University Grants Committee-funded tertiary institutions. The Local Student Finance Scheme provides grants and loans towards meeting the respective fees and living expenses of needy full-time students studying at the publicly funded tertiary institutions whilst they are dependent upon their families. However, Government will continue to look closely at the development of the OLI to ensure that the open access to continuing higher education is maintained particularly for those with lower than average salaries. In this regard, Government has given an one-off grant of \$50 million to the OLI to set up a Student Loan Fund to finance its own Student Loan Scheme due to be launched in October 1995. The Scheme will be able to assist approximately 2,000 students, on a means-tested basis, and will assist, therefore, those with a much lower than average level of income.

End/Wednesday, March 29, 1995

Election-related campaign activities

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The following is a question by the Hon Fred Li Wah-ming and a written reply by the Secretary for Constitutional Affairs, Mr Nicholas Ng, in the Legislative Council today (Wednesday):

Question:

In the run-up to the Urban Council election, the Auxiliary Medical Services (AMS) organised free health-check days jointly with certain political groups in various districts in Kwun Tong. As some candidates standing for the election were members of the co-organisers of the functions, they were featured prominently both in the promotional activities preceding the functions as well as on the actual health-check days. In this connection, will the Government inform this Council:

- (a) whether the expenses incurred by the political groups concerned in the above-mentioned promotional activities fall within the definition of "election expenses" set out in the Corrupt and Illegal Practices Ordinance;
- (b) if the answer to (a) is in the affirmative, whether public organisations such as the AMS can participate or assist in any election-related campaign activities in support of any candidate bearing in mind that the AMS is a public organisation under the Security Branch and fully funded by the Government; if not, why the AMS has participated in the above-mentioned promotional activities in Kwun Tong; and
- (c) how the Government will deal with those candidates who have participated in the above-mentioned promotional activities organised jointly with the AMS, particularly in regard to whether their candidature will be revoked and whether checks will be carried out to ascertain if the expenses incurred in such activities have been included in the returns of their election expenses?

Reply:

Under the Corrupt and Illegal Practices Ordinance (Cap. 288), expenses incurred or to be incurred before, during or after an election, by a candidate or by any other person on the candidate's behalf, on account of or in respect of the conduct or management of the election, or for the purpose of promoting or procuring the election of that candidate at that election are election expenses. Expenses incurred by political groups in a community function and in activities promoting that function would not be regarded as election expenses unless that function and related activities are used to promote or procure the election of a candidate or candidates in an election.

It is Government policy that the AMS, like any other Government departments, should not participate or assist in any election-related campaign activities in support of any candidate.

As part of its public service programme, the AMS provides first-aid and health-check services to the public in response to requests of local community organisations. About 1,500 such functions are carried out each year by the AMS. In the case referred to in Kwun Tong, two health-check days were held by a local resident organisation in February this year. The AMS participated in these functions as they fell under the ambit of its public service programme. The Boundary and Election Commission has not received any complaint that these functions and related activities were election-related campaign activities.

End/Wednesday, March 29, 1995

Assistance to operators and residents of aged homes

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Following is a question by Dr the Hon Lam Kui-chun and a written reply by the Secretary for Health and Welfare, Mrs Katherine Fok, in the Legislative Council today (Wednesday):

Question:

The Residential Care Homes (Elderly Persons) Ordinance provides for the control of residential care homes for elderly persons and sets out the space requirements and staffing ratio for operating these homes. In this connection, will the Government inform this Council :

- (a) of the implementation date of the Ordinance; and
- (b) whether compliance with the legislative requirements by private residential care homes will result in an increase in their operating costs; if so, whether the Government will consider providing financial assistance to the operators of these homes to meet the increased costs or to the residents to meet any consequential increase in charges?

Reply :

The reply is as follows :

- (a) The Residential Care Homes (Elderly Persons) Ordinance (90 of 1994), except for section 6, will come into operation on 1 April 1995.
- (b) The Ordinance will regulate homes established for the residential care of elderly persons with the purpose of ensuring that these homes provide services of a reasonable standard. As a result of the Ordinance coming into effect, some existing residential care homes for the elderly will have to improve their space requirements, staffing ratios, fire safety measures and building services in order to comply with the licensing standards. Such measures will inevitably cause an increase in operating costs. Assistance to operators and residents of homes to meet such increases will be provided in the following ways -
 - (1) Operators may apply for up to 60% of the cost of the improvement works entailed from a \$50 million financial assistance scheme. This scheme was established on the basis of recommendations made by the Working Group on Care for the Elderly. It is designed to encourage self-financing and private homes to remain in operation while meeting the improved standards.
 - (2) Residents of private homes for the elderly who are recipients of Comprehensive Social Security Assistance (CSSA) payments and who have difficulties in meeting increased fees resulting from the costs associated with necessary improvements will be assisted through special discretionary grants made under the CSSA Scheme.

The additional financial support available for both operators and residents to deal with any increased costs involved in enhancing the conditions in homes for the elderly should be adequate. But in the event that a home may need to be closed because the necessary improvements cannot be made at a reasonable cost, we are confident that we shall be able to find alternative places for any elderly persons who may be affected.

End/Wednesday, March 29, 1995

Emergency psychiatric service

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Following is a question by Dr the Hon Huang Chen-ya and a written reply by the Secretary for Security, Mr Peter Lai, in the Legislative Council today (Wednesday):

Question :

Major disasters can precipitate many psychiatric illnesses, and emergency psychiatric service can effectively reduce such problems. In this connection, will the government inform this Council whether emergency psychiatric service is at present included in existing contingency plans in the event of a major disaster; if so, what kind of service will be made available; if not, when such service will be provided?

Reply :

Mr President,

Emergency psychiatric treatment is already available as part of the services provided by public hospitals to cater for major disasters or emergencies. In a major disaster, victims and their families exhibiting emotional problems will be conveyed to hospitals, where Medical Social Works will be mobilised to provide, inter alia, emotional support to them. In-patient psychiatric service, consultation and counselling by medical specialists will be arranged where necessary. Case workers from the Social Welfare Department will follow up victims to help them recover from the aftermath of the trauma. Long-term patients will be referred to specialist out-patient clinics and psychiatric day hospitals or mental hospitals for treatment.

End/Wednesday, March 29, 1995

Investment of Govt fund

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The following is a question by the Hon Steven Poon Kwok-lim and a written reply by the Secretary for Financial Services, Mr Michael Cartland, in the Legislative Council today (Wednesday):

Question:

In view of the Barings incident, will the Government inform this Council:

- (a) whether any of the Government's funds, including its reserves, are managed by the Barings Banking Group; if so,
 - (i) what the total amount is;
 - (ii) whether any losses have been incurred and if so, how much;
 - (iii) what instructions have been given to the Group regarding the investment strategy to be adopted in investing the Government's funds; and
 - (iv) whether the Group is allowed to invest the Government's funds in derivatives; if so, are there any restrictions in investing in derivatives and what these restrictions are; and
- (b) whether, in the light of this incident, the Government has reviewed its policies and instructions in relation to investing Government funds and reserves through fund managers, and whether the Government has issued guidelines to statutory bodies in relation to their fund investments?

Reply:

On (i), Barings International Investment Management Limited (BIIL) has been an appointed manager for a portfolio of fixed income assets for the Exchange Fund. For both operational reasons and on grounds of commercial confidence the Monetary Authority does not disclose the sizes of the portfolios with the Exchange Fund's appointed managers. Nevertheless, the sum total of all such portfolios is only a minor portion of the Exchange Fund in total.

On (ii), no losses have been incurred on the portfolio. Assets held in the Exchange Fund's name with BIIL's custodians were protected under the United Kingdom insolvency law throughout the period of Baring Group's administration.

On (iii), the Monetary Authority gives precise instructions to the appointed managers of the Exchange Fund, including investment objectives of the portfolios under their management, lists of authorised instruments and maximum positions and exposures. These exposures include exposures to banking counterparties.

On (iv), appointed managers of the Exchange Fund are allowed to invest in financial futures subject to very stringent restrictions; amongst other things these restrictions ensure that the appointed managers do not run open unhedged positions. Positions are reported daily to the Monetary Authority.

On (b), the Government keeps the guidelines to the appointed managers of the Exchange Fund under constant review. The Exchange Fund Advisory Committee has recently considered a report by the Monetary Authority on the wider implications of the Barings episode for the Exchange Fund's funds under outside management. The enabling legislation for statutory bodies require the prior approval of the Financial Secretary before statutory bodies may invest funds. These recent developments will be borne in mind in considering any future applications.

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