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Transcript of FS's second Budget press conference

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The following is a transcript of the second Budget press conference held by the Financial Secretary, Mr Donald Tsang, today (Thursday):

FS (in Cantonese): Thank you. It is actually part of a tradition that we met with you yesterday and we meet with you again today. May I give some introductory remarks.

This morning I got up and I looked at what is in the press and I also heard coverage on the radio and I have been very encouraged, and my colleagues have also been very encouraged. What we aim to do in the Budget is to reflect what the community wants and it seems what we have done has been by and large accepted by the community.

And this morning I was at the Phone-in Programme at RTHK and I heard the views directly from the community. I must say that today, to me, the weather is extremely good when I was on my way to Broadcast Drive and on Waterloo Road - you know that I was in a Government car which is recognised - and then I was driving along and suddenly there was a PLB that tried to overtake my car. When the PLB driver past my car the driver lowered the window and he gave me a thumbs up three times. So even members of the public did listen to the Budget and they felt that actually there is something that they could accept and identify with.

And I also took calls on the radio and broadly speaking we have got their support. And they talk about - I have a vision and I have a heart. And of course I wish to thank them all. And of course, as I have said, the Budget is not my personal efforts; rather it is the Government's Budget and also the work of all my colleagues.

And I also met with the District Board Chairmen and also the Chairmen of the two Municipal Councils and they also gave me their views and in general I think we have got their support. And some have told me that we have managed to score 80 marks and this is very satisfactory.

From the radio and also from the press we have also got the initial response from the legislators and they have said what they felt and then they also told us about the inadequacies. And when I met with the District Board Chairmen whom I understand have consulted some of their contestants. I took comfort that the general feeling is that this is in fact a very balanced Budget. I wish to say that there are three very important principles in our Budget and we have followed these principles. And since we have managed to get broad acceptance, it confirms that our principles are correct.

The first principle is that for the short term, i.e. the 96-97 Budget, we must have a balanced budget because we had a deficit in 1995-96. Two consecutive years of budget deficit might hit the confidence of the people in Hong Kong and also international investors albeit psychologically, and therefore it is essential that we have a balanced budget for 96-97.

The second principle is in the medium term the target is to ensure a smooth transition. In other words we can't really look at this year's Budget in isolation and ignore the importance of a smooth transition. And this has been accepted by the DB Chairmen and it is as important as a balanced budget.

And then the third principle, we must also plan on a long term basis. In other words, what is our direction, how do we try and face the new millennium? And we have big changes in the market and we have changes in our economic structure and in the business sector we have got some new changes coming in and the Government will have to respond. And one-third of my Budget actually covered that question. And it seems as if the response has been very good and they accept the proposals. And so initially, I am quite satisfied with this.

But of course a day has passed and you have read more carefully all the different documents and I am sure you will have more in depth questions and probably I might not be able to answer all those questions so well, and so I have got with me all the experts and they will be able to help us.

I do not want to bore you again to say the same thing in English. But what I have just said, in summary, is that I am quite gratified and encouraged by the initial response; the response given by the community as a whole, in general, and the District Boards and the Municipal Councils' Chairmen whom I met this morning in particular, to my Budget. The response of the Legislative Councillors, so far, is balanced as well.

I am looking forward to a very useful dialogue in the coming three weeks before the vote is taken on the Budget and I am very glad, in particular, that there seems to be a general agreement on the three objectives that my colleagues and I set out to achieve.

The short term one of a balanced budget; a medium term one of making sure the Budget will help to ensure a smooth transition, will complement our other works on creating a smooth transition across 1997; and we must have a longer term vision in the Budget, being the longer term objective. These three objectives seem to have struck a common chord among all the interlocutors I have met so far.

Perhaps I will stop here. You have had a chance to examine the documentation and I hope any detailed question will be given a reasonable response by my expert colleagues here.

Question (Cable TV - in Cantonese): On tax concessions, of course a lot of people applaud that but for people earning a monthly salary of, say, \$30,000-\$40,000, people who are paying the standard tax rate, now they will feel that this time they do not enjoy concessions like those in the lower income group. At the same time they shoulder a greater and greater proportion of tax revenue to be paid to the Government. So have you considered the plight of the middle class and would you consider any measures to help them out in future?

FS (in Cantonese): Now for the standard tax rate, at the moment in Hong Kong it is not as high as in other places. At the moment it is only 15% so this time we have not proposed any changes to the standard tax rate. Tax concessions are offered to those who are in genuine need, say for a sandwich class earning a monthly salary of \$30,000 as you mentioned. Now we have some examples. A family with two children, a dependent parent living together. If they have an annual income of \$300,000, this time they would get tax concessions of over \$3,000. In our example the family would have paid \$4,600 under the present system but then as proposed they will be paying just \$800, so a saving of over \$3,000. This concession is not bad at all.

And for others who have to pay the standard tax rate, they would have to be earning something like \$60,000 per month. It is true that they are not getting any benefit from my proposed tax concessions but I am in the same boat as they are. At the same time we must remind ourselves that they are people who are already very fortunate. For the salaried class, 2% of them pay standard tax rate and I am among one of them. But I think when we are earning such a handsome salary we should shoulder a bigger burden of the Government spending. So while I am sympathetic with them because my colleagues and I are all in the same shoe, I would say that we are playing our part in ensuring progress in society.

Question (Commercial Radio - in Cantonese): Now in the Budget you say that you have commissioned a company to consider the setting up of a mortgage corporation in Hong Kong. So in the course of study what technical difficulties may be faced and when the company is set up how would the public benefit from it?

FS (in Cantonese): Now I could answer that question briefly but since there are experts here perhaps I could defer it to the expert, Mr Hui.

SFS (in Cantonese): I wouldn't say I'm an expert. Tomorrow at the press conference you will really come to meet the experts. So today I don't intend to go into details because tomorrow the Hong Kong Monetary Authority, Mr Joseph Yam, would be with me to discuss this question with you.

Now you talk about the study and that's about the operation of the corporation and risk management as well as the regulatory regime. We would, in particular, refer to experience overseas like the USA and so on. In fact one of the prime objectives of such a corporation is to ensure the stability of the banking sector and the financial sector in Hong Kong. We want to decentralise risks shouldered by banks in Hong Kong because the stability of the banking sector is of utmost importance to the stability of society as a whole.

Now for individual members of the public, when they wish to buy their own homes; in fact when we talk about the operation of this company we want to take a progressive approach so when we reach a certain stage, not immediate, it would be possible for home buyers to enjoy greater accessibility and availability in mortgage because right now banks offering mortgages are under a strict regulatory regime and risks are pretty centralised risks. So in other words with the setting up of the corporation there should be more funds available and that would lead to a reduction in interest rates but that should be the medium effect because we don't want to be too drastic, we want to take a progressive approach.

Question (HK Economic Times - in Cantonese): Coming back to the tax net. Now this year you have fewer tax-payers. In other words, the tax base will be much weaker and then you have an increase in recurrent expenditure. So, in the long-term revenue might not be stable and the Chinese side might be worried?

And I have a second question.

FS (in Cantonese): Well, let me take the first question first. In relation to the tax net, now this is not a question that arises this year. As our economy grows, our revenue will exceed expenditure. It is only reasonable for us to return some of the money to our tax-payers and in the process, therefore, the tax net will be affected. So this is something that is rather inevitable and is a conflict that cannot be avoided.

But if you look back in the past years, now we have been relying on our existing revenue base and we have got direct taxes including profits taxes and also personal assessment, salaries taxes for individuals, and that account for 40% of our revenue and it has been stable. For years it has been 40% even though we have been making changes that have an effect on the tax net. The 40% has remained quite stable and so under the circumstances when we listen to people saying that our revenue base will become weaker, I don't think that is an argument that can be substantiated but, of course, a wider revenue base might be better. But behind what is a wider revenue base might mean more people caught into the net and that is what is meant by extending our tax net.

And so I don't believe that the community would welcome something like that and I am sure you do understand the situation. But as I have pointed out our revenue base is still quite stable and therefore we needn't worry too much.

Question (? speaker - in Cantonese): Mr Tsang, in relation to your consultation and co-operation with China in relation to the next budget; now you are saying that you will be trying to explain the proposals personally to the Chief Executive Designate but does that mean that the Hong Kong Government has already worked out all the proposals and will be informing them and see whether they accept, rather than working with the Chinese side?

FS (in Cantonese): As I have told you, talking about the transitional budget, we have already got a plan as mentioned by Sir Hamish last year and there are four stages and we are now at the fourth stage. And what is involved in the first stage is this. The co-operation will, of course, be enhanced when compared with the previous stages but our targets are the same. Smooth transition and it's something that the budget will have to be accepted both by government and also it should reflect the wishes of the people of Hong Kong. And so the objectives are common. And so what we call (say) about it, who is going to lead the whole thing, all those are in fact just technical points and a question of presentations. What we are saying is we should deal with this year's budget first and then after we have done that then we will have to deal with the other specific questions and we will have to talk to the experts of the Chinese side but I don't believe there will be insurmountable difficulties because after all we have a common goal and co-operation is something that is necessary. I don't believe it's difficult.

Question (? Speaker - in Cantonese): You are saying who should be taking the lead, it will be merely a technical point and secondary. The most important is the co-operation ...

Question (in Cantonese): Are you saying that who should be taking the lead is merely a technical point and is secondary, the most important is the co-operation ?

FS (in Cantonese): What I said was that whether who is taking the lead, what we have to look at are all practical issues that we have to face but we are not talking about any difficulties in principle. We have to look at a number of logistics, for instance, documents - should documents be translated ? Now, I don't have to worry about that. And Mr Kwong will have to give some thought to that and then within Government we will have to carefully deliberate on that. But to me, the question that is right in front of us is what I have to deal with now.

Question (in Cantonese): Could Mr Kwong supplement what you have said?

(Mr K C Kwong did not speak)

Question (in Cantonese): Mr Tsang, now you are considering setting up a mortgage corporation. You say you support it. Does it mean that the Government will inject capital into it or would the Exchange Fund inject capital into this quasi government corporation?

FS (in Cantonese): I think we are still at the stage of engaging a consultant to study the issue. I think Mr Hui did explain to you clearly, the whole objective is to maintain stability in the financial sector. So if there is a need for capital injection or to give an undertaking or whatever, certainly the Exchange Fund would be the appropriate instrument and nothing else. I think that must be the fairest approach. But at this stage we are still just commissioning a consultant to look at the issue, so that nothing is set yet.

Question (in Cantonese): Financial Secretary, on economic prospects you say there would not be a drastic upswing in property prices and rental. What is the basis for that forecast?

FS (in Cantonese): I think this question should best be deferred to the economist. The property task force did some work and made some recommendations in 1994 and it is quite obvious that almost all the speculators have left the market. So now most of them are end-users or long term investors in the property market. I am sure Hong Kong people are very smart. After such a turbulent period in property prices, I don't think the same sort of speculative activities would re-emerge so soon. So that is why we expect stable prices.

Question (in Cantonese): We have asked some major developers. They say that in major housing estates prices have gone up by 10%-15% already. Now you have depressed prices by 30% with the measures, so what is your forecast? Will it go up at least half-way?

FS (in Cantonese): I think when we look at the property market we do not just look at the movement in the past year or two. I think what is important is that in the last year or two there has been substantial moderation in the market. If you look at the number of transactions and property prices, it seems that in September last year the market bottomed out and then there was a gradual increase in prices.

Government Economist (in Cantonese): Now the recent rebound since October 1995, when compared to the drop from the peak in April 94, that was still modest. So in other words, in recent months, when compared to the peak two years ago, when you compare the prices I would say that there is still a very modest situation.

The Financial Secretary has said just now, yes it is true recently there have been more transactions. But then there are two important points to bear in mind. First of all on land auctioning activities, or rather on speculation activities, so far we do not see any evidence of that. I think most of the transactions really involve end-users. So that is why many in the trade believe that there would be healthy and steady growth in the market; there wouldn't be any surge in prices.

Question (HK Standard): Have you set a ball-park figure on how much all your suggestions would cost Hong Kong? And have you also set the timetable to reach those or at least implement some of them in phases or something? Especially today you said some of the money -- I mean your medium term forecast has not included the expenditure for MTR and KCR and other major projects. How does that sit in with your plans, you know for improving the sectors - I mean the services centre and also the business and everything?

FS: You are talking about various proposals I have made in the third part of my Budget Speech. For some of the proposals I have provided funds and I have mentioned them specifically here and there - for language training and so on. And for some others, they are still subject to further consultation with the private sector and the further development of the various action agendas included in the 10th Addendum to the Budget Speech. So it is not possible at this stage to set a timetable for completion of this. Quite clearly it is a priority area from my point of view and we will continue to pursue it. It is no more than a first step, as I mentioned, in my Budget Speech, and it is a product of only a few months work. We have a lot more work to carry out and it is in a priority area.

If I may ask you also not to quantify the benefits of these various action agendas in terms of the money we are going to spend in the coming few years because there will be an enormous multiplying effect involved and there will be contributions by the private sector as well. So it is important for you to look at this thing in a much wider and more liberal context. The agenda is set out for further discussion and I am looking forward for a partnership with the private sector in this.

Question (Commercial Radio): If we could just stay with English for a minute Mr Tsang. It seems like this Budget is constructed around certain ideas but perhaps with unintended consequences. You give a lot of benefits to families with two, three, four children which would be quite disadvantageous to individuals or couples who choose not to have children or have only one child. By comparison there is a discrepancy.

The other possibility is that the working poor would be less inclined, and have less incentive to hold a job given what they would earn as working poor versus what they could receive if they simply took CSSA and other benefits coming their way. There's an incentive to become unemployed.

FS: Well, two quite different questions.

I do attach importance to family values and I have said so in the Budget speech. It doesn't mean that I am encouraging very big families, going beyond the scope of what the family planners think is reasonable and rational. But it is, of course, necessary to recognise the financial burden of a larger family in relation to a smaller one. There has always been an incentive in our revenue system, in our tax system to give allowances for the second, for the third and the fourth child. But, if you look at it carefully, Francis if you look through this carefully, the allowances for the third and fourth child are less than the allowance we give to the first two children. This indicates the priority we believe is important in the system itself.

Then you are talking about the level of CSSA. It is clearly an area which has been debated long and hard in the community, particularly among the social welfare sector. Only this morning I was exposed to a large number of telephone calls suggesting that perhaps we are now sailing quite close to the wind on CSSA.

But quite clearly, also, if you look back on the sort of messages and the sort of pressure that the Administration have been put under in the Legislative Council, in the professional bodies, it was a clear message that any additional new money that we may be able to find, which is generated by the growing economy, we should devote that sort of money to the welfare sector and that has been the priority we have adhered to and I do not see that there is a case, a clear case, that the level of CSSA payment is actually discouraging people from working, otherwise there would not be a common outcry about the unemployment rate because a lot of people are still very anxious to re-enter the employment market, the labour market. But it is something we I'm sure, in the Administration, would be guarding against. We will not produce a safety net going beyond doing a function, beyond that of a safety net.

Question (Commercial Radio - follow-up): In effect, if I understand what you are saying, the Administration has effectively succumbed to the political pressure to spend this money because it's very difficult to justify how much you are holding on to?

FS: I say nothing of the sort. What I am saying is we must be able to construct a Budget which meets community aspirations and at the same time a Budget which would be totally consistent with my budgetary guidelines and I think my Budget has complied with those two criteria.

K C Kwong has mentioned this other point which I've omitted, that our provision on CSSA has a very firm foundation. The firm foundation is the outcome of the Household Expenditure Survey in which we have looked at those peoples' spending pattern in the assisted sector and those people who are outside that sector and that would be a useful benchmark against which we could verify CSSA level of assistance.

Question (? speaker): Just going on from that, I think there's been a few rumblings in the pro-China press today. Are you resigned to criticisms from the Chinese quarter that you are spending too much on social welfare or going in the direction of a welfare state?

FS: We are certainly not going into a welfare state but we certainly believe that welfare is important in this community. We have noted the Chinese side comments, we have to say it, not for the first time, and we have taken that into account in constructing the budget. But there are contending pressures in the community and if you hear, I'm sure you all have, what has been said so far by Legislative Council across the board practically, there seems to be more criticism on what they call the inadequate provision in this regard.

So some balance needs to be struck and I believe the Administration has struck the right balance in producing the Budget. And the same point I think was echoed in my meeting with the District Boards and the Municipal Council this morning and I gather that various Chairmen had consulted their constituency before the meeting today. They seem to agree that we have struck the right balance, hence the score of 80 points.

Question (HK Economic Journal - in Cantonese): Again some questions raised by pro-China newspapers. Now in some of their editorials and commentaries it was said that there was such huge tax concessions but at the same time there wouldn't be an additional increased income from land sales, so where does the money come from? That seems to be the question asked and they say that for many of the spending items and revenue proposals (it) means that the SAR Government would have to pick up the bills and also there are some items which may have an impact on the 1997-98 budget. So are you confident that they will allow you to carry out those proposals after next year?

FS (in Cantonese): Of course there are a lot of comments expressed and varied comments too. I think it is important we must bear in mind the fact that Hong Kong is a vibrant society, it is still on the move, it is not stagnant in any way. So there are some projects that are still on going. There are some projects reaching their peak and there are other projects which are just about to commence. So we can't say that on 30 June, 1997, all projects must come to a halt and then starting from 1 July, 1997, we only start new projects then so that there wouldn't be projects straddling 1997. We can't do that because if we do that it means everything must come to a halt or come to completion on 30 June, 1997, before we start new infrastructural projects.

Now only then would there be no financial commitment being carried forward beyond 1997 but that wouldn't be the way to do things because Hong Kong is a vibrant society, that's a dynamic society. Because if we take such a short-term view then there would be a period in 1997 when Hong Kong would have come to standstill because no infrastructural projects could be carried out. But we all know that for any infrastructural projects, of course, there would be lead time, especially for major ones. So we need to start planning on those projects and of course when there are some projects which have huge cost implications they must be taken up in discussion with the Chinese side. So Mr Kwong will certainly take up these matters with his counterparts in the Expert Group. Now I don't see there would be major difficulties here. We have overcome other, even bigger difficulties so I see no problem with this.

Question (HK Economic Journal - in Cantonese): So what will be the difficulties Mr Kwong, would there be any?

S for Tsy (in Cantonese): Now as the Financial Secretary has made it clear we have a common objective that is a smooth transition ...

S for Tsy (in Cantonese): As the Financial Secretary has made it clear we have a common objective, that is a smooth transition. In the past eleven or twelve months we have explained in great detail the formulation process of the Budget and in the last few days we've published our expenditure figures and from these figures you can see that we do follow strict budgetary guidelines. So under the circumstances we are confident we will get China's acceptance of all the proposals.

Question (? speaker - in Cantonese): I have two questions.

(One question at a time please)

Now in the medium-range forecast it is mentioned that by the year 2000 we will have a reserve of \$365 billion and then in the Budget speech you stressed that no-one should even think of touching that reserve now. So what would you consider to be an optimum reserve for a Government? Is there any such ceiling set by the Government? For example, is it one year recurrent expenditure? Would you consider that to be the optimum reserve or do you have any other indicators?

FS (in Cantonese): I don't think we should have an indicator as such. When we talk about using the reserve, there must be an important condition to be satisfied. That is there must be a need for dipping into the reserve. Because a reserve is a reserve, we shouldn't just spend it on recurrent items. As I said in my Budget speech, the International Monetary Fund has looked at our situation and it is of the view that we must not touch our reserve given our present economic climate. Especially in view of the 1997 issue.

Now we have a reserve of \$150 billion and that's rather sound. It's not excessive certainly. And by the year 2000, there will be \$300 billion dollars. But maybe after 1997 we would have other major plans in the pipeline. We don't know yet. Of course the Financial Secretary will always give a forecast for next year. But right now we don't have any major new projects to come on stream. We're just talking about projects already on going. So that's why by the year 2000 we will have over \$300 billion in reserve. That's a fact.

But then every year we may have new plans and we need to review our economic situation every year. As to when would be the time to use the reserves, in 1995-96, for instance, we did dip into the reserve because we had a deficit budget. So we have to look at the trend growth rate of the economy to control our expenditure. Now we have a trend growth rate of 5% and we plan our expenditure accordingly. If we have less expenditure then we may have a surplus. But as in 1995-96 for instance our average growth rate was 4.6% and that's below 5%, we have a deficit. That's why, then we would use the reserves. So it doesn't mean that when we have money we must spend it. Otherwise we will have a deficit budget every time.

As I said, a deficit budget for 1996-97 goes against one of the major principles. That is why we must avoid a deficit budget in 1996-97 as far as possible.

Question (? speaker - in Cantonese): Mr Tsang, talking about family values in your Budget. Now this is Chinese values and it is only a Chinese Financial Secretary who will come up with such a concept - would you agree?

And then here we also have allowances for siblings. Have you got actual cases that have led to such proposals?

FS (in Cantonese): As I have said the Budget is not my sole efforts. It's actually team work and I will not claim total credit for it. But then, of course, different Financial Secretaries will have different views on this and I'm not the first in starting to give more allowances for the family. Sir Hamish started with the disabled, single parent allowances and with more allowances for the family. But of course my upbringing has also influenced this.

Question (? speaker - in Cantonese): You talk about improving, helping the industrial sector and also promoting the services sector and you also talk about you have to discuss these with the Chinese side. With all these concepts, how far do you think these can be implemented and how much are we talking about?

FS (in Cantonese): Where we can allocate funds, it is already in our medium-range forecast and there are certain things that we are doing already. For instance, things in relation to language proficiency. But there are other things, for instance Science Park. Even if we start today, we will not be able to be really on the go before 1997. We're just now identifying sites. So this is a very major project and we will have to look at this in conjunction with the business sector. When we have reached a consensus then next year it will have to compete against other items at the resource allocation exercise.

Question (? speaker - in Cantonese): So you will have to further look at future things such as Science Park and it will not materialise in the short-term?

FS (in Cantonese): Yes. We do agree that we need to have a Science Park. So we are now trying to find a site and then we will have to work out the cost and then Mr Kwong will have to take it to the Expert Group to see how we can come up with funds, and that will be after 1997 that we can really implement that. But there are others that we are working on already. But others perhaps may still be in its conceptual stage and therefore I have put it down very clearly in the Budget.

We have worked at it for five months and the Task Force will continue to look at this. We hope that the business sector, the manufacturing sector and the services sector will give their views. If they agree, then we can go to the Finance Committee.

End

Govt fully committed to enhance language skills in schools

* * * * *

The Secretary for Education and Manpower, Mr Joseph W P Wong, today (Thursday) announced that the Government has accepted fully the final recommendations of the Education Commission Report No 6 (ECR6) on enhancing language proficiency and had made available sufficient resources to implement the major recommendations this year.

Speaking at a post-Budget briefing for the media, Mr Wong pointed out that the Government had earmarked some \$44.4 million a year to make an early start on implementing ECR6's recommendations which set out a comprehensive strategy for enhancing language proficiency of students in English and Chinese (including Putonghua).

This amount will include some \$6 million to be provided within his global allocation.

In the Draft Estimates for 1996-97, a recurrent expenditure of \$2.7 million, rising to \$17.6 million on a full year basis, has been earmarked for recruiting some 100 qualified native English speaking teachers for schools.

"The scheme will help increase the exposure of our students to the use of English language, in particular the spoken English," Mr Wong said.

To implement another important recommendation of ECR on Putonghua education, Mr Wong said the Government had provided \$10 million annually in recurrent expenditure to improve and expand teaching and learning of Putonghua in schools.

In 1996-97, \$1.2 million will be used to develop a new Putonghua curriculum for Primary One to Secondary Five students for introduction in September 1998.

Starting this summer, the Government will organise summer classes for primary and secondary students who wish to learn Putonghua. The annual cost for this project will be about \$10 million.

Also, training for teachers will be enhanced this year to ensure that there will be an adequate supply of trained teachers for teaching new Putonghua curriculum in primary and secondary schools.

As recommended by EC, schools would be encouraged to employ qualified native Putonghua speaking teachers who should assist in training teacher trainers and trainees of both the pre-service and in-service teacher education programme.

"All these measures will pave way for including Putonghua in the Hong Kong Certificate of Education Examination as an independent subject in the year 2000 as announced in the 1995 Policy Address," Mr Wong said.

On ECR6's recommendation that intensive English courses should be extended to some 10,000 Secondary Six and Seven students in English medium schools to further improve their language skills at university entrance level, Mr Wong said a recurrent cost of \$11.5 million a year had been earmarked to start the programme from September this year.

"Another important measure to help solve the problem at this level is a strict enforcement of entrance requirements in English by University Grants Committee-funded institutions.

"We will liaise closely with UGC on this matter and will continue to impress upon the heads and staff of the institutions that they should be more rigorous in enforcing English language entrance requirements with a view to upholding the quality of higher education," Mr Wong stressed.

Welcoming EC's final report, Mr Wong said the Government shared the Commission's view that the more pressing problems should be tackled as quickly as possible.

"We agree with the Commission's proposal to implement the various recommendations in phases, with Phase One concentrating on laying the foundation for the long-term measures and implementing the priority short-term initiatives," he said.

He pointed out that a major initiative under Phase I was the setting up of the Standing Committee on Language Education and Research (SCOLAR) later this year to provide an institutional framework for formulating and implementing language in education policy in a coherent and systematic manner.

Noting that EC in its Final Report recognised the need to rationalise the relationship between SCOLAR and the Language Fund Advisory Committee (LFAC), Mr Wong said the Government considered that SCOLAR should be set up as an independent body providing a coherent framework for language in education and to carry out various executive functions.

"Given the primary task of SCOLAR in the research and implementation of the policy on language in education, we consider it logical for SCOLAR to take over the function of LFAC in processing applications under the Language Fund. Action is now in hand to set up SCOLAR as soon as possible in 1996 and to allow LFAC to lapse," he said.

On teacher development and support, Mr Wong said the Government supported EC's recommendation that benchmarks should be set for language and non-language teachers as one of the measures to improve the language proficiency of students.

"We have invited the Advisory Committee on Teacher Education and Qualifications (ACTEQ) to consider the issue. ACTEQ has recently invited consultants to develop minimum language proficiency standards for all teachers by April 1996, and to develop minimum standards, competence and qualifications for language teachers by July 1996.

"After receiving recommendations from consultants, ACTEQ will make proposals to the Government as soon as possible," Mr Wong said.

Commenting on teachers' and educators' support of ECR6's recommendation that the workload of language teachers should be reviewed and reduced, Mr Wong said the Education Department would soon set up a task group to review and assess the workload of language teachers at a cost of \$0.8 million.

On EC's recommendation that support services should be provided for teachers such as the setting up of a Language Resource Centre and computerisation projects to promote professional exchanges of ideas and materials, Mr Wong said he had allocated within his global allocation a recurrent annual expenditure of \$3.4 million a year to improve the support services for teachers.

"Also, applications will also be made this month to the Language Fund for the establishment of a Language Resource Centre at a cost of \$3 million," he added.

To implement EC's other recommendations, Mr Wong also outlined the following programme of work:

- * SCOLAR which will consist of representatives of employers' associations and the business sector to consider how to develop ECR6's recommendation on launching a new Intensive Vocational Language Scheme to provide tailor-made language programmes both in English and Putonghua for school leavers joining the workforce.
- * Education Department to set up a task force to work out details on extending the existing Reading Schemes in Chinese and English to cover all levels of primary and secondary schooling and to develop similar schemes to strengthen the writing skills of
- * students. About \$1 million will be required for this programme.

In addition, the Government will examine the feasibility of introducing exit examination in tertiary institutions and immersion-type language training to enhance the language proficiency of Secondary Seven students.

Mr Wong stressed that the Government fully recognised the need to enhance the language proficiency of the young people in Hong Kong and was committed to make available sufficient resources to meet the major recommendations of ECR6 under Phase One.

"Implementation of all Phase One proposals will require additional recurrent expenditure of \$21.3 million in the first year rising to \$44.4 million on a full year basis, and non-recurrent expenditure of \$65 million.

"The implementation of other recommendations in Phases II and III will await the deliberations of SCOLAR and ACTEQ and the resources required will be worked out after firm proposals have been formulated and accepted by the Government," Mr Wong said.

He pointed out that whilst results of long-term measures could not be felt within a short period of time, the implementation of short-term initiatives was expected to bring about improvements in language standards in general, and in particular, at university entrance level after two to three years time.

"The Administration will monitor the situation closely and will undertake a thorough evaluation of the relevant measures in 1998," he said.

Mr Wong said he was confident that the implementation of the recommendations would enhance the language proficiency of Hong Kong's young people and the workforce such that the territory's position as a leading service, financial and economic centre in the Asian Pacific Region would be maintained.

End

\$300 million grant for retraining programme proposed

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The government's proposal to make a \$300 million grant to the Employees Retraining Board (ERB) reserve fund is to enable the Board to have the necessary financial backing for its current activities and future programmes.

Furthermore, the Government is about to appoint consultants to undertake a comprehensive review of the Employees Retraining Scheme with the aim of fine tuning the Scheme to meet market needs and tightening quality control of the retraining programmes.

This was stated today (Thursday) by the Secretary for Education and Manpower, Mr Joseph W P Wong, when speaking to the media at a post-Budget briefing.

Mr Wong pointed out that ERB's retraining fund would continue to sustain a deficit in 1996-97 and the balance of the fund was expected to be further reduced.

"It is because the Board's primary income from levy is decreasing as a result of the freeze of the General Labour Importation Scheme since April 1995 and the retraining expenditures have gone up significantly following the expansion of training programmes in recent years," he said.

In the 1993-94 financial year, retraining expenses was at \$106.3 million which was readily met by the levy income of \$130.5 million.

However, in 1994-95, the levy income dropped to \$97.6 million while the retraining expenses had gone up to \$245.8 million. During the period, the balance of the Fund dropped from \$437.1 million to \$310.6 million.

As at January 1996, the levy income was \$60 million whereas the retraining expenditure amounted to \$190 million, further bringing down the balance of the Fund to \$186 million.

Mr Wong underlined the importance of injecting the necessary fund into the Board which had assumed a greater role in tackling unemployment by providing retraining to displaced workers to help them re-enter the workforce.

The consultancy study will set the direction and map out a strategy for the provision of retraining for the next few years, he added.

"In 1992, the Finance Committee approved a capital injection of \$300 million, which is equivalent to two and a half years' levy income.

"Calculating with this principle and using the estimated levy income in 1996-97, we recommend that another \$300 million should be injected into the ERB," Mr Wong said.

On the New Technology Training Scheme providing matching grants to companies which intend to help their staff acquire skills in new technologies, Mr Wong said it was the right time to review the parameters of the Scheme because having properly trained workers in the latest advanced technological skills was of great importance to Hong Kong's economy.

End

Outcome of Geneva meeting on VMs welcomed

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A government spokesman today (Thursday) welcomes the outcome at the seventh meeting of the Steering Committee of International Conference on Indo-Chinese Refugees in Geneva to reaffirm unanimously that the only viable option for Vietnamese who have been determined to be non-refugees is return to Vietnam.

"We are pleased to note that while Comprehensive Plan of Action would officially come to a conclusion by the end of June 1996, special arrangements will continue to be made in the case of Hong Kong in the light of prevailing special circumstances, with the aim of solving the Vietnamese boat people problem in Hong Kong as soon as possible after June 30, 1996," he said.

"In other words, UNHCR will continue its operations in, and assistance to Hong Kong beyond that date."

The Secretary for Security, Mr Peter Lai, and the Refugee Co-ordinator, Mr Brian Bresnihan, attended the meeting which was held on March 5 and 6.

End

Asbestos regulation to be gazetted

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The Air Pollution Control (Asbestos) (Administration) Regulation, setting out the qualifications, conditions and procedures for registration as asbestos consultants, contractors, supervisors and laboratories, will be gazetted tomorrow (Friday).

The registration system will start shortly after the implementation of the Regulation on May 1.

"This will enable the control of environmental asbestos under the Air Pollution Control Ordinance to take full effect by the end of the year," Principal Environmental Protection Officer of the Environmental Protection Department, Mr Tse Chin-wan, said today.

"Statutory control of asbestos is necessary. It is well proven that inhalation of airborne asbestos fibres may lead to serious illnesses, such as asbestosis, lung cancer and mesothelioma.

"With a registration system in place, asbestos removal and related work will in future only be carried out by qualified personnel conforming to the codes of practice of the trade."

Their performance will be monitored by an Asbestos Administration Committee, whose membership will also be gazetted tomorrow.

The 11-member Committee will assist in processing applications for registration and would conduct inquiry into complaints concerning misconduct of registered personnel, company or laboratory.

"This is to ensure a high standard of performance during the carrying out of asbestos related work and to reduce the risk of public exposure to environmental asbestos," Mr Tse said.

Persons or companies applying for registration will have to pay a fee of \$2,905 and an annual fee of \$910.

End

Governor to open Hong Kong Promotion in Scotland

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The Governor, the Rt Hon Christopher Patten, will open a major Hong Kong promotion in Scotland's capital city, Edinburgh, in October.

Announcing details of the "Hong Kong: City of Tomorrow" architectural exhibition and the "Hong Kong 1997 and Beyond" business conference to the Scottish media in Edinburgh yesterday (Wednesday), the Hong Kong Commissioner Sir David Ford said: "We want to show examples of our lifestyle and the tremendous strides made over the years in the sphere of housing and also tell the business community and investors here of the opportunities that Hong Kong has to offer them."

The promotion, which brings Hong Kong to Scotland, will also include special cultural events. Artists from the territory and from Hong Kong Chinese community groups in Scotland will give a series of performances.

The architectural exhibition will be held in Edinburgh's prestigious City Arts Centre from October to January 1997, is expected to attract thousands of visitors.

It will highlight aspects of housing and building developments over the years to its present day international status as a city of architectural excellence.

A typical public housing apartment occupied by a Hong Kong family will be included in the exhibits to show everyday home-life in the territory.

"We have attracted first rate architects and are in the forefront of technological and architectural design, we want to bring a flavour of the Hong Kong lifestyle to Scotland and show how we have made a success of high-rise public housing and high density living," Sir David said.

"We are also delighted to be part of the second Edinburgh Festival of Building and Design," he added.

The Business Conference will be held on October 24 at the Edinburgh International Conference Centre.

The Governor and leading businessmen from Hong Kong and the United Kingdom will give keynote speeches at the one-day conference.

They will highlight opportunities for developing and doing business in Hong Kong and explain the strategic role the territory plays in China's development programme and that of the Asia Pacific Region as a whole.

"Scotland is an important financial centre in the UK and there is increasing interest in doing business in the region," Sir David said.

In addition to the architectural exhibition and business conference, he said, the cultural events planned would add another dimension to the Hong Kong message to be brought to Scotland.

"Our promotion will be an exciting event, bringing Hong Kong to Scotland and is sure to be one that will stimulate the public," said Sir David.

Also attending the press conference were the Rt Hon Norman Irons, Lord Provost of Edinburgh and Councillor Eric Milligan, Convenor Lothian Regional Council who will be the Lord Provost when the exhibition is held and Mr Henry Tse, President of Edinburgh and District Chinese Association.

End

Recovered eagle to be free again

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The eagle which was injured after being trapped by a piece of kite string on a tree at Stanley in late January has recovered and will become free again tomorrow (Friday).

Announcing the good news, an Agriculture and Fisheries Department (AFD) veterinary officer, Dr Thomas Sit, said the eagle had recovered from its injury faster than expected.

"Apart from having a quick recovery from wounds to its wing and other parts of its body, the bird has gained some weight," said Dr Sit, who had been taking care of it since it was admitted to the Shek Wu Hui Government Kennels.

The frequency of the bird flying within the big cage had increased considerably in the past several days, indicating that it had been gaining more confidence and strength to return to its normal wild life, he said.

Dr Sit is also optimistic that the bird will survive in the wild after being freed near the Tai Po Kau Nature Reserve.

Another wild animal, a civet cat, will also be released at the nature reserve tomorrow.

End

Views sought on prevocational and technical education

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Educators and members of the public are invited to participate in a public forum on Saturday (March 9) to express their views on Hong Kong's prevocational and secondary technical education system, which is being reviewed by the Government.

The forum will be held at Harbour View Room, 3rd floor, the Excelsior Hotel, 281 Gloucester Road, Causeway Bay, from 9.30 am to noon.

The Education Department has set up a working group to conduct a comprehensive review of prevocational and secondary technical education in Hong Kong, covering such topics as curriculum, interface with tertiary institutes, teaching facilities and teacher training.

Meanwhile, members of the public are invited to send their views to the Secretary, Working Group to Review Prevocational and Secondary Technical Education at Room 1404, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong, before April 1, 1996.

Enquiries may be made on 2892 6315.

End

Beat drugs seminar for social workers

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A seminar aims at enhancing the capability of frontline social workers in dealing with young drug abusers will be jointly organised by the Narcotics Division and the Social Welfare Department tomorrow (Friday).

Entitled "Working with Young Drug Abusers - An Overview of Work Approaches of Different Professions", the seminar will discuss collaboration between social work profession and other disciplines in working with young drug abusers.

More than 370 in-service and student social workers will attend the seminar which is part of the Government's on-going efforts in tackling the problem of drug abuse among young people.

The event will bring together different professionals in the drugs-related field to share their views and experience and will provide a forum for discussion among social workers.

The Assistant Director (Youth and Rehabilitation) of Social Welfare Department (SWD), Mr Carlos Leung; Assistant Secretary for Security (Narcotics), Miss Vicki Wong; and Consultant Psychiatrist of Castle Peak Hospital, Dr Leung Shung-pun are invited to speak at the seminar.

Other speakers include Inspector Fong Ying-hon of the Narcotics Bureau, Supervisor of SWD's Against Substance Abuse Scheme), Mr Tan Tick-ye, and secondary school principal, Mr Ying Yu-hing.

End

7th and 8th "Get together" between HK and Chinese officials

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Following consultation with the Xinhua News Agency (Hong Kong Branch), we are pleased to announce that the seventh and eighth informal get-together between senior Hong Kong civil servants and officials of the Chinese side will take place respectively on March 14 and 15 at the Voting Members' Box, Happy Valley Racecourse starting at 10.30 am. It will end after lunch.

Participating officers will be:

March 14

Mr Bowen Leung
Secretary for Planning, Environment and Lands

Dr Pun Kwok-shing
Director of Planning

Mr R D Pope
Director of Lands

Dr Choi Yu-leuk
Director of Buildings

Mr R J S Law
Director of Environmental Protection (Designate)

They will be accompanied by Deputy Secretary for the Civil Service, Mr Michael V Stone, and Principal Assistant Secretary for the Civil Service, Mr Pang King-chow.

March 15

Mr Kwong Hon-sang
Secretary for Works

Mr Lam Chung-lun, Billy
Director of New Airport Projects Co-ordination Office

Mr Hu Man-shiu
Director of Water Supplies

Mr Lee Shing-see
Director of Territory Development

Mr Chan Yat-sun, Kenneth
Director of Architectural Services

Mr Ng Yee-yum
Director of Drainage Services

Mr H B Phillipson
Director of Electrical and Mechanical Services

Mr Lam Moon-tim, Bernard
Director of Civil Engineering (Designate)

They will be accompanied by Deputy Secretary for the Civil Service, Mr C I C Jackson, and Principal Assistant Secretary for the Civil Service, Mr Pang King-chow.

End

Dangerous squatter structures closed for public safety

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The Buildings Department today (Thursday) applied for a Court Order to close a number of squatter structures on the hillside adjacent to Grantham Hospital in Wong Chuk Hang for public safety.

A total of 76 residents from 33 families are affected by the operation. Those eligible for rehousing have been offered allocations by the Housing Department, while others would be accommodated in transit centres if necessary.

Chief Building Surveyor (Dangerous Buildings) of the Buildings Department, Mr Kwok Yui-chung, said that the structures were built of wooden boards and metal sheets with no proper foundation. Some of the stilt supports also showed signs of instability.

"The huts are so dilapidated and poorly maintained that they are no longer suitable for occupation.

"Furthermore, according to the advice of the Geotechnical Engineering Office, the slopes affecting the huts are liable to become dangerous.

"For the safety of the residents and the general public, it is necessary to vacate and demolish the structures and to carry out remedial work to the slopes," Mr Kwok said.

Mr Kwok noted that some of the squatters were still unwilling to accept the rehousing arrangement, although they were provided with several choices.

"I hope that the occupants will accept the offers without further delay so that the slope remedial work can commence as soon as possible.

"The Social Welfare Department and the South District Office will also render assistance to them if necessary," Mr Kwok said.

End

210 VMs transferred to Victoria Prison

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The operation today (Thursday) to transfer 210 Vietnamese migrants (VMs) from the North Section of the High Island Detention Centre (HIDC) to Victoria Prison was completed around 3 pm.

This group of VMs has been selected for return to Vietnam on two Orderly Repatriation Programme flights to be held over the next two weeks.

The operation had been advanced to this morning following the holding of hostage of a Correctional Services Department (CSD) officer by a group of VMs at HIDC yesterday. The officer was released early this morning after being held for 11 hours.

Passive resistance was encountered during today's operation, with more than 10 targeted VMs and their supporters staying on the hut roofs at one stage. It took CSD officers two hours to remove all the VMs from the roofs. No injury was reported.

As is the practice, the whole operation was observed by independent monitors.

Commenting on the operation, the acting Refugee Co-ordinator, Mr Gordon Leung, said he was pleased that no violence was encountered.

He also commended the officers who had conducted the operation for their patience.

"The Government is totally committed to the repatriation of all VMs as soon as possible," he said.

"The future of the VMs in our camps lies in Vietnam."

End

Transfer of VMs from High Island Detention Centre today

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The Government announced that a group of about 200 Vietnamese migrants will be transferred from the High Island Detention Centre today (Thursday) in preparation for their return under the Orderly Repatriation Programme.

They will be transferred to Victoria Prison for pre-flight documentation and medical checks prior to leaving Hong Kong in two groups within the next two weeks.

The transfer will be observed by independent monitors.

End

Queen's Gurkha Signals take part in Commissioning Parade

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Over 60 men from the Queen's Gurkha Signals will take part in a Commissioning Parade at the Prince of Wales Barracks tomorrow (Friday).

During the parade Commander British Forces, Major General Bryan Dutton, will commission Lieutenant (Queen's Gurkha Officer) Bhaktabhadur Sahi and will also present five Long Service and Good Conduct medals.

The Queen's Gurkha Signals, based at the Prince of Wales Barracks, not only enjoys a cosmopolitan mix of British, Gurkha and Chinese soldiers but is also made up of both Army and Royal Navy personnel.

It consists of a Regimental Headquarters, HQ Squadron (formerly HQ British Forces Administration Unit), Hong Kong Gurkha Signal Squadron and an Administration Unit at Sek Kong, New Territories.

End

Immigration officers to visit UK

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Four immigration officers will leave for the United Kingdom in mid-March for a six-week attachment programme with the UK Immigration Service.

The four officers are acting Senior Immigration Officers Mrs Kwok Lam Yee-kwan, Mr Ngan Chor-keung and Mr So Kam-tong; and acting Immigration Officer Ms Leung Chui-wa. They will visit branches of the Home Office handling immigration and nationality matters as well as immigration offices and ports.

At a briefing before their departure, the Director of Immigration, Mr Laurence Leung Ming-yin, said the Immigration Department placed great importance on giving its staff professional training.

Due to the growing complexity of immigration work, members of the Service were required to be vigilant and alert towards changes that had taken place, he said.

He hoped that the attachment would provide a good opportunity for the officers to broaden their horizon and to have a better understanding of the work of their counterparts in the UK, he added.

End

Hong Kong Monetary Authority money market operations

	<u>\$ million</u>	<u>Time (hours)</u>	<u>Cumulative change (\$million)</u>
Opening balance in the account	2,137	0930	+667
Closing balance in the account	2,314	1000	+667
Change attributable to :		1100	+667
Money market activity	+650	1200	+667
LAF today	- 473	1500	+668
		1600	+650

LAF rate 4.00% bid/6.00% offer TWI 123.6 *+0.1* 07.03.96

Hong Kong Monetary Authority

EF bills		EF notes				
Terms	Yield	Term	Issue	Coupon	Price	Yield
1 week	4.68	2 years	2802	5.16	99.37	5.58
1 month	4.86	3 years	3901	5.57	99.50	5.84
3 months	5.00	5 years	5012	6.38	100.49	6.35
6 months	5.12	7 years	7302	6.02	96.67	6.73
12 months	5.22	5 years	M502	7.30	103.02	6.64

Total turnover of EF bills and notes - \$25,887 million

Closed March 7, 1996

End